

## 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 27<sup>th</sup> 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 1<sup>st</sup> 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 30<sup>th</sup> 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 1<sup>st</sup> July 2025 and ended on 11<sup>th</sup> August 2025. The council did not receive any requests to examine the accounts during this period.
4. On the 10<sup>th</sup> 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 1<sup>st</sup> 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 19<sup>th</sup> February 2025. Further details of the outturn position can be found in the MTFP report presented to Cabinet on 17<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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.

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