

CIPFA Bulletin 22 – Indexation application guidance

November 2025

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Service Reporting Code of Practice (SeRCOP) and the Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but they are not prescriptive and do not have the formal status of the Code, SeRCOP or the Prudential Code.

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1. Introduction

1.1. Background

This bulletin's purpose is to provide application guidance for practitioners implementing indexation for the first time in the 2025/26 accounts. It is not intended to be exhaustive but provide guidance in some of the areas where judgements will need to be made by authorities.

The purpose of HM Treasury's Thematic Review of Non-investment Asset Valuation for financial reporting was to assess the current regime of valuation for non-investment assets across the public sector and to identify and evaluate the case, options and timing for any revisions to the existing approach. The review considered the strengths and areas for improvement of the current regime and potential developments going forwards. HM Treasury, in consultation with FRAB, concluded there was merit in exploring changes to the current regime and issued consultations in [March 2023](#) and [December 2023](#).

The Thematic Review considered introducing an adaptation to IFRS prescribing that revaluations must only be undertaken once every five years or on a five-year rolling basis, thus avoiding the need for more regular revaluations. During the [2025/26 Code consultation](#), CIPFA/LASAAC consulted on mandating a quinquennial revaluation or a five-year rolling basis for formal valuations, supported by annual indexation in the intervening years.

The main changes introduced to the 2025/26 Code are as follows:

- A revaluation expedient for property, plant and equipment requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.
- Transitional arrangements when applying these changes so they will be applied prospectively, with no restatement of prior year figures.
- To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements in the financial reporting manual (FReM).
- A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

1.2. Scope

The changes in the 2025/26 Code apply to the following asset categories:

- Other land and buildings

- Vehicles, plant, furniture and equipment
- Surplus assets
- Right-of-use assets measured at current value per Section 4.1 in the Code.

The changes do not apply to the following asset categories:

- Council dwellings
- Infrastructure assets
- Community assets
- Assets under construction
- Heritage assets
- Investment property
- Non-property assets that have short useful lives or low values (or both) where authorities elect to adopt a depreciated historical cost basis as a proxy for current value.

Social housing assets also fall under the remit of CIPFA/LASAAC and are required to be valued using the existing use value – social housing (EUV–SH) basis. The beacon approach is commonly applied to these assets and appears to be working effectively, providing useful information with a level of expediency. Therefore, CIPFA/LASAAC has made no changes for social housing assets and authorities should continue to use the beacon approach.

2. Indices

2.1 Considerations

Indexation is a tool used to apply an inflationary increase to assets in the years between professional valuations. Indexation works by considering the relative change in value using indices based on a range of factors – for example, normal inflation, local cost pressures and, for some assets, the scarcity of resources for replacing the assets.

Paragraph 4.1.2.39 of the Code states that the purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables, eg build costs, rental income etc. **Indexation is an approximation of market changes – it is not a valuation of a specific asset.**

CIPFA/LASAAC has not mandated the use of any particular index, and the Code sets out that the choice of index is a matter of judgement that should be made in the context of providing a reasonable estimate of the movement in the value of an asset from the prior year. Several points should be borne in mind by authorities when considering the options for indices:

1. Any index that is not based on actual market evidence is more likely to lead to a risk of divergence in indexed values compared to the professional valuations produced by market evidence at the quinquennial revaluation.

2. Commercially provided indices are typically based on a relatively limited transactional database.
3. Building Cost Information Service (BCIS) is only a measure of building construction cost inflation or deflation. It is inherently unsuitable as a proxy for the valuation of in-use, non-DRC valued, non-specialised in nature assets valued to EUV.
 - a) For example, during the aftermath of the financial crisis in 2008/09, the BCIS building construction cost index fell by between 10–12%, but as this is not related to market value, a considerable gap opened up between the indexed values and market values.
 - b) Similarly, in the post-pandemic period and with the impact of the Ukrainian conflict, building costs rose as reflected in the BCIS index; hence, again, these then diverged from market values.

Such a divergence from market values could be problematic and indeed potentially exacerbated further by authorities opting for different indexing options, understandably leading to additional audit scrutiny.

The 'gold standard' for an index is to be based on transactional evidence. Indices for smaller geographical areas such as electoral boundaries may not exist and therefore indices will instead need to cover a larger geographical area such as region.

