

Date:

Monday 23 February 2026 at 4.00 pm

Venue:

Meeting Room 6, Dunedin House, Columbia Drive, Thornaby TS17 6BJ

Cllr Barry Woodhouse (Chair)

Cllr Stefan Houghton (Vice-Chair)

Cllr Carol Clark, Cllr Eileen Johnson, Cllr Mohammed Mazi, Cllr Ross Patterson, Cllr David Reynard, Cllr Mick Stoker and Cllr Marcus Vickers

Agenda

1. **Evacuation Procedure** (Pages 07 - 08)

2. **Apologies for Absence**

3. **Declarations of Interest**

4. **Minutes** (Pages 09 - 18)

To approve the minutes of the last meetings held on Monday 29th September 2025 and Monday 24th November 2025

5. **Hotel Annual Reports and Accounts** (Pages 19 - 50)

6. **Company Governance – Shareholder Agreement** (Pages 51 - 72)

7. **Group Accounts** (Pages 73 - 76)

8. **External Audit - Audit Completion Report** (Pages 77 - 126)

9. **Annual Statement of Accounts 2024/25** (Pages 127 - 232)

10. **Annual Governance Statement** (Pages 233 - 244)

11. **Annual Report of the Audit Committee (Final)** (Pages 245 - 250)

12. **Risk Management Update** (Pages 251 - 254)

13. **Internal Audit Activity Report** (Pages 255 - 260)

14. **Internal Audit Charter** (Pages 261 - 268)

15. **Any Other Business** (Pages 269 - 270)

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting, including the opportunities available for any member of the public to speak at the meeting; or for details of access to the meeting for disabled people, please.

Contact: John Devine, Democratic Services Officer on email john.devine@stockton.gov.uk

Key – Declarable interests are :-

- Disclosable Pecuniary Interests (DPI's)
- Other Registerable Interests (ORI's)
- Non Registerable Interests (NRI's)

Members – Declaration of Interest Guidance

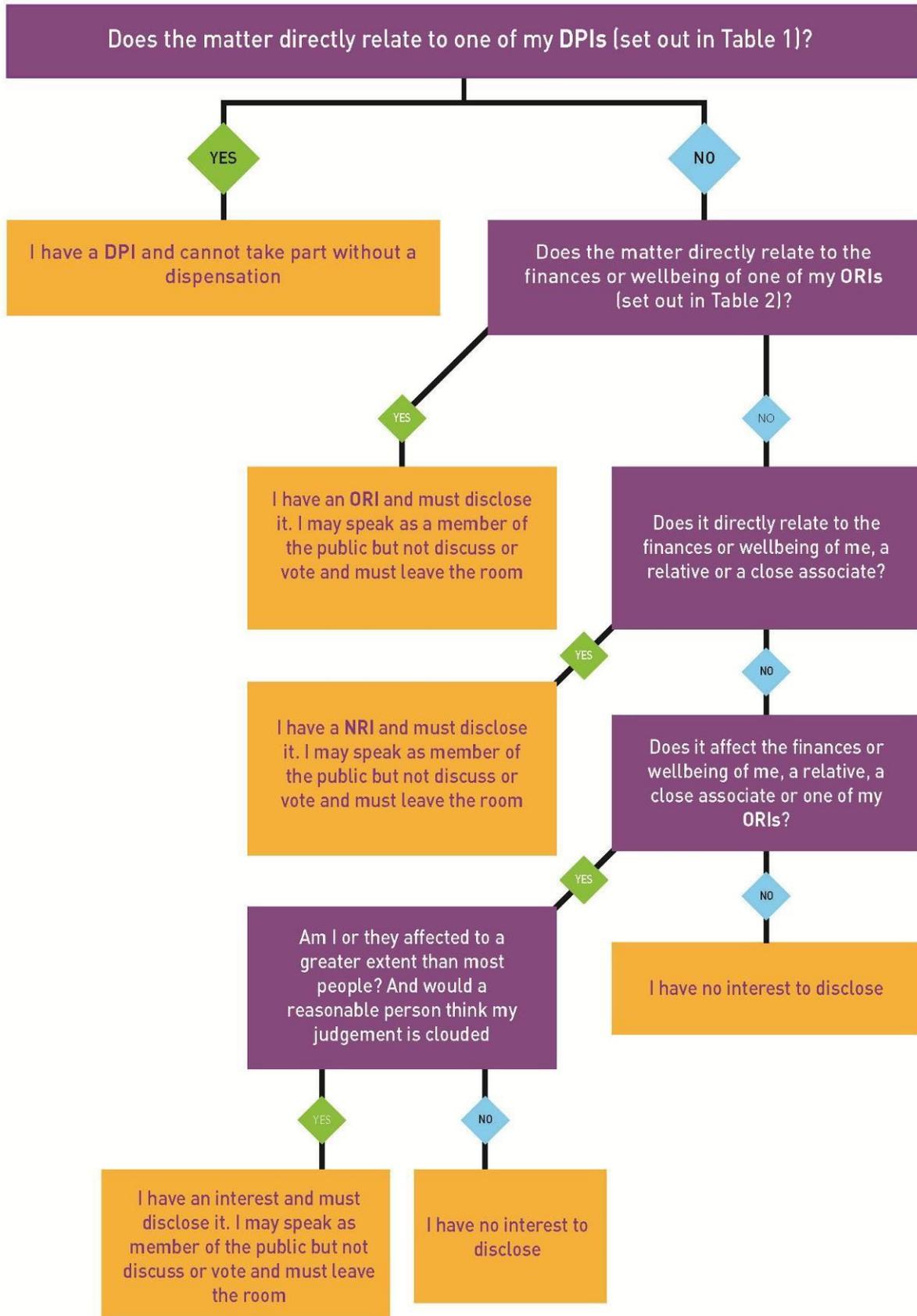


Table 1 - Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2 – Other Registerable Interest

You must register as an Other Registrable Interest:

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
- c) any body
 - (i) exercising functions of a public nature
 - (ii) directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management

Dunedin House Emergency Evacuation Procedure

In the event of an emergency alarm activation, everyone should immediately leave by the nearest available signed Exit route.

The main evacuation assembly point is the overflow car park, located across the road from Dunedin House.

Once there await further instructions.

- Do not re-enter the building under any circumstances without an “all clear” which should only be given by the Incident Control Officer.
- And please do not leave the area without permission.

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Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 29th September 2025.

Present: Cllr Barry Woodhouse (Chair), Cllr Mohammed Mazi, Cllr Ross Patterson and Cllr Mick Stoker

Officers: Andy Bryson, Andrew Barber and John Devine

Also in attendance:

Apologies: Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Eileen Johnson, Cllr Emily Tate and Cllr Laura Tunney

AGC/10/25 Evacuation Procedure

The Evacuation Procedure was noted by members.

AGC/11/25 Declarations of Interest

There were no declarations of interest.

AGC/12/25 Minutes

The minutes of the previous meeting held on Monday 28th July 2025 were agreed as a true record.

AGC/13/25 Internal Audit Activity Report

Officers presented the Internal Audit Activity Report to members; its purpose was to inform members of the progress of audit testing to date. Then present a forward pan of testing and the resources available to meet the plan to support the assessment of risk.

The overall summary of the audit results was grouped into themes, but Officers noted that there was nothing of great concern to highlight to members. The two themes which had the lowest assurance rates but were still above 75% were People and Performance Management. Officers explained that this was due to the Councils training scheme not reaching the targeted 95%.

Audit testing results break down work which had been undertaken in the previous period to inform members where audit resources had been employed. Officers highlighted 5 red controls from the previous period. Members were reminded that red controls were reviewed every three months, which could give the impression that the same issues are recurring while recommendations were being implemented. Officers monitor the progress of the implementation.

There was currently only one red control that had previously been reported and that was in relation to Joint Strategic Needs Assessment, this is a large piece of work which had made good progress to date.

The other four red controls identified in the report were in relation to the completion of information governance training (Community Services & Children's Services), a backlog in Primary Bridge Inspections and Annual Maintenance Plans for Council Owned Buildings.

Members were also informed that Officers had completed over 70% of Audit Checks, which was behind targeted goals due to Annual leave etc, but still ahead of previous years. Officers were confident that they would give an opinion by the end of the year.

Members AGREED to note the report.

AGC/14/25 Risk Management Update

Officers gave Members an update on the Risk Management Report, which informed members of the status of the Council's strategic risks. The strategic risk register primarily focusses on the achievement of objectives over the longer-term and could take a number of years to materialise. The assessments are based on information currently available and are used to evaluate potential future state of risk, as such they are regularly reviewed.

The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of the wider assessment of risks; other examples include financial certainty or potential changes that may be outside of the council's control.

Officers highlighted several sections of the report to members; one section was the "Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands." This risk had moved from an amber to a red, the primary cause of the change has been the number of processes and procedural issues identified during the Ombudsman's investigation of a complaint. A full review of the processes was being undertaken as part of actions agreed with the Ombudsman.

Another section highlighted was the "Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP." The risk had increased back to red from amber. Officers stated that although some good progress had been made in reducing the MTFP gap as a result of positive outcomes from the Powering Our Future programme, forecasts at Qtr 1 were suggesting an overspend in the current year. Steps were being taken to manage this in year.

Members thanked Officers for the report and noted the national picture which showed a majority of Local Authorities shared the same issues. Members also discussed the similar MTFP situation last year and how this year's issue felt more comfortable due to the work which had already been undertaken.

Members AGREED to note the Report.

AGC/15/25 External Audit Progress Report September 2025

Forvis-Mazars gave an External Audit Progress Report to members, in which they reiterated the national backlog arrangement in respect of Local Authority financial reporting and local audit. This means that the backstop date for the financial year 2024/25 would be 27 February 2026.

Forvis-Mazars audit of the Councils financial statements had commenced in August and Officers were expecting to complete before the backstop date. This relies on the receipt of the assurances required from the auditors of the Teesside Pension Fund, assurance was still uncertain, but Officers expected to receive them in the new year.

There were no other material matters to be brought to Members attentions.

The Value for Money (VFM) arrangements were also highlighted by Officers, Forvis-Mazars were waiting on the Councils self-assessment of its arrangements to support work on the Value for Money work. Officers would draft and present their VFM commentary before the end of November in their Draft Auditor's Annual Report.

Members AGREED to note the report.

AGC/16/25 Treasury Management Strategy Outturn Report 2024-25

Members were presented with the Treasury Management Strategy annual report for 2024/25. The purpose of the report was to inform members of the performance against the treasury management and prudential indicators set in the treasury management strategy approved by Council in February 2024.

The Council operates under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management annual report after the end of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA code.

Officers discussed the several sections of the report with Members, one section highlighted was the Dedicated Schools Grant (DSG). This was because a statutory override in England (capital finance regulation 30L) that requires local education authorities that incur expenditure on schools' budget in excess of the DSG received to charge this deficit to an unusable reserve instead of their revenue account. Cash would therefore leave authorities bank accounts for schools' expenditure without revenue cash coming in to pay for it.

At the end of the 2024/25 financial year the Council had an overall accumulative deficit of £6.7m on its DSG. The Council had to cash flow the deficit and any borrowing requirements and costs associated with borrowing incurred include this deficit. The cost of the borrowing cannot be charged to the DSG under current regulations, so these are charged to the Councils general fund. The cost of this borrowing was up to £300k.

This led Officers onto the borrowing update in the report. Officers began by reminding members that CIPFA's 2021 Prudential Code was clear that local authorities must not borrow to invest primarily financial return and that is was not prudent for local

authorities to make any investment or spending decision that will increase the capital financing requirement and could lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans were no longer available to local authorities planning to buy investment assets primarily for yield unless these loans were for refinancing purposes. Officers confirmed that the Authority had no new plans to borrow to invest primarily for financial return.

The Authority currently holds £18.322m in commercial investments (2023-24 £17.970m) that were purchased prior to the change in the CIPFA Prudential Code.

The Authority as part of the updated code in the future will need review the options for exiting these investments if there is an economical case to do so.

During the year long term loans decreased by £3.68m. This net position was due to the repayment of two LOBO loans totalling £21m and other long-term debt maturities. This had been offset by a £20m 15-month loan, agreed in February 24 to aid with the authority's cash flow during the year end period and in preparation of a loan maturing in early April 2025.

Short term loans had increased by £46.07m during the year. As noted in the mid-term treasury management report which came to the Audit Committee in November 2024 the authority repaid two LOBO loans, the loans had an original maturity date of 2077 and to reduce future interest rate risk and cost they were repaid early. The authority funded these by securing short term loans in the local-to-local market. Also, for cash flow purposes and as noted above in preparation for the repayment of other loan maturities, a medium-term loan had been entered into during the last months of the financial year.

Overall total borrowing increased from £108.39m as on 31st March 2024 to £150.78m as of 31st March 2025. Total investments increased during the year rising £17.57m from £21.78m at the end of 2023-24 to £39.35m at the end of 2024-25. Funds secured and held at year end to fund maturities during early April 2025.

Members noted that the borrowing against spending outlined in the report was low when compared to other Authorities in the areas, which shows that all areas are struggling but the Council is managing it better so far.

Members AGREED to note the report.

AGC/17/25 Any Other Business

Members were given an update on the Health & Safety Report. Officers noted the increase in reporting but believed that this was due to the new system in place, which was based online making it easier to use.

It was also noted that there had been an increase in the number of reported cases in Children Services, but Officers believe that this was more in line with actual figures and related to under reporting previously.

Members agreed to note the report.

AGC/18/25 Forward Plan

The Forward Plan was noted.

Chair:

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Audit and Governance Committee

A meeting of Audit and Governance Committee was held on Monday 24th November 2025.

Present: Cllr Barry Woodhouse (Chair), Cllr Mohammed Mazi, Cllr Ross Patterson and Cllr Mick Stoker

Officers: Andy Bryson, Andrew Barber and John Devine

Also in attendance:

Apologies: Cllr Stefan Houghton (Vice-Chair), Cllr Carol Clark, Cllr Eileen Johnson and Cllr Emily Tate

AGC/19/25 Evacuation Procedure

Members noted the evacuation procedure.

AGC/20/25 Declarations of Interest

There were no declarations of interest.

AGC/21/25 Risk Register Update and Audit Activity

Members were presented with the Risk Register Update and Audit Activity report, which was to inform members of the current status of the Council's Strategic risks. The strategic risk registers primarily focussed on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment was based on the information currently available and was used to evaluate the potential future state of the risk and as such would be regularly reviewed as further information became available. The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of a wider assessment of risks; other examples include financial certainty or potential changes that may be outside of the council's control.

The focus of the report was to update members on changes in risk levels since September, a key feature of the way in which the current risk status is assessed is the use of a colour rating system. A brief explanation was provided in the report.

- Red - Current concerns over the achievement of future objectives, actions must be developed to mitigate some of those concerns in the short-term, in order that we are able to meet future objectives.
- Amber - Concerns identified that may impact on the future achievement of objectives, actions required but these can be planned over the medium term.
- Green - No current concerns.

A full list of the strategic risks and their current status was included within the papers, Officers then briefed members on the Internal Audit Activity Report.

The purpose of the Internal Audit Activity Report was to inform members of the progress of audit testing to date and to present a forward plan for testing and resources. When a section is noted as red it doesn't mean that the Council is failing in that area but that they could impact the Council in the future if not dealt with.

Members were made aware of several sections through Officers highlighting them, such as the red marked section for DBS rechecks which was due to a manager being off for a period of time and some being rechecks being delayed. Another was the retention of Fit to Work Note which was due to them not being logged electronically.

Officers also informed members that a new audit system was being adopted by the Council, this could mean that the information presented to members might change going forward.

Members AGREED to note the report.

AGC/22/25 Treasury Mid Term Report

The Treasury Mid Term Report informed members of the performance against the treasury management and prudential indicators set in the 2025-26 Treasury Management & Capital Strategy reports approved by the Council in February 2025.

Officers highlighted several sections of the report to Members:

- Borrowing was being kept to short term loans due to the prevailing thought that interest rates will be dropping soon. Officers explained that they wouldn't want to lock the Council into long term high-interest rate loans.
- The number of long-term loans had decreased. Partly due to the above short term loan strategy and Officers taking the opportunity to pay back loans early when able to.
- Table four of the report showed that the Council had decreased its number of investments. Officers explained that this was due to increased fluctuations in the market. The Council objective is to minimise risk when investing.
- Officers anticipated an interest rate cut in December and another two cuts in 2026.

Members asked Officers about the investment strategy, which Officers explained that they have to take the lowest amount of risk to strike a reasonable balance or best use of the Council's funds.

Members AGREED to note the report.

AGC/23/25 Annual Report of the Audit Committee

Members were presented with a report that informed them of the work of the Audit & Governance Committee during the period 1st October 2024 to 30th September 2025.

The Annual Report produced by the Chairman of the Audit & Governance Committee had been prepared in accordance with the 'Audit Committees Practical Guidance for

Local Authorities' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018

The report demonstrated how the Audit & Governance Committee had fulfilled its key functions and how it was fully committed to helping improve the Council's governance and control environments.

RESOLVED that the report be noted.

AGC/24/25 External Audit - Audit Progress Report

Forvis-Mazars presented their Audit Progress Report to members. Officers reported that they had made good progress with the Council's accounts, and to date, there were no material matters to report to members.

However, the exact timing of the receipt of assurances required from the auditors of the Teesside Pension Fund is still uncertain, but it was expected to be received in the new year.

Officers informed members that they plan to present their Audit Completion Report and Final Auditor's Annual Report at the February 2026 Audit and Governance Committee meeting.

Members AGREED to note the report.

AGC/25/25 External Audit - Auditor's Draft Annual Report

Members were presented with Forvis-Mazars Auditor's Draft Annual Report, which summarised the work they had undertaken as the auditor for Stockton On Tees Borough Council for the year ended 31 March 2025.

Forvis-Mazar's audit was conducted in accordance with the requirements of the code, and international standards on Auditing (UK) (ISAs). The purpose of the audit was to provide a reasonable assurance to users that the financial statements were free from material error.

Officers noted that due to the report being a draft that the issue date of the audit report was blank currently, but they were confident that they would be able to present the full report at the next meeting.

The Value for Money section of the report was broken down into three sections, and they were, Financial Sustainability, Governance and Improving economy, efficiency and effectiveness.

There were no identified risks or significant weaknesses highlighted for Governance and Improving economy, efficiency and effectiveness. But in the Financial sustainability section of the report Officers highlighted the ongoing pressure and need to manage the 2025/26 budget in line with the revised MTFP.

From initial enquires Forvis-Mazars expected to see similar pressures, and a further deficit to be reported in 2024/25 from the last update in December 2024 the Council projected an overspend of £6.6m. Officers were forecasting an overspend in 2025/26 mainly owing to the continued pressure in Children's and Adult Services which was the case for most local authorities.

Forvis-Mazars was satisfied from discussions with Council Officers and reviews of reports that the Council have an understanding of the drivers of these pressures. Work had been undertaken to deliver financial sustainability such as the Powering Our Future Programme which had identified savings of £5.8m by 2026/27, with further work ongoing to identify the remaining savings (£2.3m). This would leave the Council with a budget gap of £0.9m by 2027/2028 as per the most recent MTFP update in February 2025. Additional savings were anticipated from transformation work within Children’s Services and mitigation work to reduce external pressures in relation to cost of children in care.

Officers also noted that the Council had been reviewing its existing senior management arrangements in place where continuous reviews for further improvements in existing processes are in progress. This had allowed the Council to collate better quality data which had been used for more accurate forecasting of future costs and understanding growth in demand.

The strain from the Dedicated Schools Grant (DSG) deficit was also touched on in the report. As of 31st March 2025, the Council had reported a cumulative DSG deficit of £6.72m. There currently was a statutory override in place which requires the Council to ‘ring-fence’ the DSG deficit from its general fund, which means that it does not have to consider it when setting a balanced budget. Central Government has signalled its intention to extend the period that the override covers to 31st March 2028, but without action to address the cumulative deficit at the end of this period there is a risk that the Council will be unable to set a balanced budget.

The Council have agreed to a detailed DBV plan with a number of mitigations which, if successful, would reduce the cumulative deficit to nil by the 2028 deadline.

Members AGREED to note the report.

AGC/26/25 Any Other Business

There was no other business to bring to members attention.

AGC/27/25 Forward Plan 2024/2025

Members noted the forward plan.

Chair:

AGENDA ITEM 5

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

23rd FEBRUARY 2026

REPORT OF CHIEF FINANCIAL OFFICER

STOCKTON BOROUGH HOLDING COMPANY LIMITED & STOCKTON HOTELS COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2025

PURPOSE OF REPORT

This report presents to Members the Directors Report, Independent Auditors Report and Financial Statements for the year ended 31 March 2025 for both Stockton Borough Holding Company Limited (SBHC) and Stockton Hotels Limited (SHC) provided to the to the shareholder (Stockton on Tees Borough Council).

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee

- Note the information presented in the annual report and financial statements for the year ending 31st March 2025 for SBHC and SHC.
- Note the publication of the full set of the accounts on the Councils website.

DETAIL

1. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).
2. Company law requires that the directors of both companies file the Annual Report and audited Financial Statements for the year ended 31st March 2025 with Companies House by 31st December 2025. Both companies filed all required information on 22nd December 2025.
3. The accounts filed with Companies House have been prepared in accordance with the provisions applicable to companies entitled to the small company exemption and does not include the Profit and Loss Account.
4. The directors of SBHC and SHC have provided a full set of financial statements to the shareholder which includes a profit and loss statement for both SBHC and SHC. Please refer to appendix A.
5. Following the independent audit of the financial statements of both companies the audit opinion is that the financial statements
 - give a true and fair view of the state of the company's affairs as at 31 March

- 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

FINANCIAL AND LEGAL IMPLICATIONS

Non directly with this report.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

Clare Harper
Chief Financial Officer

Contact Officer: Clare Harper, Chief Financial Officer
Telephone Number 01642 528377
Email: clare.harper@stockton.gov.uk

Company registration number 10523559 (England and Wales)

STOCKTON BOROUGH HOLDING COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

STOCKTON BOROUGH HOLDING COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr Reuben Kench Mr Christopher Renahan Ms TA Carter	(Appointed 18 July 2025)
Secretary	A Pilgrim	
Company number	10523559	
Registered office	Dunedin House Columbia Drive Thornaby Stockton-On-Tees England TS17 6BJ	
Auditor	Robson Laidler Accountants Limited Medway House Fudan Way Thornaby Stockton-on-Tees TS17 6EN	

STOCKTON BOROUGH HOLDING COMPANY LIMITED

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STOCKTON BOROUGH HOLDING COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the year ended 31 March 2025.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Reuben Kench

Mr Christopher Renahan

Ms Jill Winship (Resigned 30 June 2024)

Clare Harper (Resigned 7 July 2025)

Ms TA Carter (Appointed 18 July 2025)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Mr Reuben Kench

Director

17 December 2025

STOCKTON BOROUGH HOLDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON BOROUGH HOLDING COMPANY LIMITED

Opinion

We have audited the financial statements of Stockton Borough Holding Company Limited (the 'company') for the year ended 31 March 2025 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

STOCKTON BOROUGH HOLDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON BOROUGH HOLDING COMPANY LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- we identified the key laws and regulations applicable to the company through discussions with management and from our knowledge and experience of the sector in which the company operates;
- we focussed on laws and regulations where it was considered that non-compliance could have a direct and material impact on the financial statements or the operations of the company, which included the Companies Act 2006 and FRS 102 along with taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and as part of our procedures on related financial statement items, including inspecting applicable documentation;
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management regarding their knowledge of actual, suspected and alleged fraud and by assessing other factors including, but not limited to, the role of accounting estimates, internal control systems, management override and journal entries.

Audit procedures performed by the engagement team then included the following (using a sample basis as applicable):

- considering issues regarding revenue recognition;
- testing of journal entries and complex transactions;
- considering the rationale behind identified significant or unusual transactions; and
- assessing whether judgements and assumptions made in the calculation of accounting estimates appeared reasonable.

STOCKTON BOROUGH HOLDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON BOROUGH HOLDING COMPANY LIMITED (CONTINUED)

It is noted that, in light of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. It is considered that this risk increases the more that compliance with a law or regulation is removed from the events and transactions that are reflected in the financial statements as we will be less likely to become aware of instances of non-compliance. It is also noted that the risk is greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Tindle BA FCA (Senior Statutory Auditor)

For and on behalf of Robson Laidler Accountants Limited, Statutory Auditor
and Chartered Accountants
Medway House
Fudan Way
Thornaby
Stockton-on-Tees
TS17 6EN
18 December 2025

STOCKTON BOROUGH HOLDING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2025

	2025	2024
	£	£
Turnover	28,970	24,000
Administrative expenses	(25,845)	(23,476)
Other operating income	2,252	10,676
	<hr/>	<hr/>
Operating profit	5,377	11,200
Income from shares in group undertakings	266,979	190,000
	<hr/>	<hr/>
Profit before taxation	272,356	201,200
Tax on profit	(2,290)	(2,290)
	<hr/>	<hr/>
Profit for the financial year	<u>270,066</u>	<u>198,910</u>

STOCKTON BOROUGH HOLDING COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 2025

	Notes	2025 £	£	2024 £	£
Fixed assets					
Investments	3		1		1
Current assets					
Debtors	4	10,970		3,261	
Cash at bank and in hand		6,628		10,845	
		<u>17,598</u>		<u>14,106</u>	
Creditors: amounts falling due within one year	5	<u>(13,822)</u>		<u>(13,417)</u>	
Net current assets			<u>3,776</u>		<u>689</u>
Net assets			<u><u>3,777</u></u>		<u><u>690</u></u>
Capital and reserves					
Called up share capital	6		1		1
Profit and loss reserves			<u>3,776</u>		<u>689</u>
Total equity			<u><u>3,777</u></u>		<u><u>690</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 17 December 2025 and are signed on its behalf by:

Mr Reuben Kench
Director

Company registration number 10523559 (England and Wales)

STOCKTON BOROUGH HOLDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2025

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2023		1	(8,221)	(8,220)
Year ended 31 March 2024:				
Profit and total comprehensive income		-	198,910	198,910
Dividends		-	(190,000)	(190,000)
Balance at 31 March 2024		1	689	690
Year ended 31 March 2025:				
Profit and total comprehensive income		-	270,066	270,066
Dividends		-	(266,979)	(266,979)
Balance at 31 March 2025		1	3,776	3,777

STOCKTON BOROUGH HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Company information

Stockton Borough Holding Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Dunedin House, Columbia Drive, Thornaby, Stockton-On-Tees, England, TS17 6BJ.

1.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Preparation of consolidated financial statements

The financial statements contain information about Stockton Borough Holding Company Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Stockton on Tees Borough Council, Dunedin House, Columbia Drive, Thornaby, Stockton-on-Tees, TS17 6BJ.

1.2 Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

1.3 Fixed asset investments

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Investments in subsidiary undertakings are held at cost less impairment.

1.4 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.5 Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

STOCKTON BOROUGH HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2025	2024
	Number	Number
Total	3	4

3 Fixed asset investments

	2025	2024
	£	£
Shares in group undertakings and participating interests	1	1

4 Debtors

	2025	2024
	£	£
Amounts falling due within one year:		
Other debtors	10,970	3,261

5 Creditors: amounts falling due within one year

	2025	2024
	£	£
Amounts owed to group undertakings	2,290	7,502
Taxation and social security	2,290	2,290
Other creditors	9,242	3,625
	<u>13,822</u>	<u>13,417</u>

STOCKTON BOROUGH HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

6 Called up share capital

	2025	2024	2025	2024
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

7 Parent company

The company is a wholly owned subsidiary undertaking of and is ultimately controlled by Stockton on Tees Borough Council.

The parent of the smallest group of which Stockton Borough Holding Company Limited is a member and for which consolidated financial statements are drawn up is Stockton on Tees Borough Council, whose principal place of business is Dunedin House, Columbia Drive, Thornaby, Stockton-On-Tees, TS17 6BJ.

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Company registration number 10525068 (England and Wales)

STOCKTON HOTELS COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

STOCKTON HOTELS COMPANY LTD

COMPANY INFORMATION

Directors	Mr Reuben Kench Mr Christopher Renahan Ms TA Carter	(Appointed 18 July 2025)
Secretary	A Pilgrim	
Company number	10525068	
Registered office	Dunedin House Columbia Drive Thornaby Stockton-On-Tees England TS17 6BJ	
Auditor	Robson Laidler Accountants Limited Medway House Fudan Way Thornaby Stockton-on-Tees TS17 6EN	

STOCKTON HOTELS COMPANY LTD

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STOCKTON HOTELS COMPANY LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the year ended 31 March 2025.

Review of Business

The principal activity of the company is that of a hotel operator covering a single hotel.

The performance headlines for the 2024-25 financial year are as follows:

Turnover	£3,969,075
Profit after tax	£365,903
Occupancy	77.7%
Average Daily Rate	£97.37

It is noted that part of the profit after tax figure for each year is used to fund a cash contribution to a Furniture, Fixtures and Equipment (FF&E) account that is held by Stockton on Tees Borough Council. The amount involved is approximately £119,000 re 2024-25. The funds are held in the FF&E account to be drawn down by Stockton Hotels Company Ltd when FF&E works are carried out at the hotel.

The hotel continues to enjoy a strong position within the local market, with a core focus on capturing the mid-week corporate market and supplementing this with leisure clientele on a weekend. During the year the hotel followed a similar path to previous years with a buoyant mid-week occupancy level, which has enabled the hotel to maintain higher average daily rate than its local competitor set of hotels.

Increases in operating costs driven by predominately but not exclusively, increases in the National Living Wage alongside high inflationary pressures have been mitigated by robust procurement processes and the ability to take advantage of larger buying power through the hotel management company. In addition, work is currently ongoing to explore value for money opportunities of some of the current commercial arrangements in place.

The hotel has taken the opportunity throughout the year to build on recent years positive performance. It has enjoyed well established business with commercial providers, continuing to invest time in those key relationships and actively seeking new ones, ensuring the hotel maintains its role of being a key asset to support local businesses.

The directors are pleased that the company has been able to continue to support the local economy through a range of channels. A number of key contracts continue to be delivered by the local suppliers. Alongside this the majority of staff employed by the Hotel are recruited from within the boundaries of the Tees Valley.

The directors are reassured by the continued high customer satisfaction scores and reviews across various platforms continue to remain positive. This demonstrates the Hotels strong position within the competitor set and supports the value the hotel offers to the local area.

Results and dividends

Ordinary dividends were paid amounting to £266,979. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Reuben Kench	
Mr Christopher Renahan	
Clare Harper	(Resigned 7 July 2025)
Ms Jill Winship	(Resigned 30 June 2024)
Ms TA Carter	(Appointed 18 July 2025)

STOCKTON HOTELS COMPANY LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Mr Reuben Kench
Director

17 December 2025

STOCKTON HOTELS COMPANY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON HOTELS COMPANY LTD

Opinion

We have audited the financial statements of Stockton Hotels Company Ltd (the 'company') for the year ended 31 March 2025 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

STOCKTON HOTELS COMPANY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON HOTELS COMPANY LTD (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- we identified the key laws and regulations applicable to the company through discussions with management and from our knowledge and experience of the sector in which the company operates;
- we focussed on laws and regulations where it was considered that non-compliance could have a direct and material impact on the financial statements or the operations of the company, which included the Companies Act 2006 and FRS 102 along with taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and as part of our procedures on related financial statement items, including inspecting applicable documentation;
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management regarding their knowledge of actual, suspected and alleged fraud and by assessing other factors including, but not limited to, the role of accounting estimates, internal control systems, management override and journal entries.

Audit procedures performed by the engagement team then included the following (using a sample basis as applicable):

- considering issues regarding revenue recognition;
- testing of journal entries and complex transactions;
- considering the rationale behind identified significant or unusual transactions; and
- assessing whether judgements and assumptions made in the calculation of accounting estimates appeared reasonable.

STOCKTON HOTELS COMPANY LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STOCKTON HOTELS COMPANY LTD (CONTINUED)

It is noted that, in light of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. It is considered that this risk increases the more that compliance with a law or regulation is removed from the events and transactions that are reflected in the financial statements as we will be less likely to become aware of instances of non-compliance. It is also noted that the risk is greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Tindle BA FCA (Senior Statutory Auditor)

For and on behalf of Robson Laidler Accountants Limited, Statutory Auditor
and Chartered Accountants

Medway House

Fudan Way

Thornaby

Stockton-on-Tees

TS17 6EN

18 December 2025

STOCKTON HOTELS COMPANY LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2025

	2025	2024
	£	£
Turnover	3,969,075	3,947,357
Cost of sales	(1,347,243)	(1,261,704)
	<hr/>	<hr/>
Gross profit	2,621,832	2,685,653
Administrative expenses	(2,139,046)	(2,148,875)
	<hr/>	<hr/>
Operating profit	482,786	536,778
Interest payable and similar expenses	-	(21,600)
	<hr/>	<hr/>
Profit before taxation	482,786	515,178
Tax on profit	(116,883)	(126,891)
	<hr/>	<hr/>
Profit for the financial year	<u>365,903</u>	<u>388,287</u>

STOCKTON HOTELS COMPANY LTD

BALANCE SHEET

AS AT 31 MARCH 2025

		2025		2024	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	3		21,537		6,280
Current assets					
Stocks		8,750		10,467	
Debtors	4	412,085		463,012	
Cash at bank and in hand		955,480		875,160	
		<u>1,376,315</u>		<u>1,348,639</u>	
Creditors: amounts falling due within one year	5	<u>(599,885)</u>		<u>(655,876)</u>	
Net current assets			<u>776,430</u>		<u>692,763</u>
Net assets			<u><u>797,967</u></u>		<u><u>699,043</u></u>
Capital and reserves					
Called up share capital	6		1		1
Profit and loss reserves			<u>797,966</u>		<u>699,042</u>
Total equity			<u><u>797,967</u></u>		<u><u>699,043</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 17 December 2025 and are signed on its behalf by:

Mr Reuben Kench
Director

Company registration number 10525068 (England and Wales)

STOCKTON HOTELS COMPANY LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2025

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2023		1	500,755	500,756
Year ended 31 March 2024:				
Profit and total comprehensive income		-	388,287	388,287
Dividends		-	(190,000)	(190,000)
Balance at 31 March 2024		1	699,042	699,043
Year ended 31 March 2025:				
Profit and total comprehensive income		-	365,903	365,903
Dividends		-	(266,979)	(266,979)
Balance at 31 March 2025		1	797,966	797,967

STOCKTON HOTELS COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Company information

Stockton Hotels Company Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Dunedin House, Columbia Drive, Thornaby, Stockton-On-Tees, England, TS17 6BJ.

1.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

1.2 Turnover

Revenue recognised at the point of sale is the fair value of bar, food and hotel room sales, after deducting discounts and sales-based taxes. Revenue from hotel rooms is recognised when rooms are occupied and as services are provided after deducting discounts and sales-based taxes.

1.3 Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life.

Plant and equipment	20% on cost
Fixtures and fittings	20% on cost
Computers	20% on cost

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

STOCKTON HOTELS COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.7 Leases

As lessee

Rentals payable under operating leases are generally charged to profit or loss on a straight-line basis over the lease term. However, when rental payments are structured to increase in line with expected general inflation in a known manner from commencement then expenses are recognised equal to the amounts owed to the lessor for the relevant period.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2025	2024
	Number	Number
Total	3	4

STOCKTON HOTELS COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

3 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 April 2024	8,934
Additions	17,044
	<hr/>
At 31 March 2025	25,978
	<hr/>
Depreciation and impairment	
At 1 April 2024	2,654
Depreciation charged in the year	1,787
	<hr/>
At 31 March 2025	4,441
	<hr/>
Carrying amount	
At 31 March 2025	21,537
	<hr/> <hr/>
At 31 March 2024	6,280
	<hr/> <hr/>

4 Debtors

	2025 £	2024 £
Amounts falling due within one year:		
Trade debtors	17,956	38,756
Amounts owed by group undertakings	251,352	251,352
Other debtors	142,777	172,904
	<hr/>	<hr/>
	412,085	463,012
	<hr/> <hr/>	<hr/> <hr/>

Amounts owed by group undertakings of £251,352 (2024: £251,352) reflect FF&E account contributions that are held by Stockton on Tees Borough Council.

5 Creditors: amounts falling due within one year

	2025 £	2024 £
Trade creditors	216,607	225,908
Taxation and social security	153,176	167,364
Other creditors	230,102	262,604
	<hr/>	<hr/>
	599,885	655,876
	<hr/> <hr/>	<hr/> <hr/>

STOCKTON HOTELS COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

6 Called up share capital

	2025	2024	2025	2024
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

7 Financial commitments, guarantees and contingent liabilities

Total financial commitments, guarantees and contingencies which are not included in the balance sheet amount to £13,108,936 (2024: £13,230,000). These relate to future payments that are due to be made under a property operating lease with the expense incurred in the year to 31 March 2025 being circa £690,000.

8 Parent company

The company is a wholly owned subsidiary undertaking of Stockton Borough Holding Company Limited.

The ultimate parent company and controlling party is Stockton on Tees Borough Council.

