

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE	Accounting Policies for the 2025/26 Statement of Accounts, and Update on Financial Reporting
REPORT OF	Director of Finance
FOR SUBMISSION TO	DATE
Audit and Corporate Governance Committee	26 March 2026
<p>SUMMARY OF REPORT</p> <p>Annually, the Council reviews the accounting policies that will be applied to its financial statements against the relevant legislative framework and guidance to ensure that the policies remain appropriate. The Audit and Corporate Governance Committee is asked to approve the accounting policies for preparing the 2025/26 statement of accounts.</p> <p>In addition, this report presents an update on the reporting of the 2024/25 accounts.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION Code of Practice on Local Authority Accounting in the United Kingdom 2025/26</p> <p>CONTACT OFFICER Raj Shah Chief Accountant Corporate Services 5 Pancras Square London N1C 4AG Telephone: 020 7974 5997 raj.shah@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1) Approve the Accounting Policies as set out at Appendix A for the financial year 2025/26. 2) Delegate authority to the Director of Finance, following consultation with the Chair of the Committee, to approve any further amendments to the accounting policies that are found to be required during preparation of the accounts, noting these will be reported to the Committee when the accounts are presented for approval. 3) Note the update to the reporting of the 2024/25 accounts. 	
<p>SIGNED Approved by Director of Finance</p> <p>DATE 16 March 2026</p>	

1. Introduction

- 1.1 The Council is required to prepare its financial statements in accordance with the Accounts and Audit Regulations 2015 as well as relevant accounting standards. The Council's statutory responsible financial officer (known as the Section 151 officer – currently the Director of Finance) is required to certify the statement of accounts has been prepared in line with the relevant legislation and accounting standards.
- 1.2 For the 2025/26 financial statements, local authorities must determine their accounting policies in line with relevant regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ('the Code').
- 1.3 The Code requires that the Council determine appropriate accounting policies, which are "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements." Unless specified in the Code or regulations, an authority must determine the accounting policies that are most appropriate to its circumstances. In line with best practice, authorities should review those policies annually to ensure they remain appropriate and reflect any changes in the Code or best practice.
- 1.4 The Committee's terms of reference state that it will "review and approve any proposed changes to accounting policies produced within CIPFA guidelines." The proposed change to the accounting policies from prior years – other than updating the financial year referred to and minor formatting changes – are shown in Appendix A as tracked changes. All other accounting policies remain unchanged.

2. Application of indexation to asset valuations

- 2.1. Under previous iterations of the Code, authorities were required to revalue their assets over a five-year cycle. For assets not revalued in a given year, authorities were required to consider and evidence that their carrying value – their value on the balance sheet – did not materially differ from their current value, as if they had been revalued at the financial year-end. In recent years, this has been subject to significant challenge from auditors with it increasingly difficult to provide sufficient audit assurance that the carrying and current values were materially the same, short of revaluing assets annually. This created significant time and resource issues for authorities and auditors, contributing to the accounts and audit backlog.
- 2.2. Having had regard to a review by HM Treasury¹, CIPFA LASAAC (the Local Authority (Scotland) Accounts Advisory Committee) consulted on and have made changes to the Code starting with the 2025/26 edition to address this issue. Revaluations are still required every five years, whether as a whole or on a rolling basis, but in place of the requirement to consider the difference

¹ [Thematic Review of Non-investment Asset Valuation for Financial Reporting Purposes, June 2023](#)

between carrying and current value, carrying values for assets not valued during the year are to be adjusted by appropriate indices.

2.3. Indexation only applies to non-investments assets held at revaluation, including Right of Use assets held at current value, which covers the following asset classes:

- Other land and buildings
- Vehicles, plant, and equipment held at current value
- Surplus assets

2.4. The changes do not apply to:

- Council dwellings, which should be revalued at least every five years at Existing Use Value – Social Housing, though the Council already values them annually using the ‘beacon’ approach, blended with indexation.
- Investment properties held at fair value
- Heritage assets
- Assets held at depreciated historic cost – namely infrastructure, community assets, assets under construction, and non-property assets held at historic cost. Those non-property assets include intangible assets, which must now be held at cost under another change to the Code, and vehicles, plant and equipment held at cost, which the Council does given their relatively short lives and values.

