

MIDDLESBROUGH COUNCIL	
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Report of:	Corporate Director of Finance (S151 Officer) – Andrew Humble
Submitted to:	Audit Committee
Date:	23 July 2026
Title:	Draft Statement of Accounts - 2025/2026
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)
That the Audit Committee: NOTE that the draft Statement of Accounts for 2025/26 has been approved by the Corporate Director of Finance for publication on 30 June 2026, and these are currently on the council website. NOTE the draft annual governance statement for 2025/26 which has been endorsed by the Mayor, the Chief Executive and the S151 Officer. NOTE the public inspection period where local taxpayers can inspect the accounts and request further information on any invoices, contracts, income received etc in the period 1 July 2026 to 11 August 2026.

Executive summary
Under the Constitution, Audit Committee are responsible for the approval of the Council's Statement of Accounts (SOA) each year. This report presents the draft SOA for the 2025/26 financial year, which is presented to the Committee for information only (at this stage) and then approval upon conclusion of the external audit process. The accounts are complex and provide a significant amount of information relating to the Council's financial position, performance and cashflows over the year in question. The draft Statement of Accounts is the main medium of external financial reporting prepared by the Council each year. It is governed by regulations under the Accounts

and Audit regulations 2015 and amendments, and its format and content are prescribed by the local authority accounting code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). At the draft (pre-audit) stage, the requirement is for the accounts to be prepared and certified by the S151 Officer (the Corporate Director of Finance) by 30 June each year and then made available for public inspection for 30 working days thereafter. The draft accounts should also be read in conjunction with the Revenue and Capital Outturn reports for 2025/26 presented to Executive on 10 June 2026, as the main source of internal financial reporting.

There is also a requirement under these regulations for the Annual Governance Statement (AGS) to be included with the draft accounts and for that to be available for public scrutiny at the same time as the financial information. The systems and processes that are managed by the Council underpin the transactions appearing within the accounts, with the AGS providing assurance that these are appropriately managed. An additional report on the agenda for this meeting covers the AGS in more detail but it is important to note this in the context of the above.

Following publication of the accounts (which includes both the Councils financial statements & disclosures, and those related to the Teesside Pension Fund), these will be submitted to our external auditor, Forvis Mazars, for scrutiny. This also includes a review of the processes and arrangements in place for achieving value for money on the resources used within the financial year.

In recent years, there has been a national backlog with the timeliness and quality of local audit. This has led to the government intervening in the system and setting back stop dates for older audits to conclude. As many audits have not been finished in time to meet these dates, auditors have issued disclaimed (no assurance) opinions on the financial statements. This does not mean the accounts are incorrect or cannot be relied upon. It means that there has not been enough time to complete the audit and issue a true and fair opinion on the financial position and transactions. The Council now has four disclaimed opinions covering the financial years 2021/22 to 2024/25. The Teesside Pension Fund though received an unmodified opinion for the last financial year.

Central government intends (via the backstop process) to restore the timeliness and quality in local government external financial reporting for all local authorities by the 2027/28 financial year. The back stop date for the 2025/26 external audit is 31 January 2027, with the audit commencing during September.

1. Purpose

- 1.1 For Members to consider and discuss the draft Statement of Accounts for the 2025/26 financial year. This is an important part of the governance process around the year-end accounts as the Committee will be responsible for reviewing the external auditors' findings and then approving the audited accounts for publication at a later stage.
- 1.2 For Members to note the draft annual governance statement, which needs to be published alongside the draft SOA, under the Accounts and Audit Regulation 2015.
- 1.3 For Members to note the key financial metrics in the draft financial statements, movements during the financial year, and whether any dedicated training is required to understand these before the audited accounts return for approval in February 2026.

2. Recommendations

2.1 That the Audit Committee:

- a) Note that the draft Statement of Accounts for 2025/26 has been approved by the Corporate Director of Finance for publication on 30 June 2026, and these are currently on the council website.
- b) Note the draft annual governance statement for 2025/26, which has been approved by the Mayor, the Chief Executive and the S151 Officer.
- c) Note the public inspection period where local taxpayers can inspect the accounts and request further information on any invoices, contracts, income received etc in the period 1 July 2026 to 11 August 2026.

3. Background and relevant information

- 3.1 Like all large organisations, Middlesbrough Council is required by law to publish and report on its financial position, performance, and cash flows during the financial year. It does this by producing and publishing a statement of accounts each year.
- 3.2 The Accounts produced by the Council have some similarities to those produced by private companies under companies act legislation. However, local authorities have their own specific set of rules to follow in relation to financial reporting under various local government acts. They are also required to follow the main provisions of the Local Authority Accounting Code of Practice, which is issued each year by CIPFA.
- 3.3 It is best practice and good governance for Audit Committee to review the draft SOA prior to approving the audited accounts under the requirements of the Accounts and Audit Regulations 2015. This is part of the Committee's remit under the Constitution and will help Members with understanding the Council's financial position at the appropriate accounting date, and then with any matters raised by the auditors or members of the public.

