

AUDIT COMMITTEE

Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts 2025/26

Report of Chief Finance Officer

18 March 2026

PURPOSE OF REPORT

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2025/26 Statement of Accounts.

This report is public

RECOMMENDATIONS

It is recommended that the Audit Committee:

1. Approves the Council's proposed accounting policies to be adopted in completing the 2025/26 Statement of Accounts, as set out in Appendix 1
2. Notes the critical judgements made by management when producing the Statement of Accounts. as set out in Appendix 2

1.0 INTRODUCTION

- 1.1 This report presents the significant accounting policies and critical judgements that will be used in the preparation of the 2025/26 Statement of Accounts and summarises the changes from 2024/25 that have been introduced because of amendments to the Code of Practice on Local Authority Accounting 2025/26 (the Code), or as part of the Council's annual review process. They should contain only policies that are relevant to the circumstances of the Council and address material transactions. In line with best practice both should be subject to annual review and agreement by those charged with governance

2.0 ACCOUNTING POLICES

- 2.1 In preparing the statement of accounts, the Chief Finance Officer is responsible for selecting suitable accounting policies and ensuring that they are applied consistently. The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies must be disclosed as a note to the annual accounts, and a copy of the policies can be found at **Appendix 1**.

3.0 CHANGES TO ACCOUNTING POLICIES

- 3.1 The accounting policies proposed for 2025/26 are largely unchanged from prior years. However, the CIPFA/LASAAC Code has been updated following HM Treasury's Thematic Review of Non-Investment Assets. The principal changes introduce a revaluation expedient for property, plant and equipment, requiring valuations at least every five years, on a rolling basis and adjusted by the application of an appropriate index in the years that an asset is not subject to valuation. In limited circumstances where suitable indices are unavailable, a desktop valuation may be undertaken in year three.
- 3.2 The Council has historically revalued General Fund non-investment assets on a three-year rolling programme, supplemented by desktop reviews of material assets outside the annual cycle, to ensure carrying values are not materially misstated at year end.
- 3.3 The Council has discretion over the indices applied; however, these must be provided by the Council's valuers in accordance with their professional judgement. Discussions are ongoing across the region to identify the most appropriate indices. The Code provides transitional arrangements, with the changes applied prospectively and no restatement of prior-year figures. The accounting policy will be amended accordingly.
- 3.4 Should it be necessary to amend an accounting policy during the preparation of the Statement of Accounts to adopt a more appropriate treatment, the change and the reasons for it will be reported to the Audit Committee at the next available meeting and/or highlighted when the Statement of Accounts are presented for approval. Full details of the proposed accounting policies for 2025/26 are set out in **Appendix 1**.

4.0 CRITICAL JUDGEMENTS

- 4.1 In line with IFRS and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are shown at **Appendix 2**.

5.0 DETAILS OF CONSULTATION

- 5.1 Consultation has taken place with the Council's external advisors.

6.0 OPTIONS AND OPTIONS ANALYSIS

- 6.1 The options that Audit Committee Members might consider in relation to the contents of this report are:
- a) not to approve any of the accounting policies or note the critical judgements.
 - b) not to approve some of the accounting policies or note the critical judgements.
 - c) to approve all the accounting policies and note the critical judgements
- 6.2 The preferred option is option C - to approve all the accounting policies and note the critical judgements

7.0 CONCLUSION

- 7.1 Revisions have been made to the Council's accounting policies for 2025/26 to reflect the accounting standards and the Council's material transactions.

APPENDICES

Appendix 1 – Proposed Accounting Policies 2025/26

Appendix 2 – Critical Judgements 2025/26

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not Applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

Failure to complete the Statement of Accounts in line with the CIPFA Code of Practice may result in an adverse opinion from the Council's external auditors.

LEGAL IMPLICATIONS

S21 (1) of the Local Government Finance Act 2003 (the Act) provides that the Secretary of State by regulation may make provision about accounting practices to be followed by a local authority. The Secretary of State may also, pursuant to subsection (1A) of the Act issue guidance about the accounting practices to be followed by a local authority. Lancaster City

Council, pursuant to s21 (1B) must have regard to any guidance issued under subsection (1A).

Pursuant to s 21 (2) of the Act, where legislation to which s21 of the Act applies references 'proper practices', in relation to local authority accounts, this means the accounting practices which the local authority is required to follow by virtue of an any enactment or which are contained in a code of practice or other document which is identified for the purposes of s21 by regulations made by the Secretary of State.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is a code of practice identified by regulations made by the Secretary of State (Regulation 31 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

This report and the Accounting Policies referred to meet the Council's obligation to comply with the Code of Practice

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to make on this report.

BACKGROUND PAPERS

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