2.5. To give effect to this, the Code has also been amended to state:

- Where no appropriate index is available for an asset, a desktop valuation in the third year after the prior revaluation should be undertaken.
- Authorities can now use the apportionment method for revaluation where gross cost and accumulated depreciation are proportionally adjusted rather than previously when the elimination method, where accumulated depreciation is written out, was the only permitted option.
- Undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset.
- Changes will be applied prospectively, with no restatement of prior year figures.

2.6. The Council has been working with its independent external valuers, Lambert Smith Hampton, and external auditors, Forvis Mazars, on application of indexation, notably agreement of appropriate indices in line with CIPFA guidance and which assets will not be indexed due to lack of appropriate indices.

2.7. To give effect to these changes, the 2024/25 accounting policies have been amended as at **Appendix A**, notably section 2.1.1, with tracked changes to show those amendments. Predominantly the changes reflect mandatory requirements, but the following is brought the Council’s attention:

- The indices to be applied will not be specifically stated in the policies to ensure there is flexibility to ensure the most appropriate indices are used rather than being tied to measures pre-emptively set out.
- The Code does not mandate specifically how the indexation adjustment should be undertaken. Camden proposes to apply the index to the net book value at 31 March after other adjustments have been made such as enhancements and to otherwise process them in the same manner as revaluations. This includes retaining the elimination of accumulated depreciation method for revaluations for processing the adjustments.
- It is considered prudent to allow for full revaluations of properties earlier than every five years. Assets that are impaired or transferred between categories would necessitate a revaluation under the Code, but in other cases, the Code is open to interpretation. It is considered appropriate to retain some additional flexibility, notably where there has been significant capital expenditure such that the asset is fundamentally different, or to even out the profile of valuations across the five-year cycle to avoid cyclical peaks that would place greater pressure on officers and auditors.

3. Other Changes to the Code of Practice and Accounting Policies

3.1. Aside from the changes for Indexation, the Code has been updated to include the following aspects, which have not required change to the Council's Accounting Policies:

- Minor updates to reflect the amendment to publication dates in England as a result of the Accounts and Audit (Amendment) Regulations 2024.
- Change in content of the annual governance statement following the publication of Delivering Good Governance in Local Government: Framework – Addendum covering the annual review of governance and the annual governance statement (2025).
- Minor updates to reflect the statutory override for infrastructure assets in England and Wales being extended to 31 March 2029.
- Update to remove the transitional arrangements for the implementation of IFRS 16 Leases.
- Minor updates to reflect IPSAS 45 Property, Plant and Equipment becoming applicable from 1 January 2025.
- Minor updates to reflect the statutory override for pooled investments in England and Wales being extended to 31 March 2029 for pooled investments entered into by 1 April 2024.
- Appendix A of the Code has been updated to reflect the adoption of IFRS 17 and amendments to IAS 21.
- Confirmation in Appendix C (Changes in accounting policies: disclosures in the 2024/25 and 2025/26 financial statements) of the transitional reporting requirements of the new standards introduced in the 2025/26 Code.

3.2. A further minor change is proposed to agree an exemption to the Council's existing policy of there being no depreciation in the year of acquisition and a

full year's depreciation for Right of Use assets, those assets held to reflect the contractual right to use an asset under a lease.