The parent of the smallest group of which Stockton Hotels Company Ltd is a member and for which consolidated financial statements are drawn up is Stockton on Tees Borough Council, whose principal place of business is Dunedin House, Columbia Drive, Thornaby, Stockton-on-Tees, TS17 6BJ.

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AGENDA ITEM
REPORT TO AUDIT AND
GOVERNANCE COMMITTEE
23 FEBRUARY 2026
REPORT OF THE
MONITORING OFFICER

COMPANY GOVERNANCE – SHAREHOLDER AGREEMENT

SUMMARY

This report provides the Committee with an update on the development of a consolidated Shareholders' Agreement covering Stockton Borough Holding Company Ltd (HoldCo) and Stockton Hotels Company Ltd (HotelCo). The Agreement formalises and strengthens governance, transparency, financial oversight and assurance arrangements between the Council (as sole shareholder) and its wholly owned companies.

RECOMMENDATION

The Audit and Governance Committee is requested to:

1. Note the progress made in developing the consolidated Shareholders' Agreement;
2. Note the intention to execute the Agreement in deed form;
3. Consider whether it has any observations or concerns regarding the proposed governance framework.

DETAIL

1. The Council is the sole shareholder of HoldCo, which in turn wholly owns HotelCo. HotelCo operates the Hampton by Hilton hotel at Northshore under franchise and management arrangements.
2. In July 2025, Cabinet approved the development of a consolidated Shareholders' Agreement to strengthen governance arrangements. The drafting has now been completed in deed form.
3. The Shareholders' Agreement formalises existing practice and introduces enhanced governance clarity in relation to shareholder-reserved matters, financial oversight, business planning, board composition and transparency obligations.

Shareholder Role and Constitutional Framework

4. The Agreement confirms that shareholder functions remain executive functions exercised by Cabinet in accordance with the Council's Constitution.
5. Routine shareholder matters are delegated and continue to be exercised by the Section 151 Officer under delegation.

Reserved Matters

6. The Agreement defines shareholder-reserved matters including approval of business plans, significant financial commitments, borrowing, lease variation, structural change, director appointments and dividend declaration.

Financial Oversight and Risk Management

7. The Agreement introduces enhanced financial discipline including rolling three-year business planning, stress testing, liquidity safeguards linked to lease exposure, quarterly management reporting and early warning requirements.

Board Composition and Independent Expertise

8. The Agreement enables the inclusion of independent non-executive directors with relevant commercial or hospitality expertise. Appointment remains a matter for Cabinet as shareholder.

Transparency and Assurance

9. The Agreement requires the companies to provide information necessary for the Council to comply with statutory transparency obligations including the Freedom of Information Act 2000 and the enhanced transparency reporting agreed by Full Council.
10. The Agreement provides Internal Audit access rights and permits independent governance or financial review where reasonably required in the public interest.

FINANCIAL IMPLICATIONS

11. The execution of the Shareholders' Agreement does not create new financial commitments. Any minor legal or governance costs are met from existing resources.

LEGAL IMPLICATIONS

12. The Council's ownership of trading companies is supported by Section 95 of the Local Government Act 2003 and the General Power of Competence under the Localism Act 2011.
13. The Shareholders' Agreement operates alongside, and does not amend, the Articles of Association.

RISK ASSESSMENT

14. The governance refresh strengthens oversight and reduces financial, legal and reputational risk by formalising escalation pathways and reporting requirements.

BACKGROUND PAPERS

Cabinet Report – Update of Governance Arrangements for the Council's Hotel Company (17 July 2025).

Name of Contact Officer: Ged Morton

Post Title: Director of Corporate Services

Telephone No: 01642 527003

Email Address: ged.morton@stockton.gov.uk

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DATED

2026

SHAREHOLDERS' AGREEMENT

between

Stockton-on-Tees Borough Council

and

Stockton Borough Holding Company Limited

and

Stockton Hotels Company Limited

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This agreement is dated

2026

Parties

- (1) Stockton-on-Tees Borough Council of [] (the “**Council**”)
- (2) Stockton Borough Holding Company Limited, company number 10523559 (“**HoldCo**”)
- (3) Stockton Hotels Company Limited, company number (“**HotelCo**”).

BACKGROUND

- (A) The Council is the sole legal and beneficial owner of the entire issued share capital of HoldCo.
- (B) B. HoldCo is the sole legal and beneficial owner of the entire issued share capital of HotelCo.
- (C) The parties wish to regulate the governance of and the exercise of shareholder rights.
- (D) This Deed is intended to operate alongside, and where necessary prevail over, the Articles of the Companies and shall exercise their rights in accordance with the terms and conditions of this agreement.

Agreed terms

1. Interpretation

- 1.1 The definitions and rules of interpretation in this clause apply in this agreement.

“Articles” means the articles of association of HoldCo or HotelCo as amended from time to time;

“Board” means the board of directors of the relevant Company;

“Business” means the operation of the Hampton by Hilton hotel at Northshore and associated activities;

“Business Day” means a day other than a Saturday, Sunday or public holiday in England;

“Business Plan” means the annual business plan prepared in accordance with clause [];

“CA 2006” means the Companies Act 2006;

“Encumbrance” means any mortgage, charge, pledge, lien or other security interest;

“Financial Year” means the accounting reference period of the relevant Company;

“Group” means together;

“Independent Non-Executive Director” means a director appointed pursuant to clause 4 who is independent of the Council and the executive management of HotelCo;

“Reserved Matters” means the matters set out in Schedule 1;

“Shareholder Consent” means approval given by Cabinet in accordance with the Council’s Constitution;

“Shareholder Representative” means the officer exercising the Council’s statutory Section 151 responsibilities.

- 1.2 Clause, Schedule and paragraph headings shall not affect the interpretation of this agreement.
- 1.3 References to clauses and Schedules are to the clauses of and Schedules to this agreement and references to paragraphs are to paragraphs of the relevant Schedule.
- 1.4 The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.
- 1.5 A reference to **this agreement** or to any **other agreement or document** is a reference to this agreement or such other agreement or document, in each case as varied from time to time.
- 1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.8 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 1.9 A reference to a **party** shall include that party's successors and permitted assigns.
- 1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the CA 2006 [and for the purposes only of the membership requirement contained in sections 1159(1)(b) and (c),

a company shall be treated as a member of another company even if its shares in that other company are registered in the name of:

- (a) another person (or its nominee), by way of security or in connection with the taking of security; or
- (b) its nominee].

- 1.12 Unless expressly provided otherwise in this agreement, a reference to **writing** or **written** includes email.
- 1.13 Any words following the terms **including, include, in particular, for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.14 References to a document in **agreed form** are to that document in the form agreed by the parties and initialled by them or on their behalf for identification.
- 1.15 A reference to any legislation or legislative provision is a reference to it as amended, extended or re-enacted from time to time provided that, as between the parties, no such amendment, extension or re-enactment made after the date of this agreement shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party].
- 1.16 A reference to any legislation or legislative provision shall include all subordinate legislation made from time to time under that legislation or legislative provision.
- 1.17 [Any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to that which most nearly approximates to the English legal term in that jurisdiction.
- 1.18 Any obligation on a party not to do something includes an obligation not to allow that thing to be done.
- 1.19 [Unless the context requires otherwise, words and expressions defined in the Articles shall have the same meaning when used in this agreement.]

2. Council Public Law Status

- 2.1 The Council enters into this Deed in the exercise of its statutory powers including the Local Government Act 2003 and the general power of competence.

2.2 Nothing in this Deed shall override the Council's Constitution or fetter its statutory discretion.

3. Governance Framework

3.1 The Council's shareholder functions are executive functions exercised by Cabinet.

3.2 Routine shareholder matters may be exercised by the Shareholder Representative.

3.3 HoldCo shall exercise its rights as shareholder of HotelCo only in accordance with Council direction.

3.4 The Board shall be responsible for day-to-day management subject to this Deed and the Articles.

4. Board Composition And Independent Non-Executive Director

4.1 The Council may determine that the Board of HotelCo shall include one or more Independent Non-Executive Directors.

4.2 Such determination and the identity of the appointee shall constitute a Reserved Matter.

4.3 HoldCo shall procure the appointment or removal of such director in accordance with Council direction.

4.4 HotelCo shall not appoint any Non-Executive Director without Shareholder Consent.

4.5 An Independent Non-Executive Director shall act independently and in accordance with CA 2006 duties.

5. Business of the HoldCo and HotelCo

5.1 The business of the HoldCo and HotelCo is [BUSINESS OF THE HoldCo and HotelCo] (**Business**).

5.2 Each party shall use its reasonable endeavours to promote and develop the Business to the best advantage of the HoldCo and HotelCo.

5.3 HoldCo shall not carry on any trade or business other than holding the shares in HotelCo.

6. Matters requiring consent of the Council (Reserved Matters)

- 6.1 Each Party shall procure that the HoldCo and HotelCo shall not, without the prior written approval of the Council carry out any of the Reserved Matters.
- 6.2 The Shareholders shall communicate their decision in writing in respect of any request for consent to any of the Reserved Matters not later than [14 days] after receipt of a written request from the board of directors specifying the matter in respect of which shareholder consent is requested.

7. Business Plan

- 7.1 The Business Plan is an annual business plan for the HoldCo and HotelCo prepared by jointly by the Boards of each company
- 7.2 The Business Plan shall include financial forecasts, capital expenditure, risk assessment, stress testing and lease issues.
- 7.3 The Business Plan for every Financial Year shall be:
- (a) prepared by the Board at least before the end of the preceding Financial Year; and
 - (b) adopted and approved by the parties by agreement in writing as soon as possible after it has been prepared.

8. Lease and franchise protection

- 8.1 HotelCo shall not vary, surrender, assign or sub-let the property lease without Shareholder Consent.
- 8.2 Material amendment of the franchise agreement requires Shareholder Consent.

9. Accounting and other information

- 9.1 The HoldCo and HotelCo shall at all times maintain accurate and complete accounting and other financial records including all corporation tax computations and related documents and correspondence with HM Revenue & Customs in accordance with the requirements of all applicable laws and generally accepted accounting principles applicable in the United Kingdom.
- 9.2 Each Party and its authorised representatives shall be allowed access at all reasonable times to examine the books and records of the HoldCo and HotelCo and to discuss the HoldCo and HotelCo's affairs with its directors and senior management.

10. Dividend policy

- 10.1 Subject to the requirements of the CA 2006, and unless the parties agree otherwise in relation to any particular Financial Year, the parties shall use reasonable endeavours to procure that the HoldCo and HotelCo shall distribute by way of dividend at the profit of the HoldCo and HotelCo in relation to each Financial Year but after making all necessary, reasonable and prudent provisions and reserves for taxation, for the repayment of borrowings by the HoldCo and HotelCo (if any), minority interests and extraordinary items as shown in the audited accounts for that year.]
- 10.2 A distribution under this clause in relation to any Financial Year shall be made within six months of the day to which the audited accounts of the HoldCo and HotelCo for that year are made up.

11. Tax matters

- 11.1 Unless the parties otherwise expressly agree in writing, the parties shall procure that all of the HoldCo and HotelCo's trading losses and all other amounts eligible for relief from taxation shall be carried forward by the HoldCo and HotelCo and not surrendered (wholly or partly) to the parties.

12. Issue of further shares

The parties shall procure that the HoldCo and HotelCo shall not issue any shares or other equity securities (within the meaning of section 560(1) of the CA 2006) to any person, unless that person is a party to this agreement or has executed and delivered a Deed of Adherence

13. Termination and liquidation

- 13.1 This agreement shall terminate:
- (a) when one Party [and its Permitted Transferee under the Articles] cease[s] to hold any shares in the HoldCo and HotelCo; or
 - (b) when a resolution is passed by shareholders or creditors, or an order is made by a court or other competent body or person instituting a process that shall lead to the HoldCo and HotelCo being wound up and its assets being distributed among the HoldCo and HotelCo's creditors, shareholders or other contributors;

14. Status of agreement

- 14.1 Each party shall, to the extent that it is able to do so, exercise all its voting rights and other powers in relation to the HoldCo and HotelCo to procure that the provisions of this

agreement are properly and promptly observed and given full force and effect according to the spirit and intention of the agreement.

- 14.2 If there is an inconsistency between any of the provisions of this agreement and the provisions of the Articles, the provisions of this agreement shall prevail as between the parties.
- 14.3 The parties shall, when necessary, exercise their powers of voting and any other rights and powers they have to amend, waive or suspend a conflicting provision in the Articles to the extent necessary to permit the HoldCo and HotelCo and its Business to be administered as provided in this agreement.
- 14.4 The HoldCo and HotelCo is not bound by any provision in this agreement that would constitute an unlawful fetter of any of its statutory powers.

15. Transparency and Confidentiality

- 15.1 The Council is subject to FOIA, EIR and transparency obligations.
- 15.2 HoldCo and HotelCo shall provide information reasonably required to enable compliance.
- 15.3 The Council shall apply statutory exemptions and public interest tests in accordance with law.
- 15.4 Nothing in this Agreement renders the Companies public authorities for FOIA purposes.
- 15.5 Each party shall keep Confidential Information confidential except where disclosure is required by law.

16. Announcements

- 16.1 Subject to clause 16.2 and clause 16.3, no party shall make, or permit any person to make, any public announcement, communication or circular (**announcement**) concerning the existence, subject matter or terms of this agreement, the wider transactions contemplated by it, or the relationship between the parties, without the prior written consent of the other parties [(such consent not to be unreasonably withheld or delayed)]. [The parties shall consult together on the timing, contents and manner of release of any announcement.]
- 16.2 Where an announcement is required by law or any governmental or regulatory authority (including, without limitation, any relevant securities exchange), or by any court or other authority of competent jurisdiction, the party required to make the announcement shall

promptly notify the other parties. The parties concerned shall make all reasonable attempts to agree the contents of the announcement before making it.

- 16.3 On the signing of this agreement the JV Parties shall issue a joint announcement about the formation of the HoldCo and HotelCo in agreed form.

17. Assignment and other dealings

No party shall assign, transfer, mortgage, charge, sub-contract, delegate, declare a trust over or deal in any other manner with any or all of its rights and obligations under this agreement (or any other document referred to in it) without the prior written consent of the other parties [(such consent not to be unreasonably withheld or delayed)].

18. Entire agreement

- 18.1 This agreement [(together with the documents referred to in it)] constitute[s] the entire agreement between the parties and supersede[s] and extinguish[es] all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to [its **OR** their] subject matter.

- 18.2 Each party acknowledges that in entering into this agreement [(and any documents referred to in it)], it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement [or those documents].

- 18.3 [Nothing in this clause shall limit or exclude any liability for fraud.]

19. Variation and waiver

- 19.1 No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

- 19.2 A waiver of any right or remedy under this agreement or by law is only effective if given in writing [and signed by the person waiving such right or remedy] and shall not be deemed a waiver of any subsequent right or remedy.

- 19.3 A failure or delay by any person to exercise any right or remedy provided under this agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy. No single or partial exercise of any right or remedy provided under this agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.

19.4 A person that waives a right or remedy provided under this agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

20. Costs

Except as expressly provided in this agreement, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this agreement (and any documents referred to in it).

21. No partnership or agency

21.1 Nothing in this agreement is intended to, or shall be deemed to, establish any partnership between the parties or constitute any party the agent of another party.

21.2 Each party confirms that it is acting on its own behalf and not for the benefit of any other person.

22. Notices

22.1 [For the purposes of this clause 23, but subject to clause 23.7, notice includes any other communication.]

22.2 A notice given to a party under or in connection with this agreement:

- (a) shall be in writing and in English [or accompanied by an accurate translation into English];
- (b) [shall be signed by or on behalf of the party giving it;]
- (c) shall be sent to the party for the attention of the contact and at the address[, email address] specified in clause 23.3, or such other contact, address [or] [email address] as that party may notify in accordance with clause 23.4; and
- (d) shall be sent by a method listed in clause 23.5; and
- (e) [unless proved otherwise] is deemed received as set out in clause 23.5 if prepared and sent in accordance with this clause.

22.3 The addresses[, email addresses] and contacts for service of notices are:

- (a) [PARTY 1]
 - (i) address: [ADDRESS]
 - (ii) for the attention of: [NAME]
 - (iii) [email address: [EMAIL ADDRESS]].
- (b) [PARTY 2]

- (i) address: [ADDRESS]
- (ii) for the attention of: [NAME]
- (iii) [email address: [EMAIL ADDRESS]].

22.4 A party may change its details for service of notices as specified in clause 23.3 by giving notice to the other party [(provided that in the case of a change to the party's postal address, the new address is an address in the UK)], the change taking effect for the party notified of the change at [9.00 am] on the later of:

- (a) the date, if any, specified in the notice as the effective date for the change; and
- (b) the date [five] Business Days after deemed receipt of the notice.

22.5 This clause 23.5 sets out the delivery methods for sending a notice to a party under this agreement and, for each delivery method, the date and time when the notice is deemed to have been received:

- (a) if delivered by hand, at the time the notice is left at the address;
- (b) if sent by pre-paid first class post or other next working day delivery service [providing proof of [postage **OR** delivery]], at 9.00 am on the [second] Business Day after posting;
- (c) [if sent by pre-paid airmail [providing proof of [postage **OR** delivery]], at 9.00 am on the [fifth] Business Day after posting;]
- (d) [if sent by [email], at the time of transmission.]

22.6 If deemed receipt under clause 23.5 would occur outside Usual Business Hours, the notice shall be deemed to have been received when Usual Business Hours next recommence. For the purposes of this clause, **Usual Business Hours** means 9.00 am to 5.30 pm local time on any day which is not a Saturday, Sunday or public holiday in the place of receipt of the notice [(which, in the case of service of a notice by [email] shall be deemed to be the same place as is specified for service of notices on the relevant party by hand or post)].

22.7 [This clause 23 does not apply to the service of any proceedings or other documents in any legal action [or, where applicable, any arbitration or other method of dispute resolution].]

22.8 [A notice given under or in connection with this agreement is not valid if sent by email.]

23. Severance

- 23.1 If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of this agreement.
- 23.2 [If any provision or part-provision of this agreement is deemed deleted, the parties shall negotiate in good faith to agree a replacement provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.]

24. Agreement survives Completion

This agreement (other than obligations that have already been fully performed) remains in full force after Completion.

25. Third party rights

- 25.1 Unless it expressly states otherwise, this agreement does not give rise to rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.
- 25.2 The rights of the parties to rescind or vary this agreement are not subject to the consent of any other person.

26. Counterparts

- 26.1 This agreement may be executed in any number of counterparts, each of which shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.
- 26.2 [Transmission of [an executed counterpart of this agreement (but for the avoidance of doubt not just a signature page) **OR** the executed signature page of a counterpart of this agreement] by:
- (a) fax; or
 - (b) email (in PDF, JPEG or other agreed format),

shall take effect as the transmission of an executed "wet ink" counterpart of this agreement. [If [this **OR** either] method of transmission is adopted, without prejudice to the validity of the agreement thus made, each party shall on request provide the others with the "wet ink" hard copy originals of their counterpart.]

- 26.3 No counterpart shall be effective until each party has provided to the others at least one executed counterpart.

27. Language

If this agreement is translated into any language other than English, the English language version shall prevail.

28. Governing law and jurisdiction

28.1 This agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

28.2 Each party irrevocably agrees that the courts of England and Wales shall have [exclusive **OR** non-exclusive] jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this agreement or its subject matter or formation.

This agreement has been entered into on the date stated at the beginning of it.

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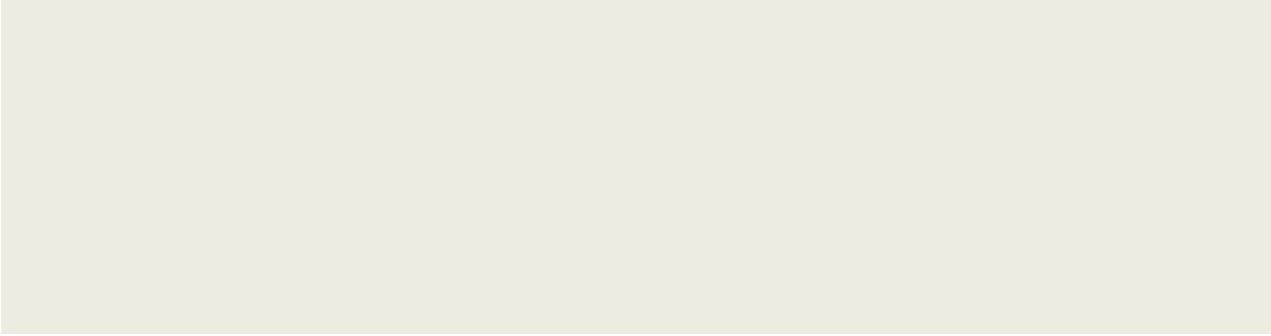
Schedule 1 Matters reserved for shareholder approval

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1. Altering in any respect the Articles or the rights attaching to any of the shares in the HoldCo and HotelCo.
2. Permitting the registration of any person as a member of the HoldCo and HotelCo.
3. Increasing or reducing the amount of the HoldCo and HotelCo's issued share capital, granting any option or other interest (in the form of convertible securities or in any other form) over or in its share capital, redeeming or purchasing any of its own shares or effecting any other reorganisation of its share capital.
4. Passing any resolution for the HoldCo and HotelCo's winding up or presenting any petition for its administration (unless it has become insolvent).
5. Altering the name of the HoldCo and HotelCo or its registered office.
6. Adopting or amending the Business Plan in respect of each Financial Year.
7. Changing the nature of the HoldCo and HotelCo's Business or commencing any new business by the HoldCo and HotelCo which is not ancillary or incidental to the Business.
8. Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
9. Amalgamating or merging with any other company or business undertaking.
10. Making any acquisition or disposal by the HoldCo and HotelCo of any material asset(s) otherwise than in the ordinary course of business.
11. Creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the HoldCo and HotelCo or over any shares in the HoldCo and HotelCo or agreeing to do so [other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business].
12. Making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity.
13. Entering into any arrangement, contract or transaction outside the normal course of the HoldCo and HotelCo's Business or otherwise than on arm's length terms.
14. Giving notice of termination of any arrangements, contracts or transactions which are material in the nature of the HoldCo and HotelCo's Business, or materially varying any such arrangements, contracts or transactions.

15. Changing the auditors of the HoldCo and HotelCo or its Financial Year end.
16. Making or permitting to be made any material change in the accounting policies and principles adopted by the HoldCo and HotelCo in the preparation of its audited accounts except as may be required to ensure compliance with relevant accounting standards under the CA 2006 or any other generally accepted accounting principles in the United Kingdom.
17. Establishing or amending any profit-sharing, share option, bonus or other incentive scheme of any nature for directors or employees.
18. Establishing or amending any pension scheme or granting any pension rights to any director, officer, employee, former director, officer or employee, or any member of any such person's family.
19. Instituting any legal proceedings, or settling or compromising any legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the HoldCo and HotelCo, or submitting to arbitration or alternative dispute resolution any dispute involving the HoldCo and HotelCo.

DRAFT



DRAFT

AGENDA ITEM 7

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

23 FEBRUARY 2026

REPORT OF CHIEF FINANCIAL OFFICER

GROUP ACCOUNTS

PURPOSE OF REPORT

To present to the Committee reasoning to exclude the Group Accounts element from the Council's Annual Statement of Accounts from the 2025/26 financial year.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee

- If agreement can be made with Forvis Mazars it is recommended that on the grounds of materiality the Council will not include Group Accounts within the published Annual Statement of Accounts for the reasons stated within the report from the production of the 2025/26 and subsequent accounts.

DETAIL

1. The Council is required by law to produce a detailed Statement of Financial Accounts, which provides information to all stakeholders. The Statement explains in detail how the Council uses its resources and, the net value of the Council (in terms of its assets, liabilities and reserves).
2. Since 2018/19 the Council has produced Group Accounts due to its 100% subsidiary holdings in Stockton Hotel Company Limited and Stockton Holding Company Limited.
3. Authorities account for group accounts in accordance with International Financial Reporting Standards (IFRS) 3 Business Combinations, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, International Accounting Standards (IAS) 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), except where adaptations to fit the public sector are detailed in the Code.
4. Paragraph 9.1.1.7 of the CIPFA Code states specifically that "*authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is not considered "material"*". These provisions thereby give scope for an authority to determine that, even though it has a group, Group Accounts are not required.

The Code's Definition of Materiality

The Code contains the following discussion of materiality in paragraph 2.1.2.14: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those

financial statements, which provide financial information about a specific local authority. In other words, materiality is an authority-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual authority's financial statements. Consequently, the Code cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation. Materiality is an important concept for preparers of financial statements, because although decisions on the type of information that is useful are generally made by standard setters, judgements on whether matters are material are necessarily a matter for preparers.

An authority can comply with the Code, while not complying with specific disclosure and accounting requirements in the Code, if the information is not material to the 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

5. Forvis Mazars in their commentary about the Group Audit in the Audit Strategy Memorandum report presented to the Committee in June 2025 they note the component transactions are expected to be around 1% of the group.
6. The Audit Strategy Memorandum report presented by Forvis Mazars also noted that their audit fee will be increased to £376k for their work on 2024/25 financial statements and the Public Sector Audit Appointments (PSAA) have noted that this fee will rise to £382k for the 2025/26 financial year. This fee includes a charge of approximately £10,500 for the work on the group element of the accounts. If agreed with Forvis Mazars and with PSAA then these fees would be saved in the future.
7. With regards to Company Governance for Stockton Hotel Company Limited and Stockton Holding Company Limited please see the Company Governance – Shareholder Agreement report also presented to this committee which formalises and strengthens governance, transparency, financial oversight and assurance arrangements between the Council (as sole shareholder) and its wholly owned companies.
8. Delays in the audit of the Councils and Group Annual Statement of Accounts (linked to pension fund assurance and audit back log arrangements) in previous years has impacted on the reporting and filing requirements within the relevant deadlines of both companies.
9. The accounts for both companies which are provided to Company's House on an annual basis are also now included on the Councils website for full transparency and accountability. These accounts provide more detailed information on the financial position on the companies than is required within the Group Accounts of the authority. These accounts which are more meaningful to the reader are also separately and fully audited by a local private firm of accountants for which a separate fee is charged.
10. Recognising the essential need for transparency across the public sector, in October 2023, the Economic Crime and Corporate Transparency Act received Royal Assent. This means that small companies and micro entities, such as Stockton Hotels Company Limited, have to file a profit and loss account, with small companies having to also file a director's report. This change ensures that turnover is available on the public register. The Act also removes the option for companies to prepare abridged accounts.
11. Along with the points raised above the production of the annual statement of accounts is a complex and time-consuming document to produce. The removal of the requirement to produce group accounts will save a significant amount of officer time in its production, reduce the length the document and make it easier to understand for the reader.

FINANCIAL AND LEGAL IMPLICATIONS

Potential annual saving of £10,500. No legal implications.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

Clare Harper
Chief Financial Officer

Contact Officer: Andy Bryson, Chief Accountant
Telephone Number 01642 528850
Email: andy.bryson@stockton.gov.uk

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Audit Completion Report

Stockon-on-Tees Borough Council– year ended 31 March 2025

19 February 2026

Audit and Governance Committee
Stockton-on-Tees Borough Council
Dunedin House, Columbia Drive, Thornaby,
Stockton-on-Tees, TS17 6BJ

19/02/2026

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2025

We are pleased to present our Audit Completion Report for Stockton-on-Tees Borough Council (“the Council”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for the Audit and Governance Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Stockton-on-Tees Borough Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully

Signed: 
James Collins (Feb 19, 2026 13:42:50 GMT)

James Collins

Forvis Mazars LLP

Forvis Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

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D	Appendix D: Confirmation of our independence
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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Stockton-on-Tees Borough Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

Executive Summary

01

Executive summary

Scope

We have been engaged to audit the financial statements of Stockton-on-Tees Borough Council for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the *'Status of our audit'* section for a list of significant audit matters outstanding at the date of this report. We will provide an update to the Audit and Governance Committee on completion of those outstanding matters by way of a follow-up letter.

Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to the Audit and Governance Committee in our Audit Strategy Memorandum.

Our significant risks and other areas of focus are set out in the *'Audit approach and risk summary'* section, with a summary of our audit approach over those areas. Significant findings from our audit are set out in the *'Significant findings'* section.

Significant control deficiencies

We did not identify any significant deficiencies in internal control.

The non-significant control observations that we have identified to date are set out in *'Appendix A: Internal control conclusions'*.

Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the *'Summary of misstatements'* section.

Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification. This would be subject to receiving the Pension Fund Assurance from the Teesside Pension Fund Auditor's, with no matters that affect the Council's audit opinion. If the position changes, Members of the Audit and Governance Committee will be notified through our follow-up letter where we will include our auditor's report.

Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further details have been provided in the *'Value for Money'* section of this report.

Wider reporting powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

Reporting to the group auditor

We have not yet received the full group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to conclude our work in this area until such instructions have been received.

Executive summary

Qualitative aspects of Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 27 June 2025 and were of a good quality. However, this was with the exception of disclosures in relation to the Council's implementation of IFRS 16 Leases, which at the time of receipt of the draft statement of accounts were incomplete, and not fully compliant with the accounting standard.

Significant matters discussed with management

During our audit, we communicated the following significant matters to management:

Implementation of IFRS 16 Leases

In 2023/24, we highlighted the Council's readiness for the implementation of IFRS 16 Leases as an enhanced audit risk, to ensure that officers are fully aware of the requirements of the new accounting standard, with 2024/25 being the Council's first year of its implementation.

In our Audit Strategy Memorandum in June 2025, we raised the Implementation of IFRS 16 Leases as a significant risk to the audit. When the first draft statement of accounts were presented for audit, the relevant lease disclosures were incomplete, and therefore at that stage, were not fully compliant.

As part of our audit procedures the Council's statement of accounts were subject to a technical review and shared with the Council in September 2025. From this review half of the comments were associated with IFRS 16 implementation and required amendments. After communicating those to management, some of those amendments were made, with an updated draft statement of accounts received in January 2026, and then 13 February 2026.

Most of those required amendments have now been made. However, at the time of drafting this report the accounts are still pending the final technical review and clearance to ensure compliance with the accounting standard, in all material aspects.

Significant difficulties during the audit

Other than the matters associated with IFRS 16 we have not encountered any significant difficulties and we have had the full co-operation of management.

Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit and Governance Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix E.

Status of the audit

02

Status of our audit

Our audit work is substantially complete and, except for the matters set out in section 'Executive Summary' of this report there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

Technical review of the accounts

A number of amendments have been made to the accounts. We are still working through those, and clearance will be required. This is likely to result in additional unadjusted /adjusted misstatements in the follow-up letter.



Pensions

Our planned approach includes obtaining confirmations from the Pension Fund auditor. The work is still ongoing, and at this stage, we are unable to conclude on this area and any potential impacts on the Council's audit opinion.



Financial statements adjustments

On 13 February 2026 we received an updated statement of accounts following numerous adjustments. We are in the process of reviewing the adjustments posted and disclosures made to ensure that those have been correctly disclosed in the accounts. Findings from those will be reported in the follow-up letter.



Audit Quality Procedures and Closure

Review and closure processes, including checking the final version of the financial statements, and review by the engagement lead and EQR (Engagement Quality Reviewer). We also need to receive a letter of representation from management at the point that we are ready to issue our audit opinion.



Events after the reporting period

Our review is ongoing up until the date of signing the auditor's report (the opinion).



Whole Government Accounts

Our work is ongoing. However we expect that we cannot conclude this work, and issue the audit certificate, until we have confirmation from the National Audit Office that no further work is required.



Value for Money

Following up the issue of our draft Auditor's Annual Report in November 2025, we are required to consider any additional findings to conclude on our commentary.



Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

03

Audit approach and risk summary

Audit approach and risk summary

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 20 June 2025.

Materiality

Our provisional materiality at the planning stage of our audit was set at £11,418k for the Group and £11,366k for the Council using a benchmark of 2% of gross expenditure at surplus/ deficit level as per the Audit Strategy Memorandum. This has been changed to £12,072k for the Council and £12,124k for the Group following the receipt of the draft 2024-25 statement of accounts.

Group audit approach

There have been no changes to the Group audit approach since the issue of our Audit Strategy Memorandum.

Audit approach and risk summary

	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Significant risks	Management override of controls	●	●	○	●	○	○	○	We have completed our planned procedures and obtained the assurance sought, with no significant issues arising that we are required to report to you.	15
	Defined benefit pension valuation	○	●	○	●	○	●	○	Our work is ongoing and awaiting correspondence from the Teesside Pension Fund auditor. To date, we have reported on a number of adjusted disclosure misstatements which can be found in section 6 of this report.	16
	Valuation of Land and Buildings and Investment Property	○	●	●	●	○	●	○	We have completed our planned procedures and obtained the assurance sought, with no significant issues arising that we are required to report to you.	17
	Implementation of IFRS 16 Leases	○	●	●	●	○	○	●	Our work is ongoing, in particular in confirming that required adjustments have been made by management. A number of non-material adjusted and unadjusted misstatements have been found, which can be found in section 6 of this report, and an internal control observation, further detail listed in Appendix A.	18

Audit approach and risk summary

Overview of our group audit approach

You engaged us to audit the group financial statements of Stockton-on-Tees Borough Council. Based on our risk assessment and the financial information for the year ending 31 March 2025, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Component name	% of benchmark	Auditor	Scope	Changes to scope since planning?
Stockton Borough Council	99%	Forvis Mazars LLP	Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality	No
Stockton Borough Holding Company Limited and Stockton Hotels Company Limited	1%	Tindle LLP	Review of the component's financial information prepared for group reporting purposes using the component materiality assigned	No

Audit scope definitions

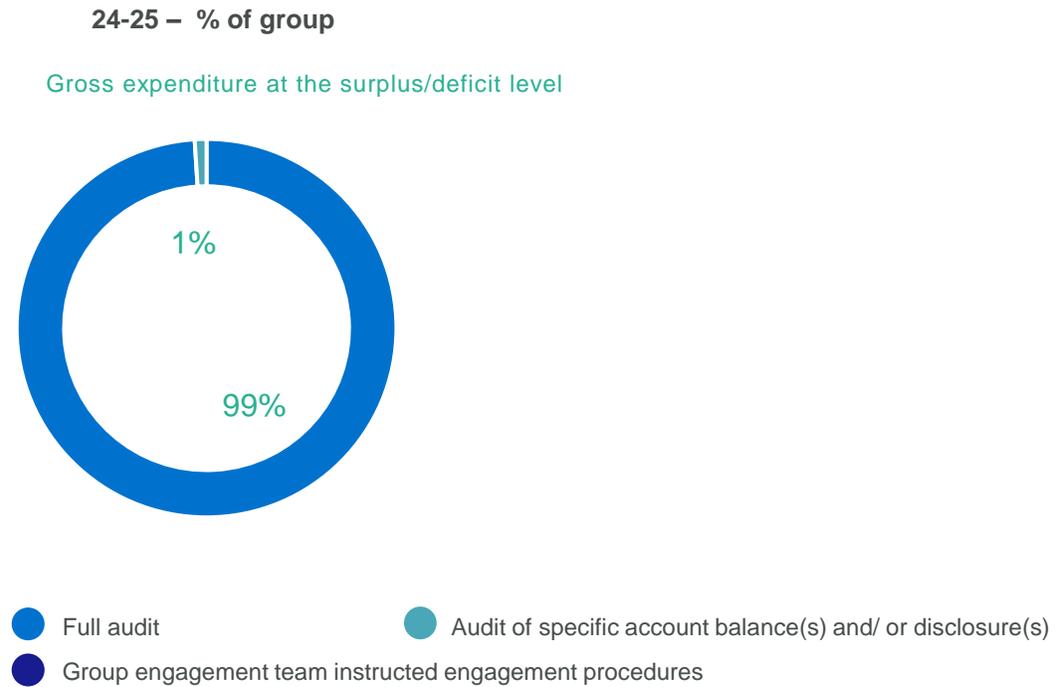
Full scope audit: an audit of the component's financial information prepared for group reporting purposes using component performance materiality.

Audit of account balance(s), class(es) of transaction, and/ or disclosures(s): an audit of specific account balance(s), class(es) of transaction, and/ or disclosure(s) included in the component's financial information prepared for group reporting purposes, using component performance materiality.

Group engagement team instructed engagement procedures: specific audit procedures performed over the component's financial information, as instructed by the group engagement team, using component performance materiality.

Overview of our group audit approach (continued)

Set out below is a summary of our group audit scope, specifically our coverage of group expenditure by audit scope (per the definitions on the previous page) and by audit firm.



Significant findings

04

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our audit work has not identified any material issues to bring to your attention. We have found no evidence to indicate management override of controls.

Significant findings

Significant risks (continued)

Defined benefit pension valuation

Description of the risk

The 2024/25 financial statements contain material pension entries in respect of the retirement benefits, and in particular, a change from a net pension deficit, to a net pension asset. This has been limited at £0 for the funded element, due to the asset ceiling in 2024/25.

The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We addressed this risk through performing audit work by:

- critically assessed the competency, objectivity and independence of the Council's Actuary;
- liaised with the auditors of the Teesside Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- review summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets to take assurance from;
- reviewing the appropriateness of the pension valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided the consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation reports provided by the Funds Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;
- ensured that the asset ceiling treatment was correctly accounted for in line with the CIPFA Code, IAS 19 and IFRC 14; and
- ensured all required disclosures are reflected in the accounts and relevant notes, in particular any changes in disclosures relating to the asset ceiling.