- 3.4 Under the Accounts and Audit Regulations 2015, these accounts require publication by 30 June each year. Members will be aware from previous committee reports and audit completion reports that the external auditors (either Ernst & Young and Mazars) have disclaimed the audit opinion (no assurance) on the financial statements for the Council for the last three financial years (2021/22 – 2024/25) and for the Teesside Pension Fund in 2023/24. The Pension Fund accounts though returned to an unmodified audit opinion for 2024/25, albeit there were a couple of minor issues that were identified at the end of the audit which need resolution during the 2025/26 preparation process.
- 3.5 The local audit backlog has been a national problem for local authorities and their external auditors in terms of achieving a true and fair view sign off of the SOA over the last few years. To address the backlog, central government has introduced backstop dates which set out the latest date that an audit can be completed. For the sector to catch up, these dates have been set deliberately early. As a result, auditors have not had time to complete the necessary work on transactions and balances, so no assurance opinions have been given as a result.
- 3.6 The aim of central government, from the backstop process, is to rebuild assurance in the quality and timeliness of reporting and the external audit process over the medium term and then for the normal statutory dates: draft SOA and public inspection – 30 June and audited SOA and approval – 30 November, to apply thereafter.

Draft 2025/26 Statement of Accounts, Certification, and Public Inspection

- 3.7 The draft Statement of Accounts for Middlesbrough Council covering the 2025/26 financial year and the financial position on 31 March 2026 is attached as Appendix 1.
- 3.8 The draft accounts for 2025/26 have been certified as a true and fair view of the Council's financial position by the Corporate Director of Finance as S151 Officer, and were opened for public inspection on 1 July 2026, for a period of 30 working days. This establishes a formal right of the taxpayer to inspect the accounts and any relevant supporting documents.
- 3.9 A notice setting out the inspection period and how enquires may be made accompanies the draft accounts on the website. The inspection window concludes on 11 August 2026 in line with the Accounts and Audit Regulations requirements. Any enquiries from members of the public will be responded to and resolved in a timely manner and reported to Members as appropriate.
- 3.10 The draft Statement of Accounts for 2025/26 is a highly technical and complex document but is the main form of external financial reporting provided by local authorities. Its format and content are prescribed by the CIPFA Accounting Code of Practice with the aim of giving a high level of visibility and transparency over the Council's financial affairs.
- 3.11 The Statement of Accounts firstly consists of a Narrative Report from the Corporate Director of Finance. This report gives an explanation on the financial position of the Council and describes the key activities/highlights for the council during the year. It also

contains performance-based information that shows what has been achieved using public funds during the financial year.

- 3.12 The second section includes the Council's financial statements. These are the core elements of the draft SOA and include the movement in reserves statement, the income and expenditure statement, the balance sheet, and the cash flow statement for 2025/26.
- 3.13 The third section is the notes to the accounts, and these include detailed narrative explanation and figures that support the key totals within the financial statements and other issues that are of interest to local authority stakeholders.
- 3.14 The Accounts also include the Collection Fund, covering council tax and business rates activities, and the accounts of the Teesside Pension Fund for which Middlesbrough Council is the administering authority.
- 3.15 The final section is the Annual Governance Statement for the financial year in question that sets out how the Council has complied with best practice governance arrangements and any key risk and control issues that arise from that.
- 3.16 Members need to be aware of the key issues, figures, and accounting policies used in the accounts, but a detailed knowledge of the draft statements of accounts and all the information contained within is not necessary. Any training required will be provided by the Council's finance team as part of the core training for the Committee.
- 3.17 The document contains a significant amount of financial information about the Council. It also gives a detailed view on the financial position of the Council on 31 March 2026 and is the most relevant and up to date data available on assets, liabilities, cashflows, and financial performance available to the organisation.
- 3.18 An important point for Members to note is that there are some significant differences between the Council's financial statements, which are part of the statement of accounts document and its management accounts which are reported for budget and operational purposes. These relate to technical accounting adjustments and timing issues in how certain totals are reported, to comply with international accounting standards. Two important areas to note are the presentation of reserves and the net worth of the Council's balance sheet.
- 3.19 Movement in Reserves (page 310): The total value of usable reserves in the Council's Balance Sheet as on 31 March 2026 was £91.959m. This is a decrease of £9.123m over the comparative figure in the previous year's accounts.
- 3.20 Table 1 below shows the movement in specific reserves over the 2025/26 financial year, with the main changes being a decrease in capital grants unapplied of £7.485m (used for the capital programme), a decrease in the capital receipts reserve of £6.679m (used for the capital programme and for the flexible use of capital receipts) and an increase in earmarked revenue reserves of £5.041m (planned increase in reserves from the 2025/26 budget process offset by the revenue overspend in-year). All are pre-determined changes as part of the Council's medium term financial strategy.

3.21 The table also highlights the level of technical accounting adjustments (mainly capital charges and pensions differences) which are not chargeable under regulation against the general fund balance. These are included within the gross expenditure totals within the Comprehensive Income and Expenditure Statement, but these are then reversed out in the movement in reserves statement (note 6) and shown below, so that only usable reserves are included.