Due to the need to be able to provide evidence to support any index used, **authorities are strongly encouraged not to produce their own indices** and to use existing commercially available indices instead. If authorities were to create their own indices, it's likely to be based on fewer transactions and may result in insufficient supporting evidence.

It is anticipated that a local authority's rolling programme of revaluations could produce different results to indexation. This is due to indices showing general trends across large areas based on historical data and, as a result, the estimated value of a property based on an index might not match its actual, full valuation. This is especially true in local areas where the property market is behaving differently than the wider market. Paragraph 4.1.2.39 of the Code makes it clear that **absolute precision is not expected, nor is it achievable**.

However, any significant differences should have clear and understandable reasons documented in working papers – for example, the local area where a property is located may have higher deprivation levels than the wider region, resulting in lower values.

2.2. Available indices

Not all indices listed in this bulletin are appropriate for every asset type or location. Authorities should exercise judgement to determine which indices (if any) are most suitable for their specific context.

Presently, we are not aware of any existing single general property valuation index in the United Kingdom. However, the following are published national indices:

- **BCIS all-in Tender Price Index (TPI)** is an index of inflation or deflation of building construction costs only. It is provided as a national index by the RICS Building Cost Information Service but with regional location factors to enable locational adjustment. As an index of building cost inflation only, this should be used for cost-based DRC valuations and is not suitable for valuations of land or assets on an EUV (comparable) basis.
- Land Registry currently produces its **UK House Price Index** by region.
- The Office for National Statistics (ONS) publish its **private rents and house prices** by region.
- In terms of general inflation in the economy, ONS provides the **Consumer Prices Index (CPI)** as a general measure of inflation in the economy. It is not property value related.
- Some larger national firms of surveyors do publish monthly reports of general movements in the market such as CBRE and Jones Lang LaSalle (JLL) among others.

Other potential sources include:

- **MSCI** – the American finance company who took over what used to be the Investment Property Databank (IPD) Index may be able to assist authorities with commercially available indices for property market movements.
- **CoStar** – a commercially available database may also be able to assist authorities.
- **PROMIS** – another commercially available database using source data from sources including MSCI.

2.3. Pathway for choosing an index

It is anticipated that the choice of index would require the guidance of an expert, and decisions would be led by a valuer with information provided by the accounting teams and agreed with the CFO. Authorities may wish to include the selection of indices as part of the engagement terms with their valuers.

The recommended pathway forward regarding indexation would be as follows:

1. For property assets valued to DRC the use of **BCIS all-in TPI** would be an acceptable index. Indeed, this index is already a key element in any DRC revaluation process. Authorities will need to make arrangements for access with BCIS either directly or via their valuer. Given BCIS is an index of building cost inflation only, it would not be appropriate to use BCIS to value the intrinsic land element.
2. For property assets that are valued to EUV by market comparison (non-specialised in nature), an index properly evidenced by property transactional evidence and by economic or government region would be preferable. When land includes an EUV property, using the same index as the property may be suitable if the land is intrinsically linked to the building.

3. For land, an index of movement by region in valuation properly evidenced by market transactional evidence in respect of categories of land including residential, industrial and agricultural. Sourcing indices for land is likely to be challenging, and authorities may need to follow the process where no suitable index is available. For example, Knight Frank's Residential Development Land Index might be suitable for residential development land in central London.

Paragraph 4.1.2.38 of the Code outlines the process to follow where no suitable index is available. In such cases where authorities are utilising the option to carry out a desktop revaluation in year three, authorities will need to document the indices they have considered and explain why they have deemed those indices inappropriate to use.

3. Accounting

3.1. Using indices to calculate the increase/decrease

Local authorities must apply the same indices to groups of assets valued using the same valuation methodology with similar properties, ie commercial building valued using EUV.

When applying indexation, it should be done as at 31 March, aligning with the Balance Sheet date to ensure consistency in financial reporting. Indexation can be applied to the closing net book value and authorities should apply the latest available index.

However, an authority may determine an alternative approach is more suitable. In such cases, the authority must ensure that the alternative approach is reasonable, justifiable and supported by clear documentation, with the decision taken with due regard to the overarching objective of ensuring a more proportionate approach to the measurement of non-investment assets.