Audit conclusion

Our work is ongoing. We are unable to conclude on our work in this area until we have received the required correspondence from the Teesside Pension Fund auditor. We will provide our conclusions to the Audit and Governance Committee Members in our follow-up letter.

Significant findings

Significant risks (continued)

Valuation of Land and Buildings and Investment Property

Description of the risk

The 2024/25 financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE). PPE valuations involve a high degree of estimation uncertainty due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of significant risk.

Similarly to PPE, the Council has also obtained a specialist valuation of its largest investment property, the Hampton by Hilton Hotel (£12.1m). The scope of our valuations work therefore also includes Investment Property.

How we addressed this risk

We addressed this risk through performing audit work by:

- Evaluating the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings (including investment property) ;
- assessing the scope and terms of engagement with the Valuer;
- assessing the competence, skills and objectivity of the Valuer;
- assessing how management used the Valuer's report to value land and buildings included in the financial statements;
- testing the accuracy of the data used in valuations;
- challenging the assumptions and judgements applied in the valuations;
- reviewing the valuation methodology used, including the appropriateness of the valuation basis;
- considering the reasonableness of the valuation by comparing the valuation output with market intelligence;
- challenging management where assets have not been re-valued in year as part of the Council's rolling programme, to ensure there had been no material changes to the asset values; and
- ensuring all required disclosures are reflected in the accounts and relevant notes

Audit conclusion

Our work has provided the assurances we sought. We identified a number of adjusted, non material misstatements, further detail of which can be found in Section 6.

Significant findings

Significant risks (continued)

Implementation of IFRS 16 Leases

Description of the risk

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Council will be adopting the new standard for the first year in 2024/25.

We discussed management's readiness for the implementation of IFRS 16 Leases in 2023/24, at which stage it only affected narrative disclosures. We understand that the Council is still undertaking work to quantify the impact on the Council's financial statements to ensure accuracy and completeness of the overall balance. The potential impact is yet to be estimated to ensure any arrangements in scope are adequately accounted for in 2024/25.

This is a complex area which will require management judgement, and for any property assets which fall within scope, the Council will need to determine which measurement method it will be applying that may involve the engagement of valuation experts.

How we addressed this risk

We:

- reviewed the accuracy and completeness of the Council's assessment;
- reviewed the accounting policy and relevant disclosures;
- reviewed management's approach to its treatment and accounting of existing/ new arrangements in year upon transition, including PFI and relevant adjustments.

Audit conclusion

We have obtained all assurances required. All non material unadjusted and adjusted misstatements found to date, have been included in Section 6 of the report. If any additional matters arise from the final technical review of the updated accounts, those will be included in our follow-up letter.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We received no questions or objections.

Internal control conclusions

05

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to communicate to the Audit and Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit and Governance Committee.

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

The other control deficiencies that we have identified as at the date of this report are set out in '*Appendix A: Internal control conclusions*'.

Summary of misstatements

06

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 20 June 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Audit and Governance Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
From our cut-off testing, we found that one accrual was not provided for at the 31 March 2025. The figure reported is the extrapolated impact.	Council	Extrapolated			1,702	
Dr: PPE (AuC)						1,702
Cr: Capital Accruals						
Aggregate effect of unadjusted misstatements			0	0	1,702	1,702

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Governance Committee should be made aware of.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Understatement of PPE (Assets under Construction) being design costs for the Thornaby pool which should have been included in AuC Dr: PPE (AuC) Cr: Cost of Services- Expenditure	Council	Factual		709	709	
Understatement of disposals for a transfer to an Academy in the year Dr (Gain)/Loss on disposal Cr PPE (disposals)	Council	Factual	627			627
Understatement of PPE for Norton Town Centre costs which have been shown as land and buildings and fully impaired, should have been treated as infrastructure costs. Dr PPE Cr Cost of services -expenditure	Council	Factual		1,059	1,059	
Community asset additions incorrectly showed as a revaluation increase. Dr Revaluation reserve Cr Capital Adjustment Account	Council	Factual			350	350

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Governance Committee should be made aware of.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Investment property showing Thornaby Town Centre £1.6m when this property is currently being held for sale. Per Code should be reclassified on the balance sheet as an Investment Property held for sale.						
Dr Assets held for sale					1,636	
Cr Investment Property						1,636
Aggregate effect of adjusted misstatements			1,686	709	2,695	3,672

Summary of misstatements

Disclosure misstatements

Adjusted disclosure misstatements

To date, we have identified the following disclosure misstatements during our audit that have been corrected by management:

- Group transactions have been included on the corporate management and services line - Expenditure £2,739k and Income £3,676k in the CIES . These should be on the Finance, Transformation and Performance line. Has no impact on net costs of services.
- Note 4, Critical Judgements in Applying Accounting Policies; note updated to include relevant impacts of IFRS 16 Leases
- Note 5, Assumptions made about future and other major sources of estimation uncertainty: note was amended to to ensure compliance with the requirements of the Code and meet the definition of major sources of estimation uncertainty
- Note 11 - PPE were several changes to disclosures, including reclassification of existing vehicles to right of use assets; updating revaluation table to ensure consistency; transfer of net £193k from land and buildings to assets held for sale. Note was also updated to correct the legislative text regarding infrastructure assets
- Note 14, Expenditure and Income Analysed by Nature: The presentation of interest payments and interest and investment income did not make sufficiently clear that the amounts presented include amounts relating to IAS 19
- Note 22, Related parties; amendments were made to ensure compliance and enhance understandability
- Note 25, Private Finance Initiative; additional disclosures included to reflect the impact of the adaptation of IFRS 16
- Note 27 Capital Expenditure and Financing- Several amendments were made to the disclosure including correction opening adjustments to reflect implementation of IFRS16 and to analyse the amounts relating to IFRS 16.
- Note 29, Financial Instruments: Interest payable and similar charges was updated to correct a transposition error.
- Note 31 Defined Benefit Pension Schemes – note was updated to include a separate disclosure on the asset ceiling which splits out the effect of the asset ceiling and the interest effect of the asset ceiling.
- All of the finance lease/RoU creditor is being shown as long term - should be split between current and non- current - no overall impact on the balance sheet.
- Note 32, Termination Benefits: There were several changes required to the disclosures of exit packages.
- Cashflow statement- various presentational adjustments and adjustments to the cash flow (accuracy to be confirmed).

Summary of misstatements

Disclosure misstatements (continued)

- Note 6, Adjustments between accounting basis and funding basis; the “ other minor adjustments” line was removed and re-allocated to the appropriate lines
- Note 26, Leases: various amendments to ensure compliance with IFRS 16
- Note 28, Statement of accounting policies; updated to include required disclosures on IFRS 16, correct going concern wording and update narrative to ensure consistency with the PPE valuation programme
- Note 29, Financial instruments: amendment to reflect IFRS 16 and update disclosure narrative on the treatment of level 2 assets. Credit risk disclosure note added.
- Note 30, Pension schemes accounted for as Defined Contribution Schemes; disclosure updated to provide narrative on the Virgin Media case
- Note 31, Defined Benefit Pension Schemes; note updated to provide a reconciliation of the pension reserve , as well as include the required disclosures on the effect of the asset ceiling
- Comprehensive Income and Expenditure Statement: additional narrative added to explain the restatement
- Collection Fund Statement; updated to include the apportionment of business rates surplus/ deficit in current and prior year
- Balance sheet; net pension asset was removed as nil in both years.
- Note 34, Contingent liabilities; narrative on the timing of outflow has been added.
- Group Accounts; added narrative stating the financial reporting framework and the accounting period each of the subsidiaries report on

Unadjusted disclosure misstatements

To date, we identified the following disclosure misstatements during our audit that have not been corrected by management:

- Note 6, Adjustments between accounting basis and funding basis; The MIRS movements described as relating to the Revaluation Reserve is incorrect. The Code does not expect a movement between General Fund and Revaluation Reserve. This amounts to £4,112k. Management have not amended for this.
- Note 26, Leases; The Code requires operating leases as a lessor that the lease income is disclosed separately between income relating to variable lease payments. The Code requires narrative disclosure explaining how the Council manages the risk associated with any rights it retains in underlying assets.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Fraud considerations

07

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Your responsibilities

Management has primary responsibility for the prevention and detection of fraud. It is important that management, with the Audit and Governance Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by the Audit and Governance Committee’s active oversight.

Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

ISA presumed fraud risks

As set out in the ‘*Audit approach and risk summary*’ section, the risks of fraud in management override of controls were identified as significant risks.



Value for Money

08

Approach to Value for Money

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We issued our draft Auditor's Annual Report in November 2025, and will issue the final Auditor's Annual Report upon the issue of our independent auditor's report by the backstop date of 27 February 2026.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2025 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix C confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in time by the backstop date.

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks are outlined in the table below.

Risk of Significant Weakness in Arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Financial sustainability - Adult and Children's services</p> <p>In our 2023/24 Auditor's Annual Report, we raised an "other recommendation" highlighting the ongoing pressures and the need to manage the 2025/26 budget in line with the revised MTFP. The Council's Powering Our Future Programme has identified significant opportunities to deliver services in a more efficient manner. The Programme has an ambition to deliver up to £8.1m of savings. It is critical that the Council deliver these savings to avoid further reliance on Council reserves.</p> <p>From initial enquires of management, we expect to see similar pressures, and a further deficit to be reported in 2024/25. From the latest update in December 2024, the Council projected an overspend of £6.6m.</p>	●			<p>Work undertaken</p> <p>We considered the final outturn position for 2024/25 including the achievement of savings targets and the Council's reserves. We followed up on our recommendation made in 2023/24 and Council's progress against actions as part of the Powering our Futures Programme with a focus on actions taken in this area. This included obtaining evidence to support the actions taken by the Council to address the overspends and any future budget gaps.</p> <p>Conclusions</p> <p>Following the completion of our work, we have found no evidence of a significant weakness in arrangements. While we have identified no evidence of a significant weakness in arrangements, we have raised an 'other recommendation' as follows:</p> <p>Whilst the Council understands the reasons for its overspends, any arrangements which the Council already has in place will need to ensure that further overspends are avoided and further contributions from the Council's reserves are not required.</p> <p>The Council must ensure it manages future budgets in line with the revised Medium Term Financial Plan (MTFP). The Council's Powering Our Future programme has identified significant opportunities to deliver services in a more efficient manner and is a critical element of the MTFP. The majority of the potential savings are planned to come in from 2025/26 with work ongoing to identify further potential savings. The creation of two new SBC homes for Children with Mental Health and Behavioural distress is not expected to deliver any savings beyond those needed to fund the running costs of the homes and associated borrowing. The proposal will provide a stable home for children and will lead to better outcomes for children. The new fostering model, approved by Cabinet in July 2025, is anticipated to be the most critical in addressing cost pressures and will require monitoring. Early intervention schemes to manage demand will be essential.</p> <p>It is critical that the Council deliver planned transformation projects to avoid further reliance on Council reserves which have been decreasing over recent years.</p>

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks are outlined in the table below.

	Risk of Significant Weakness in Arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
1	<p>Financial sustainability – Dedicated Schools Grant (DSG) deficit management planning (New risk)</p> <p>As at the 31 March 2025 the Council reported a cumulative DSG deficit of £6.725m. There is currently a statutory override in place which requires the Council to ‘ring-fence’ the DSG deficit from its general fund, which means it does not have to consider it when setting a balanced budget. Although Government has signalled its intention to extend the period that the override covers to 31st March 2028, without action to address the cumulative deficit, at the end of this period there is a risk that the Council will be unable to set a balanced budget.</p>	●			<p>Work undertaken</p> <p>We considered the cumulative DSG deficit position of the Council and its forecasted figures until 2027/28 when the statutory override period comes to an end. This was in the context of the Council reporting ongoing deficits over the coming years. We reviewed the Council's Delivering Better Value (DBV) plan and noted the mitigating actions which the Council has/ is planning to implement in order to reduce the deficit. We noted the work the Council had been doing to manage demand and capacity in the borough.</p> <p>Conclusions</p> <p>As at 31 March 2025 the Council's DSG shows a cumulative deficit balance of £6m, which is forecasted to reach £35m by 2027/28 without mitigations. The Council has agreed a detailed DBV plan with a number of mitigations which, if successful, would reduce the cumulative deficit to nil.</p> <p>Following the completion of our work, we have found no evidence of a significant weakness in arrangements. While we have identified no evidence of a significant weakness in arrangements, we have raised an ‘other recommendation’ as follows:</p> <p>It is critical that the Council deliver its Delivering Better Value plan to ensure the cumulative deficit is reduced at the point the statutory override ends in 2028. If successful the DBV plan will mitigate the risk of the Council being unable to set a balanced budget in 2028/29.</p>

Appendices

A: Internal control conclusions

B: Draft management representation letter

C: Draft audit report

D: Confirmation of our independence

E: Other communications

F: Current year updates, forthcoming accounting and other issues

Appendix A: Internal control conclusions

Other deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Implementation of new accounting standards

Description of deficiency

Management did not initially make all required disclosures and adjustments in relation to the implementation of IFRS 16, Leases.

Potential effects

Potential for material misstatement in the Council's accounts.

Recommendation

- For any upcoming relevant accounting standards, management should keep up to date and review all relevant publications to accounting standards that are applicable to the Council;
 - Ensure that sufficient time is spent in preparation of all relevant working papers that underpin the accounts. This could include consultation with external experts if necessary and;
 - Ensure that all relevant documentation is available in time for the audit, which would prevent delays and any adverse impacts on the financial statements.
-

Management response

Due to the extremely tight deadline to produce draft accounts by the end of June 2025 there was insufficient time to produce all relevant calculations and produce all relevant disclosure notes which were applicable when adopting the new standard for the first year in 2024/25. This was a complex area which required significant management judgement and attention.

The Council will be better placed to produce all required information and calculations in a timelier manner for future accounts. We now have systems and processes in place and will include specific tasks within the Councils closure timetable and task guidance for the wider finance team.

Appendix A: Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

Description of deficiency

Property, plant and equipment (PPE) valuations are carried out on a rolling programme by the Council. Paragraph 4.1.2.37 of the Code specifies that assets are required to be carried at current value meaning revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period. The Council should consider every year if the assets not valued in year have changed materially in value. The Council can perform an annual indexation exercise using appropriate indices to check that there is no material change between periods in the value of those assets not re-valued in year. Management did not perform this exercise before the draft accounts were presented for audit. There was a delay in management providing this assessment to audit and resulted in audit work being carried out very late in the audit process. When the Council completed the assessment they identified PPE in the draft accounts were understated by £14.164m. A late adjustment was therefore necessary.

Potential effects

Possibility of material changes in value between these periods.

Recommendation

To ensure that the Council's assets are not materially misstated, the Council must perform an annual indexation review. This should include any specific considerations that may need to be made on an asset-by-asset basis, to ensure that all factors at arriving at the current value have been taken into account as part of their assessment.

Conclusions

Our work in 2024-25 noted that this exercise has been performed in year.

This matter has now been closed.

Appendix A: Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

Description of deficiency

The Council maintains records of its operational assets in a fixed asset register (FAR). From the sample of assets which we selected for testing we found that a number of assets which were on the FAR no longer existed, and one which should have been impaired.

There is also a wide range of misstatements (trivial and non-trivial) on movements within the PPE note. Those were found in most movements within the note where entries were incorrectly posted, including additions, depreciation, revaluation and impairments.

Potential effects

Potential for material misstatement in the Council's accounts.

Recommendation

We recommend the Council performs a comprehensive review of its Fixed Asset Register to remove any assets which are no longer in existence, or where there have been changes to the use of assets as part of the Council's capital programme.

We also recommend the Council builds in additional quality control checks to its year-end process, to ensure that the FAR is complete and accurate. This should be done when the accounts are prepared and before the audit commences. This will improve the Council's asset management and to prevent any significant issues arising which could have an impact on the audit opinion.

Management responses

The Council will build additional quality control checks into the year-end process. To support this the Council has also built in additional capacity within the team. The Council will undertake a review of the Fixed Asset Register prior to the end of the 2025/26 financial year which will include quality control checks.

Appendix A: Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in prior periods.

Description of deficiency

It was identified during our testing of grant income that the Council no longer maintained remittance advices for two sample items (£2.009m) relating to the business rates relief grant. This was because of the Council's policy to delete emails after 6 months. Our journals testing encountered a similar issue where the Council was unable to provide the original journal authorisation for one sample item. Management was able to provide retrospective approval for the journal posted and other evidence to support the testing. Overall, we were able to obtain sufficient assurance from all other evidence provided by the Council to conclude on the testing.

Potential effects

The Council is unable to provide sufficient appropriate audit evidence to support its accounts.

Recommendation

The Council maintains adequate records to support journal authorisation and other relevant evidence across areas of the financial statements.

Conclusions

We found no such instances in 2024-25.

This matter has now been closed.

Appendix B: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear James,

Stockton-on-Tees Borough Council - Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Stockton-on-Tees Borough Council the Council and Group for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware

Appendix B: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Cabinet and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Investment Property

I confirm that the methods, significant assumptions and the data used by the Council and Group in the valuation of the Hampton by Hilton Hotel are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

Appendix B: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and investment property below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Appendix B: Draft management representation letter

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Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2024/25 in relation to the Council and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 36 to the financial statements fairly reflects that assessment.

Tariffs

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Appendix B: Draft management representation letter

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Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix. **Please attach an Appendix of any unadjusted misstatements to this letter.**

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Chief Finance Officer

Appendix

Schedule of unadjusted misstatements

Appendix C: Draft audit report

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DRAFT AUDIT REPORT TO FOLLOW- AWAITING PENSION FUND AUDITOR ASSURANCE

Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

Appendix E: Other communications

	Other communication	Response
	Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
	External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
	Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that the Council will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix E: Other communications

Other communication		Response
	Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	Matters related to fraud	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled 'Fraud considerations' for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, the Audit and Governance Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix E: Other communications

Other communication	Response
 <p>System of Quality Management</p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> • Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities • Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) • Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluating responses and remediating control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>

Forvis Mazars

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AGENDA ITEM 9

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

23 FEBRUARY 2026

REPORT OF CHIEF FINANCIAL OFFICER

STATEMENT OF ACCOUNTS 2024/2025

PURPOSE OF REPORT

This report presents to Members the Council's (and Group) Annual Statement of Accounts for 2024/2025. The accounts are included as an attachment to this report.

RECOMMENDATION

The Chief Financial Officer and Chair of the Committee sign the Statement of Responsibilities for the Annual Statements (Page 21) confirming the approval of the accounts and the authorisation to issue these as a public document.

SUMMARY

It was a statutory requirement of the Accounts and Audit Regulations 2015 (as amended) that the audited 2024/24 Statement of Accounts were approved by Members of the Committee and published on the Council's website on or before the backstop date of 27th February 2026. In order to comply with the regulations, the Chief Financial Officer and Chair of the Committee are required to sign the Statement of Responsibilities confirming the approval of the accounts and the authorisation to issue these as a public document.

As noted in Forvis Mazars draft Audit Completion Report for 2024-25, which is on today's agenda, they are anticipating issuing an **unqualified opinion** on Stocktons (and Group) accounts for the 2024-25 financial year.

This would be subject to receiving the Pension Fund Assurance from the Teesside Pension Fund Auditor's, with no matters that affect the Council's audit opinion. If the position changes, Members of the Audit and Governance Committee will be notified through a follow-up letter from Forvis Mazars. This letter will also include the Auditors Report.

DETAIL

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025" which is prepared under International Financial Reporting Standards.
2. The Accounts and Audit Regulations (England) 2015 came into effect on 1st April 2015. The regulations changed the arrangements for the approval and publication of the Statement of Accounts and the Annual Governance Statement. The Accounts and Audit (England) Regulations 2015 - Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2024 require the council to publish the unaudited Statement of Accounts for the financial year ending 31 March 2025 by 30 June 2025 which was achieved. The unaudited statement was presented to the committee on the 30th June

2025.

3. For the 2024/25 accounts the period in which electors had the right to examine the accounts, question the auditor and to make objections covered a period of 30 working days which, commenced on the 1st July 2025 and ended on 11th August 2025. The council did not receive any requests to examine the accounts during this period.
4. On the 10th September 2024 the Government laid in Parliament two pieces of legislation which gave effect to the backstop proposals, the Accounts and Audit (Amendment) Regulations 2024 and, on behalf of the Comptroller & Auditor General, a draft Code of Audit Practice 2024.
5. The legislation included backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. It is the aspiration of the Government and key local audit system partners that, in the public interest, local audit recovers as early in this five-year period as possible.
6. This means if the auditors are unable to complete their work by the backstop dates, disclaimed opinions could be required. The backstop dates are:
 - Financial year 2024/25: 27 February 2026
 - Financial year 2025/26: 31 January 2027
 - Financial year 2026/27: 30 November 2027
 - Financial year 2027/28: 30 November 2028
7. IAS17 - IAS 17 (International Account Standard) was the old accounting standard for leases. The standard outlined how authorities should record leased assets (like buildings, vehicles, or equipment) in their financial statements. Under IAS17, leases were classified into two types:
 - Finance leases, where the company effectively owned the asset and recorded it on the balance sheet.
 - Operating leases, which were treated more like rental agreements and did not appear on the balance sheet.
8. IAS 17 aimed to give a clearer picture of an organisations financial position by showing how leased assets and related payments should be reported. It has since been replaced by IFRS 16, which requires most leases to be shown on the balance sheet.
9. IFRS16 Leases - IFRS 16 is the International Financial Reporting Standard that explains how organisations must report leases in their financial statements. Under this standard, most leases must be shown on the balance sheet as a right-of-use asset (what the council gets) and a lease liability (what the council owes). The aim of IFRS 16 is to give a more transparent picture of a organisations financial position by ensuring that lease commitments are visible rather than hidden as simple rental expenses. The Council implemented this new standard from the 1st April 2024.

KEY FINANCIAL INFORMATION

10. The following key financial figures (non-group) are included in the accounts:
 - Even though the accounts show that a breakeven position is reported against directorate revenue budgets for 2024/25 (see revenue year end table page 12) there

was an actual deficit of £7.447m. This reflects the planned use of available useable reserves. This use of reserves was approved by Council on 19th February 2025. Further details of the outturn position can be found in the MTFP report presented to Cabinet on 17th July 2025.

- Total capital spending was £56.568 million during 2024/25 (see page 14).

The Comprehensive Income and Expenditure Statement (CIES) (page 24)

- The CIES shows the accounting cost of providing services in accordance with generally accepted accounting practices. The Gross Expenditure in the cost of services was £520m for the year. Gross Income was £311m with Net expenditure of £209m.
- Overall, there is a surplus of £8.044m reported for the financial year compared to a loss of £103.618m the previous year. The significant change is due to the movement in the re-measurement of the defined benefit pension liability between years. See paragraphs 8 -11 below related to asset ceiling reporting.

Balance Sheet (page 25)

- Current long-term investments and cash and cash equivalents amount to £37.918 million. This is an increase of £21.867 million from the previous year and reflects additional short-term borrowings undertaken prior to a repayment of another loan in April 2025.
- The Council's current long and short-term borrowings total £150.780 million which is an increase of £42.394 million over the previous year. This is made up of £64.708m in short term borrowing (£18.636m last year) and £86.072 million in long term borrowing (£89.750m last year). The overall increase reflects short term borrowings undertaken at the year-end for cash flow purposes and capital expenditure in year funded by borrowing.
- The Council's earmarked general fund reserves (including schools) stand at £28.321 million (£40.487 million last year). In the main the reduction relates to the planned use of these reserves to offset the year end overspend. School related reserves are £3.368 million (£5.791 million last year). Note 7 to the accounts on page 33 provides further details on earmarked reserves.
- The level of General Fund Balances at the 31st March stands at £8.0 million. This is in line with the MTFP report to Council in February 2025. General Fund Balances are intended to provide some overall flexibility and protection against adverse variances in budget assumptions, and unforeseen events.
- The overall net asset position of the Authority as at the 31st March 2026 is £340.2 million (last year £332.1m).

Pension Fund (Note 31 page 64 – 69)

11. Following the pensions valuation by the Councils actuary, Hymans Robertson LLP, the Council has determined that the fair value of its pension plan assets outweigh the present value of the plan obligations as at 31 March 2025 resulting in a pension plan asset of £305.448 million. Total pension assets as at 31st March 2025 are £1.069.144 million and

liabilities £763.696 million.

12. This pension fund asset position relates to a change in the assumptions used by the Pension Fund Actuary, Hymans Robertson LLP, as part of the Council's actuarial valuation. The assumptions are determined by the Actuary and represent market conditions at the reporting date.
13. There is a limit of the value of Pension Asset that can be recognised on the Councils balance sheet which is set by International Accounting Standards. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:
 - The surplus in the defined benefit plan; and
 - The asset ceiling, 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.
14. The 'default' methodology used by the actuary has changed over the last couple of years with regards to asset ceiling calculations. This is due to external auditor and practitioner views. These changing views and calculations mean that the net pension asset has been limited to the present Value of Unfunded Defined Benefit Obligations of £17.239m only. Note 31 on page 64 to 69 provides additional details on the pension fund.

FINANCIAL AND LEGAL IMPLICATIONS

Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Council's Responsible Financial Officer (Chief Finance Officer) to sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council. Regulation 9(2) requires the Statement of Accounts to be approved by members prior to publication. Regulation 10(1) requires the publication of the approved, audited Statement of Accounts.

RISK ASSESSMENT

None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

None directly from this report.

CONSULTATION

None directly from this report.

Clare Harper
Chief Financial Officer

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Statement of Accounts

2024-25

Clare Harper CPFA
Chief Financial Officer



Stockton-on-Tees
BOROUGH COUNCIL

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The Borough

Stockton-on-Tees is home - a warm and friendly place, where we welcome others and come together as a single community. We are a diverse and inspiring Borough, culturally rich and with confidence in a future that we can all share and be proud of. At the economic heart of Tees Valley, we are a dynamic, safe and healthy place, where everyone can grow and succeed. We work together to reduce inequalities and remove barriers to opportunity

Here are some things you might like to know about our Borough.

A place people are proud to live

200,000 people call the Borough of Stockton-on-Tees home. They live in our thriving towns - Billingham, Ingleby Barwick, Norton, Stockton, Thornaby and Yarm - and our rural villages. Our population is increasing and we're committed to serving this growing community, supported by a thriving and active voluntary, community and social enterprise sector. We're delighted to know people are proud of living here.

Going places and getting further

Business is booming in Stockton-on-Tees, where 5,000 businesses generate £4 billion for the local economy. We account for a third of the Tees Valley economy overall and our towns provide work for people from across the Borough. Our excellent road and rail connections with London and key northern cities make Stockton a great place to do business. Whilst Teesside International Airport, on the Borough's boundary, provides international connections for our globally ambitious businesses.

Alive with events, leisure and culture

There's always something to do in Stockton-on-Tees. Whether that is enjoying our beautiful parks and open spaces or visiting our beautiful towns. We aim to maintain the Borough's reputation as a thriving and vibrant place to be, to ensure we can all continue to enjoy the wide range of activities, events and facilities that put our Borough on the map.

Fighting inequality

Inequality is a challenge in the Borough. We have affluent areas alongside areas of deprivation. Nine of our 26 wards are in the 10% most deprived wards in the country and there is a gap of 21 years in average life expectancy amongst men between the most and least deprived wards. We're committed to fighting this discrepancy and making sure more people enjoy a healthy and happy life here.

The climate change challenge

The effects of climate change are becoming ever more apparent. We know that the changes required to our transport, homes, industry and lifestyle are challenging and must be long term. The Council is working with a sense of urgency to develop plans in partnership with businesses and other agencies to drive down carbon production and reduce consumption of energy and raw materials. Everyone in the Borough can make a difference.

The Council

We are a unitary authority elected to serve the Borough of Stockton-on-Tees. We are the largest of the five local unitary Councils that make up the Tees Valley region. We have 27 wards, represented by 56 councillors.

Following the May 2023 local elections, no political party has overall control of the Council. We have a Leader and Cabinet style administration. That means the Council appoints the Leader, and the Leader appoints the Cabinet.

Stockton on Tees Plan 2024 - 2028

This is our new Council Plan, agreed by Cabinet in October 2024. It sets out a vision for the future of our Borough, which has been developed following conversations with communities. The Stockton-on-Tees Plan is a framework that the Council, as well as our partners and communities, will use to ensure we work together towards a shared vision that brings our vision to life.

Our vision is:

Stockton-on-Tees is home - a warm and friendly place, where we welcome others and come together as a single community. We are a diverse and inspiring Borough, culturally rich and with confidence in a future that we can all share and be proud of. At the economic heart of Tees Valley, we are a dynamic, safe and healthy place, where everyone can grow and succeed. We work together to reduce inequalities and remove barriers to opportunity. We are Team Stockton-on-Tees.

The Plan marks a new way of working for the Council. Pressures on communities and public services have been growing for some time, which mean we can no longer afford to deliver services the way we have in the past.

We are confident we can work with local stakeholders to put in place new and innovative approaches that will reshape what we do in the best interests of our residents, whilst effectively managing the resources we have.

Our Priorities are:

- 1. Best start in life to achieve big ambitions** - A safe and inclusive community where everyone can thrive. Working hard to prevent the impact of poverty, creating a bright and healthy future with a shared sense of belonging. Supporting children in our care and creating equality of opportunity.
- 2. Healthy and resilient communities** - Building happy and healthy lives, supporting those who are experiencing poverty. Ensuring that our residents are resilient and independent.
- 3. A great place to live, work and visit** - A vibrant and diverse place with an environment that is well looked after and outdoor spaces to enjoy that residents can be proud of.
- 4. An inclusive economy** - Growing the local economy and cementing our role as the well-connected economic heart of Tees Valley. Ensuring that all residents can benefit from secure and sustainable jobs.
- 5. A sustainable Council** - A well run financially sustainable Council that improves outcomes for communities.

OUR VISION

Stockton-on-Tees is home. It's a warm and friendly place where we welcome others and come together as a single community. We are a diverse and inspiring Borough, culturally rich and with confidence in a future that we can all share and be proud of. At the economic heart of the Tees Valley, we are a dynamic, safe and healthy place where everyone can grow and succeed. We will continue to work together to reduce inequalities and barriers to opportunity. We are Team Stockton-on-Tees.

THE BEST START IN LIFE TO ACHIEVE BIG AMBITIONS

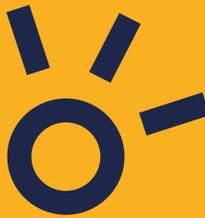
A safe and inclusive community where everyone can thrive. Working hard to prevent the impact of poverty, creating a bright and healthy future with a shared sense of belonging. Supporting children in our care and creating equality of opportunity.

HEALTHY AND RESILIENT COMMUNITIES

Building happy and healthy lives, supporting those who are experiencing poverty. Ensuring that our residents are resilient, independent.

A GREAT PLACE TO LIVE, WORK AND VISIT

A vibrant and diverse place with an environment that is well looked after and outdoor spaces to enjoy that residents can be proud of.

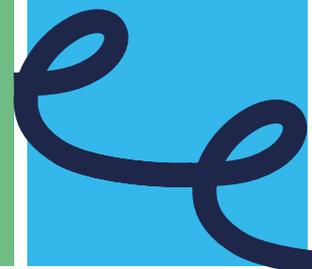


AN INCLUSIVE ECONOMY

Growing the local economy and cementing our role as the well-connected, economic heart of Tees Valley. Ensuring that all residents can benefit from secure and sustainable jobs.

SUSTAINABLE COUNCIL

A well-run financially sustainable Council that improves outcomes for communities.



WE ALL HAVE A PART TO PLAY TO MAKE OUR VISION A REALITY.

SOME OF THE THINGS WE WILL DO

- Support children and families with early development
- Increase access to screening and immunisations
- Work with communities to manage the impact of serious and organised crime
- Progress delivery of our exciting plans for regeneration
- Encourage inward investment from companies that have good and fair operating principles
- Support our residents to access secure and sustainable employment
- Continue to deliver a balanced budget while improving outcomes for communities

SOME OF THE THINGS YOU CAN DO

- Get involved with our Family Hubs.
- Volunteer – see what's available at www.stocktonvolunteers.co.uk
- Use and enjoy your local town and village centres
- Use our online forms or call us to report issues such as broken streetlights, damaged street furniture and potholes
- Support local businesses and shop close to home, helping local companies to succeed
- Boost your skills by taking a course with any of the great providers in the Borough
- Share your ideas for doing things differently in your area

WHAT SUCCESS LOOKS LIKE:

- Our residents will feel like they belong to their community, live for longer and in good health.
- More of our children will have a good level of development and be ready for school when they reach reception age. More will achieve outstanding educational attainment and remain in education, employment and/or training at age 16, building a bright future in our Borough.
- Crime rates will reduce and more residents will feel safe at all times.
- More residents will be happy in their employment and accommodation.
- Employment rates and GVA will increase.
- We will do more with our partners and communities, recognising the part we all have to play in the future of our Borough.

Read the full plan



Powering our future

Powering Our Future is a new, Mission-led way of working for Stockton-on-Tees Borough Council and will ensure we are set up to achieve the priorities in the Stockton on Tees plan.

We have set ourselves a Mission to be a Bold, Brave and Innovative Council, one that sees us work together with our partners to create a fair and equal place for our residents, where everyone is proud to live and work, where our communities flourish and people feel they belong.

This means putting in place new and innovative ways of working that will reshape what we do in the best interests of our residents, whilst effectively

managing the resources we have - an essential shift that can empower residents, encourage community engagement, and leverage local knowledge and resources.

The Powering Our Future programme is made up of 5 cross-cutting and interdependent Missions that together, can be greater than the sum of their individual parts. Together, they form our offer to local communities and government, with a new approach to place-leadership that can deliver a step-change in community outcomes, break down barriers to opportunity, and kickstart growth in thriving local places.

Our Missions are:

	<p>Transformation Powering Our Future - an ambitious programme of change, based around a new operating model for the Council</p>
	<p>Communities Powering Our Future - empowering communities to use their strengths to increase independence and shape better outcomes</p>
	<p>Partnerships Powering Our Future - ensuring we are stronger together and thinking as one 'public service', rather than separate institutions</p>
	<p>Regeneration Powering Our Future - harnessing our local leadership role to shape great places where our communities and businesses can thrive</p>
	<p>Colleagues Powering Our Future - recognising the talented workforce that will make this happen, and equipping them with the skills to do their best for communities</p>

Our mission-led approach is about setting clear, long-term objectives that tackle complex issues, allowing us to focus on outcomes rather than just the means to achieve them.

The following is a flavour of the Powering Our Future Programme highlights in 2024:

Transformation Powering Our Future
<ul style="list-style-type: none"> • Cabinet agreed the headline focus of the first phase of transformation reviews in January 2024.
<ul style="list-style-type: none"> • Cabinet agreed the scope for each of the Transformation Reviews in Phase1 of the programme in April 2024.
<ul style="list-style-type: none"> • Delivered significant efficiencies, reshaping what we do for the better and in the best interests of our communities, realising savings of £5.8m in 2024/25.
Communities Powering Our Future
<ul style="list-style-type: none"> • The workstreams for the mission were confirmed as: Communications; Communities Engagement; Community Development.
<ul style="list-style-type: none"> • The 'Proud to Care Campaign' launched in May 2024. The campaign shares case studies of people who go the extra mile to build strong communities across our Borough.
<ul style="list-style-type: none"> • Continued to learn from our communities. Our Residents Survey, which closed in December 2024, gathered views from our communities, based around the National Wellbeing Measures. The findings will inform the Council's approach to community led development and service design.
<ul style="list-style-type: none"> • Developed a new approach and methodology for 'Let's Talk' Stockton-on-Tees. Using Appreciative Inquiry, we work with our communities to understand what is working well and how to build on it.
Partnerships Powering Our Future
<ul style="list-style-type: none"> • The Place Leadership Board continued to see strong engagement across partners. Project activity is progressing across all priority areas identified by the group, including; <ul style="list-style-type: none"> • Developing skills for public service. • Attracting and retaining talent. • Building Pride in Place. • Maximising use of shared resources. • Health and Social Care Integration.
<ul style="list-style-type: none"> • Cabinet agreed a Partnership Charter setting out terms of engagement for the Council to observe when entering into any Partnership. This seeks to ensure that the Council engages in strong partnerships that deliver better outcomes for our communities, efficiently and with available resources.
<ul style="list-style-type: none"> • Established a Business Ambassadors Group - providing a business led platform and support to build confidence in Stockton on Tees as a place to live, work and invest.
Regeneration Powering Our Future
<ul style="list-style-type: none"> • Cabinet agreed to focus the Regeneration mission on Place Making, providing a core foundation for the Council to achieve its placed based ambitions.
<ul style="list-style-type: none"> • Continued to deliver improvements and interventions across our six town centres to attract local communities, visitors and businesses.
<ul style="list-style-type: none"> • Continued to progress our Care, Health & Innovation Zone plans which aim to create a nationally significant cluster of social care and health provision at Teesdale Business Park and the nearby Tees marshalling Yards. The development of a nationally renowned Care Health and Innovation Zone on a 110-hectare brownfield site will create a prime location for investment, homes, work and tourism while addressing our health inequalities.
Colleagues Powering Our Future
<ul style="list-style-type: none"> • Continued to empower our colleagues to do the best they can for communities.
<ul style="list-style-type: none"> • Cabinet agreed a Workforce Strategy in January 2024 which is based around 7 themes: Organisational Culture; Communication & Engagement; Smarter Working; Attract & Retain; Happy & Healthy Workforce; Workforce Planning; Workforce Development.
<ul style="list-style-type: none"> • Developed a new set of values and behaviours which underpin our workplace culture.

