

**Statement of Accounts
Update 2025/26
24/03/2026**

- **AUDIT COMMITTEE**

PART I

**Statement of Accounts Update 2025/26
(DoF)**

1 Summary

- 1.1 This report sets out changes in Accounting Policies for 2025/26 and the timelines for completion of the draft Statement of Accounts for 2025/26.

2 Recommendation

- 2.1 To note the update in relation to the 2025/26 Statement of Accounts timeframes.
- 2.2 To review the draft Accounting Policies for 2025/26 as set out in Appendix 1 and note that a further update will be presented to the Committee at the next meeting.

Report prepared by: Robert Thurlow, Chief Accountant

3 Details

3.1 Accounting Policies 2025/26

- 3.1.1 The Council's Statement of Accounts is prepared in accordance the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Council is required to adopt accounting policies which describe how the Council has interpreted and applied the Code.
- 3.1.2 The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'.
- 3.1.3 The significant accounting policies adopted by the Council are disclosed within note 1 to the Core Financial Statements in the Statement of Accounts, 'Accounting Policies – Single Entity and Group Accounts'.
- 3.1.4 The Code prescribes that 'authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques.'
- 3.1.5 The Code provides a detailed framework within which accounting policies must be set:
- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.
 - Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

- a) relevant to the decision-making needs of users, and
- b) reliable, in that the financial statements:
 - i) represent faithfully the financial position, financial performance and cash flows of the authority
 - ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form
 - iii) are neutral, i.e. free from bias
 - iv) are prudent, and
 - v) are complete in all material respects.

- In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.
- An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.
- An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows.
- Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to do so.

3.1.6 The code states that the Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The draft Accounting Policies for 2025/26 are set out in Appendix 1. Committee Members are asked to note that an update will be presented to the Committee pending the outcome of further work, as detailed in the paragraph below. All significant accounting policies have been selected with reference to the Code.

3.1.7 There is one significant amendment to the Accounting Policies for 2025/26 which is due to the Code having regard to HM Treasury's Thematic Review on Non-investment assets.

3.1.8 The main changes in the Code result in fixed assets effectively being revalued each year, with formal valuation required every five years, with an indexation process during intervening years.

3.1.9 The Council will revalue relevant assets in a 5-year rolling programme.

- 3.1.10 The Code reinstates two other options available in IAS 16 for the treatment of accumulated depreciation, which local authorities were previously prevented from using.
- 3.1.11 These are to either revalue both the gross carrying amount and the accumulated depreciation proportionally, or to revalue the gross carrying amount to the current cost of building the asset, setting accumulated depreciation to the difference between gross and net value, eliminating the accumulated depreciation.
- 3.1.12 The Council will use the elimination approach, which is consistent with the approach used in prior years.
- 3.1.13 The combination of annual revaluation/indexation and depreciation policies will result in no accumulated depreciation being reported for the relevant assets.
- 3.1.14 The Accounting Policies will be kept under review as the accounts are drafted.
- 3.1.15 The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is also an expectation that the auditors will be able to evidence that the accounting policies have been approved by the Audit Committee in its capacity as 'Those Charged with Governance'. The Audit Committee is therefore asked to review the draft accounting policies as set out in Appendix 1.

3.2 Draft Statement of Accounts and External Audit 2025/26

- 3.2.1 As previously reported to Audit Committee, work is underway for the 2025/26 draft accounts, with good progress against the closing plan.
- 3.2.2 For 2025/26, the statutory deadline for publication of the draft accounts will be 30 June 2026. The public inspection period will commence on 1 July 2026 for 30 working days.
- 3.2.3 The Annual Governance Statement must be approved by the Audit Committee ahead of the commencement of the public inspection period. This is to be presented Audit Committee under a separate item at this meeting.
- 3.2.4 Under the Accounts and Audit Regulations as amended in 2024, the 2025/26 accounts need to be published with a corresponding audit opinion by the backstop date of 31 January 2027. The timing of the main audit is subject to agreement, however, at this stage, officers are working on the assumption that it will take place over the autumn with the aim of achieving the statutory deadline.

4 Policy/Budget Reference and Implications

- 4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5 Financial Implications

- 5.1 The Director of Finance comments that there are no financial implications arising directly from this report.

Data Quality

Data sources:

None used in the preparation of this report

Background Papers

None

APPENDICES / ATTACHMENTS

Appendix 1 – Draft Accounting Policies 2025/26