- 3.3. The existing depreciation policy mirrors the Council's Minimum Revenue Provision (MRP) policy, where MRP is only payable in the year after construction or acquisition. Therefore, the consumption of the asset as reflected in depreciation mirrors its financing.
- 3.4. For Right of Use assets, MRP is payable in the year of acquisition equivalent to the amount of lease liability principal repaid during the year. Therefore, it is considered appropriate to update the depreciation approach as well so that a pro-rata amount of depreciation is charged in the year of acquisition and disposal mirroring the reduction in lease liability and MRP charges. It also has the added benefit of being easier to process Right of Use assets in this way for officers. As a non-cash item, this has no impact on the General Fund and while the Housing Revenue Account must pay an equivalent amount of depreciation to the Major Repairs Reserve, this change is negligible, especially noting less depreciation in the year of disposal would balance out that in the year of acquisition. Amendments to give effect to this as presented as tracked changes in Appendix A.
- 3.5. A delegation is sought to the Director of Finance, so that if it becomes apparent during the 2025/26 accounts preparation and audit that further amendments to the accounting policies are needed, the Director of Finance will be able to make those changes under his delegated authority following consultation with the Chair of the Committee. Any such changes will be reported to the Committee when the accounts are presented for approval.

4. Update on reporting of the 2024/25 Statement of Accounts

- 4.1. Following on from the Committee's approval of the 2024/25 Statement of Accounts at its meeting of 5 February officers continued to work with the Council's external auditors Forvis Mazars to conclude the final parts of the audits of the Council and Pension Fund.
- 4.2. Final changes to the Statement, agreed under delegation to the Director of Finance in consultation with the Chair, were incorporated into the Statement prior to signing. The details of all changes have been reported to members of the Committee via a follow up letter to the Audit Completion Report discussed at that Committee meeting.
- 4.3. The final audited Statement of Accounts was published on the Council's [website](#) in time for the backstop deadline of 27 February 2026, along with the Pension Fund Annual Report and Annual Governance Statement, meeting the statutory reporting requirements. A final consolidated Auditor's Annual Report, comprising the audit adjustments and the already reported Value For Money conclusions has also been shared and published.

5. Legal Comments of Borough Solicitor

- 5.1. The relevant legal implications are contained throughout the report; namely the need for the Committee, in considering the Accounting Policies for the 2025/26 Statement of Accounts Council, to ensure the Council complies with the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 together with relevant statutory guidance, including the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.
- 5.2. The Borough Solicitor has no further comments to add.

6. Finance Comments of the Director of Finance

- 6.1. This is a report of the Director of Finance and their views have been incorporated into the report.

7. Environmental Implications

- 7.1. There are no environmental impacts arising from this report.

8. Appendices

Appendix A: Draft Accounting Policies 2025/26

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1. Concepts and Principles

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year ending 31 March 2025. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with 'proper accounting practice'. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ('the Code'), based on International Financial Reporting Standards and statutory guidance.

The accounts are prepared on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical costs, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2. Recognition of Income and Expenditure

In line with the Code, the accruals basis of accounting is used, meaning activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Goods and services are recorded as expenditure when they are consumed rather than purchased.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

1.3. Grants and Contributions

Grants and contributions shall be recognised when there is reasonable assurance that the Council will comply with the conditions attached to them, and that the grants or contributions will be received.

If there are outstanding conditions the grants and contributions must be shown as liabilities on the balance sheet until the conditions are met. Once all conditions have been met, grants and contributions must be credited to the Comprehensive Income and Expenditure Statement and cannot be deferred.

1.4. Debtors and Creditors

Both debtors and creditors are recognised and measured at amortised cost.

The Authority recognises an allowance for expected credit losses on debtors and the amount of expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition of the respective debtor.

1.5. Charges to Revenue for Non-Current Assets

Services are debited with the following charges to record the cost of holding non-current assets during the year:

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- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement calculated on a prudent basis as determined by the Council in accordance with statutory guidance.

1.6. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. There is no net charge against Council Tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

1.7. Council Tax and National Non-Domestic Rates (NNDR)

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NNDR) on behalf of the major preceptors (including government for NNDR) and, as principals, collecting Council Tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and NDR (i.e. the Collection Fund) and calculate a separate surplus and deficit on each. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax or NNDR could be less or more than predicted.

