

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

**Audit & Standards Committee
29 June 2026**

Report Title: Draft Statement of Accounts 2025/26

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
To report upon the financial outturn for 2025/26. The report highlights key issues, including a commentary on the General Fund outturn, the Balance Sheet, the Collection Fund, the Capital Programme and the Council's reserves.			
<u>Recommendations</u>			
That Committee:			
1. Note the General Fund outturn and key issues in respect of the Council's financial position at 31 March 2026.			
2. Approve the draft Statement of Accounts for 2025/26 for publication and audit.			
<u>Reasons</u>			
Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.			

1. **Background**

- 1.1 The Accounts and Audit Regulations include a deadline for the Council to prepare the draft Statement of Accounts, publish and submit these to their external auditors for review. Currently, this deadline is 30 June. It is intended that they will be made available for public inspection between 30 June 2026 and 8 August 2026.
- 1.2 The regulations require the audited Statement of Accounts for 2025/26 to be published by 30 November 2026, with a backstop of 31 January 2027.

- 1.3 The external audit will commence during July, primarily for the selection of samples and should be completed prior to 30 September 2026.
- 1.4 The final Statement of Accounts should be presented to the Audit and Standards Committee for approval on 16 November 2026.
- 1.5 This report focuses on reporting the provisional outturn position and the key elements of the Council's provisional financial position as at 31 March 2026.

2. **Issues**

The General Fund Outturn

- 2.1 The Council approved a General Fund Revenue Budget of £19.730m on 12 February 2025 for 2025/26. The actual and forecast position compared to this budget is continuously monitored by Budget Holders, the Corporate Leadership Team and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.
- 2.2 At the close of the financial year a provisional positive variance of £0.115m has been achieved. This indicative amount will be paid into the Budget Support Fund to further boost the Council's financial resilience.
- 2.3 The positive variances that have occurred at the close of 2025/26 include:
 - a. Interest receivable on cash that the Council holds in terms of Town Deal funding totals £0.238m.
 - b. Interest payable on borrowing has been vastly reduced due to the cash that the Council holds in terms of Town Deal and funding, this has saved £0.555m.
 - c. Income from planning applications exceeded the budgeted amount by £0.542m.
- 2.4 These positive variances have been offset by the following adverse variances:
 - a. Income shortfalls relating to the closure of the main pool for maintenance and repairs at Jubilee 2 and the associated freeze in memberships amounts to (£0.349m), the main pool has now re-opened and income levels are starting to recover.
 - b. Income shortfalls relating to car parking amount to (£0.178m), income losses have reduced when compared to 2024/25 and a further allowance has been made to reduce the income budget in 2026/27.
 - c. Income shortfalls relating to Bereavement Services amount to (£0.284m), as with car parking a further allowance has been made to reduce the income budget in 2026/27 to reflect actual levels of income being received.
 - d. The recovery of Housing Benefits overpayments shows a shortfall of (£0.157m) at the close of the financial year. A number of new recovery methods, including

the option for debtors to make payments by direct debit have recently been introduced.

Comprehensive Income and Expenditure Statement and the Balance Sheet

2.5 The Comprehensive Income and Expenditure Statement should be read in conjunction with the Movement in Reserves Statement to ensure that non-cash transactions such as depreciation, revaluations of assets and pension liability adjustments are considered. A summary of this is shown in the foreword of the Statement of Accounts:

	£000
Service provision (per CIES-p27)	(16,428)
Adjustments between accounting basis and funding basis (Note 8-p47)	14,061
Movement in useable reserves (excluding transfer of surplus) (Note 9-p49)	2,252
(Surplus)/Deficit for 2025/26	(115)

2.6 Chief Executive

For 2025/26 the Chief Executive directorate had a reduction in expenditure of £0.705m, alongside a reduction in income of £0.642m, resulting in a net favourable movement of £0.063m. This reduction in both income and expenditure has largely been driven by two externally funded elections taking place in 2024/25 (Police, Fire and Crime Commissioner and Parliamentary), whilst in 2025/26 only a County Council election occurred.