Governance

The Council continues to review and update its governance arrangements to ensure they remain relevant and fit for purpose, which is overseen by the Corporate Governance Group and Audit and Governance Committee. The committee continues to monitor implementation of actions identified in last year's Annual Governance Statement. The Council has had to change and adapt operations including governance processes during the year. More detail is included in the Annual Governance Statement which is published on the Council's website

Risks and Opportunities

The Council maintains a Strategic Risk Register which highlights all major risk areas and includes details about the risk, existing controls and required actions. The risk register is regularly reviewed and updated and reported to the Audit and Governance Committee.

There are a number of principal risks the Council currently is managing. These include:

The availability and uncertainty of medium term financial resources needed to meet key objectives. The main controls in place include careful financial planning through the medium term financial plan, the development and delivery of the Powering our Future Programmes, timely monitoring and reporting of financial performance, maximising income generation and taxation collection and a good understanding and interpretation of changes to funding regimes.

The availability of human resources with the appropriate skills, capacity and competencies. The main controls in place include the development and delivery of a new Workforce Strategy as part of the Powering our Futures Programme, a refreshed apprenticeship programme and the development of flexible working arrangements alongside a planned move to new offices in Dunedin House.

Effectively meeting the needs of children and delivering better outcomes. The main controls in place include a comprehensive improvement plan and Transformation Reviews as part of the Powering our Futures Programme.

The growth in demand for services such as adult social care and children's services caused by an aging population with more complex needs and an increase in the number of looked after children with complex needs. Main controls include an investment in new children's residential services, preventative services to slow the demand and a better understanding of demand drivers.

The Council has identified a number of opportunities to reduce costs and improve services. These include:

<p>Using technology more effectively and efficiently and to improve access channels for residents particularly building upon the positive changes to working arrangements and the way communities accessed services during the pandemic. The planned consolidation of Council administrative buildings to reduce costs and create fit for purpose office space.</p>	<p>Opportunity to redevelop, re-invigorate and re-shape Town Centres.</p>
<p>A greater focus on preventative and strength based working to stem demand for services.</p>	<p>The ongoing operation and development of various partnerships under the Powering our Futures Programme including health, TVCA, TEWV, Cleveland Police etc, various shared services and collaborative procurement arrangements such as those through Xentrall Shared Service Partnership with Darlington Borough Council and the North East Procurement Organisation (NEPO).</p>

Approach to Financial Management

Our medium-term financial planning approach has allowed us to continually balance our budget through delivering savings and efficiencies but also to plan ahead and deliver invest-to-save schemes and innovative changes to service delivery models. In the face of ongoing financial pressures and uncertainty in future government funding, the Council continues to adopt a prudent and strategic approach to budgeting.

Our financial planning is underpinned by a robust Medium Term Financial Plan (MTFP), which outlines our budgetary framework through to 2028. This plan ensures that we remain responsive to changing economic conditions while maintaining essential services and investing in the borough's future. Due to the financial pressures the Council is facing, the Council has a savings target, some of which has been identified so far. Our approach will allow time to embark on a series of transformational reviews, which will not only deliver savings but also improve outcomes for our residents.

Funding Position

On 18 December 2024 MHCLG announced the Provisional Local Government Finance Settlement for 2025/26. The settlement was for a one-year period only. The Final Local Government Settlement was announced on 3rd February 2025. This confirmed several of the key aspects from the Autumn Statement and presented information at a local authority level.

The key announcements from the Provisional Local Government Finance Settlement were:

- Referendum limits are set at 3% for core council tax and 2% for the Adult Social Care levy.
- Employer National Insurance Contributions - The Government announced £515 million of new funding for Councils to support the cost of the increase from April.
- Recovery Grant - the Government have introduced a new one-off grant totalling £600 million nationally. The funding is distributed using a formula based on deprivation and council tax raising ability.
- The Social Care grant will be increased by £880 million compared to 2024/25 bringing the national allocation to £5.9 billion.
- The Improved Better Care Fund and Discharge Fund will be combined into a single grant; the Local Authority Better Care Grant, totalling £2.6 billion nationally. No inflation has been applied on the 2024/25 amount.
- The Market Sustainability and Improvement Fund will continue, worth £1.05 billion nationally.
- A new Children's Social Care Prevention Grant has been announced at £250 million. Grant conditions will be notified as part of the final settlement.
- Revenue Support Grant will be distributed in the same way as previous years and uplifted based on CIP changes to September 2024. There are several smaller grants which will be consolidated into RSG from April 2025 as part of the Government approach to simplifying grant funding.
- The Services Grant (£87million 2024/25) has been removed from 2025 onwards. The Provisional Financial Settlement has provided funding allocations for 2025/26 only.

The Provisional Financial Settlement has provided funding allocations for 2025/26 only. The Government have indicated that there will be reforms to Local Government Finance from 2026/27 onwards and will take forward the fair funding review, also considering the reset of Business Rates. Government have indicated there will be a multi-year settlement from 2026/27 onwards.

Extended Producer Responsibility - Local authorities will receive £1.1 billion of new funding in 2025-26 through the implementation of the Extended Producer Responsibility scheme. This funding is outside of the Local Government Finance Settlement. This is new funding from income generated from charges to businesses producing plastics and recycling, effectively to compensate Local Authorities delivering waste services. The 2025/26 allocation is £3.5m; it is not clear how future allocations would be calculated.

The Council is undertaking significant transformation work as part of the Powering our Futures Programme. Excellent progress is being made towards the original savings targets:

- The Powering our Futures report to Cabinet on 17 October 2024 outlined savings of £4.6m across a range of services.
- Transformation work within Children's Services, focusing on keeping children within the borough, continues to progress. So far, £1m per annum savings are anticipated to come in across the MTFP. Work continues to mitigate some of the external pressures in relation to the costs of Children in our Care.
- The Powering our Futures report in October outlined several changes to fees and charges, but did not cover the Council's approach to future inflationary uplifts. It is proposed that most of the Council's fees and charges will be increased in line with Consumer Price Index (CPI) as at September from the previous year, or reflective of a change in cost base, which is forecast to generate £200,000 per annum.
- The review of debt management involved a review of our current bad debt provision, allowing us to release £285,000 as a one-off in 2024/25.

The Council will continue with the transformation programme to ensure savings are delivered. The Council, like many Councils across the country, is continuing to see increased demand for children's and adults care services, together with increased cost of provision, which continues to place a strain on resources. If this continues, there is a future risk of further financial pressures. It is important that the programme continues to focus on prevention and innovation to look to reduce demand and provide services in the most efficient manner.

It is likely that to drive efficiencies, or to invest in measures to mitigate the impact of climate change, capital investment will be required. Any interventions will require a clear business case. The current MTFP includes £6m previously approved to support Children's Services, funded by prudential borrowing, and it is recommended that this is increased to £20m to support all service developments which would deliver efficiencies.

Investment will be required in further measures to reduce the Council's carbon emissions and adapt to the impacts of climate change. Investments are likely to be required in relation to decarbonisation of our fleet vehicles, installation of additional photo-voltaic panels on Council assets, retrofitting energy efficiency improvements for buildings, and measures to address the impact of climate change on our communities. It is expected that additional external funding will become available as the Government seeks to achieve the national carbon reduction targets, and the Council will seek to maximise any opportunities through the development of costed proposals and the allocation of match funding where that is required.

Financial Position 2024/25

The following tables and charts provide an overview of the financial position at the end of the 2024/25 financial year.

Revenue Expenditure 2024/25

Performance against revenue budgets for 2024/25 by Directorate is shown in the table below. Inflation and growth in service demand have contributed to significant pressures on expenditure budgets in 2024/25. Overall, the outturn position was a net overspend of £7.447 million. This has been funded from utilising available usable reserves.

Service Departments	Approved Budget	Actual	Variance
Expenditure	£m	£m	£m
Adults, Health & Wellbeing	97.424	99.626	2.202
Children's Services	58.153	64.223	6.070
Community Services, Environment & Culture	53.083	53.516	0.433
Corporate Management & Services	9.421	7.236	(2.185)
Corporate Services	11.284	11.150	(0.134)
Regeneration & Inclusive Growth	0.613	1.765	1.152
Finance, Transformation & Performance	14.505	14.414	(0.091)
Net Expenditure on Services	244.483	251.930	7.447
Transfer of Earmarked Reserves to Fund Overspend	0.000	(7.447)	(7.447)
Net Expenditure on Services	244.483	244.483	0.000

Significant variances against budget are as follows:

Adults & Health

Growth in demand for residential placements, as well as for residents receiving care at home, has caused an overspend against budget. Several young people have transitioned from Children's Services into Adults Services in the year. These are significant high-cost packages and have also contributed to the overspend. Due to some of this increased activity being related to hospital discharge, additional Better Care Funding was secured to support this.

The Transformation programme includes a focus on early help and prevention, supporting people to live independently and Transitions to Adulthood and these reviews will all consider ways of supporting the overall position in future years.

Children's Services

The Council has continued to experience significant financial pressures relating to Children in Our Care. There continues to be significant increases in the cost of residential placements as well as more complex needs of children, requiring greater levels of care.

The transformation programme includes a review of services for Children in Our Care, with a key focus on placement sufficiency. The work is wide ranging, linked to the overall Children's Services improvement journey, focusing on outcomes for children as well as cost.

Community Services, Environment and Leisure

Provisions of Home to School Transport services has increased significantly due to increased numbers of children requiring transport, this has led to a financial pressure in year.

Regeneration & Inclusive Growth

Securing income from planning applications has been challenging this year linked to a range of issues including changes to the National Planning Policy Framework and ongoing issues with Biodiversity Net Gain and Nutrient Neutrality. These have led to a significant budget pressure in this area. Wellington Square shopping centre income has been lower than anticipated due to vacant units and reduced car parking income, which has also led to a financial pressure in year.

Capital Medium Term Financial Plan

To achieve the Councils vision for the future it has an ambitious capital programme. £56.57m was spent on capital items in 2024-25 with a further £185.48m forecast over the following three financial years spanning 2025-26 - 2027-28.

Expenditure	Outturn	Three Year Plan			Total
	2024/25	2025/26	2026/27	2027/28	
	£m	£m	£m	£m	£m
Schools Capital	8.793	11.378	0.591	0	20.762
Childrens Services	0.643	0.639	0	0	1.282
Housing Regeneration	0.23	1.158	0.541	0	1.929
Inclusive Growth & Development	0.868	6.322	0	0	7.19
Private Sector Housing	1.626	3.131	0	0	4.757
Office Accomodation	4.665	0.23	1.5	0	6.395
Stockton Town Centre	0.333	10.502	7	0	17.835
Reshaping Town Centres	1.185	11.89	8.713	17.417	39.205
Thornaby Town Centre	5.547	15.626	7.8	0.5	29.473
Yarm & Eaglescliffe LUF	9.612	9.219	1.1	0	19.931
Redevelopment Castlegate Site	9.692	16.648	0	0	26.34
Other Town Centre Regeneration Schemes	0	0.292	0	0	0.292
Local Transport Plans	6.949	6.173	3.667	0	16.789
Other Transport Schemes	0.452	7.941	0.633	0	9.026
Developer Agreements	0.119	0.278	0.246	0	0.643
Energy Management Schemes	0.096	0.4	0	0	0.496
Environment & Green Infrastructure	0.696	0.785	0	0	1.481
Building Management & Asset Review	1.353	1.173	0	0	2.526
Other	3.709	12.331	7.358	12.3	35.698
Total Expenditure	56.568	116.116	39.149	30.217	242.05
Funding					
Grants and Other Contributions	52.331	88.25	21.311	0.3	162.192
Capital Reciepts & Reserves	1.162	4.925	2.473	0	8.56
Borrowing	3.075	22.941	15.365	29.917	71.298
Total Funding	56.568	116.116	39.149	30.217	242.05

The capital programme continues to see significant sums planned to regenerate the six towns within the Borough. As these interventions progress, they will enhance the Borough for all and encourage inward investment. The Council have received Future High Streets Funding, Town Deal and Levelling Up monies from Government. These allied to funding from Tees Valley Combined Authority and the Council's own resources result in transformational change starting to occur across our towns and this is expected to continue over the next few years.

The Council continue to prioritise investment across a multitude of educational settings in order to provide sufficient capacity across the Borough alongside ensuring, the settings are conducive to efficient and effective learning and that the provisions are able to deliver a broad curriculum to the young people who are our future. The schemes cover early years settings, both primary and secondary establishments and special education needs and alternative provision with a view to creating an environment that provides opportunities for the best educational outcomes for all.

The Authority continue to work with colleagues at the Tees Valley Combined Authority to deliver both new transport infrastructure and maintenance of existing assets. There is a strong focus on active travel with the provision of cycleways and these link into the town centre investments given the desire to improve connectivity across the Borough.

There continues to be investment utilising the Indigenous Growth fund to drive inward investment and inclusive growth, with the focus being on encouraging businesses to invest in the Borough, with the multitude of benefits that this brings to an array of individual stakeholders. A key area here is the commitment to develop Durham Lane Industrial Estate over the medium term.

There is ongoing investment in the environment through a range of parks and tree planting interventions and clean energy initiatives. These alongside the Council's accommodation rationalisation agenda, have strong links to the Council's Environmental Sustainability and Carbon Reduction Strategy and also have some interface with our obligations under Biodiversity Net Gain legislation.

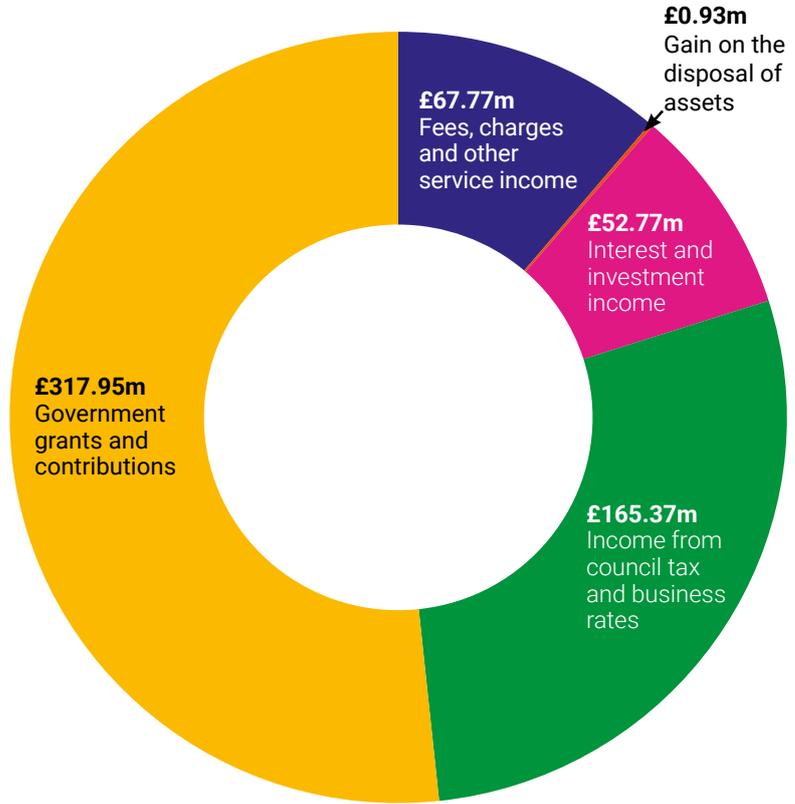
The Council's capital investments continue to meet changes in legislation, recent examples include the Simpler Recycling Reforms.

Income Sources

Core Funding

In common with the rest of local government, the Council has seen a reduction in its core government funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

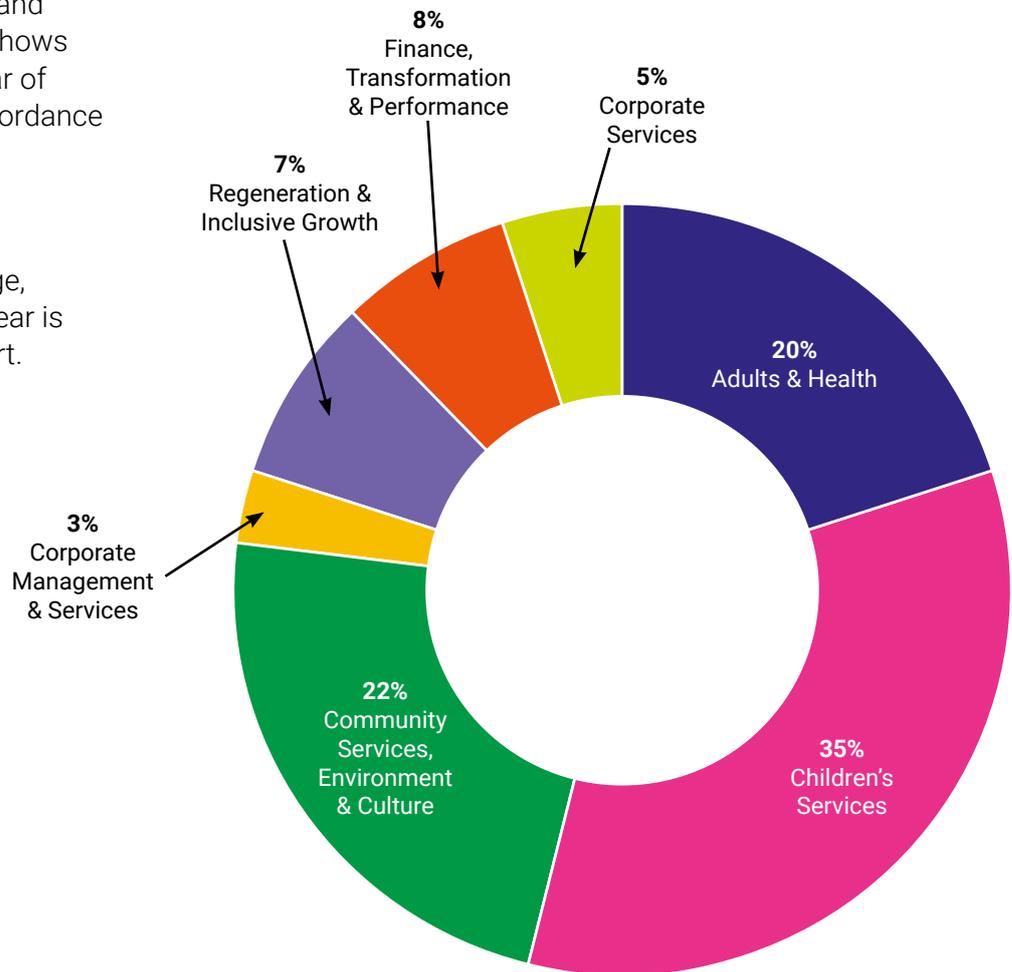
Income by source during 2024/25 is presented in the chart.

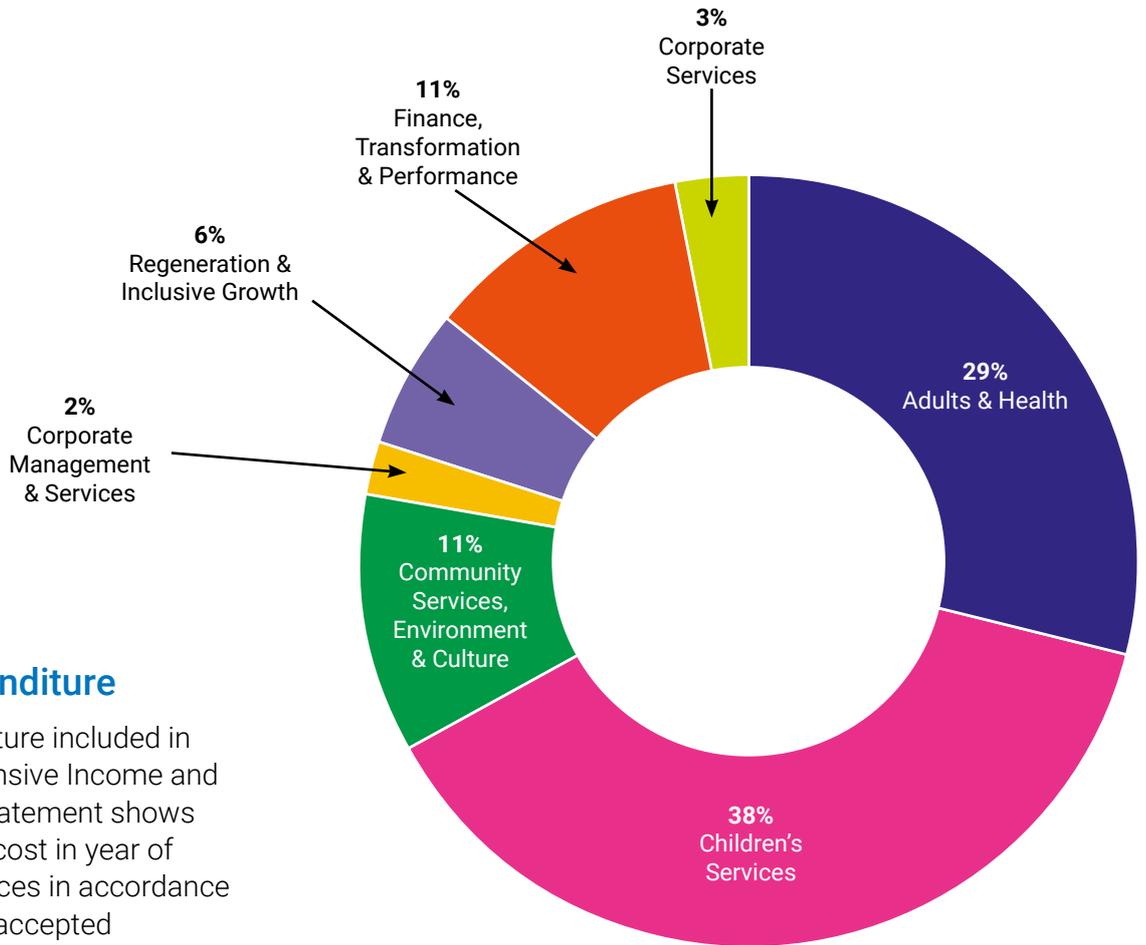


Net Expenditure

Net Expenditure included in the Comprehensive Income and Expenditure Statement shows the economic cost in year of providing services in accordance with generally accepted accounting practices.

In 2024/25 this totalled £208.8m. As a percentage, net expenditure for the year is demonstrated in the chart.

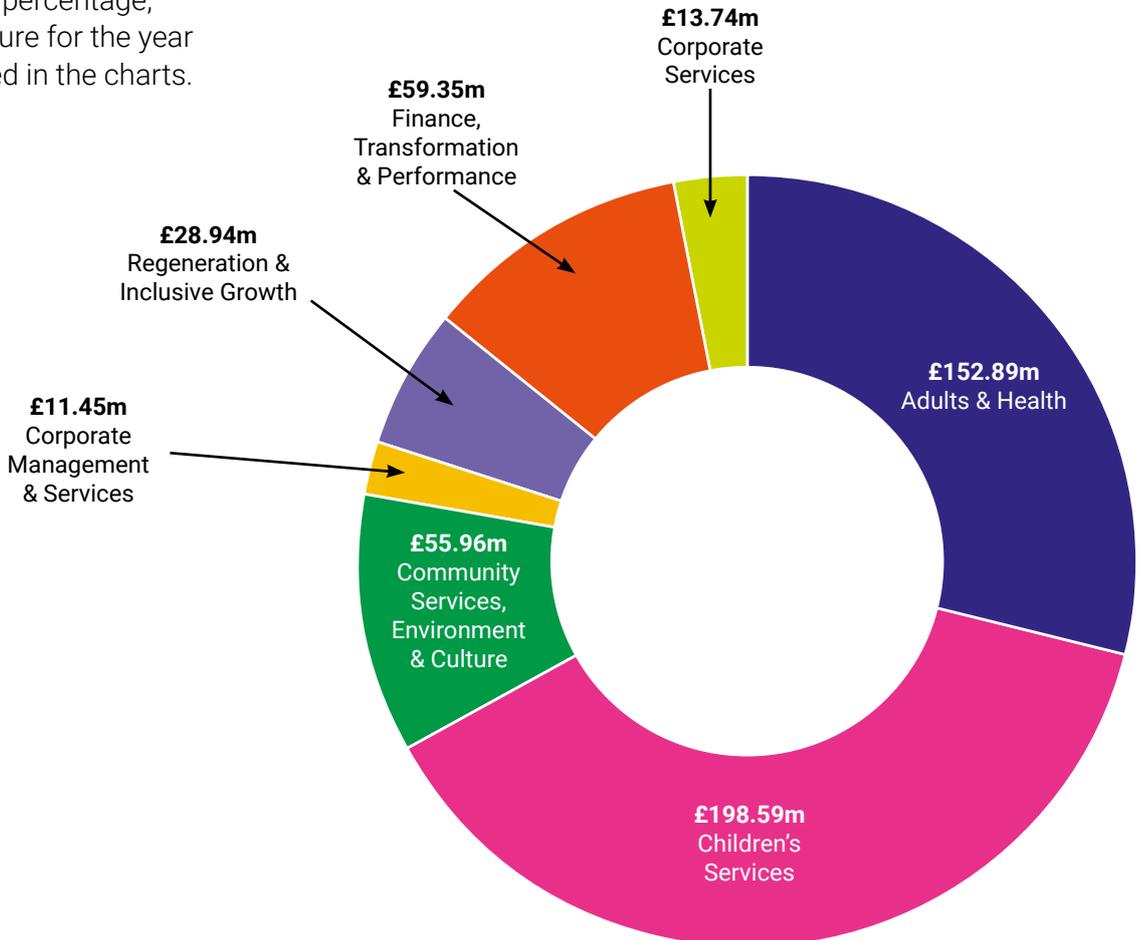




Gross Expenditure

Gross Expenditure included in the Comprehensive Income and Expenditure Statement shows the economic cost in year of providing services in accordance with generally accepted accounting practices.

In 2024/25 this totalled £520.9m. As a percentage, gross expenditure for the year is demonstrated in the charts.



Reserves and Provisions

The Local Government Finance Act 1992 requires a local authority to have due regard to the level of balances and reserves needs for meeting future estimates of future expenditure when calculating the Council Tax requirement.

Balances and reserves are held for three primary purposes:

- A working balance to help cushion the impact of cash flows
- A contingency to cushion the impact of unexpected events and emergencies
- Earmarked reserves to meet known and predicted liabilities

A thorough review of provisions linked to Council tax and Business Rates was undertaken as part of the budget setting for 2024/25 and repeated this year. Analysis of known data such as collection rates and levels of debt, as well as predictions regarding business rates appeals are considered. Although levels of debt are higher than pre-covid.

The Council holds £8m in General Fund balances, a sum of money the Council must maintain in case of a major unforeseen event leading to significant financial uncertainty. In the event that the Council must use these funds, they must commit to replenishing them back to the original level as quickly as possible.

As part of the annual budget setting process, the levels of balances and reserves are reviewed to ensure that the level is appropriate in the context of local circumstances. As described in the main body of the report, a thorough review of reserves has been undertaken again this year. This has identified a sum that can be redirected to fund the projected overspend within 2024/25.

When assessing the level of reserves, factors to take into account include historic trends against budget, current savings requirements and other potential future financial risks.

- a). The level of overspend the Council has experienced over the past three years has required the use of reserves and provisions to fund the overspend. This has caused the Council's reserves levels to reduce faster than planned.
- b). The MTFP does require savings to be made, amounting to £2.5m by 2026/27. As described above the Council has invested in building capacity to enable delivery of these savings and has already shown success in implementing over £5.8m worth of savings. This demonstrates proven commitment and reassures us that we can be cautiously optimistic in the likelihood of achieving the remaining targets.
- c). In setting the MTFP, officers have followed a process to try to identify potential future risk as far as possible. As discussed earlier there remain various challenges to staying within budget, however, we have implemented processes and demonstrated commitment to mitigating pressures.

The Council views the current level of general fund balances to be prudent and reflective of the current levels of risk facing them. Earmarked reserves are held to provide resources for specific, identified purposes. These reserves have been reviewed and commitments assessed, and although the reserves are committed, a substantial element will not be utilised in the next two years. Therefore, these could be made available if savings are not delivered, or further pressures materialise.

Reserve levels are shown in the abbreviated Balance Sheet Table below. The table shows that the level of reserves the Council holds has reduced during 2024/25 and it is critical that the Council takes action to replenish reserves to achieve a greater level of financial resilience for the Council over the medium term.

Balance Sheet

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

to make judgements around the organisation's financial position.

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

Balance Sheet	31-Mar-24	31-Mar-25
	£000's	£000's
Long Term Assets	452,488	486,128
Current Assets	77,921	102,780
Current Liabilities	-75,071	-125,521
Long Term Liabilities	-123,216	-123,221
Net Assets	332,122	340,166
General Fund Balances	8,000	8,000
Earmarked General Fund Reserves	40,487	28,321
Capital Receipts Reserve	3,450	4,436
Capital Grants Unapplied	51,557	45,397
Unusable Reserves	228,628	254,012
Total Reserves	332,122	340,166

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

- Long-term assets have increased due to the completion of schemes within the capital programme and upward revaluation of assets.
- The movement on Current Assets and Current Liabilities are both related to the Council undertaking short-term borrowing for cash flow purposes at the end of the financial year.
- Earmarked General Fund Reserves have decreased with the planned use of these reserves in year, and the funding of the year end outturn overspend.
- Unusable reserves reflect the technical accounting adjustments required to comply with proper accounting practice. Most of the movements are unrealised in nature and do not have an immediate impact on the Council's revenue budget or medium-term financial plan.

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

International Financial Reporting Standard 16 (IFRS 16) - Leases

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024.

With effect from 1 April 2024, IFRS 16 also applies to service concession arrangements i.e. Public-Private Partnerships (PPP) and similar schemes. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

Core Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2025. It comprises core and supplementary statements, together with disclosure notes.

The format and content of the financial statements is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which in turn is underpinned by International Financial Reporting Standards.

The Core Financial Statements are:

Movement in Reserves Statement (MIRS)

This statement is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

Comprehensive Income and Expenditure Statement (CIES)

This records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

Balance Sheet

The Balance Sheet is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement

Shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

Notes to the Financial Statements

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The Group Accounts

Report the full extent of the assets and liabilities of the Council and the companies and similar entities, which the Council either controls or significantly influences. The Council has consolidated not only the interests, which are financially material to the Council, but also the non-material interests, to provide a full picture of the Council's arrangements for good governance.

The following entities are 100% controlled by Stockton Council by virtue of 100% shareholding and consolidated to form the group accounts.

Stockton Borough Holding Company Limited - Registration Number 10523559

Stockton Hotels Company Limited - Registration Number 10525068

Prior Period Adjustments - Restatement of Income and Expenditure Comparators due to Change in Reporting Structure

The Expenditure & Funding Analysis (EFA), the Comprehensive Income & Expenditure Statement (CIES) and their supporting notes, are compiled based on the Council's reporting structure at the 31st March. This structure reflects the Directorate structure in place at that point in time.

During 2024/25 the Council's reporting structure was changed, however this restructure had no change to the overall net cost of services, Surplus/Deficit on Provision of Services, general fund balances, or the balance sheet. The financial statements and disclosures impacted by the restructuring are as follows:

- Expenditure & Funding Analysis
- Comprehensive Income & Expenditure Statement
- Notes to the Expenditure and Funding Analysis

Statement of Responsibilities for the Annual Financial Statements

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 Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Annual Financial Statements by the date specified by the Secretary of State.

The Chief Financial Officer Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Annual Financial Statements amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets.

In preparing the Annual Financial Statements, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Certification of the accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of the Council (and Group) at the accounting date and its income and expenditure for the year ended 31 March 2025.



G Cummings CPFA - Deputy Chief Executive and Director of Finance, Transformation & Performance

Date: 30 June 2025

These financial statements replace the unaudited financial statements certified by the Deputy Chief Executive and Director of Finance, Transformation & Performance on 30th June 2025.

C Harper CPFA - Chief Financial Officer

Date: 23 February 2026

Approval Of Statement Of Accounts

The Statement of Accounts was approved by Stockton Councils Audit and Governance Committee.

Councillor Barry Woodhouse - Chairman of the Audit and Governance Committee

Date: 23 February 2026

Financial Statements and Explanatory Notes



Movement in Reserves Statement for the year ended 31 March 2025

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement for the year ended 31 March 2024	Unearmarked General Fund Reserve	Other Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2023	8,000	58,385	66,385	3,053	46,273	115,711	320,029	435,740
Movement in reserves during 2023-24								
Total Comprehensive Income and Expenditure	(363)	-	(363)	-	-	(363)	(103,255)	(103,618)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	(17,448)	(17,448)	397	5,284	(11,767)	11,767	-
Increase/Decrease before transfer to earmarked reserves	(363)	(17,448)	(17,811)	397	5,284	(12,130)	(91,488)	(103,618)
Transfers to / from earmarked reserves	363	(450)	(87)			(87)	87	-
Increase/Decrease in the Year	-	(17,898)	(17,898)	397	5,284	(12,217)	(91,401)	(103,618)
Balance at 31 March 2024 carried forward	8,000	40,487	48,487	3,450	51,557	103,494	228,628	332,122
Opening Balance 01 April 2024	8,000	40,487	48,487	3,450	51,557	103,494	228,628	332,122
Movement in Reserve in 2024-25								
Total Comprehensive Income and Expenditure	(104)	-	(104)	-	-	(104)	8,148	8,044
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	(11,811)	(11,811)	986	(6,160)	(16,985)	16,985	-
Increase/Decrease before transfer to earmarked reserves	(104)	(11,811)	(11,915)	986	(6,160)	(17,089)	25,133	8,044
Transfers to / from earmarked reserves	104	(355)	(251)			(251)	251	-
Increase / Decrease in the year	-	(12,166)	(12,166)	986	(6,160)	(17,340)	25,384	8,044
Balance at 31 March 2025 carried forward	8,000	28,321	36,321	4,436	45,397	86,154	254,012	340,166
General Fund analysed over:								
Amounts earmarked (Note 7)	28,321							
Amounts uncommitted	8,000							
"Total General Fund Reserve at 31 March 2025"	36,321							

Comprehensive Income and Expenditure Statement for the year ended 31 March 2025

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding analysis and the Movement in Reserves Statement.

2023/24 Restatement - The Comprehensive Income & Expenditure Statement (CIES) and their supporting notes, are compiled based on the Council's reporting structure at the 31st March. This structure reflects the Directorate structure in place at that point in time. During 2024/25 the Council's reporting structure was changed, however this restructure had no change to the overall net cost of services, Surplus/Deficit on Provision of Services.