Accounting for Council Tax and NNDR

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due (fixed or determinable) under the statutory arrangements will not be made, the asset is written down and a charge made to the

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Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.8. Fair Value Measurement

Where applicable, the Council measures its assets and liabilities and provides disclosures in accordance with IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.9. Events After the Balance Sheet Date

These are events that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of event can be identified:

- Adjusting events – those which provide evidence of conditions that existed at the end of the reporting period. Where material, the financial statements and notes will be adjusted to include the impact within the figures in the accounts.
- Non-adjusting events – those that are indicative of conditions that arose at the end of the reporting period. The accounts are not amended but if the event is material a disclosure is made in the notes to the accounts.

1.10. Cash and Cash Equivalents

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Cash comprises cash in hand and demand deposits and cash equivalents which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

1.11. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change therefore do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting the opening balances and comparative amounts for the previous period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2. Non-Current Assets

1.12. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

All expenditure on the acquisition, creation or enhancement of PPE above the Council's de-minimis of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

PPE are initially measured and subsequently valued on the basis required by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). PPE are classified in the groupings required by the Code of Practice.

1.12.1. *Measurement after Recognition*

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets, intangible assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (existing use value for social housing – EUV-SH)
- All other assets except surplus assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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- Surplus assets – fair value, in accordance with IFRS 13

Infrastructure assets include carriageways, footways, cycleways, structures such as bridges, street lighting, street furniture, traffic management systems, electric vehicle charging points and land which form as single integrated network of assets. They are measured at a modified form of historical cost basis. Opening balances for infrastructure assets are measured on a depreciated historical cost basis. The accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

Under commercial accounting practice, depreciated historical cost would represent the amount of capital expenditure on infrastructure assets that has yet to be financed. For the Council, this is managed instead through the consolidated arrangements for reducing the Capital Financing Requirement through Minimum Revenue Provision.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets held at current value are revalued at least every five years. This is achieved through a rolling programme which means that a proportion of the asset portfolio is revalued every year. In the years where an individual asset is not subject to revaluation, the value is adjusted by the application of an appropriate index.

Indexation adjustments will be processed by applying the index to the carrying value of the asset on 31 March after other accounting adjustments have been made. Those adjustments will use the same accounting treatment as revaluations, and all references to the accounting treatment of revaluations in these accounting policies should be read to include indexation adjustments.

Where an appropriate index is not available for an asset, the asset will be revalued in full at least every five years, with a desktop revaluation three years after the previous revaluation.

Right of use assets held as Property, Plant and Equipment are held at depreciated historical cost unless it is deemed that this would be inappropriate as a proxy for the asset's current value, in which case the asset will be held at revaluation and revalued on the same basis as other assets in the same asset class.

1.12.2. *Impairment*

Impairment reviews on groups of assets are undertaken each year. Impairment is recognised where the asset's carrying value is greater than its net recoverable value in use or through sale, and the loss is specific to the asset, or group of assets. Losses not specific to the assets or group of assets, such as a general fall in the market prices will be treated as revaluation losses.

Impairment losses are recognised against historical cost and revalued net book value. Losses for revalued assets will be recognised against the revaluation reserve to the limit of the credit balance for that asset in the revaluation reserve, and thereafter in surplus or deficit on the provision of services in the CIES. Losses for assets which have not been revalued will be recognised in the surplus or deficit on provision of services in the CIES.

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The impairment review includes an annual assessment of whether there is an indication that the recoverable value of any impaired assets has increased, reversing part or all of the impairment.

1.12.3. Depreciation and Amortisation

Depreciation is provided for on all PPE equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a qualified valuer.
- HRA dwellings are depreciated based on advice of our external valuation firm.
- Vehicles, plant, and equipment – allocation over 10-20 years unless otherwise advised by a responsible qualified officer.
- Information technology assets – allocation over 5 years unless otherwise advised by an appropriate person with knowledge of information technology.
- Infrastructure – straight-line allocation over 15 - 50 years, according to asset type.

Right of use assets held as Property, Plant and Equipment will be depreciated over the shorter of the lease term or the useful economic life.