2.7 Growth and Development

The Growth and Development directorate reports a £4.100m reduction in net expenditure. Gross expenditure decreased significantly by £3.686m, while gross income remained broadly stable, increasing by £0.414m. Taken together, these movements represent a materially improved financial position for the year.

The most significant factor is a £4.740m reduction in Economic Development expenditure, accompanied by a £0.597m fall in related income. This reflects the completion of major externally funded programmes delivered in the previous year, including Town Deal Fund initiatives and UK Shared Prosperity Fund revenue projects.

Increased planning activity – particularly several large applications received during 2025/26 – has driven notable income growth. Aside from these specific movements, the underlying financial position across the directorate remains stable.

2.8 Sustainable Environment/Operations

The Sustainable Environment and Operations directorate reports a £10.670m reduction in net expenditure. Although income decreased by £2.380m, this was outweighed by a significant £13.050m reduction in expenditure compared with 2024/25.

The primary driver of this reduction is the substantial downward revaluation of the new car park in 2024/25, totalling £9.316m. Additional decreases in expenditure relate to Housing Benefit payments, which fell by £4.061m in 2025/26. This reduction is largely offset by a corresponding £4.005m decrease in subsidy income, reflecting the expected impact of the continued transition of claimants to Universal Credit.

Disabled Facility Grants remain cost-neutral overall; however, the service delivered an additional £0.602m of works for residents during the year, fully funded through available grant allocations.

Recycling services experienced increased expenditure of £0.653m, primarily due to higher agency staffing costs. This pressure is more than offset by additional income, most notably £1.685m received through Extended Producer Responsibility funding.

2.9 Note 12 – capital grants

Capital grants and contributions applied in 2025/26 increased significantly compared with 2024/25, rising by £8.716m overall.

A key factor is the application of £15.177m of grant funding from Homes England during the year. In total, the Council has been awarded £18.940m of infrastructure funding through the Brownfield Infrastructure Land Fund. In addition, Town Deal Fund utilisation increased by £0.769m in relation to ongoing projects in Kidsgrove.

These increases were partially offset by the conclusion of other major funding streams. Future High Streets Fund activity ended in 2024/25, resulting in a £2.683m reduction in 2025/26. Similarly, the application of Town Deal Fund resources for Newcastle decreased by £3.452m as several projects approached completion.

2.10 Balance Sheet

2.11 The main features of the balance sheet in the draft Statement of Accounts are:

- a. There are long term assets of £96.994m (£77.205m at 31 March 2025) which primarily consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily to expenditure on the development of Astley Place, KarParc and the Ryecroft site.
- b. Short term borrowing amounts to £8.061m at 31 March 2026, this relates to the Council's underlying Capital Financing Requirement of £21.807m. The remainder of the Capital Financing Requirement is met from internal borrowing (i.e. from reserves and current cash flows).
- c. Capital Grants received in advance have increased to £19.003m at 31 March 2026 from £15.980m at 31 March 2025. This increase relates to the Town Deals capital funding that has been received in advance of spend.

- d. The Council's creditor balance fell to £9.530m at 31 March 2026, down from £11.587m the previous year. The reduction is mainly due to fewer trade creditor invoices being received early. In 2024/25, £4.313m of invoices were paid in the following period, compared with £1.081m in 2025/26. The prior year included several large Town Deal Fund invoices (£1.382m, £0.403m, £0.266m and £0.180m). This decrease is partly offset by a £2.478m rise in expenditure accruals for invoices dated after year-end but relating to 2025/26 – again heavily impacted by invoices for works relating to Town Deal Fund.
- e. Debtors totalled £22.337m at 31 March 2026, up from £16.158m the previous year. The increase is mainly due to a £3.532m rise in amounts owed, driven by higher preceptor shares of Council Tax (£2.120m) and NNDR arrears (£1.373m). A further £2.159m relates to income received in advance. The Housing Benefit subsidy accrual increased by £0.303m, while £1.792m of Homes England income for relating to 2025/26 was received in April 2026, also contributing to the higher year-end balance.
- f. Useable reserves have increased to £12.037m at 31 March 2026 from £9.572m as at 31 March 2025. The increase relates to primarily a £1.577m net increase regarding the Business Rates Reserve and £0.427m to the Waste and Recycling reserve.
- g. Unusable reserves have increased to £55.446m at 31 March 2026 from £37.000m as at 31 March 2025. The increase reflects revaluations upwards in relation to Castle Car Park, the corresponding entry is reflected in long term assets (which also includes the corresponding expenditure on Castle Car Park).
- h. The liability (and the corresponding reserve) relating to defined benefit pension schemes of £20.982m at 31 March 2025 has reduced to £18.183m as at 31 March 2026 due to positive assumption changes which lower the value placed on the obligations of the scheme. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme assets or liabilities.

