Financial Reporting and Accounting Policies

To:	Audit and Accounts Committee
Meeting Date:	26 March 2026
From:	Executive Director of Finance and Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	N/A
Executive summary:	This report presents an update for the committee on financial reporting for recent financial years. It also presents the accounting policies proposed for use in preparing the 2025-26 draft statement of accounts.
Recommendation:	The committee is recommended note and comment on the accounting policies for the 2025-26 statement of accounts.

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1. Background

1.1 The annual statement of accounts is the financial representation of all activities that the council has been directly or indirectly involved with over the course of the relevant financial year. The publication of the statement of accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the council has used the public funds for which it is responsible. Accounts are prepared under the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting (the Code) for the relevant year, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.

1.2 At its last meeting, the committee received the final draft accounts for 2024-25, as well as an updated annual report from the external auditor, KPMG. At that committee, the Chair had authority delegated to sign the final consolidated accounts document by the national backstop deadline of 27 February. The accounts were signed by the council and KPMG and were published on the council's website by the deadline.

1.3 The full audit certificate cannot yet be issued by KPMG as matters relating to audit of the whole of government accounts and, more importantly, determination of the remaining items from an objection to the accounts by a local elector remain outstanding.

1.4 Work has now commenced to prepare for the production of the draft statement of accounts for the 2025-26 financial year. As part of that preparation, the Executive Director of Finance and Resources is responsible for selecting the council's accounting policies and ensuring they are applied correctly and consistently. Those accounting policies are brought to this committee for comment ahead of accounts production.

2. Main Issues

2.1 Accounting Policies

2.1.1 The council's accounting policies form part of the statement of accounts document each year, and generally are applied consistently from year to year, being updated only when accounting regulations are introduced or amended. The policies are also reviewed to ensure they fully reflect actual practice in production of the accounts, and where any differences are identified either the accounting policy or practice is updated.

2.1.2 Several changes are proposed to the accounting policies for 2025-26's accounts in respect of Property, Plant and Equipment, following a change in revaluation requirements in the Code. From 1st April 2025, the Code requires annual indexation to be applied to assets during the four intervening years between revaluation, unless appropriate indices cannot be obtained. This is not dissimilar from the council's previous approach of undertaking desktop valuations in year two and indexation in years three to five. However, to ensure that the valuations are as accurate and up to date as possible, the revaluation and indexation dates for operational assets are also proposed to be changed from 30 November to 31 March (revaluation date for non-operational assets remaining unchanged as 31 March). Additional related sub-sections are proposed to make clear the council's continued treatment of donated assets, asset impairments, and disposals and non-current assets held for sale, alongside other minor amendments.

2.1.3 Significant changes are also proposed in respect of Debt Redemption. Regulation 27 of the Local Authorities (Capital Finance Accounting) (England) Regulations 2003 has been amended with full effect from April 2025 to expressly provide that in determining a prudent provision of Minimum Revenue Provision (MRP), the council cannot exclude any amount of Capital Financing Requirement from its calculation, unless by an exception set out in

statute. Additional related sub-sections are proposed to make clear the council's treatment of debt redemption of leases and Private Finance Initiatives (PFIs), capital loans, share/equity capital, capitalisation direction, investment properties and MRP overpayment.

2.1.4 There have also been a number of minor presentational as well as content amendments/additions, largely in order to provide clarity over the council's continued application of policies rather than actual change, such as amendments to the leases section to make clear that shorter and lower value leases are excluded from the balance sheet, and amendments to the PFI section to clarify the council's accounting treatment of these schemes. Minor amendments/additions are also proposed in some instances to bring the council's treatment of the accounts better in-line with the Code, such as an addition to set out the treatment of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI).

2.1.5 While there are a fairly large number of proposed changes, the majority of these changes are not significant in nature and are primarily proposed to clarify our existing accounting policies and to bring them into line with the wording used within the Code of Practice Guidance Notes, rather than being changes of substance. Aligning the disclosure and wording of our policies with best practice should also be of assistance in preparation for Local Government Reorganisation.

2.1.6 Where more significant updates are proposed to the accounting policies due to updates to the CIPFA Code or regulations (asset valuations and debt redemption / MRP), the impact of these changes on the council's accounts is not expected to be material. The updates relating to debt redemption / MRP result from Code and regulation changes in previous years, with the proposed wording being a delayed amendment to bring the accounting policy disclosure in line with the policy that the council already applies within the accounts.

2.1.7 The suggested changes to accounting policies are set out at appendix 1, while the full draft accounting policies is set out in appendix 2.

2.2 Preparation for production of the 2025-26 accounts

2.2.1 We are required by current regulations to publish our draft accounts for 2025-26 by 30 June 2026 (the same timescale as for 2024-25). The council published its accounts for 2024-25 on time, despite the additional complexity of implementing IFRS 16, therefore we expect to able to publish on or before the deadline for 2025-26.

2.2.2 Work has commenced internally with budget managers and officers with financial management responsibility across the council to prepare for the necessary processes around leases, accruals, stock recording and grant accounting.

2.2.3 The council is also working with its contracted property valuer to finalise and quality assure the necessary property valuations for the 2025-26 financial year. Properties are valued on a rolling basis with indexation applied in years where properties are not valued – in line with the revised Code. Investment properties are valued each year (or every other year for low value assets), and we are continuing to work closely with the valuers on those properties following continuing (albeit significantly reduced) differences between the council's valuation of those properties and the external auditor's (as reported on by KPMG in their report to this committee at its last meeting).

3. Significant implications

3.1 Finance implications

This report details progress with financial reporting matters.

3.2 Legal implications

The principal governing legislation are The Accounts and Audit Regulations 2015, The Accounts and Audit (Amendment) Regulations 2024 and the Local Audit and Accountability Act 2014. The council has published appropriate notices on its website to explain how it is complying with statutory provisions not withstanding that, in common with many local authorities, stipulated deadlines for final accounts have not been achieved

3.3 Risk implications

There are no new significant risk implications arising from this report. The auditor's work contributes to the Committee's awareness of the risk environment and assurances around stewardship of public funds.

3.4 Equality and Diversity Implications

None identified

4. Source documents

Statement of accounts - Cambridgeshire County Council

Accounts and Audit (Amendment) Regulations 2024

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2024

CIPFA Code of Practice on Local Authority Accounting 2025-26

CIPFA Code of Practice on Local Authority Accounting Guidance Notes for Practitioners 2025-26