Where an item of Property, Plant and Equipment asset whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation will not be applied retrospectively. Where Property, Plant or Equipment has been revalued or there has been significant enhancing expenditure it will be considered for componentisation where:

- The total cost of the component is significant both in terms of gross value and as a percentage of the overall value of the asset
- The pattern of depreciation or overall depreciable life of the component is significantly different to the useful economic life of the main asset.

The Council does not charge depreciation on assets it owns in the year of acquisition of an asset but does charge a full year's depreciation in the year of disposal. Right of Use assets will be charged depreciation from the inception of the lease until the earlier of lease end date or when the asset has reached the end of its useful life, such that a proportionate amount of depreciation is charged in the first and last years.

Where assets are revalued the accumulated depreciation attributed to the asset immediately prior to revaluation is written out following by adjustments to the gross book value of the asset.

Amortisation is the measurement of the cost or revalued amount of the economic benefits of the intangible non-current assets that have been consumed during the financial year.

Consumption includes the wearing out, using up or other reduction in the useful economic life of a non-current asset, whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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Infrastructure assets comprise a single network comprised of many components. The Council has determined that infrastructure components are replaced on average, at the end of their useful lives when they are fully depreciated. Therefore, no amounts are deducted from the carrying value of infrastructure for replacement of parts of the network.

Where infrastructure components are derecognised otherwise, the carrying amounts are not charged against Council Tax.

1.13. Lease and Lease Type Transactions

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time and the Council will account for these arrangements in accordance with IFRS 16 as interpreted and adapted by the Code of Practice.

1.13.1. *Right of Use Assets and Liabilities*

Where the Council has deemed that it has a contractual arrangement that qualifies as a lease in which it is the lessee, it will recognise a liability on the balance sheet initially measured as the discounted amount of the future lease payments, matched with a right of use asset on the balance sheet whose cost is deemed to be the amount of the liability.

Arrangements which would otherwise qualify as a lease are exempt from recognition if either:

- The period of time for which the Council has the right to use the asset does not exceed 12 months – referred to as a short-term lease; or
- The value of the right of use asset is lower than the council's capitalisation threshold of £10,000.

Where the Council is not readily able to determine the rate of interest implicit in a lease arrangement, the Council will use the Public Works Loans Board (PWLB) annuity rate at the date of the commencement of the lease as the incremental borrowing rate to be applied to the lease arrangement. The PWLB annuity rate may not be applied if it is deemed appropriate to apply an alternative rate given the circumstances of the lease and that to not use that alternative rate would have a significant impact on the Council's accounts.

Lease payments are apportioned between:

- a charge for the acquisition of the right to use the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge (i.e. Interest cost) which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset, for instance investment property. All investment property held as right of use assets must be held at Fair Value and therefore require annual revaluation.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Depreciation and revaluation and impairment losses is a non-cash expense which under accounting rules is reversed from service

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expenditure to a non-useable reserve known as the Capital Adjustment Account, which absorbs the timing difference between the financing of capital assets and their usage. This therefore does not create an additional financial impact.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

In the General Fund, the lease liability reduction is matched by a payment of Minimum Revenue Provision (MRP), which when added to the financing cost element of payments leads to no overall impact on the General Fund balance from the prior method of lease accounting.

For the Housing Revenue Account (HRA), MRP is not payable. Depreciation charges to the HRA are required to be matched by a payment to the Major Repairs Reserve (MRR), so the increase in assets will lead to a genuine charge to the HRA. However, the MRR can then be used to pay down the capital financing associated with the lease, which again should mean no meaningful impact on resources.

1.13.2. Lessor Arrangements

Where the Council has a contractual arrangement granting use of asset to another party it will determine whether substantially all the risk and rewards incidental to use of the asset are passed to the lessee or remain with the Council. Where the risks and rewards are substantially transferred, this is known as a finance lease. Where they remain with the Council, this shall be deemed an operating lease.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premia received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where the arrangement has been deemed an operating lease, the asset remains on the Council's balance sheet and the income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the duration of the lease.