	Restated 2023 - 24			2024-25		
	£000s	£000s	£000s	£000s	£000s	£000s
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Adults, Health & Wellbeing	137,329	(95,889)	41,440	152,894	(110,809)	42,085
Children's Services	186,693	(111,569)	75,124	198,589	(125,713)	72,876
Community Services, Environment & Culture	66,829	(8,422)	58,407	55,957	(9,172)	46,785
Corporate Management & Services	10,137	(5,078)	5,059	11,454	(5,941)	5,513
Regeneration & Inclusive Growth	10,564	(7,864)	2,700	28,316	(13,086)	15,230
Finance, Transformation & Performance	71,707	(47,315)	24,392	59,354	(43,836)	15,518
Corporate Services	13,695	(1,943)	11,752	13,738	(2,913)	10,825
Cost of Services	496,954	(278,080)	218,874	520,302	(311,470)	208,832
Other Operating Income & Expenditure:						
Parish council precepts	967	-	967	1,005	-	1,005
(Gain) or loss on the disposal of Investment Properties	-	-	-	-	-	-
(Gain) or loss on the disposal of non-current assets	2,756	(1,901)	855	4,929	(895)	4,034
(Gain) or loss on trading accounts (not applicable to service)	17,038	(10,059)	6,979	17,088	(9,226)	7,862
Financing and Investment Income and Expenditure:						
Interest payable and similar charges	4,980	-	4,980	5,542	-	5,542
Net (gains) / losses on financial assets at fair value through profit and loss	529	-	529	-	(251)	(251)
Net interest on the net defined benefit liability/asset	41,070	(45,813)	(4,743)	51,778	(50,783)	995
Interest receivable and similar income	-	(2,750)	(2,750)	-	(1,963)	(1,963)
Income & expenditure in relation to investment properties and changes in their fair value	415	(2,728)	(2,313)	880	(1,717)	(837)
Revaluation (Gain) / loss on Assets Held for Sale	-	-	-	-	(130)	(130)
Taxation and Non-Specific Grant Income:						
Council tax income	-	(113,972)	(113,972)	-	(117,554)	(117,554)
Non-domestic rates income and expenditure	-	(44,324)	(44,324)	-	(47,818)	(47,818)
Non-ringfenced government grants	3,593	(24,826)	(21,233)	3,372	(25,138)	(21,766)
Capital grants and contributions	-	(43,484)	(43,484)	-	(37,847)	(37,847)
(Surplus) or Deficit on Provision of Services	568,300	(567,937)	363	604,896	(604,792)	104
(Surplus) or deficit on revaluation of non current assets			(18,151)			(4,709)
Re-measurements of the defined benefit liability			121,320			(3,691)
Other (gains) and losses			86			252
Other Comprehensive Income and Expenditure			103,255			(8,148)
Total Comprehensive Income and Expenditure			103,618			(8,044)

Balance Sheet as at 31 March 2025

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the 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 reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Balance Sheet	Note	31 March 2025 £000s	31 March 2024 £000s
Non-current assets			
Property, plant and equipment	11	443,831	409,442
Investment property	13	16,686	17,970
Intangible assets		829	567
Heritage Assets	12	11,274	11,239
Long term investments	29	13,279	13,028
Long Term Debtors	29	229	242
Total non-current assets		486,128	452,488
Current assets			
Inventories		906	763
Debtors	15 & 29	73,339	67,909
Cash and Cash Equivalents	16	26,071	8,746
Assets held for sale		2,464	503
Total current assets		102,780	77,921
Current liabilities			
Cash and Cash Equivalents	16	(1,432)	(5,723)
Short Term Borrowing	29	(64,708)	(18,636)
Short Term Creditors	17 & 29	(59,381)	(50,712)
Total current liabilities		(125,521)	(75,071)
Long term liabilities			
Long Term Creditors	29	(172)	(172)
Long Term Borrowing	29	(86,072)	(89,750)
Provisions	33	(3,699)	(4,799)
Other Long Term Liabilities	18 & 29	(26,385)	(24,625)
Grants Receipts in Advance	28	(6,893)	(3,870)
Total long term liabilities		(123,221)	(123,216)
Net Assets:		340,166	332,122
Reserves			
Usable reserves:			
General Fund Reserve		8,000	8,000
Earmarked General Fund Reserves	7	28,321	40,487
Capital Receipts Reserve		4,436	3,450
Capital Grants Unapplied		45,397	51,557
Total Usable Reserves		86,154	103,494
Unusable Reserves:			
Revaluation Reserve	20	82,833	82,246
Capital Adjustment Account	19	196,389	167,488
Financial Instruments Adjustment Account		(13)	(55)
Pooled Fund Adjustment Account		(1,721)	(1,972)
Pensions Reserve	31	(17,239)	(19,074)
Collection Fund Adjustment Account	21	1,558	7,332
Accumulated Absences Account		(1,070)	(1,285)
Dedicated Schools Grant Adjustment Account	24	(6,725)	(6,052)
Total Unusable Reserves		254,012	228,628
Total Reserves:		340,166	332,122

Cash Flow Statement for the year ended 31 March 2025

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.

	Note	31 March 2025 £000s	31 March 2024 £000s
Net (surplus) or deficit on the provision of services		104	363
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment and amortisation of non current assets		(18,932)	(31,455)
Revaluation (gains)/losses		6,325	3,492
Movement in net pension liability		(1,856)	504
Carrying amount of Non-Current Assets Sold		(5,446)	(3,123)
Other non-cash movement		1,546	2,550
Increase/(Decrease) in Inventories (Stock)		143	332
Increase/(Decrease) in Debtors		518	12,151
(Increase)/Decrease in Creditors		(3,909)	(323)
(Increase)/Decrease in Provisions		1,103	1,519
Increase/(Decrease) in Long Term Debtors		(13)	(1,087)
		(20,521)	(15,440)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services		46,022	46,217
Proceeds from the disposal of non current assets		1,074	1,940
		47,096	48,157
Net cashflow from operating activities		26,679	33,080
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets		46,208	39,482
Increase in short term and long term investments		251	(529)
Proceeds from the sale of property, plant and equipment, investment property and intangibles		(1,074)	(1,940)
Other receipts from investing activities		(49,045)	(47,939)
Net cashflow from investing activities		(3,660)	(10,926)
Financing activities			
Other receipts from financing activities		(1,298)	(2,293)
Cash payments for liabilities relating to leases and PFI Contracts		(944)	2,046
Increase in short and long term borrowings		(42,393)	(14,146)
Net cashflow from financing activities		(44,635)	(14,393)
Net (increase) or decrease in cash and cash equivalents		(21,616)	7,761
Cash and cash equivalents at the beginning of the reporting period		(3,023)	(10,784)
Cash and cash equivalents at the end of the reporting period	16	(24,639)	(3,023)
The cashflow for operating activities includes the following items:			
Interest received		(1,382)	(2,141)
Dividends received		(665)	(683)
Interest paid		4,902	3,442

Notes to the financial statements

Note 1: Expenditure & Funding Analysis

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

Expenditure & Funding Analysis	Restated 2023-24			2024-25		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Adults, Health & Wellbeing	68,932	(27,492)	41,440	76,772	(34,687)	42,085
Children's Services	58,068	17,056	75,124	63,754	9,122	72,876
Community Services, Environment & Culture	36,526	21,881	58,407	36,447	10,338	46,785
Corporate Management & Services	4,229	830	5,059	7,495	(1,982)	5,513
Regeneration & Inclusive Growth	1,670	1,030	2,700	1,596	13,635	15,231
Finance, Transformation & Performance	14,190	10,202	24,392	15,628	(110)	15,518
Corporate Services	12,340	(588)	11,752	11,150	(326)	10,825
Net Cost of Services	195,955	22,919	218,874	212,842	(4,010)	208,832
Other Income and Expenditure	(195,955)	(22,556)	(218,511)	(212,842)	4,114	(208,728)
Surplus or Deficit	0	363	363	-	104	104
Opening General Fund Reserve	(8,000)			(8,000)		
Less/Plus (Surplus) or Deficit	0			-		
Closing General Fund Reserve at 31 March	(8,000)			(8,000)		

Note 2: Notes to the Expenditure & Funding Analysis

Adjustments between Funding and Accounting Basis 2024-25

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adults, Health & Wellbeing	1,187	43	(35,917)	(34,687)
Children's Services	6,173	70	2,879	9,122
Community Services, Environment & Culture	(1,717)	24	12,031	10,338
Corporate Management & Services	(2,594)	12	600	(1,982)
Regeneration & Inclusive Growth	12,858	8	769	13,635
Finance, Transformation & Performance	(1,618)	690	818	(110)
Corporate Services	-	14	(340)	(326)
Net Cost of Services	14,289	861	(19,160)	(4,010)
Other Income and Expenditure from the Expenditure and Funding Analysis	(34,398)	995	37,517	4,114
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(20,109)	1,856	18,357	104

Restated Adjustments between Funding and Accounting Basis 2023-24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
Adults, Health & Wellbeing	574	708	(28,774)	(27,492)
Children's Services	14,492	1,186	1,378	17,056
Community Services, Environment & Culture	12,994	391	8,496	21,881
Corporate Management & Services	(1,442)	198	2,074	830
Regeneration & Inclusive Growth	-	118	912	1,030
Finance, Transformation & Performance	7,274	1,435	1,493	10,202
Corporate Services	(3)	203	(788)	(588)
Net Cost of Services	33,889	4,239	(15,209)	22,919
Other Income and Expenditure from the Expenditure and Funding Analysis	(43,426)	(4,743)	25,613	(22,556)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit on the Provision of Services	(9,537)	(504)	10,404	363

Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

This is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute

- For Financing and Investment Income and Expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. The other differences column also recognises adjustments between the General Fund and Earmarked Reserves.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 3: Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2025/26 Code. New or amended standards that are expected to be introduced in the 2025/26 Code that apply from 1 April 2025 are:

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

The impact of these changes has not yet been fully assessed on the Authority's Accounts but it will be dependent on arrangements in place at that time and further details of the potential impact will be disclosed when more information becomes available.

Note 4: Critical Judgements in Applying Accounting Policies

In applying its accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

PFI Schemes - The Council is involved with a PFI contract to provide schools and a library in Ingleby Barwick. After an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to this arrangement and the associated assets have been recognised on the Council's balance sheet with the exception of All Saints School which has attained academy status.

The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals, for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment.

The Council has brought voluntary controlled schools on-balance sheet because they meet the requirements for recognition under IAS 16, the Council acts as the admissions authority and employs the school staff. Voluntary aided schools remain off-balance sheet as they do not meet the same tests as those for voluntary controlled schools.

Note 5: 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 by taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2025 which contain estimates are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Assets / Liabilities	<p>Estimation of the net pension assets and 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 the expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assessments can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £12.787 million. Note 31 provides further details.</p>
Property Plant and Equipment	<p>To meet CIPFA Code requirements asset valuations are based on current value and valuations are carried out on a 3 or 5-year rolling programme (higher-value assets every 3 years, and the lower-value assets every 5 years) meaning that there is a possibility of material changes in value between these periods. To ensure that the Council does not materially misstate its non-current assets a desk top exercise assessment of those assets not revalued in year is undertaken supported by annual indexation to the 'best available' indices in the intervening years. Assets are depreciated over their estimated useful lives and are based on assumptions about the level of repairs and maintenance that will be incurred and useful economic lives.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for Property Plant and Equipment would increase by £0.880 million for every year that useful lives had to be reduced. See Note 11 for further information.</p>
Revaluations	<p>Valuations are carried out on a 3 or 5 year rolling programme, meaning that there is a possibility of material changes in value between valuations.</p> <p>The risk is minimised by annual valuations of all significant assets and annual reviews of market conditions for all asset categories to ensure that the current value of assets as at the 31 March are not materially misstated.</p>	<p>At 31 March 2025, the Council revalued Property Plant and Equipment to the value of £443.831 million, and investment properties to the value of £16.686 million. A 1% change in the estimation of these property values would lead to a £4.44 million change in the value of the Council's land and buildings and £0.167 million change in the value of the Council's investment properties. These changes to valuations would not have a direct impact on the Council's general fund, since any effect charged to the CIES would be reversed to the Council's unusable reserves. See Note 11 for further information.</p>

Note 6: 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 authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2024-25	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account (see note 19)	(28,813)			28,813
Adjustments involving the Revaluation Reserve	4,122			(4,122)
Adjustments involving the Capital Grants Unapplied Account	6,160		(6,160)	-
Adjustments involving the Capital Receipts Reserve	(1,075)	986		89
Adjustments involving Dedicated Schools Grant Adjustment Account	673			(673)
Adjustments involving the Financial Instruments Adjustment Account	(42)			42
Adjustments involving the Pensions Reserve	1,856			(1,856)
Adjustments Involving the Pooled Fund Adjustment Account	(251)			251
Adjustments involving the Collection Fund Adjustment Account (see note 21)	5,774			(5,774)
Adjustments involving the Accumulated Absences Adjustment Account	(215)			215
Total Adjustments	(11,811)	986	(6,160)	16,985

2023-24 Comparative figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account (see note 19)	(7,182)			7,182
Adjustments involving the Revaluation Reserve	4,340			(4,340)
Adjustments involving the Capital Grants Unapplied Account	(5,284)		5,284	-
Adjustments involving the Capital Receipts Reserve	(1,940)	397		1,543
Adjustments involving the Deferred Capital Receipts Reserve	154			(154)
Adjustments involving the Financial Instruments Adjustment Account	(61)			61
Adjustments involving the Pensions Reserve	(504)			504
Adjustments Involving the Pooled Fund Adjustment Account	529			(529)
Adjustments involving the Collection Fund Adjustment Account (see note 21)	(7,517)			7,517
Adjustments involving the Accumulated Absences Adjustment Account	17			(17)
Total Adjustments	(17,448)	397	5,284	11,767

Note 7: Movements in 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 2024-25. The purpose of each earmarked reserve is set out in Appendix A. Note 24 to the accounts provides further detail on the Dedicated School Grant Deficit.

Earmarked Reserves	Balance at 31 March 2023	Transfers Out 2023- 24	Transfers In 2023-24	Balance at 31 March 2024	Transfers Out 2024- 25	Transfers In 2024-25	Balance at 31 March 2025
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Capital Reserves							
Stockton Town Centre Regeneration	(633)	125	-	(508)	98	-	(410)
Approved Capital Schemes	(8,661)	-	(1,214)	(9,875)	5,533	(99)	(4,441)
Fleet Renewals Fund	(2,080)	1,147	(549)	(1,482)	149	(524)	(1,857)
Total Capital Reserves	(11,374)	1,272	(1,763)	(11,865)	5,780	(623)	(6,708)
Revenue Reserves							
Insurance Fund	(7,376)	3,000	(1,656)	(6,032)	1,000	(160)	(5,192)
Commuted Lump Sums	(998)	66	4	(928)	928	-	-
Pooled Funds and Interest Rate Risk	(807)	-	(893)	(1,700)	-	(262)	(1,962)
ICT Infrastructure	(757)	357	-	(400)	260	-	(140)
Government Grants Income In Advance	(345)	3	-	(342)	342	-	-
Transformation & Implementation	(2,941)	1,232	(692)	(2,401)	1,409	(515)	(1,507)
MTFP Transition Reserve	(6,272)	6,091	-	(181)	-	(1,000)	(1,181)
ARCC Probation Service	(1,289)	-	-	(1,289)	1,289	-	-
Health & Integration	(8,586)	3,066	(173)	(5,693)	4,495	(96)	(1,294)
Collection Fund Deficit Reserve	(544)	544	-	-	-	-	-
NNDR S31 Grant	(1,425)	-	(769)	(2,194)	2,194	-	-
MTFP Resilience Reserve	-	-	-	-	7,019	(7,935)	(916)
Covid Recovery Funds	(195)	63	-	(132)	132	-	-
Other Revenue Reserves	(9,797)	9,025	(767)	(1,539)	2,485	(6,999)	(6,053)
Total Revenue Reserves	(41,332)	23,447	(4,946)	(22,831)	21,553	(16,967)	(18,245)
Schools Related Reserves							
Balances held by schools under a scheme of delegation	(3,493)	432	(476)	(3,537)	364	(195)	(3,368)
Dedicated Schools Grant	(2,186)	-	(68)	(2,254)	2,254	-	-
Total Schools Related Reserves	(5,679)	432	(544)	(5,791)	2,618	(195)	(3,368)
Total Earmarked Reserves	(58,385)	25,151	(7,253)	(40,487)	29,951	(17,785)	(28,321)

Note 8: Segmental Income

The Council receives significant Fees and Charges income from external customers. The total income received on a segmental basis is analysed below:

Segmental Income	2024-25 £000s	Restated 2023-24 £000s
Services		
Adults, Health & Wellbeing	(21,446)	(19,276)
Childrens Services	(6,579)	(6,158)
Community Services, Environment & Culture	(5,061)	(5,449)
Corporate Management & Services	(3,008)	(2,430)
Finance, Transformation & Performance	(1,827)	(1,911)
Regeneration & Inclusive Growth	(4,992)	(529)
Corporate Services	(695)	(5,627)
Other Income	(8,161)	(7,538)
Total income analysed on a segmental basis	(51,769)	(48,918)

Note 9: Members' Allowances

Details of the amounts paid to each elected member of the Council are published annually. The total amount paid to members in respect of basic allowance, special responsibility allowance, Mayoral Allowances, travel & subsistence and carer's allowances was £726,101 (last year: £723,319).

Members' Allowances	2024-25 £000s	2023-24 £000s
Basic Allowances	518	518
Special Responsibility Allowances	208	205
Travel & Expenses	0	0
Total	726	723

Note 10: Employee Remuneration

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

Remuneration Summary Bandings	Number of Employees			
	2024-25	2023-24	2024-25	2023-24
	Council	Council	Schools	Schools
£50,000 - £54,999	95	70	40	30
£55,000 - £59,999	54	38	23	18
£60,000 - £64,999	13	20	13	11
£65,000 - £69,999	15	15	4	12
£70,000 - £74,999	13	6	8	6
£75,000 - £79,999	5	4	3	2
£80,000 - £84,999	6	6	6	4
£85,000 - £89,999	6	3	4	1
£90,000 - £94,999	-	4	1	1
£95,000 - £99,999	7	10	-	-
£100,000 - £104,999	5	3	1	-
£105,000 - £109,999	3	1	-	-
£110,000 - £114,999	1	-	-	1
£125,000 - £129,999	-	-	1	-
£150,000 - £154,999	-	1	-	-

Remuneration of the Chief Executive and the Council's senior staff has been excluded above. Details are shown in the following tables.

Remuneration of Senior Employees 2024-25

Post holder information	Salary (Including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 24/25	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 24/25
	£	£	£	£	£	£	£
Chief Executive (Mike Greene)	173,252	-	1,056	174,308	-	26,036	200,344
Deputy Chief Executive & Director of Finance, Transformation & Performance	147,703	152	-	147,855	-	20,088	167,943
Director of Children's Services	131,205	-	1,558	132,763	-	16,778	149,541
Director Adults, Health and Wellbeing	138,463	-	-	138,463	-	18,949	157,412
Director of Regeneration & Inclusive Growth	72,763	82	-	72,845	-	9,896	82,741
Director of Corporate Services (Monitoring Officer)	139,333	-	1,628	140,961	-	17,660	158,621
Director of Community Services, Environment & Culture	139,333	-	-	139,333	-	18,405	157,738
	942,052	234	4,242	946,528	0	127,812	1,074,340

During 2024/25 the post of Director Regeneration & Inclusive Growth was created. The Officer commenced employment with the Council in September 2024. The new Director of Children's Service commenced employment in April 2024.

Remuneration of Senior Employees 2023-24

Post holder information	Salary (Including fees & Allowances)	Expense Allowances	Benefits in kind	Total Remuneration excluding pension contributions 23/24	Compensation for Loss of Office	Pension contributions	Total Remuneration including pension contributions 23/24
	£	£	£	£	£	£	£
Chief Executive (Mike Greene)	169,026	-	704	169,730	-	22,134	191,864
Deputy Chief Executive & Director of Finance, Transformation & Performance	146,865	149	-	147,014	-	19,239	166,253
Director of Children's Services	56,640	-	-	56,640	-	7,420	64,059
Director Adults, Health and Wellbeing	103,309	-	-	103,309	-	12,925	116,234
Director of Adults and Health	45,312	-	-	45,312	-	5,936	51,248
Director of Corporate Services (Monitoring Officer)	135,935	-	-	135,935	-	17,808	153,743
Director of Community Services, Environment & Culture	135,935	-	656	136,591	-	17,021	153,612
	793,022	149	1,360	794,531	0	102,483	897,013

During 2023/24 both the Director of Children's Services (31/08/2023) and Director of Adults and Health (31/07/2023) left their positions. The Director of Adults and Health was replaced by the Director of Adults, Health and Wellbeing while the Director of Children's post remained vacant to the end of 2023/24.

Note 11: Non Current Assets - Property, Plant & Equipment

Movements in 2024-25	Other Land & Buildings	Vehicles, Plant & Equipment	Right of Use Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s		£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2024	230,794	24,210	-	210	3,517	1,254	259,985
Opening balance adjustment	-		7,292				7,292
Additions	24,103	1,598	2,288	393	137	9,260	37,779
Accumulated depreciation written off on revaluation	(8,840)		(221)		(16)		(9,077)
Accumulated depreciation & impairment written off to Gross Carrying Amount (GCA)						-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,709		-	-	-		4,709
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	6,420			-	(174)		6,246
Derecognition - disposals	(5,297)	(403)		-	-		(5,700)
Reclassified to/from held for sale/surplus	(193)						(193)
Reclassified to/from ROU Assets **		(6,260)	6,260				-
Other reclassifications *	(9,598)	(695)		-	-	-	(10,293)
At 31 March 2025	242,098	18,450	15,619	603	3,464	10,514	290,748
Accumulated Depreciation and Impairment							
At 1 April 2024	(22,665)	(13,386)	-	-	-	-	(36,051)
Depreciation Charge	(8,958)	(2,767)	(415)		(16)		(12,156)
Accumulated depreciation written off on revaluation	8,840		221		16		9,077
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(2,900)	(884)		(43)	-	(38)	(3,865)
Derecognition - disposals	378	389			-		767
Reclassified to/from ROU Assets **		2,809	(2,809)				-
Other reclassifications	9,598	695			-	-	10,294
At 31 March 2025	(15,707)	(13,144)	(3,003)	(43)	-	(38)	(31,934)
Net Book Value							
At 31 March 2025	226,391	5,306	12,616	560	3,464	10,476	258,814
At 31 March 2024	208,129	10,823	-	210	3,517	1,254	223,934

* Reduction in the cost or valuation and accumulated depreciation to write out 2023/24 impaired capital expenditure included in the brought forward balances.

**The Council has adopted IFRS 16 Leases with effect from 1 April 2025. Although the code requires that the Council applies IFRS 16 retrospectively, as if the accounting standard had always been recognised, comparative figures for the prior year are not restated, the code requires that cumulative effect to be recognised as at 1 April 2024.

***The NBV of PFI asset totals £1.826m as at 31st March 2025, this is included within other Land & Buildings total.

Detail of the opening balance adjustment and ROU Asset by asset classification are included in the table below.

Right of Use Asset	L&B Commercial Lease	L&B Non Commercial Lease	Vehicle Lease	PPE Lease	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
At 1 April 2024					
Opening Balance Adjustment (Recognition of ROU Assets on transition)	1,792	5,427		72	7,291
Additions			2,288		2,288
Accumulated Depreciation & Impairment written off to GCA		(221)			(221)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services					-
Reclassification to ROU Assets			6,260		6,260
At 31 March 2025	1,792	5,206	8,548	72	15,618
Accumulated Depreciation and Impairment					
At 1 April 2024					-
Depreciation Charge	(157)	(221)		(36)	(415)
Accumulated Depreciation written off to GCA		221			221
Reclassification to ROU Assets			(2,809)		(2,809)
At 31 March 2025	(157)	(0)	(2,809)	(36)	(3,003)
Net Book Value					
At 31 March 2025	1,635	5,206	5,739	36	12,616
At 31 March 2024	0	0	0	0	0

Right of Use (ROU) Valuations

Assets included within L&B Commercial, Vehicles and PPE have been valued using the cost model as this is considered an appropriate proxy for current value in existing use (or fair value).

Assets included within L&B non commercial include peppercorn leases and leases provided for nil or nominal consideration. These valuations have been undertaken by District Valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date for the valuations in 24-25 is 31st March 2025.

Infrastructure Assets

In accordance with the Temporary Relief offered by 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 authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets. Details of the Net Book value of Infrastructure Assets are included in the table below.

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Infrastructure Assets Net Book Value	Total
At 31 March 2024	185,508
Additions	9,557
Depreciation	(9,927)
Other	(121)
At 31 March 2025	185,017

Total Non Current Assets Net Book Value is shown in the table below;

Total Non Current Assets Net Book Value	Total
At 31 March 2024	409,442
At 31 March 2025	443,831

Movements in 2023-24	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation						
At 1 April 2023	210,448	22,648	210	3,606	1,131	238,043
Additions	21,909	3,556	-	-	123	25,588
Accumulated depreciation & impairment written off to Gross Carrying Amount (GCA)	(7,022)	-	-	(16)	-	(7,038)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,551	-	-	(73)	-	18,478
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	1,390	-	-	-	-	1,390
Derecognition - disposals	(2,857)	(1,576)	-	-	-	(4,433)
Reclassified to/from held for sale/surplus	(368)	-	-	-	-	(368)
Other reclassifications	(11,257)	(418)	-	-	-	(11,675)
At 31 March 2024	230,794	24,210	210	3,517	1,254	259,985
Accumulated Depreciation and Impairment						
At 1 April 2023	(22,668)	(12,186)	-	-	-	(34,854)
Depreciation Charge	(8,799)	(2,439)	-	(16)	-	(11,254)
Accumulated depreciation written off on revaluation	7,022	-	-	16	-	7,038
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	(9,598)	(695)	-	-	-	(10,293)
Derecognition - disposals	121	1,515	-	-	-	1,636
Other reclassifications	11,257	418	-	-	-	11,675
At 31 March 2024	(22,665)	(13,386)	-	-	-	(36,051)
Net Book Value						
At 31 March 2024	208,129	10,823	210	3,517	1,254	223,934
At 31 March 2023	187,780	10,461	210	3,606	1,131	203,190

Infrastructure Assets Net Book Value	Total
At 31 March 2023	180,191
Additions	14,962
Depreciation	(9,610)
Other	(35)
At 31 March 2024	185,508

Total Non Current Assets Net Book Value is shown in the table below;

Total Non Current Assets Net Book Value	Total
At 31 March 2023	383,381
At 31 March 2024	409,442

Depreciation

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

PPE

Other Land and Buildings	30 to 90 years
Vehicles, Plant, Furniture & Equipment	5 to 15 years

Infrastructure Assets

Carriageways	30 years
Footways and cycle tracks	30 years
Structures (bridges)	80 years
Street lighting	30 years
Bus shelters	25 years
Traffic management systems	15 years
Traffic signals	15 years
Pedestrian crossings	15 years

Capital Commitments

At 31 March 2025, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years of which the major schemes are as follows:

School place extensions/ alterations - £4.705m

Carriageway Resurfacing - £0.839m

Urban Park and Land Bridge - £13.326m

Preston Park Museum and Grounds - £0.722m

Preston Park Café & Avairy - £0.475m

Revaluations

The Council has implemented out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every three years for higher value assets and every five years for lower value assets; this replaces a programme that previously required valuations to be carried out at least every three years. The majority of valuations were carried out internally with a small number carried out by the Valuation Office Agency and Knight Frank. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date for all revaluations in 24/25 is 31st March 2025.

Operational Assets	Other Land & Buildings £000s	Right of Use Assets £000s	Vehicles, Plant & Equipment £000s	Community Assets £000s	Surplus Assets £000s	Total £000s
Valued at historical cost		8,620	18,450			27,070
Valued at current value as at:						
Current Year	89,312	6,999		603	3,464	100,378
2023/2024	50,855					50,855
2022/2023	62,971				-	62,971
2021/2022	18,563					18,563
2020/2021	20,397					20,397
Total	242,098	15,619	18,450	603	3,464	280,234

Note 12: Non Current Assets - Heritage Assets

The majority of the authority's heritage assets are held at Preston Hall Museum. These assets are held in support of the primary objective of the authority's museum i.e. increasing the knowledge and understanding and appreciation of the Boroughs history. The reconciliation of the carrying value of heritage assets held by the authority is shown in the table below.

2024-25	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeological	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valuation							
At 1 April 2024	6,500	1,464	2,538	47	510	180	11,239
Additions	35	-	-	-	-	-	35
Revaluations	-	-	-	-	-	-	-
At 31 March 2025	6,535	1,464	2,538	47	510	180	11,274

2023-24	Artworks	Ceramics Glass Silverware & Decorative Art	Weapons & Militaria	Transport	Archaeological	Civic Regalia	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valuation							
At 1 April 2023	6,500	1,464	2,538	47	35	144	10,728
Additions	-	-	-	-	475	-	475
Revaluations	-	-	-	-	-	36	36
At 31 March 2024	6,500	1,464	2,538	47	510	180	11,239

Revaluations

A comprehensive valuation was undertaken in 2018/19 by Anderson & Garland Ltd who are auctioneers and valuers. Dependant on the artifact in question the value is either the new replacement value, the second-hand replacement value, the facsimile value or the compensation value. The Authority considers that the cost of obtaining annual external valuations would involve disproportionate costs in relation to the benefits to the user of the Authority's accounts. Heritage Assets are carried at their revalued amount and are reviewed on an annual basis to ensure the valuations remain current.

Note 13: 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:

	31 March 2025	31 March 2024
	£000s	£000s
Rental income from investment property	1,040	1,038
Direct operating expenses arising from investment property	(109)	(136)
Net gain/(loss)	931	902

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2025	31 March 2024
	£000s	£000s
Balance at the start of the year	17,970	16,558
Additions:		
Purchases	628	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(182)	-
Net gains/(losses) from fair value adjustments	(94)	1,412
Transfers:		
To/from Assets Held for Sale	(1,636)	-
Other changes	-	-
Balance at the end of the year	16,686	17,970

The Council's largest investment is the Hampton by Hilton Hotel on the North Shore development (£12.1m). The Council's interests in the Hotel have been valued by a specialist at 31st March 2025.

The Hotel has been valued using the Income Capitalisation method and discounted cash flow using Level 2 observable inputs. The valuation technique applied in respect of the Fair Value hotel valuation was the income approach. The inputs to this technique constitute Level 2 inputs.

The Hotel valuation was undertaken by HVS with the remaining valuations undertaken internally and by Knight Frank.

Valuations of investment property were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The effective date for all revaluations in 24/25 is 31st March 2025.

Note 14: Expenditure and Income Analysed by Nature

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

The Council's expenditure and income	31 March 2025	31 March 2024
	£000s	£000s
Expenditure		
Employee benefits expenses	168,009	162,558
Other services expenses	333,446	313,992
Depreciation, amortisation and impairment	40,252	42,459
Interest payments	5,043	4,667
Interest payments - IAS19 Pensions	51,778	41,070
Precepts and levies	1,382	798
Loss on the disposal of assets	4,986	2,756
Total Expenditure	604,896	568,300
Income		
Fees, charges and other service income	(67,773)	(68,191)
Gain on the disposal of assets	(929)	(1,901)
Interest and investment income	(1,991)	(2,773)
Interest and investment income - IAS19 Pensions	(50,783)	(45,813)
Income from council tax and business rates	(165,372)	(158,298)
Government grants and contributions	(317,944)	(290,961)
Total Income	(604,792)	(567,937)
(Surplus) or Deficit on the Provision of Services	104	363

Note 15: Debtors

Debtors	31 March 2025	31 March 2024
	£000s	£000s
Central Government	11,074	12,733
Local Government	10,635	5,804
National Health Service	2,200	4,077
Local Taxation	21,019	19,546
Other entities and individuals	28,411	25,749
	73,339	67,909

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £10.9 million of £20.7 million of raised debtor invoices balances are past their due date for payment. As the Council maintains a credit loss provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £20.7 million above relates to invoiced debt only and is an element of the Debtor total in Note 15.

Note 15 (a): Debtors for Local Taxation

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

Debtors for Local Taxation	31 March 2025	31 March 2024
	£000s	£000s
Less than three months	942	1,191
Three to six months	1,021	624
Six months to one year	6,290	5,820
More than one year	12,766	11,911
	21,019	19,546

Note 16: Cash & Cash Equivalents

Cash & Cash Equivalents	31 March 2025	31 March 2024
	£000s	£000s
Bank and Imprests	4	50
Cash Equivalents	26,067	8,696
Bank Overdraft	(1,432)	(5,723)
	24,639	3,023

Note 17: Short Term Creditors

Short Term Creditors	31 March 2025	31 March 2024
	£000s	£000s
Central Government	(12,635)	(13,037)
Local Government	(6,928)	(5,719)
National Health Service	(2,098)	(3,116)
Local Taxation	(2,820)	(2,354)
Other entities and individuals	(34,900)	(26,486)
	(59,381)	(50,712)

Note 18: Other Long Term Liabilities

Other Long Term Liabilities	31 March 2025	31 March 2024
	£000s	£000s
Lease liability	(5,385)	(2,851)
PFI liability	(3,761)	(2,700)
Net Unfunded pensions liability	(17,239)	(19,074)
	(26,385)	(24,625)

Note 19: 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.

	2024-25		2023-24
	£000s	£000s	£000s
Balance at 1 April		(167,488)	(158,761)
Opening Balance Adjustment IFRS16 Transition		(1,171)	
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
• Charges for depreciation and impairment of non-current assets	22,997		28,606
• Revaluation losses on property, plant and equipment	(6,052)		(1,754)
• Revaluation losses / (gain) on AHFS & Investment Properties	(36)		(1,412)
• Amortisation of intangible assets	141		122
• Revenue expenditure funded from capital under statute	12,235		14,630
• Amounts of non-current assets written off on disposal or sale	4,372		1,183
		33,657	41,375
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(88)		(1,544)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,618)		(21,718)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(25,565)		(19,690)
• Statutory provision for the financing of capital investment charged against the General Fund balance	(4,424)		(3,285)
• Capital expenditure charged against the General Fund balance	(7,034)		(3,864)
		(63,729)	(50,101)
Balance at 31 March		(196,389)	(167,488)

Note 20: Revaluation Reserve

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

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

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

	2024-25	2023-24
	£000s	£000s
Balance at 1 April	(82,246)	(68,435)
Upward revaluation of assets	(21,469)	(19,147)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	16,760	996
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services	(4,709)	(18,151)
Difference between fair value depreciation and historical cost depreciation	3,381	2,727
Accumulated gains on assets sold or scrapped	741	1,613
Amount written off to the Capital Adjustment Account	4,122	4,340
Balance at 31 March	(82,833)	(82,246)

Note 21: Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2024-25	2023-24
	£000s	£000s
Balance at 1 April	(7,332)	184
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,345	(4,919)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	1,428	(2,598)
Balance at 31 March	(1,558)	(7,332)

Note 22: 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 effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the analysis 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 2024/25 is shown in Note 9. During 2024/25, £111k in value of goods and services were purchased from companies where members have a controlling interest (last year: £4k). If contracts were entered into these would be in full compliance with the Council's standing orders.

Entities Controlled or Significantly Influenced by the Council

The Council has two subsidiaries over which it has control by virtue of its 100% shareholding. The Council's subsidiary companies are Stockton Hotel Company and Stockton Holding Company. The Council received £712k (last year: £1.412m) from these companies during the year. At the 31st March 2025 the Council owed £0k (Last Year: £0k) from subsidiaries and they in turn owed £217k (Last Year: £397k) to the Council.

A number of elected members and senior officers sit on the management committees or boards of local organisations. During 2024/25 the Council had net transactions that totalled £4.532m (last year: £5.476m) to bodies that included Cleveland Fire Authority, The Police and Crime Commissioner for Cleveland, North East Autism Society, Catalyst Stockton-on-Tees, Stockton Shopmobility, BCT Aspire, Stockton & District Advice and Information Service, Friends of Ropner, Tees Active Limited, Hardwick in Partnership, Eastern Ravens Trust, FRADE, North East Regional Employers Organisation, and Tees Music Alliance. Billingham, Ingleby Barwick, Yarm and Thornaby Town Councils. The transactions consisted of services provided to the Council totalling £2.827m and grants and payments for services made by the Council totalling £7.325m. At the 31st March 2025 the Council owed £74k (Last Year: £85k) to related party suppliers and they in turn owed £1.111m (Last Year: £1.118m) to the Council.

Note 23: 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 for non-audit services provided by the Council's external auditors:

External Audit Costs	2024-25	2023-24
	£000s	£000s
Fees payable to Forvis Mazars LLP with regard to external audit services	375	347
Fees payable to Forvis Mazars LLP for the certification of grant claims	15	14
Fees payable in respect of other services provided by Forvis Mazars LLP	7	7
	397	368
<i>Government Funding Additional Audit Requirements</i>	<i>(48)</i>	<i>(48)</i>

Note 24: Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. 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 2024/25 are as follows:

2024/25	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final Dedicated Schools Grant for 2024/25 before academy and high needs recoupment			233,378
Academy and high needs figure recouped for 2024/25			(141,189)
Total DSG after Academy and high needs recoupment for 2024/25			92,189
Plus: Brought forward from 2023/24			2,254
Less: Carry-forward to 2025/26 agreed in advance			-
Agreed initial budgeted distribution in 2024/25	36,179	58,264	94,443
In year adjustments	-	(1,100)	(1,100)
Final budgeted distribution for 2024/25	36,179	57,164	93,343
Less: Actual central expenditure	36,852		36,852
Less: Actual ISB deployed to schools		57,164	57,164
Plus: Local authority contribution for 2024/25	-	-	-
In Year Carry-forward Surplus / (Deficit) to 2024/25	(673)	-	(673)
Plus: Carry-forward to 2025/26 agreed in advance			-
Carry-forward to 2025/26			-
DSG unusable reserve at the end of 2023/24			6,052
Addition to DSG unusable reserve at the end of 2024/25			673
Total of DSG unusable reserve at the end of 2024/25			6,725
Net DSG position at the end of 2024/25			(6,725)

At 31st March 2025, the DSG shows a cumulative deficit balance of £6.725million. This has arisen due to the increased pressure in supporting children with special educational needs and disabilities from what is also commonly referred to as High Needs spend. For example, these services has been impacted by the increasing number of Education, Health and Care plans (EHCP) being undertaken. This is a national challenge and locally in Stockton, there has been a significant growth in the number of EHCPs in the last 5 years. During 2024-25 the net position has declined by £0.673m.

On the 6 November 2020, the secretary of state for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument 1 (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years. Note that these Regulations have been extended for three years by means of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022 (SI 2022 No 1328) to the financial years beginning on 1 April 2020 and ending 31 March 2026.

The Authority must charge the amount of the deficit (£6.725m), to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget: the Code established this as the 'Dedicated Schools Grant Adjustment Account', an unusable reserve.