The Collection Fund

- 2.12 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a difference in tax receipts (compared to expected levels), this leads to a surplus or deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year or in the instance of a surplus a repayment to the precepting authorities will be made.
- 2.13 In response to forecast shortfalls in tax receipts relating to Government policy business rates reliefs, Section 31 grant is paid to contribute towards the costs of these reliefs. This amount is estimated via the NNDR1 return and the actual relief is reported and reconciled at the close of the financial year.

- 2.14 The cumulative variances in tax receipts (i.e. including the impact of balances held in respect of previous years) and the impact of Section 31 grant received as at 31 March 2026 are:

Tax	(Surplus)/Deficit at 31.3.26	Council's Share
Council Tax	£1.389m	£0.149m (11%)
Business Rates (2025-26 only)	£1.109m	£0.444m (40%)
Business Rates (2024-25 balance)	£2.291m	£0.916m (40%)
Business Rates Section 31 Grant	(£0.714m)	(£0.286m) (40%)
Total	£4.075m	£1.223m

- 2.15 The Council Tax deficit relates to an increase in the number of households that have had a discount or exemption applied to their Council Tax liability and a delay in the receipt of new build data from the Valuation Office. A review of discounts and exemptions applied to Council Tax liabilities is currently being undertaken in liaison with an analytic data matching company.
- 2.16 The Business Rates deficit in relation to 2025/26 largely reflects ongoing reliefs provided by Central Government for which the Council received Section 31 grant as compensation.
- 2.17 The Business Rates deficit in relation to 2024/25 reflects a change between the estimated surplus declared in January 2025 and the actual position calculated at 31 March 2025, largely relating to significant changes in rateable value agreed by the Valuation Office during the interim period.
- 2.18 An amount to compensate for the deficit position is held in the Business Rates Reserve, which is maintained to allow for collection fund fluctuations.

Reserves

- 2.19 The Council has usable revenue reserves totalling £7.891m. The main items, with their balances at 31 March 2026, are:

Reserve/Fund	Balance 31.03.26 (£'000's)	Comments
General Fund Balance	2,007	Working balance to cover unforeseen adverse events affecting the budget. Recommended minimum balance of £2.007m for 2025/26.
Walley's Quarry Reserve	385	To assist with the Council's ongoing actions regarding mitigation and resolution of long-term air quality issues at Walley's Quarry.
Budget and Borrowing Support Fund	798	To support the General Fund revenue budget or to meet costs approved by Council.
Budget Support Fund (Local Plan)	154	To fund the Borough Local Plan in addition to a base salary budget allocation and. This fund needs to be topped up to £1m.

Budget Support Fund (Homelessness)	378	To hold homelessness grants from Central Government to be used in future periods.
Local Government Re-organisation Reserve	50	To support the Council with costs incurred relating to implementing Local Government Re-organisation
Civic Growth Fund	86	To fund investment in corporate priorities. A contribution of £0.250m is made to this fund each year.
Conservation & Heritage Fund	17	To provide repair grants to owners of historic buildings.
Mayor's Charity Reserve	13	To hold funds on behalf of the Mayor's Charity.
Museum Purchases Fund	62	To purchase, conserve and enhance exhibits. Funded by historical donations for this purpose.
Business Rates Reserve	2,940	To equalise any surplus or deficit (£1.223m) on the collection fund and to provide contingency for appeals and future funding reviews. £0.700m of this could be used to top up the Budget Support Fund (Local Plan).
Elections Reserve	179	To provide budget on a 4 year cycle for Borough Elections. £50k a year is contributed.
Maintenance Fund	275	To provide revenue fund maintenance per Section 106 agreements.
Planning Appeals Reserve	100	To provide for costs associated with planning appeals.
Waste and Recycling Reserve	429	To provide for service changes including route optimisation and service investment.
Clayton Community Centre	18	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	7,891	

