



## Joint Audit and Risk Committee

Report Title:	Accounting Policies and Critical Accounting Judgement for the 2025/26 Statement of Accounts
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Meeting Date:	2 <sup>nd</sup> July 2026
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### **Executive Summary:**

This report presents the accounting policies to be used in the production of the Fire and Rescue Authority’s Statement of Accounts 2025/26, for consideration and approval. The report also states the areas of estimation uncertainty to the Committee, and what is done to mitigate the risks around this uncertainty.

#### Reasons

Best practice recommends that the proposed Accounting Policies used in the preparation of the Statement of Accounts be approved by the Joint Audit and Risk Committee.

The International Standards of Auditing, ISA 540, details the External Auditor’s responsibilities relating to accounting estimates and related disclosures when auditing the Statement of Accounts.

#### Accounting Policies

The preparation of the Statement of Accounts is governed by the Accounts and Audit Regulations. The format of the Statement of Accounts reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS), a set of evolving accounting rules used internationally to guide the formation of financial statements in the public and private sector.

Under Section 151 of the Local Government Act 1972, the appointed Section 151 Officer is charged with the proper administration of the Council’s financial affairs and as such must select suitable Accounting Policies and make judgement and estimates that are reasonable and prudent. However, it is good practice for the Joint Audit and Risk Committee to consider the Accounting Policies that are going to be applied to the Statement of Accounts.

The Authority’s Accounting Policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the Statement of Accounts.

These policies are required to be disclosed by way of a note to the Statement of Accounts. Only those policies that are directly relevant and material to the Authority have been included.



### Critical judgements in applying Accounting Policies

The Code of Practice requires that critical judgements that the Section 151 Officer has made in applying the Authority's Accounting Policies be disclosed as a note to the Statement of Accounts. The relevant judgements are those that have the most significant effect on the Statement of Accounts, judgements that are made in arriving at estimates are not included here, these are included under 'Assumptions made about the future and other major sources of estimation uncertainty', discussed later in this report.

The disclosure of critical judgements enables users of the Statement of Accounts to better understand how Accounting Policies are applied and enable comparisons between authorities regarding the basis on which these judgements are made. It is important that these disclosures include the judgements made to exclude material items which could impact on providing a 'true and fair' view.

### Assumptions made about the future and other major sources of estimation uncertainty

The Code of Practice requires the Section 151 Officer to disclose the assumptions that have been made in the Statement of Accounts about the future and other major sources of estimation uncertainty as a note to the Statement of Accounts.

Disclosures required are restricted to assets and liabilities whereby the carrying amount is dependent on estimates that are in turn dependent on difficult, subjective or complex judgements for which there is a risk that correction or re-estimation with material effect in the next financial year may occur.

Estimation uncertainty disclosures deal with situations where the Authority has incomplete or imperfect information which will only be enhanced as a result of future events. The minimum disclosure requirements are the nature of the assets and liabilities affected and their carrying amount at the end of the financial year.

International Accounting Standard (IAS) 1 'Presentation of Financial Statements' adds further information that might be needed depending on materiality of the assets/liabilities and the degree of uncertainty attaching to them, and this is supported by the Code of Practice:

- The nature of the assumption or other Estimation Uncertainty relating to the assets or liabilities
- The sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
- The expected resolution of an uncertainty and the range of possible outcomes for the carrying amounts of the assets/liabilities within the next financial year
- An explanation of changes made to past assumptions concerning the assets/liabilities if the uncertainty existing at the start of the financial year remains unresolved at the end of the year.



The Authority's proposed Accounting Policies for the 2025/26 Statement of Accounts is shown at Appendix A. The Authority has reviewed these Accounting Policies in line with the 2025/26 Code of Practice, and no fundamental changes have been made.

The Authority's proposed Critical Judgments in applying Accounting Policies for the 2025/26 Statement of Accounts is shown at Appendix B. The Authority has reviewed these Critical Judgements, and no fundamental changes have been made.

The Authority's proposed Assumptions made about the future and other major sources of estimation uncertainty for the 2025/26 Statement of Accounts is show at Appendix C. The Authority has reviewed these estimations, and no fundamental changes have been made.

**Risk Impact: reference Strategic Risks this paper mitigates**

n/a

**Financial Implications: Did this require approval? Meeting and date if approved**

n/a

**Report Progress: Governance Process - Boards/Meetings (titles and dates):**

n/a

**Actions and Recommendations:**

The proposed Accounting Policies that will form part of the 2025/26 Statement of Accounts be approved.

To delegate to the Director of Finance (Section 151 Officer) the ability to make further changes to the proposed Accounting Policies to reflect the release of new or updated guidance if applicable.

**Committee actions required** : Choose an item.