2023/24	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final Dedicated Schools Grant for 2023/24 before academy and high needs recoupment			213,587
Academy and high needs figure recouped for 2023/24			(131,020)
Total DSG after Academy and high needs recoupment for 2023/24			82,567
Plus: Brought forward from 2022/23			2,186
Less: Carry-forward to 2024/25 agreed in advance			-
Agreed initial budgeted distribution in 2023/24	34,309	50,444	84,753
In year adjustments	-	456	456
Final budgeted distribution for 2023/24	34,309	50,900	85,209
Less: Actual central expenditure	32,055		32,055
Less: Actual ISB deployed to schools		50,900	50,900
Plus: Local authority contribution for 2023/24	-	-	-
In Year Carry-forward Surplus / (Deficit) to 2023/24	2,254	-	2,254
Plus: Carry-forward to 2024/25 agreed in advance			-
Carry-forward to 2024/25			2,254
DSG unusable reserve at the end of 2022/23			6,052
Addition to DSG unusable reserve at the end of 2023/24			-
Total of DSG unusable reserve at the end of 2023/24			6,052
Net DSG position at the end of 2023/24			(3,798)

Note 25: Private Finance Initiative and Similar Contracts

The Council entered into an agreement with Robertson Group to build a secondary school, primary school, nursery unit and a community library at Ingleby Barwick under the Private Finance Initiative. Ingleby Barwick Community Campus opened in September 2003 and payments to the contractor started from that date for a period of 25 years. The contractor took on the obligation to construct the buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The secondary school has attained academy status and is not therefore included within assets held under the scheme.

Payments

The Council makes a contractual payment which is increased each year by an agreed inflation formula and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31 March 2025 have been recalculated under IFRS 16 Leases requirements which the authority adopted from 1st April 2024, (excluding any estimation of inflation and availability/performance deductions) are as follows:

The Council has adopted the IFRS 16 accounting standard for the 2024/25 financial year. In relation to PFI contracts the major change is that under the previous (IAS 17) standard liabilities were not remeasured when payments change and any increased payment was treated as contingent rent, a form of interest, and expensed. The PFI contract is linked to inflation (Retail Price Index). Under IFRS 16 there is a requirement to remeasure liabilities when the payments change and the lease liability (the Net Present Value of future payments) has been recalculated based on the revised level of unitary charge payment. The impact of adopting IFRS16 has resulted in an increase to the overall liability of £2,927m and increase in the value of the PFI asset of £1.118m.

Future Payments	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000s	£000s	£000s	£000s
Payment due:				
In 2025-26	873	1,500	396	2,769
Within two to five years	2,439	3,761	494	6,694
	3,312	5,261	890	9,463

Note 26: Leases

Council as a Lessee

The Council has adopted IFRS16 Leases with effect from the 1st April 2024.

The Council has a number of leases for Land & Buildings, Vehicles and Equipment which are recognised as Right of Use Assets carried on the balance sheet at the following net book value. (Please refer to Note 11).

Leased Assets	2024-25
	£000s
Land and Buildings	7,061
Vehicles	5,739
Plant and Equipment	36
	<u>12,836</u>

CIPFA has mandated that Councils use a modified retrospective approach to adopting IFRS16. Wherever applicable, opening balances brought forward from 31st March 2024 have been adjusted on transition to show IFRS 16 restated balances as at 1st April 2024.

The Council classifies contracts as leases based on their substance. Contracts and part of contracts, including those described as contracts for services, are analysed to demine whether they convey the right to control the use of an identified asset, through rights to obtain substantially all of the economic benefits or service potential from that asset and to direct its use. Leases are recognised as right of use assets with a corresponding liability at the date from which the asset is available for use (or the IFRS16 transition date if later). This includes arrangements with nil consideration, peppercorn or nominal payments.

Right of Use Asset (ROU)	L&B Commercial Lease	L&B Non Commercial Lease	Vehicle Lease	PPE Lease	Total
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
At 1 April 2024					-
Opening Balance Adjustment (Recognition of ROU Assets on transition)	1,792	5,426		72	7,291
Additions			2,288		2,288
Accumulated Depreciation & Impairment written off to GCA*		(221)			(221)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services					-
Reclassification to ROU Assets			6,260		6,260
At 31 March 2025	1,792	5,205	8,548	72	15,618

Accumulated Depreciation and Impairment					
At 1 April 2024					-
Depreciation Charge	(157)	(221)		(36)	(415)
Accumulated Depreciation written off to GCA*		221			221
Reclassification to ROU Assets			(2,809)		(2,809)
At 31 March 2025	(157)	(0)	(2,809)	(36)	(3,003)

Net Book Value					
At 31 March 2025	1,635	5,205	5,739	36	12,615
At 31 March 2024	0	0	0	0	0

*GCA - Gross Carrying Amount

The council leases various non current assets for example Vehicles to enable to delivery of Council Services such as Waste Collection.

The council is committed to making minimum lease payments under these leases comprising settlement of the long - term interest in the Property Plant and Equipment and the finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following:

L&B Commercial Leases	2024-25	
	£000s	
Not later than one year	239	The weighed average incremental borrowing rate applied to lease liability recognised in the Balance Sheet as at 1 April 2024 was 5.03%.
Later than 1 year and not later than 5 years	809	The liability as at 1st April 2024 was nil, therefore the impact of adopting IFRS16 totals £2.140m as at 31st March 2025.
Later than 5 years	1,092	
	2,140	

Equipment Leases	2024-25	
	£000s	
Not later than one year	39	The weighed average incremental borrowing rate applied to lease liability recognised in the Balance Sheet as at 1 April 2024 was 5.59%
Later than 1 year and not later than 5 years	-	The liability as at 1st April 2024 was nil, therefore the impact of adopting IFRS16 totals £0.039m as at 31st March 2025.
Later than 5 years	-	
	39	

Vehicle Leases	2024-25	
	£000s	
Not later than one year	2,357	The weighed average incremental borrowing rate applied to lease liability recognised in the Balance Sheet as at 1 April 2024 was 8.79%
Later than 1 year and not later than 5 years	4,334	The impact of adopting IFRS16 totals £2.288m as at 31st March 2025.
Later than 5 years	-	
	6,691	

Council as a Lessor

The council leases various Land & Buildings to third parties under operating leases. The leases are provide suitable accommodation for local business but also include the lease of buildings that enable the delivery of community services such as Leisure Centres.

The future minimum lease receipts receivable are as follows;

	2024-25	2023-24
	£000s	£000s
Not later than one year	2,683	2,703
Later than 1 year and not later than 5 years	8,341	9,280
Later than 5 years	19,014	32,211
	30,038	44,194

The net book value of the assets that the Council leases to third parties totals £90.161m as at 31st March 2025

Note 27: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under lease and PFI contracts), 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.

Capital Expenditure and Financing	31 March 2025	31 March 2024
	£000s	£000s
Opening Capital Financing Requirement	189,987	184,161
Right of Use Assets IFRS16 Transition - Adjustment to Opening Balance	5,812	
Capital investment		
Property, plant and equipment	51,028	40,549
Intangible assets	525	274
Revenue expenditure funded from capital under statute	12,235	14,630
Sources of Finance		
Capital receipts	(88)	(1,544)
Government grants and other contributions	(52,182)	(40,934)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(7,034)	(3,864)
Minimum Revenue Provision (MRP)	(4,424)	(3,285)
Closing Capital Financing Requirement	195,859	189,987
Explanation of movements in year		
Increase/(Reduction) in underlying need to borrow	(1,349)	5,022
PFI Remeasurement IFRS16 Opening Transition	(2,430)	-
PFI Remeasurement IFRS16 In Year	59	-
Assets acquired under leases IFRS16 In Year	2,288	-
Assets acquired under leases IFRS16 Opening Transition	7,304	804
Increase/(decrease) in Capital Financing Requirement	5,872	5,826

Note 28: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024-25. This excludes Dedicated Schools Grant which is detailed in Note 24.

Credited to Taxation and Non Specific Grant Income	2024-25	2023-24
	£000s	£000s
<u>Non-ringfenced government grants</u>		
RSG	6,503	6,099
New Homes Bonus	652	519
NNDR s31 Grant	14,334	12,895
Other Services Grant	277	1,604
Other Revenue Income	-	336
Household Support Fund	3,372	3,373
	25,138	24,826
<u>Capital grants and contributions</u>		
DCSF Capital Grants	-	4,284
TVCA (CRST / Local Transport Plan)	5,770	5,399
Pathfinder Programme (previously Future High Street Fund/ Town Deal/Levelling Up)	11,246	26,052
Homes England	-	139
TVCA	6,332	1,589
National Lottery	-	279
Disabled Facilities Grant	622	-
Food Waste Collection Grant	1,460	-
Other Capital grants	1,179	1,038
Other Capital Contributions	11,238	4,704
	37,847	43,484
Total - Non Specific Grant Income	62,985	68,310
<u>Credited to Services</u>		
Public Health	15,825	15,336
Housing Benefit and Council Tax Benefit Administration	574	590
Adult Education	19	1,893
Basic need	1,529	10,430
School Condition Allowance	-	85
SEND Higher Needs Capital Grant	622	309
Childcare Extension Grant	402	-
Rent Rebates	177	17
Rent Allowance Subsidy	37,372	39,329
Covid 19 - Service Specific	-	641
Pupil Premium	4,394	4,646
Universal Infant Free School Meals	526	530
Primary PE & Sports Grant	286	332
Arts Council Music Grant	938	882
Adoption Reform Grant	990	801
Disabled Facilities Grant	1,618	2,229
Youth Justice Grant	477	475
Improved Better Care Fund	7,172	7,172
Pathfinder Programme (previously Future High Street Fund/ Town Deal and Levelling Up)	3,529	500
Supporting Families Grant - Troubled Families	1,236	1,114
Unaccompanied Asylum Seeking Children	1,823	1,650
Ukraine Refugees Scheme	350	369
Holiday Activities and Food Programme	903	910
Adult Social Care Discharge Fund	1,676	1,005
Adult Social Care Grant	17,169	13,087
Adults Markets Sustainability Grant	3,698	1,979
Markets Sustainability & Improvement Fund	-	1,285
Homelessness Prevention Grant	656	623
Substance Misuse Treatment & Recovery Funding	2,235	1,158
Other Grants	11,971	8,080
Total	118,167	117,457

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 to the giver. The balances at the year end are as follows:

Capital and Revenue Grants Receipts in Advance	31 March 2025	31 March 2024
	£000s	£000s
Other	152	183
Ukraine Refugee Schemes	1,293	1,492
Afghan Resettlement Schemes	1,207	1,464
PCC Elections	-	178
Waste Collection Grant	335	-
Asylum Seeker Schemes	1,363	-
Extended Duties Grant	192	-
Change Partnership Programme	424	319
Delivering Better Value	583	210
Nutrient Migration Funding	100	-
Virtual School Grants	310	-
Rough Sleepers	195	-
Discretionary Council Tax Energy Rebate	-	24
Early Years	739	-
Total	6,893	3,870

Note 29: Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash, financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- overdraft with the NatWest bank
- lease payables
- Private Finance Initiative contracts
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest.

Interest credited to the CIES is the amount receivable as per the loan agreement.

- Fair Value Through Other Comprehensive Income (FVOCI) - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur. Long term assets related to the CCLA Property fund and Short term are applicable to Money Market Funds and Bank Balances.

Financial assets held at amortised cost and some assets held at fair value through other comprehensive income are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The value of debtors and creditors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

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

Financial Liabilities (at Amortised Cost)	Long Term		Short Term	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000s	£000s	£000s	£000s
Loans	86,072	89,750	64,708	18,636
Bank Overdraft	0	0	1,432	5,723
Total Other Long-term Liabilities	0	0	0	0
Financial Liabilities Included in Creditors	172	172	49,183	44,801
Total Financial Liabilities	86,244	89,922	115,323	69,160

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

Financial Assets	Long Term		Short Term	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000s	£000s	£000s	£000s
Loans to Companies and for Service Purposes at Amortised Cost	219	232	10	10
At Fair Value Through Other Comprehensive Income	0	0	0	0
At Fair Value Through Profit & Loss	13,279	13,028	22,300	8,300
Cash and Cash Equivalents at Amortised Cost	0	0	3,771	446
Financial Assets at Amortised Cost Included in Debtors	0	0	38,990	36,283
Total Financial Assets	13,498	13,260	65,071	45,039

Equity instruments elected to fair value through other comprehensive income

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

Equity instruments	Fair Value		Dividends	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000s	£000s	£000s	£000s
Teesside Airport	0	0	0	0
Total Financial Assets	0	0	0	0

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

Financial Instruments - Gains and Losses	Financial Liabilities	Financial Assets	2024-25 Total	2023-24 Total
	£'000	£'000	£'000	£'000
Interest expense on liabilities held at amortised cost	5,966	0	5,966	4,980
(Profit) / Losses from changes in fair value of assets held at fair value through profit and loss	0	(251)	(251)	529
Fees paid	7	0	7	7
Interest payable and similar charges	5,973	(251)	5,722	5,516
Interest income on assets held at amortised cost	0	(1,299)	(1,299)	(2,090)
Dividend income on assets held at fair value through profit and loss	0	(664)	(664)	(683)
Interest and investment income	0	(1,963)	(1,963)	(2,773)
Net impact on surplus/deficit on provision of services	5,973	(2,214)	3,759	2,743
Gains / Loss on revaluation	0	0	0	0
Gain on revaluation	0	0	0	0
Amounts recycled to surplus/deficit on provision of services	0	0	0	0
Impact on other comprehensive income	0	0	0	0
Net Gain/(Loss) for the Year	5,973	(2,214)	3,759	2,743

Financial Instruments - Fair Values

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the historically low interest rate environment.

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

- **Level 1** - fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. Pooled Property Fund based on the latest market value from quarterly unaudited accounts.
- **Level 2** - fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices.
- **Level 3** - fair value is determined using unobservable inputs. Loans are based on estimated creditworthiness.

Financial Liabilities	Fair Value Level	Balance Sheet 31 March 2025 £000s	Fair Value 31 March 2025 £000s	Balance Sheet 31 March 2024 £000s	Fair Value 31 March 2024 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	68,687	62,795	51,495	46,380
Long-term LOBO loans	2	16,000	16,658	37,000	43,807
Other long-term loans	2	1,385	292	1,255	324
Total		86,072	79,745	89,750	90,511
Liabilities for which fair value is not disclosed *		115,495		69,332	
Total Financial Liabilities		201,567		159,082	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		50,615		50,524	
Short-term borrowing		64,708		18,636	
Long-term creditors		172		172	
Long-term borrowing		86,072		89,750	
Other long-term liabilities		0		0	
Total Financial Liabilities		201,567		159,082	

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

Financial Assets	Fair Value Level	Balance Sheet 31 March 2025 £000s	Fair Value 31 March 2025 £000s	Balance Sheet 31 March 2024 £000s	Fair Value 31 March 2024 £000s
Financial assets held at fair value:					
Money market funds	1	22,300	22,300	8,300	8,300
Bond, equity and property funds	1	13,279	13,279	13,028	13,028
Financial assets held at amortised cost:					
Long-term loans to companies	3	219	219	232	232
Lease receivables	3	0	0	0	0
Total		35,798	35,798	21,560	21,560
Assets for which fair value is not disclosed *		42,771		36,739	
Total Financial Assets		78,569		58,299	
Recorded on balance sheet as:					
Long-term debtors		219		232	
Long-term investments		13,279		13,028	
Short-term debtors		39,000		36,293	
Cash and cash equivalents		26,071		8,746	
Total Financial Assets		78,569		58,299	

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

Financial Instruments - Risks

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

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

The main risks covered are:

Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.

Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments and Commitments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2025		31 March 2024	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	22,300	0	8,300
AA-	0	3,200	0	0
Total	0	25,500	0	8,300
Credit risk not applicable	13,279	0	13,028	0
Total Investments	13,279	25,500	13,028	8,300

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

Credit Risk	31 March 2025	31 March 2024
	Trade & Lease Receivables	Trade & Lease Receivables
Current / Past due < 3 months	11,335	11,330
Past due 3-6 months	1,114	1,193
Past due 6-12 months	1,864	1,837
Past due 12+ months	6,418	5,397
Total Receivables	20,731	19,757

Credit Risk - Receivables

The Council does not generally allow credit for customers, although £10.9 million of the £20.7 million debtors invoices balance is past its due date for payment.

As the Council maintains a credit loss provision for debts based on age of debt and nature of dispute, no further assessment of the fair value has needed to be made. The amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table above for the Council's exposure to default. The £20.731 million above relates to invoiced debt only and is an element of the Debtor total in Note 15.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and managing the maturities of loans in any financial year. The Council holds £26.1m (2024: £8.7m) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2025			31 March 2024		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000s	£000s	£000s	£000s	£000s	£000s
Not over 1	64,709	(25,500)	39,209	18,636	(8,300)	10,336
Over 1 but not over 2	27,873	0	27,873	2,807	0	2,807
Over 2 but not over 5	13,839	0	13,839	18,810	0	18,810
Over 5 but not over 10	11,726	0	11,726	10,524	0	10,524
Over 10	32,633	0	32,633	57,609	0	57,609
Uncertain date	0	(13,279)	(13,279)	0	(13,028)	(13,028)
Total	150,780	(38,779)	112,001	108,386	(21,328)	87,058

The Council has £16m (2024: £37m) of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the event that the lender exercises its option, the Council is likely to repay these loans.

Market Risks: 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 authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income will rise
- investments at fixed rates - the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

The financial effect if all interest rates had been 1% higher (with all other variables held constant)	31 March 2025	31 March 2024
	£000s	£000s
Increase in interest payable on variable rate borrowings	160	370
Increase in interest receivable on variable rate investments	(194)	(73)
Impact on Surplus or Deficit on the Provision of Services	(34)	297
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	(34)	297
Decrease in fair value of fixed rate borrowing *	(4,473)	(9,440)

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

Market Risks: Price Risk

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at 31st March 2025 would result in a £0.532m charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Note 30: Pensions Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. 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.

Former NHS staff who transferred to the Council as part of the transfer of Public Health responsibilities are members of the NHS Pension Scheme that is administered by NHS Pensions on behalf of the Department of Health and Social Care. 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.

Both schemes are a defined benefit scheme. However, the schemes are unfunded and notional funds are used as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as defined contribution schemes.

Contributions to the schemes by the Council and contribution rate as a percentage of total pay are shown in the table below:

Scheme	Contributions 2024-25		Contributions 2023-24	
	£000s	%	£000s	%
Teachers' Pension Scheme	4,776	28.68	4,090	23.68
NHS Pension Scheme	12	14.38	12	14.38
	4,788		4,102	

There were no contributions remaining payable at the year end. Future contributions are estimated to be approximately £4.5m per annum but will be dependant on future school academisation and employer contribution increases or decreases.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

Note 31: Defined Benefit Pension Schemes

Legal and Regulatory Uncertainty

The pension figures have been prepared on the basis of accounting for the impact of the McCloud / Sargent judgement and for full pension increases to be paid on GMP equalisation and indexation to individuals reaching pension age after April 2016. A further ruling on GMP equalisation is unlikely to have a significant impact on the pension obligations. The actuary has previously carried out some approximate analysis across the scheme to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits (Goodwin Treatment). The remedy is still uncertain but the actuary has estimated the potential impact of this to be very small for a typical Fund (c 0.1% of obligations). The actuary therefore do not believe it is necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling)

The actuary has not made any additional allowance within the accounting balance sheet for this June 2023 legal judgement. They have taken this approach because at the time of writing:

- the ruling only applies to the above-named private sector pension scheme
- the legal judgement was subject to appeal (however the Court of Appeal dismissed in July 2024 and the original ruling stands)
- it is unknown whether Section 37 certificates exist for prior LGPS scheme amendments
- it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be
- DWP are being asked by pension bodies to look at pragmatic solutions where schemes are unable to evidence historic section 37 confirmation (eg introduce legislation that would allow retrospective section 37 certificates to be produced now to validate historic changes).

In September 2025 the Government published new provisions to the Pension Schemes Bill designed to address this issue. The amendments create a pragmatic, statutory process for trustees to obtain actuarial confirmation of past scheme alterations made while the scheme was contracted out. Where retrospective confirmation is provided, the amendments should be treated as valid. No allowance has been made for this in the accounts but the position will continue to be monitored to assess any potential impact on the LGPS net asset / liability.

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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council - this is a 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.

The principal risks to the authority 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 the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

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

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/

retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Defined Benefit Pension Scheme	
	2024/25	2023/24
	£000s	£000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	18,209	19,580
• Past service cost	53	562
• Settlements	(1,244)	(747)
Financing and Investment Income and Expenditure		
Net interest cost	995	(4,743)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	18,013	14,652
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Return on plan assets (excluding the amount included in the net interest expense)	21,200	(54,466)
• Impact of asset ceiling	113,210	199,787
• Actuarial gains and losses arising on changes in financial assumptions	(128,436)	(48,384)
• Actuarial gains and losses arising due to changes in demographic assumptions	(1,531)	(5,173)
• Actuarial gains and losses due to liability / Other experiences	(8,134)	29,556
• Actuarial gains and losses due to acquisitions	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,691)	121,320
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	(18,013)	(14,652)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	16,157	15,156

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Defined Benefit Pension Scheme	
	2024/25 £000s	2023/24 £000s
Present value of funded defined benefit obligation	(746,457)	(856,694)
Present value of unfunded defined benefit obligation	(17,239)	(19,074)
Impact of Asset Ceiling	(322,687)	(199,787)
Fair value of plan assets	1,069,144	1,056,481
Net asset / (liability) recognised in the Balance Sheet	(17,239)	(19,074)

	Defined Benefit Pension Scheme	
	2024/25 £000s	2023/24 £000s
Balance at 1 April	(19,074)	(17,913)
Remeasurement of the net defined benefit asset	1,069,144	1,056,481
Surplus not recognised	(1,065,453)	(1,058,146)
Reversal of items relating to retirement benefit debited or credited to the Income and Expenditure Statement	(18,013)	(14,652)
Employers pension contributions and direct payments to pensioners payable in year	16,157	15,156
Balance at 31 March	(17,239)	(19,074)

Asset Ceiling

Following the pensions valuation by the Councils 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 2025 resulting in a pension plan asset.

IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

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's calculated the asset ceiling as the net present value of future service costs less net present value of future contributions.

The asset ceiling is only applied to the funded element of the pension fund and not the unfunded.

	2024/25 £000s	2023/24 £000s
Effects of asset ceiling at 1 April	199,787	0
Interest on the effect of the asset ceiling	9,690	0
Change in the effect of the asset ceiling	113,210	199,787
Effects of asset ceiling at 31 March	322,687	199,787

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	Defined Benefit Pension Scheme	
	2024/25	2023/24
	£000s	£000s
Opening fair value of scheme assets	1,056,481	975,020
Interest income	50,783	45,813
Remeasurement gains and (losses)	(21,200)	54,466
Contributions from the employer	14,152	13,286
Contributions from employees into the scheme	6,593	6,232
Settlements	(3,153)	(2,797)
Benefits paid	(34,512)	(35,539)
Closing fair value of scheme assets at 31 March	1,069,144	1,056,481

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	Defined Benefit Pension Scheme	
	2024/25	2023/24
	£000s	£000s
Opening balance at 1 April	(875,768)	(873,278)
Current service cost	(18,209)	(19,580)
Interest cost	(42,088)	(41,070)
Contributions by scheme participants	(6,593)	(6,232)
Actuarial gains and losses - financial assumptions	128,436	48,384
Actuarial gains and losses - demographic assumptions	1,531	5,173
Actuarial gains and losses - liability experience	8,134	(29,556)
Benefits paid	36,517	37,409
Settlements	4,397	3,544
Past service cost	(53)	(562)
Closing balance at 31 March	(763,696)	(875,768)

Local Government Pension Scheme assets comprised:	Fair value of scheme assets			
	2024-25		2023-24	
	£000s	%	£000s	%
Equity investments (Quoted and un-quoted)	704,566	65.9	751,337	71.1
Property (Quoted and un-quoted)	117,606	11.0	104,626	9.9
Cash	86,601	8.1	38,375	3.6
Other Investments	160,372	15.0	162,143	15.3
Total Assets	1,069,144	100.0	1,056,481	100.0

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 Teesside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2024-25	2023-24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.4	20.5
Women	23.4	23.5
Longevity at 65 for future pensioners:		
Men	21.2	21.3
Women	24.9	25.0
Other assumptions:		
Rate of inflation (CPI)	2.8%	2.8%
Rate of increase in salaries	3.8%	3.8%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	5.8%	4.9%

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

Impact on the Defined Benefit Obligation in the Scheme	Change in Assumption			
	Rate	+0.1% p.a. £000's	Base £000's	-0.1% p.a. £000's
Rate of increase in salaries	0.08%	764,304	763,696	763,088
Rate of increase in pensions in payment	1.61%	776,228	763,696	751,164
Rate for discounting scheme liabilities	-1.70%	750,909	763,696	776,483
		+1 year £000's	Base £000's	-1 year £000's
Post retirement mortality assumption	3.85%	794,244	763,696	733,148

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The latest triennial valuation was carried out as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the 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 (or service

after 31 March 2015 for other main existing public service pension schemes in England and Wales). 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 £15.105m contributions to the scheme in 2025/26

The weighted average duration of the defined benefit obligation for scheme members is 18.0 years.

(Last year 18.0 years).

Note 32: Termination Benefits

The Council terminated the contracts of a number of employees in 2024/25, incurring liabilities of £0.384m (£1.432m in 2023/24). The amounts have been payable in relation to officers from across the Council reflecting the end of specific grant funding and the rationalisation of services as part of the Council's programme of service reviews. Please note that these don't include termination payments made to senior officers and that senior officers payments are disclosed in note 10.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25 £000s	2023-24 £000s
£1 to £20,000	4	6	9	23	13	29	77	228
£20,001 to £40,000	-	6	2	7	2	13	55	377
£40,001 to £60,000	-	2	2	5	2	7	111	348
£60,001 to £80,000	1	-	1	3	2	3	141	201
£80,001 to £100,000	-	1	-	2	-	3	-	278
Total	5	15	14	40	19	55	384	1,432

Note 33: Provisions

The Council has established a provision for lost income that arises due to successful rating appeals by business rates payers. The Council's share of the provision at the balance sheet date stood at £3.699m (last year £4.802m).

Provisions	Ratings Appeals £000's
Balance at 1 April 2024	4,802
Provisions Released in 2024/25	-1,584
Amounts Used in 2024/25	481
Balance at 31 March 2025	3,699

Note 34: Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2025.

Achieving Real Change in Communities (ARCC)

ARCC is the new probation service for the Tees Valley that has been established in association with a number of partners. The Council has agreed to guarantee the performance of ARCC under the Services Agreement pursuant to a Guarantee with the Secretary of State for Justice. This guarantee ceases at the end of the 2026/27 financial year. At the 31st March 2025 the total aggregate liability cap for all partners is £0.250m of which Stockton's share is £87k (34.7%).

Note 35: Better Care Fund

The Council has entered into a pooled budget arrangement with NHS North East & 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 Stockton-on-Tees. The arrangement was with NHS Tees Valley Clinical Commissioning Group (CCG) until the establishment of the ICB from 1st July 2022. The services will be provided by the Council or the NHS depending upon the mix required by clients. The Council and the ICB have an agreement in place for funding these services with the partners contributing funds to the pooled budget.

The pooled budget is hosted by the Council on behalf of the two partners to the agreement.

Better Care Fund	2024-25		2023-24
	£000s	£000s	£000s
Funding provided to the pooled budget:			
Stockton-on-Tees Borough Council	11,356		10,446
NHS North East & North Cumbria Integrated Care Board (ICB)	19,866		18,227
		31,222	28,673
Expenditure met from the pooled budget:			
Stockton-on-Tees Borough Council	(24,663)		(24,490)
NHS North East & North Cumbria Integrated Care Board (ICB)	(5,929)		(4,183)
		(30,592)	(28,673)
Net surplus arising on the pooled budget during the year		630	-
		-	
Council share of the net surplus arising on the fund		630	-

The 2024/25 surplus relates to unapplied capital grants for Disabled Facility Grants which will be spent in 2025/26.

Note 36: Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period 31 March 2025 and the 30th June 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 an event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

There are no adjusting or non adjusting events after the balance sheet date.

Note 37: Cash Flow Statement - Reconciliation of liabilities arising from financing activities

Cash Flow Statement - Reconciliation of liabilities arising from financing activities	1 April 2024	Financing Cash Flows	Changes which are not financing cash flows		31 March 2025
			Acquisition	Other Non financing cash flows	
	£000s	£000s	£000s	£000s	£000s
Long Term Borrowing	(89,750)	3,678	-	-	(86,072)
Short Term Borrowing	(18,636)	(46,071)	-	-	(64,707)
Lease Liabilities	(2,851)	1,618	-	(4,152)	(5,385)
Other Balance Sheet PFI Liabilities	(2,700)	(2,562)	-	-	(5,262)
Total Liabilities From Financing Activities	(113,937)	(43,338)	-	(4,152)	(161,427)
Comparative Information	1 April 2023	Financing Cash Flows	Changes which are not financing cash flows		31 March 2024
			Acquisition	Other Non financing cash flows	
	£000s	£000's	£000's	£000's	£000s
Long Term Borrowing	(77,427)	(12,323)	-	-	(89,750)
Short Term Borrowing	(16,813)	(1,823)	-	-	(18,636)
Lease Liabilities	(3,489)	1,442	-	(804)	(2,851)
Other Balance Sheet PFI Liabilities	(3,304)	604	-	-	(2,700)
Total Liabilities From Financing Activities	(101,033)	(12,100)	-	(804)	(113,937)

Note 38: Statement of Accounting Policies

General Principles

The Statement of Accounts summarise the Council's transactions for the 2024/25 financial year and its position at the year-end of 31st March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

The concept of materiality has been applied in the process of preparing the accounts, such that insignificant items are excluded and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.

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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

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

- 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
- amortisation of intangible non current assets attributable to the service.

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, the 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.

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.

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.

Employee Benefits

Benefits Payable During Employment

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

Termination Benefits

Termination benefits 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 and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year.

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 Pension Scheme, administered by NHS Pensions on behalf of the Department of Health and Social Care.
- The Local Government Pensions Scheme, administered by Middlesbrough Council.

The schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, 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 defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

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.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Hymans Robertson LLP Central AA Curve.
- 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.

- net interest on the net defined benefit liability: i.e. net interest expense for the Council - the change during the period in the net defined benefit liability 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 at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in the net interest on the net defined benefit liability - 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.

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 negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

Events after the Reporting Period

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

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest 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 most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid within the general fund. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow 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 authority's business model is to hold investments to collect contractual cash flows. 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 authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, 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.

However, the authority has made loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, 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 authority.

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 the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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.

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

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:
 - **Level 1 inputs** - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
 - **Level 2 inputs** - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
 - **Level 3 inputs** - unobservable inputs for the asset.

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 Comprehensive Income and Expenditure Statement.

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 receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service 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.

Heritage Assets

Heritage Assets are primarily held at the Authority's museum. There are 6 categories of Heritage Assets which are held in support of the primary objective of the authority's museum, i.e. increasing the knowledge, understanding and appreciation of the authority's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

However, some of the measurement rules are relaxed in relation to heritage assets: where the cost of an asset cannot be identified with certainty, the value has been assessed by a suitably experienced officer or a suitably experienced external valuer. In certain cases, high value heritage assets that are on long term loan to the Council have been treated as though owned by the Council and included within the reported values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment of heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. The collections are relatively static and acquisitions, disposals and donations are rare.

Intangible Assets

Expenditure on nonmonetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council

Interest in Companies and Other Entities

The Council has interests in companies and therefore have prepared group accounts. In the Council's own single entity accounts, the interest in companies are recorded as financial assets at cost, less any provision for losses.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the initial invoice price, except for stock held by Community Services, which is valued on the basis of last invoice price.

Investment Property

Investment properties are those that are used solely to earn rentals 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, based on the amount at which the asset could be exchanged between market participants at the measurement date. As a non financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued 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 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.

Leases

In previous years, Property Plant and Equipment and similar assets secured via a lease arrangement were only brought onto the Councils Balance Sheet where the Council secured substantially all the risks and rewards incidental to ownership of the leased item (finance leases). For all other leases (operating leases, no assets were recognised and expenses charged when they became payable.

in 2024/25, the Council applied IFRS16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (ie without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought onto the balance sheet as at 1 April 2024. Leases for items of low value and leases that expire on or before the 31 March 2025 are exempt from the new arrangements.

IFRS has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. Right of Use Assets and lease liabilities have been calculated as if IFRS16 had always applied but recognised in 2024/24 and not by adjusting prior years figures.

From 1st April 2024, an asset representing the right to use the asset over the lease term is recognised for all leases (except those that are low value (£10k) or leases with less than 12 months outstanding). Liabilities are also recognised in the balance sheet for the obligations that the Council has to pay for the right acquired, which are discounted to their present value.

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined.

Lease payments included in the measurement of the lease liability include:

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

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. (Cost Model)

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

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

- assets held under non-commercial leases;
- leases where rent reviews do not necessarily reflect market conditions;
- leases with terms of more than five years
- leases where rent reviews will be at periods of more than five years.
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

For these leases, the asset is carried at a revalued amount. Assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

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

Those assets carried at re-valued amount will be re-valued on a 3 or 5 year rolling programme (higher value assets every 3 years and lower-value assets every 5 years).

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

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

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the Comprehensive Income and Expenditure Statement.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided 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.

The Council as Lessor

Leases are classified as finance leases where the terms of the lease substantially transfers all of 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.

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.

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 or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg 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.

Right Of Use Assets

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

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the councils arrangements for accountability and financial performance.

Property, Plant and Equipment

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 and cost more than £10,000 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
- 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 fair 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.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- school buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- 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.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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.

Higher value assets are valued every three years and lower value assets 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 by:

- 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 service 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 by:

- 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 service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- **buildings** - straight line allocation over the useful life of the property as estimated by the valuer
- **vehicles, plant, furniture and equipment** - straight line over the useful life of the asset, as advised by a suitably qualified officer
- **infrastructure** - straight line allocation over a period of 15 to 80 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components will be depreciated separately if the change in depreciation cost is considered to be significant.

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.

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

Disposals and Non current 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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are 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. 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 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. Mortgage receipts are treated as capital receipts irrespective of their value.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

- The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.
- Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- a). **fair value of the services received during the year** - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- b). **finance cost** - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- c). **payment towards liability** - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- d). **lifecycle replacement costs** - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, plant and equipment when the relevant works are eventually carried out.

Private Finance Initiative (PFI)

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

Provisions, Contingent Liabilities and Contingent Assets

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 service 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.

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.

Contingent Liabilities & Contingent Assets

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. A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities and contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against 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.

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.

VAT

VAT on income and expenditure is included only to the extent that it is not recoverable from HM Revenue and Customs.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not in Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments at fair value at each reporting date. 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. 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 on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting 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 or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- **Level 1** - quoted prices
- **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.