2.11 The General Fund Balance is £2.007m as at 31 March 2026. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise.

2.12 The levels of reserves has been considered as part of the budget preparation process for 2026/27.

Capital Expenditure

2.13 A mid-year review of the Capital Programme for 2025/26 was undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2025/26 into future years. The revised Capital Programme for 2025/26 totalling £35.635m was approved by Cabinet on 2 December 2025.

2.14 A further £0.606m of spend funded via the Shared Prosperity Fund and Section 106 agreements was also allowed for giving a total capital programme of £36.241m for 2025/26.

2.15 Actual capital expenditure for 2025/26 has amounted to £27.348m, £8.893m less than planned. £8.281m of this is to be carried forward to 2026/27 to reflect the profile of spends, largely relating to Town Deals and Regeneration projects.

2.16 The expenditure of £27.348m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	0.815
Government Grants and Other Contributions	24.434
Minimum Revenue Provision	0.185
Internal Borrowing	1.914
Total	27.348

3. **Proposal**

3.1 The General Fund outturn and key issues in respect of the Council's financial position at 31 March 2026 be noted.

3.2 The draft Statement of Accounts for 2025/26 be approved for publication and audit.

4. **Reasons for Proposed Solution**

4.1 Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

5. **Options Considered**

5.1 No further options, the Council would breach the Accounts and Audit Regulations if it did not report the draft Statement of Accounts to the Audit and Standards Committee.

6. **Legal and Statutory Implications**

6.1 The draft and audited Statement of Accounts are required to be considered by the Audit and Standards Committee in accordance with the Accounts and Audit Regulations 2015.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. **Financial and Resource Implications**

- 8.1 The General Fund outturn for the financial year 2025/26 shows a provisional favourable variance against the budget of £0.115m. This indicative amount has been paid into the Budget Support Fund.
- 8.2 £8.281m of the 2025/26 capital programme will be carried forward to the financial year 2026/27.
- 8.3 The General Fund Reserve of £2.007m is in accordance with the risk assessed minimum value as approved as part of the budget setting process.
- 8.4 The Council's share of the Collection Fund deficit amounts to £0.725m which is repayable to the Council in future years, this will be transferred from the Business Rates Reserve (held to allow for Collection Fund fluctuations).

9. **Major Risks and Mitigation**

- 9.1 Changing market conditions represent the greatest risk to the revenue budget, particularly with regard to the impact it may have upon both utility prices and income receivable in relation to services where customers may choose whether or not to use Council facilities or in the case of the waste/recycling service where the volume of recycled materials is liable to fluctuate. The situation will continue to be monitored through the normal budget monitoring procedures during the financial year 2026/27.
- 9.2 The capital programme requires regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital, Assets and Commercial Investments Review Group, which meets on a bi-monthly basis together with quarterly and annual reports to Cabinet.
- 9.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

10. **UN Sustainable Development Goals (UNSDG)**



11. **One Council**

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council

We will make investment to diversify our income and think entrepreneurially.

One Digital Council

We will develop and implement a digital approach which makes it easy for all residents and businesses to engage with the Council, with our customers at the heart of every interaction.

One Green Council

We will deliver on our commitments to a net zero future and make all decisions with sustainability as a driving principle.

12. **Key Decision Information**

12.1 This is not a key decision.

13. **Earlier Cabinet/Committee Resolutions**

13.1 Quarterly Finance and Performance Review Reports to Cabinet.

14. **List of Appendices**

14.1 Draft Statement of Accounts 2025/26.

15. **Background Papers**

15.1 Quarterly Finance and Performance Review Reports to Cabinet.