

# COMMITTEE REPORT



<b>Subject:</b>	<i>Explanatory report on the Annual Governance and Accountability Return (AGAR) process</i>
<b>Committee:</b>	<i>Extraordinary Full Council</i>
<b>Item Number:</b>	<i>10</i>
<b>Date:</b>	<i>29 June 2026</i>
<b>Author:</b>	<i>Steve Bishop, Responsible Finance Officer (RFO)</i>
<b>Report status:</b>	<i>Noting</i>
<b>Confidential / Exempt:</b>	<i>No</i>

## 1. Report Summary

1.1 This report explains the set of year-end reports.

## 2. Statutory reporting requirements from 2009/10 – 2023/24 and 2025/26

- 2.1 Salisbury City Council had been designated a ‘smaller authority’ between 2009 and 2024. Smaller authorities are required by law under the Accounts and Audit Regulations 2015 to prepare simple accounting statements as part of an Annual Governance and Accountability Return (AGAR) in accordance with the Joint Panel on Accountability & Governance (JPAG) Practitioners’ Guide.
- 2.2 The AGAR comprises several sections, each covering specific areas of governance and financial probity. The order in which each section is considered and approved by the Council is prescribed by the above Regulations, which are reflected in the ordering of this meeting’s agenda.
- 2.3 After a single year of being designated a ‘principal authority’ during 2024/25 (which is explained in section 3 below), the Council was redesignated a ‘smaller authority’ from April 2025 and once again subject to the AGAR regime.

## 3. Statutory reporting requirements for 2024/25

- 3.1 Section 6(2) of the 2015 Regulations defined how ‘smaller authorities’ would be redesignated as ‘principal authorities’ if their gross income or expenditure exceeded £6.5m for three consecutive years.
- 3.2 The gross income and gross expenditure of Salisbury City Council exceeded this threshold in 2022/23 and 2023/24. When it exceeded the threshold for the third consecutive year in

2024/25, it became a principal authority. Its accounting and audit rules changed with this redesignation.

- 3.3 Instead of AGAR and JPAG, for the financial year 2024/25 the Council was required to comply with the Statement of Recommended Practice (SoRP) 'Code of Practice on Local Authority Accounting' (CoPoLAA) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), as are all other principal authorities such as Wiltshire Council. This gives rise to 'SoRP or full-Code accounts', to differentiate them from 'AGAR accounts'.
- 3.4 Instead of a prescribed AGAR format, the Council was expected to produce a full set of professionally compliant set of accounts, including full balance sheet, income and expenditure account and notes, similar to private sector companies and large councils. This was the current statutory requirement for the Council.

#### 4. Change of legislation

- 4.1 The annual accounts and external audit sector for principal authorities was acknowledged to be dysfunctional with hundreds of sets of council accounts unaudited. The Ministry of Housing, Communities and Local Government (MHCLG), CIPFA, Local Government Association and representative bodies for parish councils consulted to find solutions.
- 4.2 The 'promotion' of Salisbury City Council (and two local drainage boards) from an efficient AGAR regime to a dysfunctional SoRP regime only added to the problem. This was recognised and Accounts & Audit Regulations were revised to raise the trigger threshold from £6.5m to £15m. The effect of this change was to restore the Council to the AGAR regime for 2025/26 and for all foreseeable years.
- 4.3 There is further legislation currently being considered by Parliament which could retrospectively designate the Council as a 'smaller authority in 2024/25. But this is not yet certain.
- 4.4 Given the uncertainty for the past two years, the Chief Executive Officer and the Responsible Finance Officer have agreed it would be prudent to attempt to meet BOTH sets of regulatory requirements, to avoid being in breach, whether the law remains as is, or is amended as set out. For that reason there are multiple financial reports on this meeting's agenda as set out below.

#### 5. Reports being presented on this Full Council meeting agenda

- 5.1 In addition to this explanatory report for information, the following four reports cover different aspects of the Council's 2025/26 financial results:

Agenda item	Report title	Purpose
11	Annual Governance Statement 2025/26	<ul style="list-style-type: none"> <li>• Consideration of the Council's governance arrangements</li> <li>• Approve detailed Internal Audit report</li> <li>• Approve Internal Audit report (AGAR p3)</li> <li>• Approve Annual Governance Statement (AGAR p4)</li> </ul>
12	Accounting statement for 2025/26	Approve accounting statements (AGAR p5)
13	Full Code Accounts 2025/26	Approve SoRP accounts
14	Budget Monitoring Outturn 2025/26	Detailed comparison of budgets and outturn results by department & teams