	Committee Audit & Governance 15th July 2026	Public

Approval of the Council's Draft Statement of Accounts 2025/26

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Electoral Divisions Affected	All
Key Decision?	Key
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. To consider a Draft Statement of Accounts for 2025/26 in advance of the accounts being audited between July and November 2026.

2. Recommendations

Audit & Governance Committee is asked to:-

2.1. Receive and comment on the 2025/26 Draft Statement of Accounts.

2.2. Note the changes detailed to the accounting policies used within the Draft Statement of Accounts for 2025/26.

3. Background

3.1. The Council has produced the unaudited statement of accounts by the statutory deadline of 30th June 2026 and confirmed the financial position at the end of 2025/26.

3.2. Grant Thornton have commenced the external audit of the accounts from the 1st July and are planning to complete this by November 2026, after which the Statement of Accounts will be formally published, and a final report brought back to Audit & Governance Committee for approval. The report will detail any material changes required as a result of the audit which have been agreed with the External Auditor.

4. Summary of Main Proposals

4.1. The Draft Statement of Accounts for 2025/26 is appended to this report. This report provides an overview of the Accounts and provides details of the reasons for the most significant changes between the 2024/25 Accounts and the 2025/26 Accounts.

4.2. The final revenue outturn for 2025/26 is an overspend of £49.428m, a 17.1% variance on the net budget. The final capital outturn shows a spend of £68.698m, representing 88.79% of the revised budget. The authority's Earmarked Reserves and Provisions have decreased by £7.726m and the general fund balance has increased by £5.658m. Delegated Schools' balances have decreased by £1.994m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in a separate report on the agenda for this meeting.

5. Statement of Accounts

5.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. To make the account as useful as possible to its audience and to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

5.2. The Code is updated each year to reflect the latest accounting standards issued by the International Public Sector Accounting Standards Board and the UK

Financial Reporting Council. For 2025/26, the main change relates to the frequency of asset revaluations and the use of indices in intervening years.

5.3. All of the above has been taken into consideration when producing the authority's Draft Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:

- **Narrative Report** – this provides an explanation of the authority's financial position for 2025/26 and details the performance of the Council during the financial year.
- **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts. The Audit Opinion and Certificate – this is provided by the External Auditor following the completion of the annual audit, this document is therefore awaiting completion pending the outcome of the audit.
- **The Core Financial Statements**, which comprises:

    - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2025/26 Comprehensive Income and Expenditure Statement reports a deficit for the year of £46.212m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was an increase of £0.175m.
    - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.
    - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2026. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The authority's total equity amounts to £676.603m, a decrease of £46.212m which is analysed in the Movement in Reserves Statement. There have been many changes within the balance sheet during the course of the year, the most significant being the increase in external borrowing due to securing Exceptional Financial Support and undertaking further borrowing as agreed under the Treasury Management Strategy.
    - **The Cash Flow Statement** - this consolidated statement summarises the authority's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council's accounting policies.
- **The Group Accounts** – these are prepared to account for the Council's share in Shropshire Towns & Rural Housing, West Mercia Energy, West Mercia Supplies Pension, Cornovii Developments Limited and Biodynamic Carbon Limited.
- **The Housing Revenue Account (HRA)** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 (Amended). The account details the income and expenditure relating to the local authority housing provision and details of the movement on the HRA Balance for the year.
- **The Collection Fund Account** – this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. The statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2025/26 and assets and liabilities as at 31 March 2026.

5.4 The Draft Statement of Accounts for the year ended 31 March 2026 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy.

6. Accounting Policies

6.1 The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements. There have been some minor changes within 1.6 Non-Current Assets – Property, Plant & Equipment to reflect the new requirements detailed in the Code for how often assets should be revalued, and in the intervening periods that indexation should be applied.

7. Analytical Review

7.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year's accounts. For 2025/26 the materiality threshold (i.e. the level of change between 2024/25 and 2025/26) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

8. Key risks and Opportunities

8.1. The review by an independent external auditor of the Council's statement of accounts is a vital part of the overall governance of the Council, providing as it does a review of both the accuracy of the reported financial position and the adequacy of the Council's governance and oversight of it.