Table 1: Movement in Reserves Statement 2025/26

2025/26	General Fund Balance	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£m	£m	£m	£m	£m	£m	£m
Balance on 1 April 2025	(11.101)	(21.694)	(18.608)	(49.679)	(101.082)	(159.360)	(260.442)
<i>Movement in reserves during 2025-26</i>							
Total Comprehensive Income and Expenditure	33.195	-	-	-	33.195	(13.361)	19.834
Adjustments between accounting basis & funding basis under regulation (Note 6)	(38.236)	-	6.679	7.485	(24.072)	24.072	-
Transfers to/(from) other reserves	5.041	(5.041)	-	-	-	-	-
Net Decrease / (increase) in year	-	(5.041)	6.679	7.485	9.123	10.711	19.834
Balance on 31 March 2026 carried forward	(11.101)	(26.735)	(11.929)	(42.194)	(91.959)	(148.649)	(240.608)

3.22 Net worth of the Balance Sheet (page 34): The net worth of the Council's balance sheet at the 31 March 2026 is a positive one totalling £240.608m. This means that assets available exceed liabilities due by a significant margin. The net worth position overall though has decreased in year by £19.8m (7.6%). This is mainly due an increase in asset values offset by a larger increase in borrowing to finance the capital programme and to provide overall liquidity to day-to-day services.

3.23 The movement between financial years is relatively small though in comparison to past sets of accounts and reflects a relative stability in the Council's finances at this point, because of the more stable environment that the organisation has been operating in during the period being reported. Further details on the assets and liability positions are disclosed in the notes to the accounts within the draft SOA.

3.24 Table 2 below sets out the Council's balance sheet on 31 March 2026 on a high-level basis. A more detailed analysis of these balances can be seen within the financial statements at Appendix 1.

Table 2 – Balance Sheet at 31 March 2026

31 March 2025 £m		31 March 2026 £m
487.049	Total Long-Term Assets	497.389
101.018	Total Current Assets	93.400
(80.677)	Total Current Liabilities	(101.516)
20.341	Net Current Assets / (Liabilities)	(8.116)
(246.949)	Total Long-Term Liabilities	(248.665)
260.441	Net Assets/(Liabilities)	240.608
(101.079)	Usable Reserves	(91.959)
(159.362)	Unusable Reserves	(148.649)
(260.441)	Total Reserves	(240.608)

Annual Governance Statement

- 3.25 Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council has in place a Code of Corporate Governance, which sets out its corporate governance framework and is reviewed annually. This framework comprises the culture, values, systems and processes of the Council, which if in place and complied with, will ensure that it does the right things, at the right time and in the right way.
- 3.26 The purpose of the Annual Governance Statement (AGS) is to assess the extent to which the Council complies with its Code of Corporate Governance, how it has monitored and improved the effectiveness of its governance arrangements in 2025/26 and how it has identified actions to strengthen these arrangements going forward.
- 3.27 The AGS also sets out how it meets the requirements of regulations 6(1) (a) and (b) of The Accounts and Audit Regulations 2015 and subsequent amended regulations in 2022 and 2024, which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement.
- 3.28 It is a requirement of the accounts and audit regulations 2015 that the AGS is published each year within the draft SOA prior to the statutory date for commencing the public inspection process. The document has been endorsed by the Mayor, the Chief Executive, and the S151 Officer. and will be formally approved later in the process as part of the audited accounts.

4. Other potential alternative(s) and why these have not been recommended

4.1 The report and draft statement of accounts are for information and discussion only at this stage. No decisions are required.

5. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	Although the Statement of Accounts is the main method of external financial reporting to the public and other stakeholders by the Council, there are no specific financial implications relating to this report.
Procurement	There are no relevant issues in this area arising from this report.
Legal	The publication of the draft statement of accounts (including the annual governance statement) is a legal requirement under the Accounts & Audit Regulations 2015, following the S151 Officer signing the accounts as a true and fair view. This needs to be done by 30 June each year to commence the public inspection process for 30 working days thereafter. There are also some legal prescriptions around the contents of both the draft SOA and AGS and these are highlighted in both documents where appropriate.
Risk	As the Statement of Accounts covers all financial transactions of the Council, it encompasses all strategic priorities and risks. There are, however, no relevant considerations in this are in respect of this report.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no relevant issues in this area arising from this report.
Reducing poverty	There are no relevant issues in this area arising from this report.
Climate Change / Environmental	There are no relevant issues in this area arising from this report.
Children and Young People Cared for by the Authority and Care Leavers	There are no relevant issues in this area arising from this report.
Data Protection	There are no relevant issues in this area arising from this report.

Appendices

1	Draft Statement of Accounts – 2025/26
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Background papers

Body	Report title	Date
Audit Committee	Approval of the Audited Statement of Accounts – 2024/25	19 February 2026
Audit Committee	Middlesbrough Council/Teesside Pension Fund – Audit Completion reports 2024/25	19 February 2026
Council	2025/26 Revenue Budget, Medium Term Financial Plan, Council Tax Setting and Treasury Management.	19 February 2025
Executive	2025/26 Revenue and Capital Outturn report	10 June 2026

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