1.13.3. Service Concession Arrangements

Service concession arrangements (such as Private Finance Initiative (PFI) and similar contracts) are contractual arrangements between the Council and an operator where responsibility for providing public services, using assets provided either by the operator or the Council, passes to the operator for a specified period of time. These arrangements are accounted for under IFRS 16, the Code of Practice and the additional provisions of IPSAS 32 Service Concession arrangements (grantor).

Where the PFI operator's right to third party income is recognised in deductions to the unitary payment, a proportion of the lease creditor is re-allocated to a deferred income balance based on the proportion of fixed payments from the Council and expected third party payments. The deferred income balance is amortised to the CIES on a straight-line basis over the life of the PFI scheme.

The Council's ongoing liabilities for these service concessions are recognised on the balance sheet. This has been done by recognising a lease creditor and writing it down accordingly. Where indexation is applied to future payments, the liability will be remeasured and adjusted in accordance with IFRS 16. Where a change in indexation or rate occurs the liability will be remeasured.

The assets acquired with these service concessions will be depreciated over the estimated useful life of the assets.

Lifecycle costs will be capitalised in line with the directions of the Code of Practice on capitalising expenditure for these service concessions.

1.14. Investment Properties

Investment properties are properties used solely to earn rentals or capital for appreciation or both. The Council evaluates the costs of an investment property when they are incurred, including acquisition costs and costs incurred to add to, replace part of, or service an investment property, but not including minor repairs and maintenance. Investment property is initially measured at cost, i.e. purchase price, transaction costs and directly attributable expenditure. After initial recognition the property is measured at fair value, and not depreciated. The fair value of investment property shall reflect market conditions at the end of the reporting period, i.e. open market value.

1.15. Intangible Assets

Expenditure on non-monetary assets without physical substance is capitalised when future economic benefits or service potential are created and expected to flow from the intangible asset to the Council. Intangible assets shall be measured initially at cost and held at historic cost. They are not revalued in a revaluation cycle.

Amortisation

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The depreciable amount of an intangible asset is amortised over its useful life (5 years unless otherwise advised by a qualified professional), on a straight-line basis.

1.16. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.17. Income from Sale of Property, Plant and Equipment

Proceeds from the disposal of PPE are capital receipts. Any income which has not been reserved and not been used to finance capital expenditure in the period is shown in the balance sheet as capital receipts unapplied.

The treatment of HRA capital receipts is determined by the Local Government Act 2003 as amended from 1 April 2012 in order to make new provision for the pooling of housing receipts by:

- The Local Authorities (Capital Finance and Accounting) (England)(Amendment)(No.2) Regulations 2012 (SI2012/711); and
- The Local Authorities (Capital Finance and Accounting) (England)(Amendment)(No.3) Regulations 2013 (SI2013/476).

These amendments allow local authorities to retain the receipts generated by Right to Buy sales for replacement housing provided they can sign up to an agreement with the Government that they will limit the use of the net Right to Buy receipts to 40% of the cost of the replacement homes within a 5-year period from the point of receipt.

The written-off value of disposals is not a charge against Council Tax, as the cost of PPE is fully provided for under separate arrangements for capital financing.

Where the authority has sold and leased back an asset it will account for the proceeds in accordance with IFRS 16, reflecting in its accounts only the proportion of the asset sold once the value of the right of use asset created has been taken into account.

1.18. Heritage Assets

Heritage assets are defined as a tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for their contribution to knowledge and culture; or an intangible asset with cultural, environmental, or historical significance. The Council's Heritage Assets which comprise Mayoral Regalia and Silverware and Art Collections are reported in the balance sheet at valuation rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.

The Council's valuations are based on a current insurance valuation (based on market values) supplemented by auctioneer's valuation where obtained. Revaluations are carried out as and when the insurance is updated. These values are not subject to indexation adjustments in years where there is no revaluation adjustment.

