**AGENDA ITEM 10**

**REPORT TO AUDIT AND GOVERNANCE COMMITTEE**

**29 JUNE 2026**

**REPORT OF CHIEF FINANCIAL OFFICER**

# DRAFT ANNUAL STATEMENT OF ACCOUNTS 2025/2026

## PURPOSE OF REPORT

This report presents to Members the Council's Draft Statement of Accounts for 2025/2026.

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).

## RECOMMENDATIONS

It is recommended that the Audit and Governance Committee

- Note the financial information presented in the report and the Council's Unaudited Statement of Accounts and the financial position for 2025/26, as at 31 March 2026.
- Note the arrangements for the public inspection and external audit of the Statement of Accounts for 2025/26 (Para 5).

## DETAIL

1. The accounts have been completed in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom 2025/2026" 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 2026 by 30 June 2026.

3. The audited accounts deadlines for England are subject to backstop dates brought in to deal with the backlog of local audits. For the 2025/26 this date has been set as the 31st January 2027.

4. For the Publication of the unaudited statement of accounts, the requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to be commenced by 1 July. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) are published.

5. Based on the updated regulations it is the intention that following this meeting the period

in which electors and interested persons have the right to examine the accounts, question the auditor and to make objections at audit will be set. This is a period of 30 working days which will commence on 1st July and will end on 11th August 2026.

## KEY FINANCIAL INFORMATION

6. The following key financial figures are included in the accounts:

**Narrative Section (Pages 5 to 20)**

- Even though the accounts show that a breakeven position is reported against directorate revenue budgets for 2025/26 (see revenue year end table page 12) there was an actual in year deficit of £3.865m. This deficit has been funded from reserves and is in line with the projected use of reserves as highlighted to Council on 18th February 2026. Further details of the outturn position will be found in the MTFP report to be presented to Cabinet on 16th July 2026.

- Total capital spending was £51.185m during 2025/26. A breakdown by scheme and funding source is provided in the table on page 14 of the document.

**Comprehensive Income and Expenditure Statement (Page 24)**

- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. Gross Expenditure on the Cost of Services was £562m for the financial year offset by £345m of specific service funding with a Net Expenditure of £218m.

- Council tax funding applied to offset costs in year was £127.0m and Non-Domestic Rate income was £47.5m. Non ringfenced government grants for the year totalled £27.8m (see note 28 for further information on these grants).

- After taking account of all other technical accounting costs the overall surplus reported for 2025/26 is £5.844m.

**Balance Sheet (Page 25)**

- Current long-term investments and cash and cash equivalents amounted to £27.1m. This is a decrease of £11.0m from the previous year and reflects the use of reserves to offset capital and revenue expenditure during the year.

- The Council's current long and short-term borrowings total £168.974m which is an increase of £18.012m over the previous year. This is made up of £75.346m in short term borrowing (£64.708m last year) and £93.628m in long term borrowing (£86.072m last year).

- The Council's earmarked reserves (excluding schools) stand at £22.972m (£24.953m 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 £4.494m (£3.368m last year) The increase relates to the Council setting aside £1.7m to offset the unfunded element of the Dedicated Schools Grant deficit. 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. General Fund Balances are intended to provide some overall flexibility and protection against adverse variances in budget assumptions, and unforeseen events.

- The Council’s balance sheet (page 25) is in a positive net worth position £346m. (i.e. the assets are greater than the liabilities).

**Cash Flow Statement (Page 26)**

- This statement shows that the Council had a net decrease in its cash and cash equivalents of £10.778m for the financial year compared to a net increase of £21.616m the previous year.

7. 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 2026 resulting in a net pension plan asset of £432.418m. Total pension assets as at 31st March 2026 are £1.193.169m and liabilities £760.751m.

8. 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.

9. 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.

10. 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 £15.946m only. Note 31 on page 64 provides additional details on the pension fund.

11. The external auditors, Forvis Mazars LLP will commence the statutory audit as soon as practically possible.

**FINANCIAL AND LEGAL IMPLICATIONS**

Regulation 9(1) of the Accounts and Audit Regulations 2015 requires the Council’s Responsible Financial Officer (Deputy Chief Executive & Director of Finance, Transformation and Performance) 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.

**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**