

Report to Audit Committee

Subject: Accounting Policies 2025/26

Date: 23 June 2026

Author: Chief Finance Officer and Section 151 Officer

Purpose

This report provides Audit Committee with a summary of the review and update undertaken to the Council's accounting policies for the 2025/26 Statement of Accounts. It explains the key changes made to reflect updated statutory and accounting requirements and highlights the Council's approach to the new indexation requirements for property, plant and equipment.

Recommendation(s)

THAT:

1. Members approve the Accounting Policies 2025/26, as set out in the Appendix, for application to the financial statements for 2025/26.

1 Background

- 1.1 The accounting policies have been reviewed and refreshed to ensure that they remain aligned with proper accounting practices for local authorities
- 1.2 For 2025/26, the principal framework continues to be the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards, the Accounts and Audit Regulations 2015, as amended, and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended.

2 Summary of Updates

- 2.1 A review of the accounting policies has been undertaken and a number of targeted updates have been made to improve compliance, clarity and consistency. The main changes made are summarised below.

- 2.2 **General Principles** – the basis of preparation section has been strengthened to refer explicitly to the current statutory and accounting framework, including the 2025/26 Code, the Accounts and Audit Regulations 2015, as amended, and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended. The opening section has also been updated to summarise the main measurement bases used within the Statement of Accounts.
- 2.3 **Financial Instruments** – the policy has been updated to reflect the extension of the statutory override for qualifying pooled investment funds acquired before 1 April 2024. The policy now states that the override applies until 31 March 2029.
- 2.4 **Intangible Assets** – outdated wording referring to the revaluation model for intangible assets has been removed. The policy now reflects the current Code requirement that intangible assets are measured initially at cost and subsequently carried at amortised cost.
- 2.5 **Inventories** – the policy has been refreshed to state that inventories are measured at the lower of cost and net realisable value, with the latest purchase price used only as an approximation where the effect is not material.
- 2.4 **Leases** – the leases section has been rewritten to provide a clearer and more concise accounting policy aligned to IFRS 16 and current local authority practice, including the treatment of right-of-use assets, lease liabilities and statutory reserve adjustments.
- 2.5 **Property, Plant and Equipment** – the property valuation and revaluation wording has been updated to reflect the revised approach introduced by the 2025/26 Code, including quinquennial valuations supported by indexation in intervening years. A separate subsection has been added to make the Council’s approach to indexation explicit.
- 2.6 **Change in Accounting Policy Relating to Indexation**
The most significant change affecting the Council’s Property, Plant and Equipment accounting policy for 2025/26 relates to the treatment of valuation updates between full asset valuations. The 2025/26 Code requires assets measured at current value to be subject to a full valuation at least every five years, or on a five-year rolling programme, supported by indexation in the intervening years. In the limited circumstances where no appropriate index is available, a desktop valuation may be used instead in accordance with CIPFA guidance.

To reflect this change, the Council’s accounting policies have been updated to include a specific subsection on indexation within the Property,

Plant and Equipment policy. This confirms that the Council's approach aligns with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and associated CIPFA guidance. The policy now states that appropriate indices and available market evidence will be used to ensure that asset carrying amounts remain materially in line with current value at the reporting date.

This change provides a clearer basis for the Council's valuation approach going forward. It also strengthens transparency for members, auditors and other readers of the Statement of Accounts by explaining how the revised valuation cycle will operate in practice.

3 Alternative Options

- 3.1 Do nothing and retain the existing Strategy – this is not recommended as it may not reflect current risks or best practice. The review of the accounting policies forms part of the Council's wider year-end closedown and Statement of Accounts preparation process. Updating the policies helps ensure that the Council's accounting framework remains current, internally consistent and aligned with external requirements. The revised wording also supports audit readiness by clearly documenting the Council's accounting basis and the treatment of key areas affected by changes in the 2025/26 Code
- 3.2 Produce a partial update – this has been discounted in favour of a full refresh to ensure consistency and clarity.

4 Financial Implications

- 4.1 This report relates to the presentation and articulation of accounting policies within the Statement of Accounts. It does not, in itself, create any direct financial implications, but it supports the accurate presentation of the Council's financial position and ensures that the accounting policies remain aligned with current requirements.

5 Local Government Reorganisation Implications

- 5.1 There are no direct Local Government Reorganisation implications arising from this report. The report relates to the annual review and approval of accounting policies for the 2025/26 Statement of Accounts and supports compliance with the applicable accounting framework for the Council in its current form.

- 5.2 Should future reorganisation proposals progress, accounting policies and financial reporting arrangements would need to be considered as part of wider transition planning for any successor authority. However, that does not affect the recommendations within this report.
- 5.3 The proposed policy updates therefore remain appropriate for 2025/26 and provide a clear and compliant basis for the preparation of the Council's financial statements.

6 Legal Implications

- 6.1 This report supports the Council's compliance with its statutory responsibilities for preparing the Statement of Accounts in accordance with proper accounting practices for local authorities in England. The review and update of the accounting policies helps ensure that the financial statements are prepared on a consistent and legally compliant basis.
- 6.2 The relevant framework includes the Accounts and Audit Regulations 2015, which govern the preparation, signing and publication of local authority statements of accounts, the Local Authorities - Capital Finance and Accounting (England) Regulations 2003, and the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, which sets out the proper accounting practices to be followed by local authorities.
- 6.3 Approval of the accounting policies by Audit Committee provides a clear governance basis for their application in preparing the 2025/26 financial statements. The report is therefore aligned with the Council's wider governance framework for financial reporting.

7 Equalities Implications

- 7.1 There are no direct adverse equalities implications arising from this report. The report concerns the annual review and approval of accounting policies for the preparation of the Council's Statement of Accounts and does not change service delivery, access to services or the way decisions affecting residents are made.
- 7.2 The updated accounting policies support transparency, consistency and good governance in financial reporting. An Equality Impact Assessment is

not considered necessary as the report relates to internal accounting treatment rather than the development of policy or service changes with a direct impact on protected groups.

8 Carbon Reduction/Environmental Sustainability

8.1 There are no direct environmental implications arising from this report.

9 Appendices

9.1 Appendix 1 – Accounting Policies 2025/26

Statutory Officer approval

Approved by:

Date:

On behalf of the Chief Financial Officer

Approved by:

Date:

On behalf of the Monitoring Officer