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3. Employee Benefits

1.19. Benefits Payable During Employment

Benefits payable during employment include:

1.19.1. *Short-term employee benefits*

Those that are due to be settled within 12 months after the year-end in which the employee rendered the services, include:

- wages, salaries, and social security contributions.
- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

Wages and salaries will be based on actuals, other benefits will be estimated at cost to the Council.

1.19.2. *Other long-term employee benefits*

Those that do not fall due wholly within 12 months after the end of the period in which the employee rendered the services, include:

- long term compensated absences (long service or sabbatical leave)
- long-service benefits
- long-term disability benefits
- bonuses payable
- deferred compensation paid

All gains and losses and past service costs will be recognised in the Surplus or Deficit on the Provision of Services.

1.20. Termination Benefits

Termination benefits are amounts payable due to a decision made by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring. Disclosures in respect of employee exit packages following termination are made in the year of notification, not the year of payment.

1.21. Post-Employment Benefits

Employees of the Council can belong to three separate pension schemes:

- The Teachers' Pension Scheme – administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The employer's pension cost charged to the accounts is fixed by the contribution rate set by the DfE on the basis of a notional fund. This is unchanged from last year.
- Ex-ILEA (Inner London Education Authority) – This is a funded scheme administered by the London Pensions Fund Authority (LPFA), part of the Local Government Pension Scheme. The amount paid to LPFA is fixed by the

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contribution rate set by their actuaries in accordance with the Local Government Pension Scheme.

- Other Employees – Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The amounts paid to the Camden Pension Fund are fixed by a rate set by the Council's actuary at the triennial valuation.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.22. The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme: the liabilities of the Camden pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a range of financial assumptions as determined by the actuaries of the Camden Pension Fund and of the LPFA.

The assets of the Camden Pension Fund and the LPFA attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

The change in the net pension liability is analysed into the following components:

a) Service cost, comprising

- Current service cost - the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Cost of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

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b) Remeasurement

These are changes in the net pensions liability that arise through changes in asset values, updates to actuarial assumptions or other experience not reflected in assumptions at the last actuarial valuation. Any increase in the net liability is debited to the Pensions Reserve and any decrease is credited to the Pensions Reserve.

c) Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) and are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2. Financial Instruments

4.1. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried at their amortised cost, although it is a requirement of the Code of Practice to show the fair values in the Financial Instruments note.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

4.2. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council may hold three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

4.3. Expected Credit Losses

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis, where material. The expected credit loss model

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also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

5. Provisions and Contingent Liabilities

5.1. Provisions

The Code defines a provision as “a liability of uncertain timing or amount”. A provision can only be established in the accounts if it meets the following criteria as listed in the Code:

- The authority has a present obligation as a result of a past event, i.e. an event has taken place that either binds the authority to transfer economic benefits as a result of legislation, a contract or other operation of law or creates a valid expectation by another party that the authority will transfer economic benefits as a result of it accepting certain responsibilities, arising from the Council’s actions.
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

If the above conditions are not met a provision must not be recognised in the financial statements. Provisions are charged to the relevant service account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When the obligation is settled the costs are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

The provisions contained within the balance sheet are split between short (Current Liabilities) and long-term provisions (non-current liabilities).

5.2. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. A contingent liability can also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts where material.

5.3. Contingent Assets

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A contingent asset is when there is a possible transfer of economic benefit to the Council from past events and their existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

If it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the financial statements of the year in which the change occurs. A material contingent asset should be disclosed in the narrative notes to the accounts if the inflow of economic benefits is probable.

6. Group Accounts

6.1. Interests in Companies and Other Entities

The Council has fully reviewed the various IFRS standards relating to group relationships and after consideration of all the criteria the Council has determined that the consolidation of all related organisations would not have a material effect on the Council's financial position. Consequently, no group accounts have been prepared.

The Code confirms that the balance of control for local authority-maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves, and cash flows are recognised in the local authority financial statements (and not in Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

The Council has one wholly owned subsidiary, Camden Living Group, and owns just under 20% of another company Camden Learning.

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