Risk	Mitigation	Link to Strategic Risk
Inability to prepare and publish the Statement of Accounts within statutory deadlines.	The Statement of Accounts preparation is carefully managed each year with a detailed closedown timetable produced to ensure that all relevant tasks are completed in a timely fashion to ensure the statutory deadlines can be met. Dialogue is held with any external parties to ensure key deadlines are met.	This is linked to the Strategic Risk: *Failure of Officers and Members to adhere to Governance arrangements* as being able to produce the statement of accounts in line with the statutory deadline demonstrates that governance arrangements are working appropriately within the Council.
Material errors within the Statement of Accounts comprising the true and fair view of the Council's financial position.	The Finance team undertake annual training on the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom to ensure that any relevant accounting practices are adhered to in preparing the Statement of Accounts. A full analytical review is performed on the Statement of Accounts to consider any material variations from the previous year's accounts and ensure that the accounts have been prepared correctly.	Material errors within the Statement of Accounts would also demonstrate that governance arrangements Failure of Officers and Members to adhere to Governance arrangements Inability to Contain overall committed Expenditure within the Current Available Resources within this Financial Year

9. Council Priorities

9.1. The requirement to produce the statement of accounts for the financial year which shows the Council's true and fair financial position is a key element in demonstrating the financial basis from which the Council will be looking to deliver a financially sustainable council. The statement of accounts gives a clear indication of how money was raised and spent and can act as a critical tool to make informed future funding and policy decisions.

10. Financial Implications

10.1. This report considers the outturn position for the 2025/26 revenue budget and the implications on the level of general fund balances of any underspend or known spending pressures.

10.2. The outturn reported internally to managers for the purposes of decision making is fully aligned to the statement of accounts. This is set out in note 7, the expenditure and funding analysis (p57). This shows the net expenditure reported for resource management purposes as £338.014m, which aligns to the outturn as reported to Cabinet (8 June). The key table from that report is shown below.

Service Area	Budget (£'000)	Outturn (£'000)	Net Variation (£'000)	(Under)/ Overspend (%)
Care & Wellbeing	138,454	164,851	26,397	19%
Children & Young People	90,963	103,192	12,230	13%
Commissioning	43,369	39,743	(3,625)	(8%)
Communities & Customer	16,822	13,243	(3,578)	(21%)
Enabling	7,021	7,589	567	8%
Executive Management Team	2,592	2,745	154	6%
Infrastructure	43,847	43,558	(289)	0%
Legal, Governance & Planning	6,045	3,553	(2,492)	(41%)
Pensions	246	333	87	35%
Strategy	489	658	169	34%
Service Delivery Budgets	**349,848**	**379,467**	**29,619**	
Corporate	(61,262)	(41,453)	19,809	(32%)
Net Expenditure	**288,586**	**338,014**	**49,428**	

Figure 1 – Outturn for management decision making

The corresponding values in Note 7 of the Statement of Accounts (Appendix 1 – Draft Statement of Accounts, page 58) are shown below.

	2025/26 Net expenditure reported for resource management £'000
Care & Wellbeing	164,851
Children & Young People	103,193
Commissioning	39,743
Communities & Customer	13,243
Enabling	7,589
Executive Management Team	2,745

Infrastructure	43,558
Legal, Governance & Planning	3,554
Local Authority Housing	0
Pensions	333
Strategy	658
Corporate	(41,453)
Net Cost of Services	**338,014**

Figure 2 – Extract from Note 7 to the 2025/26 Draft Statement of Accounts

11. Legal and HR implications

11.1. The production of the Statement of Accounts is a statutory requirement for the Council as set out in the Accounts and Audit Regulations 2015. This also details that the draft Statement of Accounts are required to be published by 30 June following the year that they relate to. The Council has met this statutory requirement.

12. Electoral Division Implications

12.1. Not applicable.

13. Health, Social (including "Child Friendly Shropshire") and Economic Implications

13.1. Not applicable.

14. Equality and Diversity Implications

14.1. Not applicable.

15. Climate Change, Biodiversity and Environmental Implications

15.1. Not applicable.

16. Background Papers

16.1. Financial Outturn 2025/26 – Cabinet, 8th June 2026

17. Appendices

Appendix A - Statement of Accounts 2025-26
Appendix B – Analytical Review of the Statement of Accounts