Going Concern

The accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Collection Fund Statement for the year ended 31 March 2025

The Collection Fund (England) 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			2023-24		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Income						
Income from Council Tax payers	(141,909)		(141,909)	(131,320)		(131,320)
Contribution from General Fund	(52)		(52)	(46)		(46)
Income from business ratepayers		(87,442)	(87,442)		(79,870)	(79,870)
Total Income	(141,961)	(87,442)	(229,403)	(131,366)	(79,870)	(211,236)
Expenditure						
Precepts, demands and shares:						
Central Government		42,781	42,781		39,203	39,203
Stockton-on-Tees Borough Council	116,878	41,925	158,803	109,571	38,419	147,990
Police & Crime Commissioner for Cleveland	18,115		18,115	17,057		17,057
Cleveland Fire Authority	5,336	856	6,192	5,096	784	5,880
	140,329	85,562	225,891	131,724	78,406	210,130
Apportionment of Previous Year Estimated Surplus/Deficit						
Central Government		2,912	2,912		(489)	(489)
Stockton-on-Tees Borough Council	5,074	2,853	7,927	(471)	(479)	(950)
Police & Crime Commissioner for Cleveland	790		790	(74)		(74)
Cleveland Fire Authority	236	58	294	(22)	(10)	(32)
	6,100	5,823	11,923	(567)	(978)	(1,545)
Charges to Collection Fund						
Write off of uncollectable amounts	1,577	274	1,851	1,972	315	2,287
Change in Bad Debt Provision	(818)	580	(238)	(7,676)	(340)	(8,016)
Change in Provision for Appeals		(2,251)	(2,251)		(3,100)	(3,100)
Interest Payments Appeals & Refunds		137	137		34	34
Cost of Collection		231	231		231	231
	759	(1,029)	(270)	(5,704)	(2,860)	(8,564)
Surplus (-) / Deficit arising during the year	5,227	2,914	8,141	(5,913)	(5,302)	(11,215)
Balance at 1st April	(5,231)	(6,085)	(11,316)	682	(783)	(101)
Balance at 31st March	(4)	(3,171)	(3,175)	(5,231)	(6,085)	(11,316)

Note 1: Council Tax Base

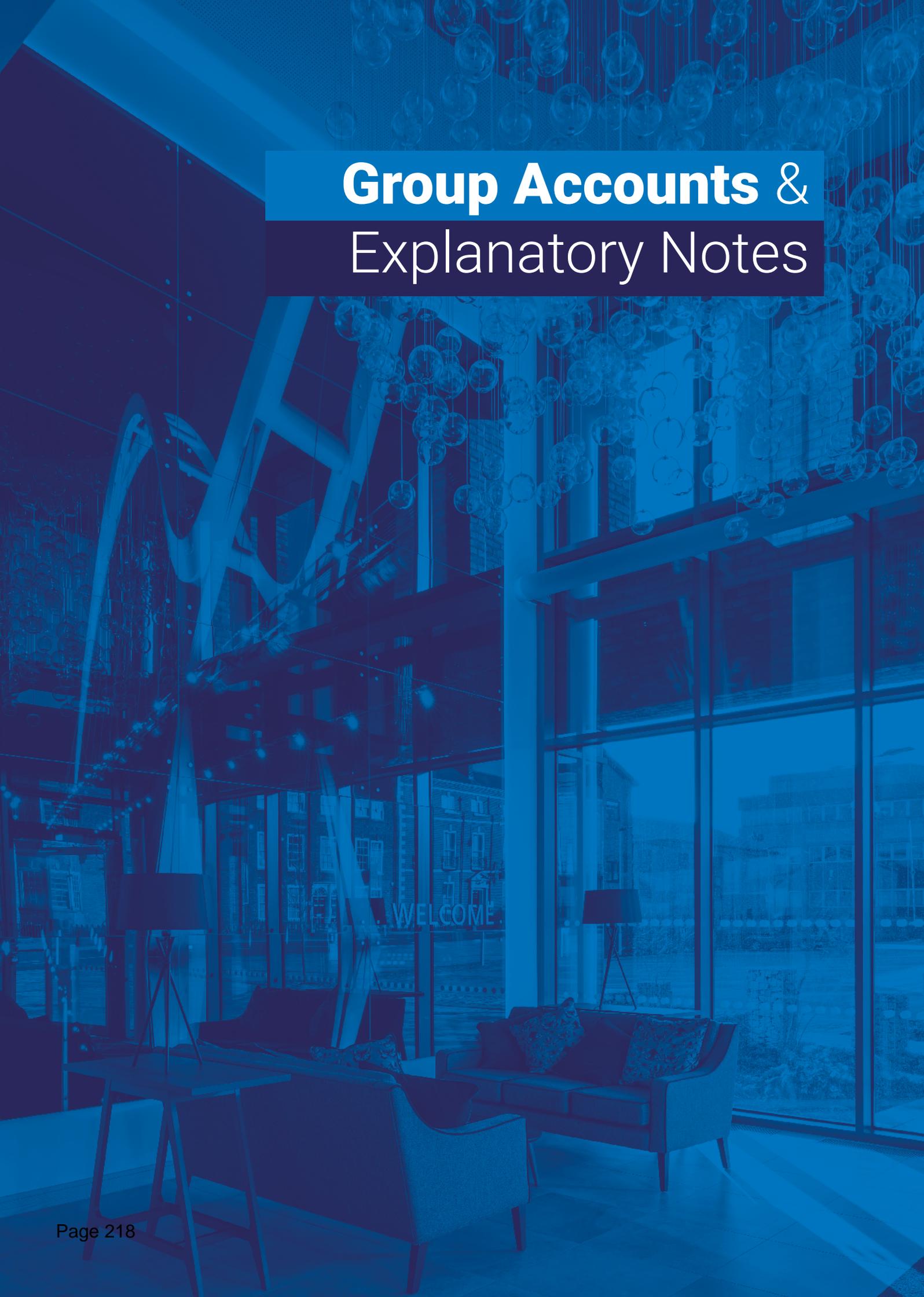
Council Tax Base	2024-25		2023-24	
	Number in Category	Band D Equivalent	Number in Category	Band D Equivalent
Property Category and Council Tax Banding	No.	No.	No.	No.
A - up to £40,000	34,918	14,938.8	34,939	14,308.3
B - £40,001 to £52,000	17,366	10,466.3	17,298	10,484.0
C - £52,001 to £68,000	16,581	12,505.6	16,418	12,473.4
D - £68,001 to £88,000	10,237	9,141.6	10,144	9,067.1
E - £88,001 to £120,000	6,309	7,116.8	6,198	7,031.5
F - £120,001 to £160,000	2,902	3,938.0	2,817	3,835.9
G - £160,001 to £320,000	1,544	2,414.0	1,492	2,335.6
H - over £320,000	125	183.5	122	178.0
Gross Tax Base		60,704.6		59,713.8
Non Collection	1.75%	(1,062.3)	1.75%	(1,045.0)
Council Tax Base		59,642.3		58,668.8

Note 2: National Non Domestic (Business) Rates Gross Rateable Value

	2024-25	2023-24
National Non Domestic (Business) Rates Gross Rateable Value	£	£
Value at the year end	205,693,469	200,085,480

Note 3: National Non Domestic (Business) Rates Multiplier

	2024-25	2023-24
National Non Domestic (Business) Rates Multiplier	pence	pence
Standard Multiplier for the year	54.6p	51.2p
Small Business Multiplier for the year	49.9p	n/a



Group Accounts & Explanatory Notes

The purpose of the Group Accounts is to provide a picture of Stockton Borough Council and the group of companies, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. The Group Accounts provide transparency and enable comparison with other entities that have different corporate entities but note the Group Accounts are a non material component of the overall accounts.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Group Balance Sheet - shows the assets and liabilities of the group as at the 31st March 2025.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

The Group Accounting Policies are consistent with those of Stockton Council which are presented in Note 38 of the accounts.

Subsidiaries

The following entities are 100% controlled by Stockton Council by virtue of 100% shareholding and are consolidated with Stockton Council to form the group accounts. The accounting reporting period end for both companies is 31st March and both companies financial statements are prepared in accordance with Financial Reporting Standard 102.

Stockton Borough Holding Company Limited -
Registration Number 10523559

Stockton Hotels Company Limited -
Registration Number 10525068

Audit of the Accounts

Under s479A of the Company's Act 2006 a company is exempt from the requirements of the Act relating to audit of its individual accounts (but not any group accounts) for a financial year if the company is included in the consolidated accounts drawn up for that year and the parent undertaking discloses in the notes to the consolidated accounts that the company is exempt from the requirements of the Act relating to the audit of individual accounts by virtue of s479A.

The Board of Directors for Stockton Hotel Company and Stockton Borough Holding Company engaged an independent audit of both subsidiary companies, rather than utilise the exemption described above, due to delays in the approval of the Local Authority (and group) accounts in previous years.

Movement in Reserves Statement for the year ended 31 March 2025

The Movement in Reserves Statement shows the movement in year on reserve balances held by the Group.

	Unearmarked General Fund Balance	Earmarked Schools Budget Reserve	Other Earmarked Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of group reserves	Total Authority reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2023	8,000	-	58,385	66,385	3,053	46,273	115,711	320,029	435,740	241	435,982
Movement in Reserve in 2023-24											
Total Comprehensive Income and Expenditure	(615)	-	-	(615)	-	-	(615)	(103,255)	(103,870)	459	(103,411)
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	(17,448)	(17,448)	397	5,284	(11,767)	11,767	-	-	-
Increase/Decrease before transfer to earmarked reserves	(615)	-	(17,448)	(18,063)	397	5,284	(12,382)	(91,488)	(103,870)	459	(103,411)
Transfers to / from earmarked reserves	615	-	(701)	(86)	-	-	(86)	86	-	-	-
Increase / Decrease in the year	-	-	(18,149)	(18,149)	397	5,284	(12,468)	(91,402)	(103,870)	459	(103,411)
Balance at 31 March 2024 carried forward	8,000	-	40,236	48,236	3,450	51,557	103,243	228,628	331,870	700	332,571
Balance at 1 April 2024	8,000	-	40,236	48,236	3,450	51,557	103,243	228,628	331,870	700	332,571
Movement in Reserve in 2024-25											
Total Comprehensive Income and Expenditure	(106)	-	-	(106)	-	-	(106)	8,148	8,042	102	8,144
Adjustments between accounting basis & funding basis under regulations (Note 6)	-	-	(11,811)	(11,811)	986	(6,160)	(16,985)	16,985	-	-	-
Increase/Decrease before transfer to earmarked reserves	(106)	-	(11,811)	(11,917)	986	(6,160)	(17,091)	25,133	8,042	102	8,144
Transfers to / from earmarked reserves	106	-	(357)	(251)	-	-	(251)	251	-	-	-
Increase / Decrease in the year	-	-	(12,168)	(12,168)	986	(6,160)	(17,342)	25,384	8,042	102	8,144
Balance at 31 March 2025 carried forward	8,000	-	28,068	36,068	4,436	45,397	85,901	254,012	339,912	802	340,715

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2025

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding analysis and the Movement in Reserves Statement.

2023/24 Restatement - The Comprehensive Income & Expenditure Statement (CIES) and their supporting notes, are compiled based on the Council's reporting structure at the 31st March. This structure reflects the Directorate structure in place at that point in time. During 2024/25 the Council's reporting structure was changed, however this restructure had no change to the overall net cost of services, Surplus/Deficit on Provision of Services.

	Restated 2023-24			2024-25		
	£000s	£000s	£000s	£000s	£000s	£000s
	Expenditure	Income	Net	Expenditure	Income	Net
Adults, Health & Wellbeing	137,327	(95,889)	41,438	152,894	(110,809)	42,085
Children's Services	186,693	(111,569)	75,124	198,589	(125,713)	72,876
Community Services, Environment & Culture	66,716	(8,309)	58,407	55,923	(9,138)	46,785
Corporate Management & Services	10,137	(5,078)	5,059	11,454	(5,941)	5,513
Regeneration & Inclusive Growth	10,564	(7,864)	2,700	28,316	(13,086)	15,230
Finance, Transformation & Performance	74,401	(51,219)	23,182	62,093	(47,484)	14,609
Corporate Services	13,695	(1,943)	11,752	13,738	(2,913)	10,825
Cost of Services	499,533	(281,871)	217,662	523,007	(315,084)	207,923
Other Operating Expenditure:						
Parish council precepts	967	-	967	1,005	-	1,005
(Gain) or loss on the disposal of non-current assets	2,756	(1,901)	855	4,929	(895)	4,034
(Gain) or loss on trading accounts (not applicable to service)	17,038	(10,059)	6,979	17,088	(9,226)	7,862
Financing and Investment Income and Expenditure:			-			
Interest payable and similar charges	4,980	-	4,980	5,542	-	5,542
Net (gains)/losses on financial assets at fair value through profit and loss	529	(475)	54	-	(251)	(251)
Net interest on the net defined benefit liability/asset	41,070	(45,813)	(4,743)	51,778	(50,783)	995
Interest receivable and similar income		(2,538)	(2,538)		(1,963)	(1,963)
Income & costs and changes in fair value relating to investment properties	415	(2,066)	(1,651)	880	(1,027)	(147)
Revaluation loss / (Profit) on Assets Held for Sale			-		(130)	(130)
			-			
Taxation and Non-Specific Grant Income:						
Council tax income	-	(113,972)	(113,972)	-	(117,554)	(117,554)
Retained Business Rates	-	(44,324)	(44,324)	-	(47,818)	(47,818)
Non-ringfenced government grants	3,593	(24,826)	(21,233)	3,372	(25,138)	(21,766)
Capital grants and contributions	-	(43,009)	(43,009)	-	(37,847)	(37,847)
(Surplus) or Deficit on Provision of Services	570,881	(570,854)	27	607,601	(607,716)	(115)
Tax Expenses of Subsidiary	129		129	119		119
Group Surplus or Deficit			156			4
(Surplus) or deficit on revaluation of non current assets			(18,151)			(4,709)
Re-measurements of the defined benefit liability			121,320			(3,691)
Other (gains) and losses			86			252
Other Comprehensive Income and Expenditure			103,255			(8,148)
Total Comprehensive Income and Expenditure			103,411			(8,144)

Group Balance Sheet as at 31 March 2025

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

	Note	31 March 2025 £000s	31 March 2024 £000s
Non-current assets			
Property, plant and equipment		443,853	409,450
Investment property		16,686	17,970
Intangible assets		829	567
Heritage Assets		11,274	11,239
Long term investments		13,279	13,028
Long Term Debtors		229	242
Total non-current assets		486,150	452,496
Current assets			
Inventories		915	773
Debtors	1 & 4	73,572	68,113
Cash and Cash Equivalents	2	27,076	9,632
Assets held for sale		2,464	503
Total current assets		104,027	79,021
Current liabilities			
Cash and Cash Equivalents	2	(1,432)	(5,723)
Short Term Borrowing		(64,708)	(18,636)
Short Term Creditors	3	(60,101)	(51,371)
Total current liabilities		(126,241)	(75,730)
Long term liabilities			
Long Term Creditors		(172)	(172)
Long Term Borrowing		(86,072)	(89,750)
Provisions		(3,699)	(4,799)
Other Long Term Liabilities		(26,385)	(24,625)
Grants Receipts in Advance		(6,893)	(3,870)
Total long term liabilities		(123,221)	(123,216)
Net Assets:		340,715	332,571
Reserves			
Usable reserves:			
General Fund Reserve		8,000	8,000
Earmarked General Fund Reserves		28,068	40,236
Capital Receipts Reserve		4,436	3,450
Capital Grants Unapplied		45,397	51,557
Profit and Loss Reserve - Stockton Borough Holding Group		802	700
		86,703	103,943
Unusable Reserves:			
Revaluation Reserve		82,833	82,246
Capital Adjustment Account		196,389	167,488
Financial Instruments Adjustment Account		(13)	(55)
Pooled Fund Adjustment Account		(1,721)	(1,972)
Pensions Reserve		(17,239)	(19,074)
Collection Fund Adjustment Account		1,558	7,332
Dedicated Schools Grant Adjustment Account		(6,725)	(6,052)
Accumulated Absences Account		(1,070)	(1,285)
		254,012	228,628
Total Reserves:		340,715	332,571

Group Cash Flow Statement For The Year Ended 31 March 2025

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

	31 March 2025	31 March 2024
	£000s	£000s
Net (surplus) or deficit on the provision of services	4	156
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
Depreciation, impairment and amortisation of non current assets	(18,918)	(31,453)
Revaluation (gains)/losses	6,325	3,492
Movement in net pension liability	(1,856)	504
Carrying amount of Non-Current Assets Sold	(5,446)	(3,123)
Other non-cash movement	1,546	2,550
Increase/(Decrease) in Inventories (Stock)	141	331
Increase/(Decrease) in Debtors	545	12,177
(Increase)/Decrease in Creditors	(3,966)	(173)
(Increase)/Decrease in Provisions	1,103	1,519
Increase/(Decrease) in Long Term Debtors	(13)	(607)
	(20,539)	(14,783)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	46,021	46,217
Proceeds from the disposal of non current assets	1,074	1,940
	47,095	48,157
Net cashflow from operating activities	26,560	33,530
Investing activities		
Purchase of property, plant and equipment, investment property and intangible assets	46,208	39,480
Increase in short term and long term investments	251	(529)
Proceeds from the sale of property, plant and equipment, investment property and intangibles	(1,074)	(1,940)
Proceeds from short term and long term investments	-	0
Other receipts from investing activities	(49,045)	(47,911)
Net cashflow from investing activities	(3,660)	(10,900)
Financing activities		
Other receipts from financing activities	(1,298)	(2,293)
Cash payments for liabilities relating to leases and PFI Contracts	(944)	2,046
Increase in short and long term borrowings	(42,393)	(14,146)
Dividends Paid / (Received)	-	-
Net cashflow from financing activities	(44,635)	(14,393)
Net (increase) or decrease in cash and cash equivalents	(21,735)	8,237
Cash and cash equivalents at the beginning of the reporting period	(3,909)	(12,146)
Cash and cash equivalents at the end of the reporting period	(25,644)	(3,909)

Group Notes

The group notes are largely the same as those specified with the Council only statement, however there are some slight divergencies from these within the group as detailed below.

Group Note 1: Debtors	31 March 2025	31 March 2024
	£000s	£000s
Central Government	11,074	12,733
Local Government	10,635	5,804
National Health Service	2,200	4,077
Local Taxation	21,019	19,546
Other entities and individuals	28,644	25,953
	73,572	68,113

Group Note 2: Cash and Cash Equivalents	31 March 2025	31 March 2024
	£000s	£000s
Bank and Imprests	1,009	936
Cash Equivalents	26,067	8,696
Bank Overdraft	(1,432)	(5,723)
	25,644	3,909

Group Note 3: Short Term Creditors	31 March 2025	31 March 2024
	£000s	£000s
Central Government	(12,635)	(13,037)
Local Government	(6,928)	(5,719)
National Health Service	(2,098)	(3,116)
Local Taxation	(2,820)	(2,354)
Other entities and individuals	(35,619)	(27,144)
	(60,101)	(51,371)

Note 4: Group Financial Instruments

The value of debtors and creditors reported in the tables below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument, such as tax-based debtors.

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

Financial Liabilities (at Amortised Cost)	Long Term		Short Term	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000s	£000s	£000s	£000s
Loans	86,072	89,750	64,707	18,636
Bank Overdraft	0	0	1,432	5,723
Total Other Long-term Liabilities	0	0	0	0
Financial Liabilities Included in Creditors	172	172	49,902	45,456
Total Financial Liabilities	86,244	89,922	116,041	69,815

Financial Assets	Long Term		Short Term	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000s	£000s	£000s	£000s
Loans to Companies and for Service Purposes at Amortised Cost	219	232	10	10
At Fair Value Through Other Comprehensive Income	0	0	0	0
At Fair Value Through Profit & Loss	13,279	13,028	22,300	8,300
Cash and Cash Equivalents at Amortised Cost	0	0	4,775	1,332
Financial Assets at Amortised Cost Included in Debtors	0	0	39,223	36,484
Total Financial Assets	13,498	13,260	66,308	46,126

Note 5: External Audit Costs

The Group has incurred the following costs in relation to the audit of the Hotel Company and Holding Company Accounts.

Audit Costs	31 March 2025	31 March 2024
	£000s	£000s
Fees payable to Tindles LLP	13	13

Capital Schemes Reserves

Stockton Town Centre Regeneration

This incorporates the balance of funds being used by the Council to contribute to the Stockton Town Centre Regeneration project.

Approved Capital Schemes

To be used to assist the funding of capital expenditure in future years.

Fleet Renewals Fund

A reserve formed to cover the replacement of the Council's vehicle fleet.

Revenue Reserves

Insurance Fund

The fund covers the insurance policy 'excess' on liability, motor and property claims. The 'excess' on liability covers any public, employers, officials and professional indemnity and libel and slander liability claims. A property 'excess' covers claims relating to property. The excess on motors covers claims relating to vehicles.

Commuted Lump Sums

These lump sums have been received to help cover future maintenance costs of bridges, play areas and open spaces, for which the Council has become responsible following developments.

Pooled Funds and Interest Rate Risk

To offset the risk of increased interest rate costs to the authority in the high interest environment and to mitigate any reduction in the value of the authority's long term pooled fund investment.

ICT Infrastructure

Reserve to develop workflow technologies and flexible working arrangements, as detailed within the Council's ICT Strategy

Government Grants Income In Advance

Reserve holding grants received by the Council whose conditions may require repayment if the grant conditions are not met. This is an International Financial Reporting Standard requirement.

Transformation & Implementation Reserve

Reserve to support the Council as it responds to current and future budget pressures. It will fund items such as redundancy costs and the transformation agenda.

MTFP Transition Reserve

A reserve created to assist in dealing with budget pressures that will arise of the life of the Medium Term Financial Plan.

ARCC Probation Service

Funds set aside to support the Tees Valley-wide Probation Service partnership. These funds were fully repaid during 2024/25.

Health and Integration

Includes the ring-fenced Public Health reserve and funds retained for future use on initiatives to support the Better Care Fund objectives and other health and social care projects.

Collection Fund Deficit Reserve

Due to collection fund accounting rules funding has been set aside to offset collection fund deficits in future years. This has now been fully utilised.

NNDR S31 Grant

Based on estimates, an upfront payment of compensation for the cost of these reliefs was given to local authorities via a Section 31 Grant in 2021/22. Due to Collection Fund accounting rules, the additional costs of reliefs resulted in a Collection Fund deficit in 2021/22. Therefore, the upfront payment received in 2021/22 was set aside in reserves at year end to offset this deficit. These funds were fully utilised in 2024/25.

MTFP Resilience Reserve

A reserve created to assist in dealing with in year budget pressures.

Covid Recovery Funds

Funding for various schemes to support the Council in its Covid recovery. These funds were fully utilised in 2024/25.

Other Revenue Reserves

Xentrall

Stockton Borough Council's share of any surplus generated from the Xentrall partnership with Darlington Borough Council.

Learning & Skills Surplus

Learning & Skills offers apprenticeships, E2E training programmes and adult education courses across the borough. A specific reserve has been created to ringfence funding for future developments and restructuring as funding for these projects is not guaranteed to remain at the same levels.

Community Participation

Councillors specific funding to be utilised on specific schemes within their wards over a number of years

Stockton Hotel Fixtures Fittings & Equipment Reserve

Funding set from the profits of the Hotel to fund replacements associated with fixtures fittings and equipment.

Miscellaneous

Various small time limited reserves which will be utilised in future years.

Schools Related Reserves

Balances held by schools under a scheme of delegation

Balances retained by individual schools from their delegated budget.

Dedicated Schools Grant (DSG)

This reserve was fully utilised during 2024/25. The DSG is in a deficit position which is shown within the unusable reserves section of the balance sheet. See DSG note 24 for further information on the deficit.

Accruals

The concept that income is accounted for when it is earned and expenditure when it is incurred, rather than when the money is received or paid.

Amortised cost

A term that applies to Intangible Assets and Capital Grants. It is an accounting adjustment that spreads the cost of an asset over its useful life.

Asset

Any object tangible or intangible, that is of value to its owner. Tangible assets include land and buildings, plant and machinery, fixtures, and fittings & stock. Intangible assets include goodwill, patents, licences, copyrights, and trademarks.

Billing Authority

The local authority responsible for administering the collection fund. In shire areas the District Council is the billing authority.

Capital Charge

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

Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

Capital Financing

The method of financing capital expenditure being, capital receipts, the Major Repairs Reserve, government grants and revenue contributions.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business Rates are paid.

Community Assets

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

Consistency

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

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Capital Receipts

This represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Earmarked General Fund Reserves

These are amounts set aside for a specific purpose or a particular service, to meet future liabilities, for which it is not appropriate to establish provisions.

Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

Exceptional Items

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

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items, merely because they relate to a prior period.

Fair Value

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

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Going Concern

The concept that the Council 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.

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 Council in return for past or future compliance with certain conditions relating to the activities of the Council.

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. They include items such as works of art, museum collections and civic regalia.

Infrastructure Assets

Non current 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.

Inventories

Comprise the value of items held in the following categories:

- a). goods or other assets purchased for resale;
- b). consumable stores;
- c). raw materials and components purchased for incorporation into products for sale;
- d). products and services in intermediate stages of completion;
- e). long term contract balances; and
- f). finished goods.

Investments

A long term investment is an investment that is being held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria are classified as current assets.

Investment Properties

Investment property is property (land or a building) held solely to earn rentals or for capital appreciation.

Long Term Contracts

A contract entered into for the design, manufacture or construction of a 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.

Net Book Value

The amount at which non current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

Non Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non Operational Assets

Non current assets held by a council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease

A lease other than a finance lease.

Operational Assets

Non current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Private Finance Initiative (PFI)

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Prudence

The concept that revenue is not anticipated, but is recognised only when realised, in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Usable Reserves

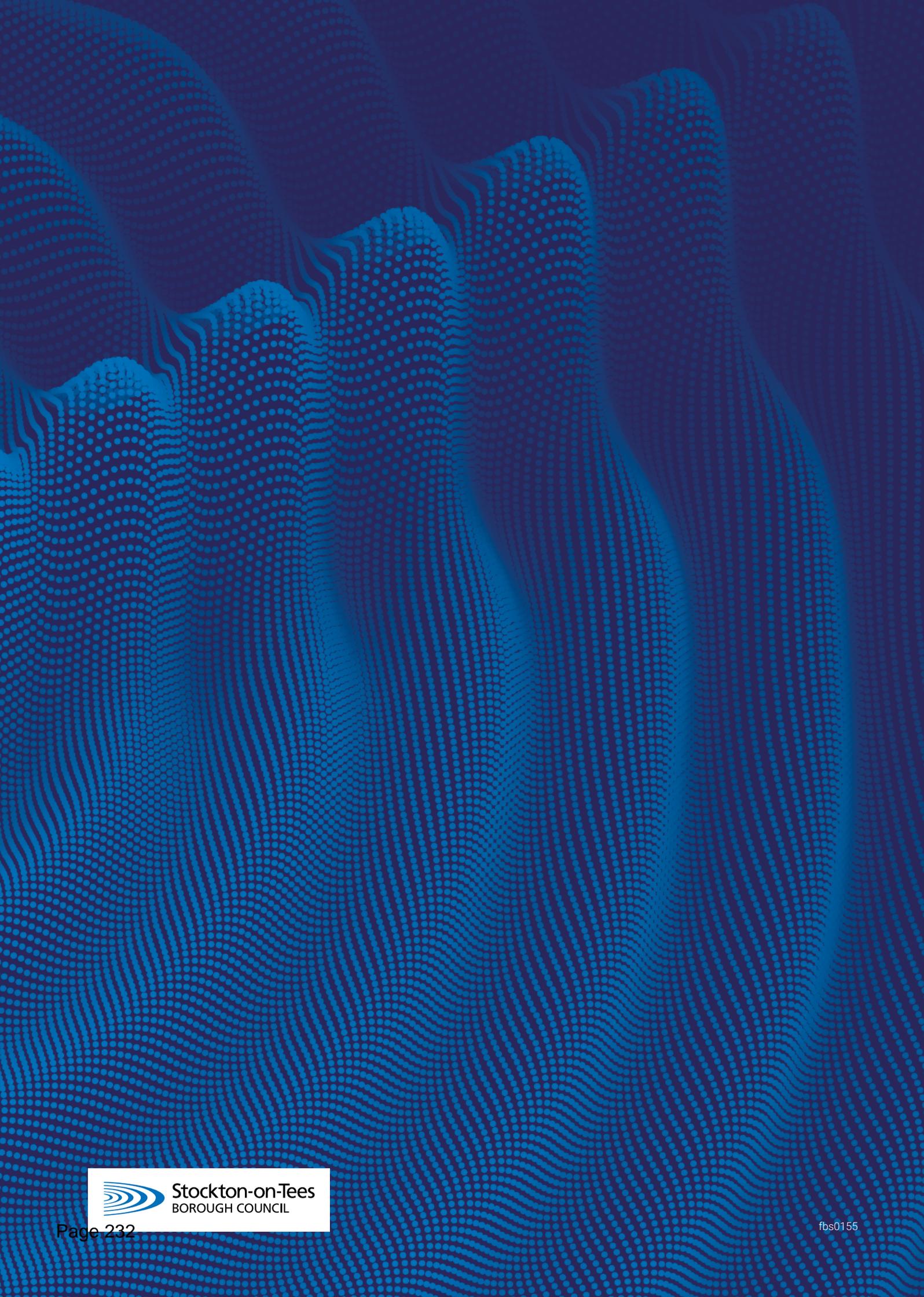
Amounts set aside to meet future costs, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Unusable Reserves

Reserves that not available to spend; this category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Useful Life

The period over which the Council will derive benefits from the use of a non current asset.



AGENDA ITEM

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

23 FEBRUARY 2026

REPORT OF DIRECTOR OF CORPORATE SERVICES

ANNUAL GOVERNANCE STATEMENT 2024/25

PURPOSE OF REPORT

This report presents to Members the Council's Annual Governance Statement for 2024/25.

RECOMMENDATIONS

1. That Members approve the Annual Governance Statement for 2024/25.

DETAIL

1. The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement to accompany its Statement of Accounts. The deadline for completion of the draft Statement of Accounts for 2024/25 is 27 February 2026 at which point they are subject to the external audit process.
2. A further requirement of the regulations state that the Statement should be signed by the Chief Executive and the leading Member of the Council, following approval by the Committee. A key objective of this signing off process is to secure corporate ownership of the statement's contents.

3. The Annual Governance Statement includes an acknowledgement of responsibility for ensuring that proper arrangements are in place around the governance of its affairs and an indication of the level of assurance that the system provides. The statement also includes a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or proposed to be taken, to deal with significant governance issues.
4. The Council's Annual Governance Statement for 2024/25 is attached at **Appendix A**. At this time the Council has not identified any significant issues that are not being addressed within the Statement. Officers will be present at the meeting to report on the governance framework and control environment in place within the Council that enables the detailed preparation of the statement.

FINANCIAL AND LEGAL IMPLICATIONS

5. The Accounts and Audit Regulations 2015 and Statutory Instrument 234/2015 require all English authorities to prepare an Annual Governance Statement and for it to accompany the Statement of Accounts.

RISK ASSESSMENT

6. None directly from this report.

COMMUNITY STRATEGY IMPLICATIONS

7. None directly from this report.

CONSULTATION

8. None directly from this report.

Contact Officer: Martin Skipsey

Post Title: Assistant Director – Procurement and Governance

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2024/ 2025 Annual Governance Statement

SCOPE OF RESPONSIBILITY

Stockton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. We also have a duty to continually review and improve the way in which functions are exercised.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Framework constitutes ‘proper practice in relation to internal control’. This statement explains how Stockton Borough Council has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and leads the community. The framework enables us to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 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 the impact should they be 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 2025 and up to the date of approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within and outside the organisation. The Stockton on Tees Plan 2024 provides a framework that the Council, as well as partners and communities, will use to ensure we work together towards a shared vision that brings our vision to life.

Our Vision for the Borough

The best start in life to achieve big ambitions

- Giving children and young people the best possible start, in an inclusive community where everyone can thrive
- A safe community for all children and young people
- Preventing children and families from experiencing the impact of poverty and taking a targeted approach to reduce the number of children in poverty
- Support for children in our care
- A bright future and sense of belonging

Healthy and resilient communities

- Ensuring happy and healthy lives for all – we will work to reduce health inequalities
- Working with our residents to build resilience and independence in their own homes
- Building safe and connected communities
- Supporting those who are experiencing poverty and work with communities to reduce the impact of poverty

A great place to live, work and visit

- Our borough will be a place to be proud of, for communities and business
- A vibrant and diverse place – the playground of the Tees Valley
- A great place to live and call home
- An environment that is well looked after, with outdoor spaces to enjoy and connect local amenities

An inclusive economy

- Delivering and sustaining economic growth
- Ensuring all our residents can benefit from economic opportunities by delivering and embedding a fairer distribution of wealth
- Cementing our role as the well-connected, economic heart of the Tees Valley

The Council Plan sets out our priorities and the significant actions we will take. These, in turn, shape the activity of our numerous services and how we will focus our

resources. We are clear where we need to get to and what we need to do to get there.

Arrangements are in place to review our vision and its implications for the authority's governance arrangements. The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities. There are regular reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are performance management arrangements in place including an annual appraisal scheme for staff. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job descriptions/ person specifications.

The roles and responsibilities of Council members and employees are clearly documented. The Council's Constitution sets out how the Council operates. It incorporates a scheme of delegation and sets out how decisions are made. The Council's Constitution is regularly reviewed and updated to reflect organisational changes. Directorates have established schemes of delegation, which are reviewed regularly to ensure they are current and reflect any on-going organisational changes.

The Constitution includes Rules of Procedure and various Codes and Protocols that set out standards of behaviour for members and officers. The Code of Conduct for Members was reviewed in 2021.

During the year a system of scrutiny was in place allowing the scrutiny function to:

- review and/or scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions.

- make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions.

- consider any matter affecting the area or its inhabitants.

- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees; and

- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.

Appropriate governance arrangements are in place for commercial ventures operated through company structures, for example the Hampton by Hilton Hotel.

A range of financial and HR policies and procedures are in place, as well as robust and well embedded risk management processes. Appropriate project management standards and Business Continuity Plans are in place, which are subject to on-going review. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines in place and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Director of Finance, Transformation and Performance and Deputy Managing Director is designated Chief Finance Officer (Section 151 Officer) and fulfilled this role through the following:

- Attendance at meetings of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- Involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
- Alignment of medium-term business and financial planning processes.
- Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively; and
- Ensuring that the finance function is resourced to be fit for purpose.

The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Reviewing and monitoring the Council's approach to risk management and corporate governance including the approval of the Statement of Internal Control.

- Monitoring the integrity of the Council's financial statements and approving the Statement of Accounts.
- Reviewing any proposed changes to accounting policies and promoting discussion around these.
- Approving the role and responsibilities of the Internal Audit Service.
- Considering the appointment of the External Audit Service and monitoring the effectiveness of auditor's performance.
- Approving the internal and external audit plans.
- Reviewing Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receiving details of specific significant issues highlighted via audit work and referring to the Executive Scrutiny Committee; the Select Committees, the Standards Panel, Cabinet or Council, as appropriate, any issues arising which are key in nature.
- Maintaining an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and considering the Council's compliance with its own and other published standards and controls; and
- Considering details of key ethical or wider corporate governance issues submitted by the Standards Panel.

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Director of Corporate Services is the Council's designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before decisions are made by members.

Arrangements for whistleblowing and for receiving and investigating complaints from the public are well publicised and subject to periodic review. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Director of Corporate Services show that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. Members have access to a Members Handbook and a Learning & Development Strategy. The Council recognises that managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role focusing on strengths and highlighting areas of

weakness, job related training, and on-going evaluation of the extent to which employees understand and support the values of the Council. In response to the ongoing challenges we face, we have developed a new Health and Wellbeing Strategy and implemented a new Leadership Development programme.

Channels of communication have been established with all sections of the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people. We continue to use the 'My Views' consultation portal, which provides an improved online platform to support consultations on service changes and proposals.

We continue to work closely with all our partners including other public bodies, the Voluntary, Community and Social Enterprise (VCSE) sector and the private sector. We have established the proportionate governance arrangements for all partnerships.

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 Assistant Director - Procurement and Governance has directed, co-ordinated and overseen the review and its findings have been reported to Corporate Governance Group and the Audit and Governance Committee for their consideration and approval of the Annual Governance Statement.

The review is informed by several assurances gathered from all available sources and in particular:

- Assurances from external sources such as OFSTED and the Care Quality Commission.
- Assurances from Corporate Governance Group.
- A self-assessment against the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition.
- Assurances from senior officers responsible for relevant specialist areas. For example, the Director of Public Health's Annual Report.
- Internal audit planning processes which include consultation with all directors and assistant directors, and the results of audit activity as summarised in the Annual Internal Audit Report. In the report the Assurance Manager states in his opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework: "It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives and detect fraud and other malpractice within a reasonable period of time. Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction".

- Best practice across the sector,
- Performance information which is reported to Cabinet and management teams.
- The external auditors (Mazars) Annual Audit Letter for 2023/24 concludes that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- Governance related issues identified during the year,
- Analysis and learning from complaints,
- Information reported to the Audit and Governance Committee,
- The results of the Council's self-assessment of compliance with the CIPFA financial Management Code, and
- Progress made in addressing significant weaknesses and issues requiring improvement identified in previous annual governance statements.

The Financial Management Code

The Council has concluded a full self-assessment against the CIPFA Financial Management Code. The work has not identified any significant weakness in compliance with the code.

Significant Changes

The Council has continued to review and develop its Performance Management Framework, creating a system that provides comprehensive performance information to operational and senior managers and Members. The updated system provides data and intelligence to drive future plans/ activity and improve decision making and helps monitor progress of the Stockton on Tees Plan 2024.

The Council has also continued to develop the Risk Management Framework to provide senior management and Members with a clearer understanding of key strategic risks. The system now takes assurance intelligence from several sources to aid risk assessment.

The 'Powering our Future' program continues to develop and mature. The program aims to improve services and meet future budget challenges. The governance arrangements and resources that ensure these aims are delivered have embedded and are effective.

The Council's shared service, Xentrall ICT have worked to ensure the Council is best placed to meet the ever-evolving cyber threat. The Council has successfully retained Cabinet Office certification for the Public Services Network (PSN) as well as taking part in a pilot of the replacement to PSN, the Cyber Assessment Framework (CAF). The CAF has been developed by the National Cyber Security Centre and has a greater focus on the impact of a cyber-attack on key line of business applications. In addition, ICT have developed a Cyber Incident Response plan, invested in additional monitoring tools and created specific cyber roles which will be responsible for delivering further improvements.

The regeneration element of the Powering our Future has been reviewed and updated and new governance arrangements to strengthen the delivery of the

program implemented. New delivery teams have been established, and a revamped board oversees progress.

New governance arrangements for the hotel company have been introduced including a new shareholder agreement which clarifies the role of the shareholder representative and company matters to be reserved to the shareholder. The shareholder agreement was approved by Cabinet in July 2025. An annual performance report will be presented to the Cabinet upon receipt of the latest accounts.

AGS Improvement Plan 2025/26

The improvement plan for last year has been reviewed and updated for this year.

The improvement plan includes the ongoing delivery of the Children Services Improvement Plan developed because of the OFSTED Local Authority Children Services Inspection held in February and March 2023.

The improvement plan again includes a commitment to review the Officer Code of Conduct as part of the Colleagues Powering Our Futures Program. This review was delayed during 24/25 due to the need to firstly re-define the Council's organizational values and behaviors.

