

Title of report: Statutory accounts 2025/26 progress, accounting policies and estimates

Meeting: Audit and Governance Committee

Meeting date: Tuesday 24 March 2026

Report by: Director of Finance, Chief Accountant

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To provide an update on progress made against the 2025/26 statutory accounts workplan and present the accounting policies and estimates which inform the financial statements.

Recommendation(s)

That:

- a) **Arrangements for the preparation of the 2025/26 statutory accounts, including management arrangements to identify and evaluate accounting estimates, are reviewed and confirmed as satisfactory; and**
- b) **The accounting policies which inform the preparation of the 2025/26 statutory accounts are approved.**

Alternative options

1. There are no alternative options. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 (as amended).

Key considerations

2. The council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 (as amended) and the 2025/26 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts presents the overall financial position of the council and comprises: a narrative report, an annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

2025/26 Statutory accounts progress

3. The statutory deadline to publish the 2025/26 draft Statement of Accounts is 30 June 2026, with external audit sign-off to be completed by 31 January 2027. The council is planning to publish draft Statement of Accounts by 31 May 2026 to ensure completion prior to the planned external audit start date. The external auditors have indicated that they are planning to complete sign-off by 30 September 2026. The council's detailed closedown plan is built around these deadlines to ensure timely preparation of the financial statements and working papers to support the audit process.
4. The finance team are on target with the preparation work for the Statement of Accounts and responses to support external audit planning and initial risk assessment activity by our external auditors: Grant Thornton UK LLP.

Accounting policies 2025/26

5. Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting financial statements. For 2025/26, the notes to the Statement of Accounts will include the relevant accounting policies.
6. Changes to the accounting policies from those approved for 2024/25 include those relating to the implementation of Code amendments to the valuation of Property, Plant and Equipment (PPE). Revaluation requirements have been changed to once every five years on a rolling programme with indexation applied in the intervening years. These are detailed in appendix 1.

Accounting estimates 2025/26

7. The preparation of financial statements requires the council to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.
8. The notes to the 2025/26 financial statements will disclose the material accounting estimates included in our balances and transactions, and the models and assumptions on which they are based. Disclosure requirements include whether the risk is mitigated by the use of an external specialist, e.g. an asset valuer or a pension actuary, and a sensitivity analysis to show the range of reasonably expected outcomes for the balance/transaction.

9. The council has identified material accounting estimates which inform balances and transactions for the year ending 31 March 2026 as: valuation of property, plant and equipment, depreciation and the valuation of the pension fund net asset/liability.
10. The assessment of material accounting estimates in year includes consideration of the requirement for specialised skills and knowledge from management experts, e.g. asset valuations and investments, a review of the methods, models and assumptions used to inform the accounting estimates and consideration of the degree of estimation uncertainty relevant to each accounting estimate. This assessment is included in appendix 2.

Community impact

11. Publication of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to service the public interest in adhering to the requirements of legislation and government policies.

Environmental impact

12. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
13. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

14. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
15. The mandatory equality impact screening checklist has been completed for this activity and it has been found to have no impact for equality.

Resource implications

16. There are no new resource implications from this report.

Legal implications

17. The relevant legal provisions for this decision can be found in the council's constitution, www.herefordshire.gov.uk/constitution.

18. Regulation 9 of the Accounts and Audit Regulations 2015 (as amended) requires the following:
 - a. The Section 151 officer to sign and date the Statement of Accounts, and confirm that they are satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year; and
 - b. A period of time to allow the public to inspect the accounts. This will commence on 1 June 2026 and last for six weeks; and
 - c. Once there has been a period of public inspection, the committee must approve the Statement of Accounts by a resolution and ensure that the Statement of Accounts are signed and dated by the person presiding at that committee.
19. This committee has been delegated the responsibility of approving the Statement of Accounts on behalf of the Council (Part 3 Section 5 para 3.5.15) in the constitution.

Risk management

20. The risks considered to be significant to the production of the Statement of Accounts have been noted in the table below. All risks are considered to be sufficiently mitigated and will be managed by the finance management team.
21. The risks identified in this report have been appropriately recorded on the relevant risk register and escalated in line with the Council's Risk Management Strategy. Governance and monitoring arrangements are in place to ensure these risks are actively managed throughout the statutory accounting process.

Risk / opportunity	Mitigation
Delays in closedown and financial reporting may mean that the statutory deadline to publish draft statutory accounts is not met.	Closedown and Statement of Accounts production tasks are managed through a detailed project plan monitored by the Chief Accountant. All finance staff are issued with closedown instructions and training.
External auditor resource implications may mean that the audit is delayed. This may mean that the statutory deadline to publish audited accounts is not met, and that internal finance resources are committed to servicing external audit requirements for longer than anticipated.	Working papers and sample evidence are provided to the auditors in line with their time and quality expectations, which leads to them continuing to prioritise our audit in phase 1 of their Local Authority audit programme. There is continuous communication between the audit management and the council finance management to enable any potential delays to be dealt with expediently. External auditors report their progress to this committee.
Accounting policies that have been judged to be material to the financial statements may not be applied by all finance officers of the council.	All finance staff are issued with closedown instructions and training. The Statement of Accounts are quality checked by the Section 151 officer.
Accounting estimates utilised by finance officers of the council may not be the most appropriate and may result in material errors in the financial statements.	Accounting estimates are reviewed annually by experienced and knowledgeable finance staff. Material accounting estimates are made by external knowledge experts in accordance with their professional standards. These estimates are challenged by council finance staff. External audit provide assurance that accounting estimates made do not result in material misstatements in the Statement of Accounts through their audit opinion statement.

Consultees

22. None.

Appendices

Appendix 1 Accounting policies
Appendix 2 Accounting estimates

Background papers

None identified.