The improvement plan also includes a commitment to review and update the Council's Confidential Reporting Policy (whistleblowing) to reflect organizational changes and to reflect best practice in this area.

The outcome of the review of effectiveness provided us with the necessary assurance that no significant issues were identified. The findings of the review have been reported to Corporate Governance Group and the Audit and Governance Committee and under their Terms of Reference the Committee have satisfied themselves that the Annual Governance Statement accurately reflects the risk environment and any actions required to improve it. The areas to be addressed with new actions are outlined in the agreed improvement plan.

We propose over the coming year to take steps to implement the improvement plan to further enhance the Council's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review, and we will monitor their implementation and operation as part of the next annual review.

IMPROVEMENT PLAN

Action	Outcome	Responsibility	By When
Continue to deliver the Children Services Improvement Plan developed after the OFSTED Inspection	Improved OFSTED Rating	Director of Children's Services	2025/26
Review the Officer Code of Conduct	New Officer Code of Conduct	Monitoring Officer	2025/26
Review and update the Confidential Reporting Policy (whistleblowing).	New policy	Monitoring Officer	2025/26

By order of the authority

Signed:



M Greene
Chief Executive

Date: 10/2/26

Signed:



L Evans
Leader of the Council

Date: 17/02/26

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AGENDA ITEM: 10

REPORT TO AUDIT & GOVERNANCE COMMITTEE

REPORT OF THE CHAIRMAN OF THE AUDIT AND GOVERNANCE COMMITTEE

23rd FEBRUARY 2026

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

SUMMARY

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2024 to 30th September 2025.

Introduction

This Annual Report produced by the Chairman of the Audit and Governance Committee has been prepared in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018.

The report demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

The Guidance defines the purpose of an Audit and Governance Committee as follows:

- Audit & Governance Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- The purpose of an Audit and Governance Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Functions of the Audit and Governance Committee

The Committee's activities during the period were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the key functions as identified in the Constitution. The Audit and Governance Committee as identified in the constitution is required to:

- a) monitor the integrity of the Council's financial statements and approve the Statement of Accounts.
- b) approve the Annual Governance Statement.

- c) oversee risk management and the Council's risk registers.
- d) review any proposed changes to accounting policies and procedure rules.
- e) review the performance of the Treasury Management Strategy.
- f) approve the role and responsibilities of the Internal Audit Service (the Services' functions, aims and objectives);
- g) receive and consider the Annual Audit Letter from the Council's External Auditor.
- h) agree the programme of value for money work.
- i) approve the internal and external audit plans.
- j) review Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receive details of specific significant issues highlighted via audit work and refer to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature.
- k) maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and consider the Council's compliance with its own and other published standards and controls; and
- l) consider details of any key ethical and wider corporate governance issues which may be referred to it.

Audit and Governance Committee Membership

The membership of the Audit and Governance Committee is as follows;

Cllr Barry Woodhouse (Chairman),
Cllr Stefan Houghton (Vice-Chair),
Cllr Mick Stoker,
Cllr Emily Tate,
Cllr Ross Patterson,
Cllr Laura Tunney,
Cllr Carol Clark,
Cllr Eileen Johnson.
Cllr Mohammed Mazi.

The Audit Committee and the Audit and Governance Committee met 4 times during the reporting period, 25th November 2024, 24th February 2025, 30th June 2025, 29th September 2025.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports in accordance with the Committee's work programme. During the reporting period and on behalf of the Chief Finance Officer and the Director of Corporate Services, the Chief Accountant, Assistant Director Procurement and Governance and Assurance Manager routinely provided reports and attended the meetings.

External Audit

When required the External Auditors, Forvis Mazars, have also attended the Audit and Governance Committee meetings.

Core Activity

The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

Internal Audit

The Audit and Governance Committee:

- Approved the Internal Audit Charter. The purpose of this report was to advise Members of the Internal Audit Charter and proposed approach to delivering the audit service for the coming audit year 2025-2026.
- Received the Audit Activity Report which informed them of the progress of audit testing to date and presented a forward plan of testing and the resources available to meet the plan to support the assessment of risk.
- Approved the Internal Audit Strategy which documented the proposed approach to improving the audit service for the period 2025-2028.
- Received and approved the Internal Audit Annual Report & Opinion Statement of the Head of Internal Audit as required by the Accounts and Audit Regulations 2015. The report included the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the internal control environment.

External Audit

The Audit and Governance Committee:

- Received regular reports from Forvis Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the External Audit Strategy Memorandum for the year ending 31 March 2025. The purpose of this document was to summarise Forvis Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Auditors Annual Report for 2023/24 which summarised the work Forvis Mazars had undertaken for the year ended 31 March 2024.
- Received the Audit Completion Report for the 2023/24 financial year. This document summarised the external auditor's findings from the annual audit of the 2023/24 accounts.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2023/24.
- Received and reviewed the draft Annual Statement of Accounts for the 2024/25 financial year.

Treasury Management

The Audit and Governance Committee:

- Received a 2024/25 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2024.
- Received the Treasury Management Annual Report for 2024/25 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2024.

Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Assurance Manager on developments within the Corporate Risk Registers for the purpose of reviewing the key risks that had

been identified as having the potential to deflect services from achieving their objectives over the next 12 months and beyond. The report also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were minimised.

- Officers presented the Anti-Fraud and Corruption Strategy to Members with the purpose of the report being to advise Members of the Anti-Fraud and Corruption arrangements for the period 2024-2025.

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2024/25 for consideration and comments.
- Received the final Annual Governance statement for 2023-24

Health and Safety

The Audit and Governance Committee:

- Received reports detailing the regular non-responsive services provided by the Council's Health and Safety Unit to monitor, improve and to ensure compliance of the health, safety and well-being control environment.

Chairman's Conclusion

The third year of this administration has been once again challenging both for the authority and personally and I must give my thanks to the Vice Chair and elected members of the Committee for their support and a strong commitment to the work for which they have been given responsibility. We saw changes to the Committee during the year with Cllrs Johnson and Mazi joining us and getting up to speed with some very complex issues. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

On behalf of the Committee, I have attended online the Northeast Regional Audit Committee Chairs Forums along with officers to receive presentations and discussion on shared ideas and developments both regionally and nationally.

The most relevant information affecting this Committee and officers which we were made aware of once again from external Auditors Forvis Mazars and our own Officers during the previous year were the announcement of "Backstop arrangements" as follows:

Key elements of the proposals:

A statutory backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including FY 2022/23 still sees some authorities struggling to reach the dates. Four further backstops for Financial Years up to and including 2027/28 to allow the system to recover are:

- 2024/25: 27 February 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

There is still a significant backlog of outstanding external audits as reported to previous years Audit and Governance Committees, councils and other local bodies did not publish audited accounts on time.

The Members were presented with the Anti-Fraud and Corruption Strategy (duly noted) While recognising the valuable contribution made by members we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations often being subjected to extra pressures due to delays in the delivery of information from external institutions yet again however changes to their external auditors will hopefully ease the situation.

Reorganisation of the Council's management structure has proved successful with officers in many cases taking on different and added responsibilities this must of course be monitored, and a work / life balance must be maintained.

The Council faces extreme pressures on budgets as do all Authorities from Children's and Adult Services however the external Audit report confirmed that the Council MTFP was developed on "reasonable assumptions" and recognises the assumptions made therein.

In conclusion I would add that our officers have worked both in the office and occasionally from home throughout the year in a challenging environment showing a commitment and dedication to the Borough's sound financial management under at times extreme pressure and for this effort we must record our gratitude as a committee and a Council.

The Audit and Governance Committee is established with comprehensive terms of reference. The Chair of the Audit and Governance Committee has prepared this annual report on the Committee's work for presentation to Cabinet and hopefully this shows that effective corporate and ethical governance is critical to an authority's performance and in demonstrating continuous improvement it's therefore, a fundamental element of the modernisation agenda. Probity, transparency and high standards are an inherent part of corporate/ethical governance.

Name of Contact Officer: Barry Woodhouse

Post Title: Chairman of the Audit and Governance Committee

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AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 23 FEBRUARY 2026

REPORT OF DIRECTOR OF CORPORATE SERVICES

RISK MANAGEMENT UPDATE REPORT

SUMMARY

The purpose of this report is to inform members of the current status of the Council's strategic risks. The strategic risk register primarily focusses on the achievement of objectives over the longer-term and could take a number of years to materialise.

Assessment is based on the information currently available and is used to evaluate the potential future state of the risk and as such will be regularly reviewed as further information becomes available. The assessment of the risk should not be used as an indication of current performance as it is just one element considered as part of the wider assessment of risks, other examples include financial certainty or potential changes that may be outside of the council's control.

RECOMMENDATIONS

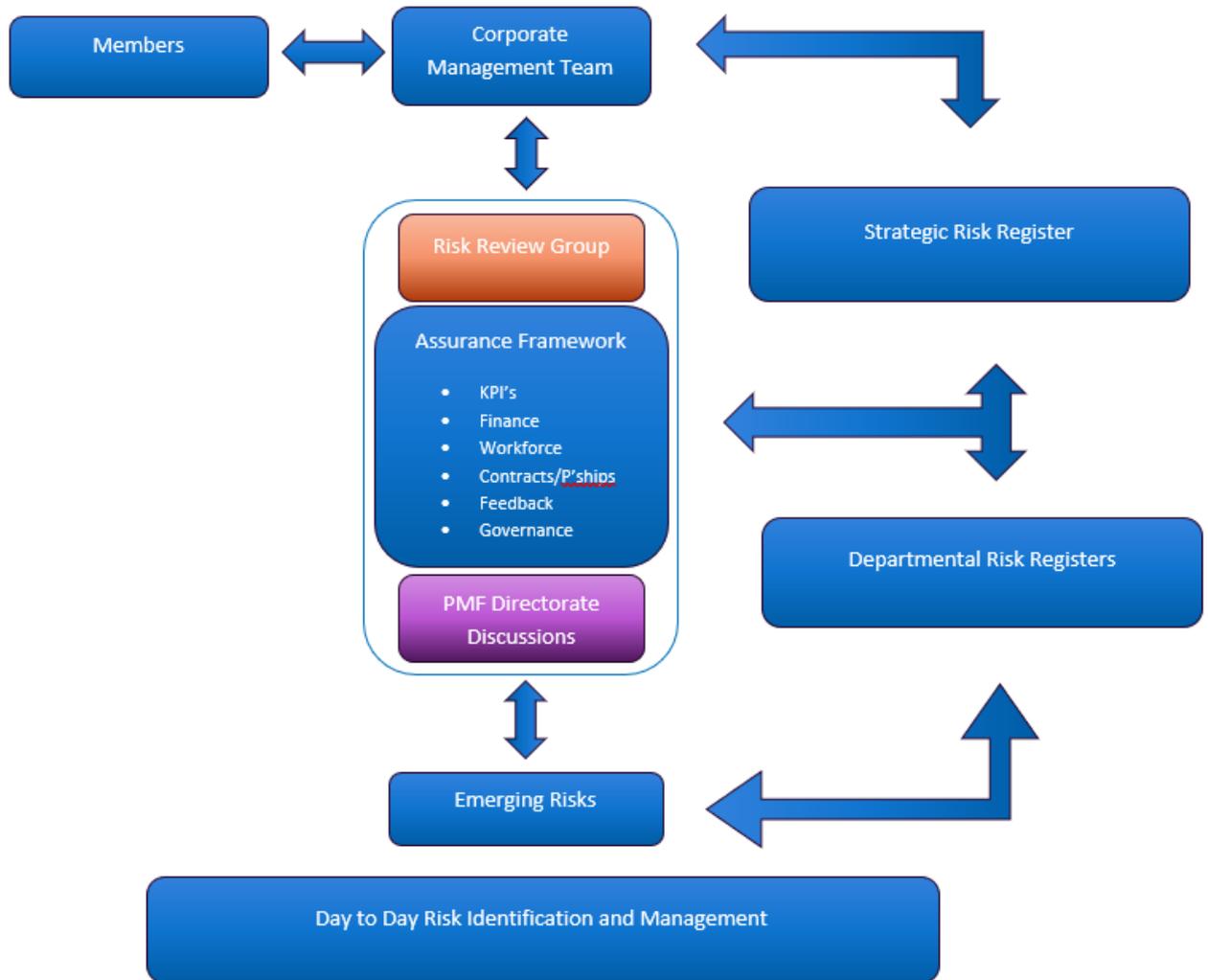
It is recommended that:-

1. Members note the current position with the strategic risk register and take assurance that risks are being effectively monitored and actions are being taken to manage these risks over the long-term.
2. Members note the changes in risk and the reasons for those changes.

DETAIL

1. Effective risk management is a core component of effective corporate governance. It is a planning tool that can be used to evaluate future events and make effective decisions to develop mitigating actions to reduce the impact and/or probability of those risks occurring.
2. The strategic risk register and the current status of those risks is shown below. Members are reminded that risk assessment is not a measure of actual performance. Risk management as a process is future focused and should be considered in the context of what may happen in the future. This enables actions to be taken now to mitigate those future risks.
3. As this is a strategic risk register it covers broad themes borough wide. The implication of this is that the council are not solely responsible for mitigating actions. There may be factors outside of the council's control that impact on the current risk level and as such the council alone may not be able to completely mitigate risks.

4. A key feature the revised approach is a simplification of the way in which the current risk status is assessed. Risks are rated using a RAG rating:
 - Red - Current concerns over the achievement of future objectives, actions must be developed to mitigate some of those concerns in the short-term, in order that we are able to meet future objectives.
 - Amber - Concerns identified that may impact on the future achievement of objectives, actions required but these can be planned over the medium term
 - Green - No current concerns
5. The focus of this report is to update members on changes in risk levels since November:
 - 703 – Risk of failure to deliver transformation projects, the programme to date has delivered savings, as we move into the next phase of delivery the level of uncertainty has increased as they are in the initial stages of design.
 - 563 Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands. The primary cause of the change is a number of processes and procedural issues identified during the Ombudsman’s investigation of a complaint and the high cost of placements. A full review of processes is being undertaken as part of actions agreed with the Ombudsman.
 - 714 Risk of failure to effectively deliver services within agreed budget and to maintain a balanced MTFP. Although some good progress has been made in reducing the MTFP gap as a result of positive outcomes from the Powering our Future programme, the future budget gap remains significant.
 - 710 Risk of failure to effectively manage and maintain Council owned land and assets. Significant work has been undertaken to understand our medium and long-term maintenance costs supported by a comprehensive condition survey which is forecast to exceed current provisions in the MTFP.
 - 559 – Risk of supporting children in our care to achieve appropriate outcomes in care. This risk has increased from Amber to Red, primarily due to the costs of placing children exceeding the budget provision in the MTFP.
6. Appendix A provides a full list of strategic risks and their current status.
7. As a reminder to members the framework for assessing the current risk score is outlined below:



8. A revised Risk Management Strategy will be presented to members at a future meeting.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

This is a summary of the Council’s risk environment.

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

N/A

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Full Strategic Risk Register

Risk ID	Risk	Overall Status
703	Risk of failure to deliver transformation projects	Red
714	Risk of failure to effectively deliver services within the agreed budget and to maintain a balanced MTFP	Red
710	Risk of failure to effectively manage and maintain Council owned land and property assets	Red
559	Risk of not supporting children in our care to achieve appropriate outcomes in care	Red
563	Risk of not supporting children with disabilities and special educational needs to maximise their potential and understand future demands	Red
743	Failure to deliver services to support business growth through developing appropriate skills within the borough	Amber
742	Failure to plan and deliver large scale capital projects - Regeneration Strand	Amber
560	Risk of delivering effective strategies that support care leavers to achieve appropriate outcomes	Amber
725	Risk of failure to deliver a waste service which reduces the amount of waste to Energy From Waste whilst increasing levels of recycling.	Amber
705	Risk of failure to effectively support our workforce to enable them to meet the challenges faced by the council and our residents	Amber
621	Risk of failure to enable a growing economy to maximise business growth	Amber
623	Risk of failure to enable effective highways and transport infrastructure	Amber
567	Risk of failure to improve outcomes that support people to live happy and healthy lives and reduce health inequalities	Amber
723	Risk of failure to maximise the use of Council owned vehicles and transport assets	Amber
715	Risk of failure to operate good corporate governance	Amber
731	Risk of failure to plan and deliver large scale capital projects	Amber
740	Risk of failure to plan and deliver large scale capital projects - CSEC Strand	Amber
724	Risk of failure to reduce carbon emissions and contribute to reducing the impact of global warming	Amber
745	Risk of failure to retain control of local decisions regarding the built environment due to external intervention	Amber
732	Risk of failure to support those who are experiencing poverty and work with communities to reduce the impact of poverty	Amber
599	Risk of failure to support vulnerable households to find suitable accommodation (including homelessness, care leavers, LD)	Amber
562	Risk of not supporting children maximise their potential in education	Amber
488	Risk of not supporting children who need help and protection	Amber
737	Risk of failure to communicate effectively with residents, communities and partners	Green
564	Risk of failure to establish and maintain safe systems of care for adults	Green
565	Risk of failure to manage and deliver good quality, sustainable care and support to vulnerable adults	Green
741	Risk of failure to plan and deliver large scale capital projects - Adult's & Children's Strand	Green
704	Risk of failure to provide robust and resilient ICT infrastructure and systems, making effective use of new/emerging technologies	Green
600	Risk of people not feeling safe in their communities	Green

AGENDA ITEM

REPORT TO AUDIT & GOVERNANCE COMMITTEE 23 FEBRUARY 2026

REPORT OF HEAD OF INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

SUMMARY

To inform members of the progress of audit testing to date and present a forward plan of testing and the resources available to meet the plan to support the assessment of risk.

RECOMMENDATIONS

It is recommended that:-

1. The results of audit activity is noted and agree that the work for the next quarter be prioritised using the audit risk assessment methodology as outlined in the Audit Charter.

DETAIL

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. To support this, audit work the results of audit work are an integral part of the assurance framework in place to assess the current risk status.
2. The overall summary shows a summary of audit results against each theme.

Theme	Red	Amber	Green	Total	Assurance
Application for a Service/Support		10	28	38	84.28
Application for an Approval/Permission	1	2	25	28	92.50
Assets	2	3	21	26	83.72
Business Continuity		3	24	27	93.46
Corporate Governance	2	13	48	63	87.06
Finance	3	5	105	113	93.84
ICT			27	27	100.00
Information Governance	1	2	24	27	90.32
People	3	12	29	44	76.97
Performance Management	2		6	8	78.85
Procurement/Contracts	1	3	21	25	92.71
Regulatory Services			16	16	100.00
Total	15	53	374	442	89.39

3. Audit testing results breaks down work undertaken in the previous period to provide members with an update on where audit resources have been employed and the results of that work. This will highlight any concerns raised in the period. There have been 5 Red controls identified in the period. Members are reminded that testing frequencies are adjusted based on their status, controls rated as red are reviewed every 3 months. This may give the impression that the same issues are being raised each quarter whilst recommendations are actively being implemented, we monitor progress of implementation. The controls rated as Red in the period relate to NFI progress in Council Tax, DBS rechecks within one team in the council, Retention of Fit Notes and Children’s Social Care referral rates. I have replicated in Appendix A these results from the new system, there is still significant work to be completed in terms of reporting from the new system, however this will give members an indication of what to expect moving forwards.

Theme	Red	Amber	Green	Total
Application for a Service/Support		1	1	2
Assets			1	1
Business Continuity		1	2	3
Corporate Governance		1	6	7
Finance	2	1	7	10
ICT			2	2
Information Governance			2	2
People	2	3	5	10
Performance Management			1	1
Procurement/Contracts			1	1
Regulatory Services			3	3
Total	4	7	31	42

* - Note this takes is up to the end of December 2025 where reporting stopped on the old system

4. Planned work identifies the areas to be examined in the next period as required by the Public Sector Internal Audit Standards. Members are reminded that each control is risk assessed to determine the frequency of testing, audit work is planned and undertaken a rolling programme which prioritises controls with the highest risk rating in accordance with this methodology. I am required to report any concerns I may have that would impact on the independence of the audit service or the adequacy of resources, I can confirm that I have no concerns in either regard.
5. In addition to planned audit work the team have been involved in a number of other pieces of work that by their nature have a bearing on the Head of Internal Audit’s opinion.
 - Audit Deep Dive – Waste Transfer Station project, findings are at draft stage and will be reported in the annual report.
 - Audit Deep Dive – SEND process, findings are at draft stage and will be reported in the annual report.
 - Whistleblowing complaint raised via OFSTED, findings are at draft stage with management to consider next steps.

- Investigation, this was as a result of a piece of audit work in relation to security and surveillance charging and is currently at the management investigation stage.
 - Corporate Governance Group Deep Dive sessions which consider our current arrangements against the CIPFA Code of Governance.
6. Quality Assurance and Improvement shows a balanced scorecard for the delivery of the audit service. The majority of indicators will be reported annually but the ones shown provide an update on progress against agreed work to date. The level of adequate resources is calculated after staff time is adjusted to allow for Annual Leave, Bank Holidays and a reasonable amount of Admin Time. We achieved our target completion rate for the period.
7. At the last meeting I informed members that we would be moving over to a new system. I am pleased to inform members that the audit and H&S teams are now live on the new system and are recording audit work on the new system. There is still some development work to be undertaken to fully utilize all of the functionality and develop the report side of the new system but in terms of day-to-day operations the migration has been successful with no downtime.

Quality, Assurance & Improvement Process

Period Covered	November 2025	to	December 2025
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Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	10
Portfolio Coverage (Period)	42	42
Presentation of Annual Report (Annual)	June	*
Presentation of Activity Report	Qtrly	*

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	*
Fraud Strategy Review	31/03/2026	*
Client Satisfaction	TBC	*
Recommendation Implementation	TBC	*

Process		
Measure	Target	Performance
Self assessment against standards (Annual)	March	*
External Assessment (Every 5 Years)	March 2023	*
Staff Meetings Held (Period)	8	8
Up to Date Audit Manual	March 2023	*

People		
Measure	Target	Performance
Productivity (Period)	70%	72%
Training (Per Financial Year)	20	*
Code of Conduct (Annual)	100%	*
Appraisals (Annual)	100%	*

* - To be reported as part of annual report

8. NFI Progress – An update on this work will be reported alongside the revised Anti-Fraud and Corruption Strategy which is due to be presented in November. This will now be presented at the next meeting. A change in legislation introduces a new offence of “Failure to Prevent Fraud” which places some additional requirements specifically on the Anti-Fraud and Corruption Strategy and work is continuing to understand the changes required.

FINANCIAL AND LEGAL IMPLICATIONS

None directly

RISK ASSESSMENT

This is a summary of the Council’s risk environment.

COUNCIL PLAN IMPLICATIONS

None

CONSULTATION

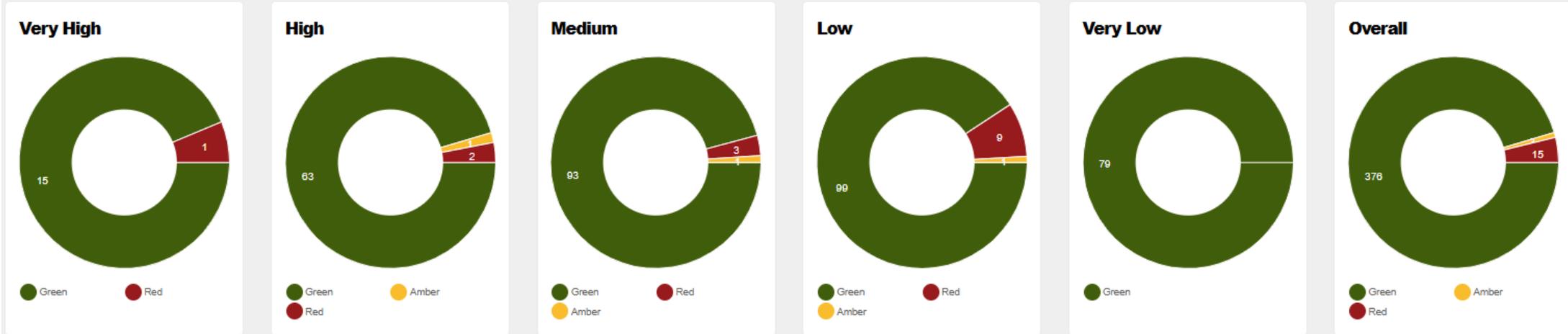
N/A

Name of Contact Officer: Andrew Barber, Assurance Manager

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Email Address: andrew.barber@stockton.gov.uk

SBC Overall Status

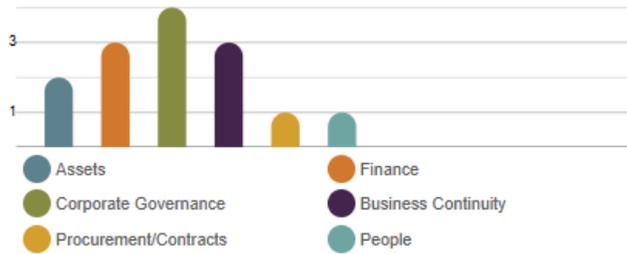


SBC Current Period



Breakdown by Theme

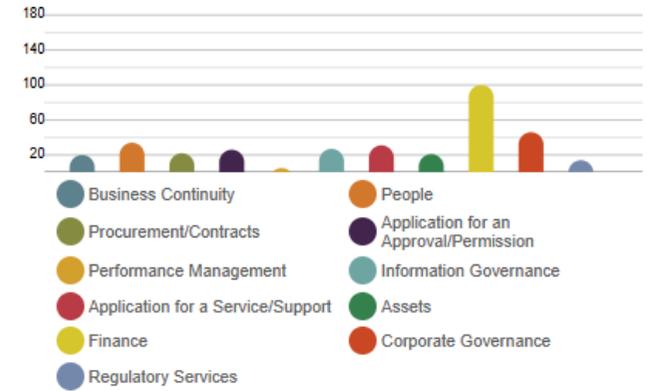
Red Controls by Theme



Amber Controls by Theme



Green Controls by Theme



AGENDA NO:

REPORT TO AUDIT COMMITTEE

23 FEBRUARY 2026

**REPORT OF HEAD OF INTERNAL
AUDIT**

INTERNAL AUDIT CHARTER

SUMMARY

The purpose of this report is to advise Members of the Internal Audit Charter and proposed approach to delivering the audit service for the coming audit year 2026-2027. As a reminder under the relevant standards Audit & Governance Committee has functional oversight of Internal Audit and the charter supports you to fulfil those responsibilities over the delivery of the function.

RECOMMENDATION

1. That the Audit and Governance Committee approves the Internal Audit Charter (**Appendix A**) and the rights of access conferred within (Para 5).
2. That the Audit and Governance Committee agree the alternate arrangements for board oversight of service funding and management of the Chief Audit Executive as outlined in Para 10 to recognise the differences between the private and public sector.

DETAIL

1. The requirement for the Council to have an internal audit function is outlined in Section 151 of the Local Government Act 1972. More specific requirements are detailed in the Accounts and Audit (England & Wales) Regulations 2015 which requires the Council to:

“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

2. The attached audit charter outlines how combined internal audit service will be delivered to Darlington Borough Council and Stockton-on-Tees Borough Council.

Public Sector Internal Audit Standards

3. The Global Standards for Internal Audit became applicable from April 2025. We have undertaken a self-assessment against these revised standards, on the whole the service is compliant with these new standards, however there are some minor adjustments required some of which have been incorporated into the Audit Charter.

4. The standards are now structured around 5 domains: -
 - Domain I – Purpose of Internal Auditing;
 - Domain II – Ethics and Professionalism;
 - Domain III – Governing the Internal Audit Function;
 - Domain IV – Managing the Internal Audit Function;
 - Domain V – Performing Internal Audit Services

Internal Audit Charter

5. The Charter is a high-level statement of how the Internal Audit Service will be delivered to meet the requirements of the legislation and the standards.
6. The charter sets out the approach for delivery of the audit service:
 - Purpose of the Internal Audit Service
 - Scope of Internal Audit work
 - Access to Information
 - Resourcing of the Service
 - Future Development of the Service
7. The Internal Audit Charter is attached at **Appendix A**.

Audit Planning

8. The standards state that a risk-based plan designed to implement the audit charter and allow an annual internal audit opinion to be prepared should be produced. Audit planning will be undertaken on a quarterly basis as previously agreed. The structure of the plan has been updated with a focus around auditing controls rather than service areas. This will impact on the level of detail provided to members at the planning stage.
9. The risk assessment uses a number of factors to determine the likelihood of issues occurring including an understanding of the full scope of controls in operation, major change, concerns/external interest and results of previous audit work. It then assesses the impact any issues may have on the council's strategic objectives, reputation, financial plans, assets and also the potential impact on individuals and/or the environment.
10. As part of the process, the plan is subject to consultation with the Council's external auditors. High priority is given to key financial controls, any significant corporate projects and specific areas requested by Management. A lower priority is given to controls which, although potentially important to stakeholders, have less impact corporately.
11. The proposed level of resources within the service can be identified as gross audit days based on 8 FTE's. This resource is sufficient to complete the testing outlined by the risk assessment.

Development of the Audit Service

12. The revised International Internal Audit Standards introduced a requirement for the production of a separate audit strategy which will be presented and monitored separately.

Andrew Barber
Assurance Manager

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E-mail: a.barber@stockton.gov.uk

FINANCIAL AND LEGAL IMPLICATIONS

None

RISK ASSESSMENT

The results of the work undertaken by Internal Audit can be used by managers to assess their risk exposure, recommendations are made where there is perceived to be unacceptable risk.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

The Audit Plan is regularly submitted to the Senior Management Team for comment.

Background Papers:

Global Internal Audit Standards 2024
CIPFA Code on the Governance of
Internal Audit 2025

Ward(s) and Ward Councillors:

None

Property Implications:

None

Internal Audit Charter

Introduction

1. This document will outline how the internal audit service to Stockton-on-Tees Borough Council and Darlington Borough Council will be delivered to ensure it is compliant with the relevant standards and statutory requirements currently in place.

Purpose of the Service

2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
3. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Authority to Undertake the Function

4. Each authority is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
5. This requirement is set out in the Accounts & Audit Regulations 2015. The regulations also state that any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit make available such documents/records and supply such information/explanations as are considered necessary by those conducting the internal audit.

Internal Audit's Responsibilities

6. The service will be delivered in accordance with the purpose outlined above and by ensuring it:
 - Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive, and future-focussed
 - Promotes organisational improvement
7. The service will ensure it complies with the International Standards for Internal Audit and adopting the Public Sector Internal Audit Standards.
8. For the purposes of applying these standards "the board" are represented by the Audit Committee through the scheme of delegation in place within each authority. "Senior Management" is the Head of Paid Service, Section 151 Officer & Monitoring Officer who undertake statutory functions. Each authority will have senior management teams, which will include each of these officers. The

service will report the results of audit work individually to each relevant member of this senior management team.

9. The service will report the findings of its work to the board and to senior management a minimum of 3 times per year in line with the Audit Committee schedule. Where there is any attempt to apply undue influence on the findings of its work the service will seek to make either senior management or the board aware of any such attempts and reserves the right to report without prejudice to any member of the board or senior management.
10. The standards outline the role the board should play in terms of directly managing the resources of the Internal Audit function. The role of the board in the public sector differs from the expectations of the standards as they do not have direct oversight of funding or management of the Chief Audit Executive. This is recognised in the standards and we are required to provide for alternative arrangements, any decisions to be made by the authority that will impact funding and/or management of the Chief Audit Executive (Appointment, remuneration, appraisal) will be undertaken in consultation with the board. In addition the Chief Audit Executive will make the board aware of any concerns they may have in terms of resourcing the function.
11. Recommendations will be made where it is considered the control environment could be improved. This could either be addressing a particular weakness or identifying efficiencies/improvements within processes. The root cause of a weakness will be identified and recommendations will support addressing the root cause.
12. Functionally the service will be based within Stockton-on-Tees Borough Council in the Finance and Business Services Department. The "Chief Audit Executive (CAE)" role as specified by the standards is undertaken by the Assurance Manager. An annual report will be produced giving an overall audit opinion of the control environment to be used as part of the assurance gathering process for the annual governance statement in each authority.
13. Day-to-day line management for the service will be provided by the Assistant Director, Procurement and Governance within the Corporate Services Department of Stockton-on-Tees Borough Council.
14. In order to maintain the actual or perceived independence of the function, where audit work is to be conducted on any function where the Assistant Director, Procurement and Governance has operational responsibility, the Assurance Manager has the right to agree the scope of/report findings of this work to any member of senior management.
15. The Assurance Manager also has operational responsibility for Risk Management and Health & Safety in SBC. The impact on actual/perceived independence is limited as these services are congruent with the core principles of Internal Audit and the Assurance Manager must ensure they conform to professional standards however, in order to maintain the actual or perceived independence of the audit function the Audit Manager has the right to agree the scope of/findings of the other functions of the Assurance Manager to any member of senior management.
16. The Assurance Manager has a responsibility to report any attempt to unduly influence/interfere with the scope or outcome of this audit work to relevant members of senior management/the board.
17. The service will conform to a code of ethics. Annually auditors will sign a declaration that they will conform to a code of ethics that addresses:
 - Integrity – Selflessness, Honesty, Openness & Accountability
 - Objectivity
 - Competence & Leadership
 - Confidentiality

- Conflicts of Interest

18. Failure to abide by this code will result in action being taken against individuals through either the Council's disciplinary process, professional disciplinary process or a combination of both.
19. An opinion will be provided on the entire control environment each year, one for each authority by 30 June. Frequency and scope of testing will be determined by an audit risk assessment, which will be kept up to date. A plan of work will be agreed with the board and senior management, which is considered sufficient to enable this opinion to be given.
20. In addition to auditing the control environment, the service has a role in preventing, detecting and investigating possible fraudulent or corrupt activity. It is a requirement that the service will be made aware of any such activity either suspected or proven. In addition to this, audit testing will be conducted on the basis that fraud and corruption is a risk within any system and auditors will be aware of the potential for this to be taking place.
21. Because of the breadth of skills and knowledge possessed by auditors, the service may be approached to provide advice and guidance to managers outside of the normal audit process. Any such consultancy engagement will be managed appropriately and will only be undertaken where the agreed scope of the engagement is consistent with the purpose of the service and where the requisite skills are available. Such assignments will be added to the audit plan.
22. The service will ensure it has sufficient resources to deliver a risk based audit plan with adequate coverage to enable an overall opinion to be given. A competency framework will be maintained to ensure auditors have the required skills to deliver the plan. Auditors will be assessed against this framework as part of the annual appraisal process. In addition, to ensure auditor's skills remain current they will be required to undertake Continual Professional Development (CPD). Where it is believed there will be insufficient resources (either in terms of capacity or in terms of competence) this will be brought to the attention of the board through the audit committee.
23. The service will work closely with internal assurance providers to assess the procedures they have in place in order to establish the reliance that can be placed on those assurances before using it to inform the assurances provided by internal audit.
24. The service will look to liaise with external assurance providers such as External Audit, Ofsted & Care Quality Commission to ensure plans are aligned to avoid duplication and to obtain assurance over processes that would allow the service to place reliance on the work of these organisations. It should however be noted these bodies have their own arrangements and requirements in terms of planning, scope and evidence requirements there are therefore limitations on our ability to co-ordinate effectively with these bodies.

Delivery of the Service

25. An audit portfolio will be maintained which will encompass the entire control environment of the authority. The portfolio will be kept up to date with consultation taking place with senior management on a regular basis.
26. Capacity of the team to deliver the planned work will be continually monitored, any concerns over resourcing of the service will be raised with management and Audit Committee.
27. Each control in the portfolio will be risk assessed to determine frequency and priority of audit work. The risk assessment will be kept up to date and the plan automatically updated if there is any change in risk, the plan will be refreshed daily. The service will utilise continuous monitoring techniques as part of the risk assessment process, which, will incorporate feedback from a number of sources. This approach will include schools where the primary source of feedback will be the

Schools Financial Value Standard Self-Assessment returns and where applicable the schools risk action groups.

28. In order to be able to provide an unqualified opinion sufficient work must have been undertaken, the risk assessment determines the ideal frequency of testing which is adjusted to set a minimum frequency and therefore minimum coverage levels. Completion of the audit plan will be monitored using this minimum frequency, this provides a more effective measure of the work undertaken as it is based on individual control frequencies rather than a simple percentage of the total which could ignore the level of risk completely. The minimum levels of coverage will be regularly monitored and reported.
29. A manual will be maintained which will document the audit process, the way in which results of audit work will be presented (this will be subject to consultation with senior management/the board) and the standard of working papers required to support the audit opinion.
30. The service will maintain an intranet page in each Council which will include basic contact details and any other relevant information.

Monitoring the Service

31. A medium strategy will be in place and progress against actions will be reported on a regular basis.
32. A Quality Assurance and Improvement Programme (QAIP) will be developed to reflect the new ways way planning and recording work.
33. The QAIP will detail:
 - Performance measures for assessing the service
 - Complaints procedure
 - Process for reviewing compliance with the Standards.

Regular reports will be presented to the board on the outcomes of the QAIP

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Audit Committee Programme 2026/2027

Diary of Meetings & Work Programme

Date	Work Programme
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28 May 2026	
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27 July 2026	
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28 September 2026	
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30 November 2026	
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22 February 2027	
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