When calculating indexation, authorities will require the year-on-year change in the relative value. This is always calculated as:

$$\frac{(\text{current year index rate} - \text{prior year index rate})}{\text{prior year index rate}} = \text{indexation increase/decrease}$$

For example, if indexation is applied to the closing net book value the indexation gain/loss is:

$$\text{Prior year carrying value} \times \text{indexation increase/decrease}$$

3.1.1. Example: applying indexation

The Agency for Paint Quality needs to apply indexation for the year ending 31 March 20XY to its land and buildings. The net book value of these assets as at 31 March 20XY is £1,100,000. Index rates provided by the Valuation Office were as follows:

31 March 20XX	31 March 20XY
105	117

The indexation increase will be:

$$(117 - 105) / 105 = 0.1143 \text{ (rounded to 4 decimal places – for example purposes only)}$$

This effectively represents an 11.43% increase, and therefore the indexation gain is:

$$£1,100,000 \times 11.43\% = £126,000 \text{ (to the nearest thousand)}$$

3.2. Accounting for the increase/decrease

Authorities will need to make a judgement as to whether the impact of indexation is material with regards to paragraphs 2.1.2.14–2.1.2.17 and 3.4.2.26–3.4.2.27 of the Code. **If an authority determines that the impact is immaterial, then it does not need to account for indexation in that year's accounts.** However, in applying indexation in the following year, the authority will need to account for the years when indexation was not applied and determine whether the cumulative impact of indexation over the financial years is material.

Changes to the valuation of non-current assets through indexation and/or revaluations are accounted for through the revaluation reserves or the surplus/deficit on provision of services as set out below.

Where indexation increases the carrying amount of an asset:

- normally the debit to property, plant and equipment will be matched by a credit to the revaluation reserve
- however, where the increase reverses a revaluation decrease or an impairment loss on the same asset that was charged to the surplus or deficit on provision of services, all or part of the revaluation gain is credited to the surplus or deficit on provision of services (up to the amount of the previously recognised loss, net of the depreciation that would have been charged had the loss not been recognised).

Where indexation results in a downward movement in the current value of an asset, the accounting approach is for the decrease to be charged against any balance in the revaluation reserve for the particular asset, then any excess to be debited to the surplus or deficit on the provision of service.

3.3. Accumulated depreciation treatment

IAS 16 provides two different treatments for accumulated depreciation at the date of revaluation. Accumulated depreciation is treated in one of the following ways:

- a) restated proportionately with the change in gross carrying amount of the asset; or
- b) eliminated against the gross carrying amount of the asset,

so that the carrying amount of the asset after revaluation equals its revalued amount.

The Code allows authorities to continue to use the elimination method but now also permits the proportionate method, although the latter would be a change in accounting policy. However, paragraph 3.3.1.4 of the Code does not require authorities to follow the requirements of IAS 8 for changes having regard to HM Treasury's Thematic Review on Non-Investment Asset Valuation, and no restatement of prior year figures is required.

The previous approach of elimination of accumulated depreciation may be easier for existing asset register systems to accommodate; however, CIPFA/LASAAC acknowledge that this may result in large numbers of revaluations to accommodate and so have provided flexibility under the Code to also allow use of the proportionate method.

3.4. Elimination method

The accumulated depreciation is eliminated against the gross carrying amount of the asset. This is because these measures are accounting estimates of changes in value relating to the consumption of assets whose cumulative effect is confirmed or contested by a formal valuation reflecting the actual condition of the property at the valuation date. The depreciation and impairment estimates are therefore made redundant by the valuation.

3.4.1. Example: elimination method

In the example above the net book value of the asset as at 31 March 20XY is £1,100,000 and the increase due to indexation was calculated to be £126,000. Using the elimination method, the entries for the year would be:

	1 April 20XX	In-year movements	31 March 20XY	Indexation	31 March 20XY
	£000s	£000s	£000s	£000s	£000s
Gross book value	1,200		1,200	26	1,226
Accumulated depreciation	0	(100)	(100)	100	0
Net book value	1,200	(100)	1,100	126	1,226

3.5. Proportionate method

While the proportionate method is now permitted as part of the changes to the Code in 2025/26, authorities are strongly advised to exercise caution before adopting this approach. This method may introduce additional complexity in both calculation and reporting. Given limited sector-wide experience with the proportionate method, authorities should carefully evaluate the time, resource and system implications before considering its implementation.

The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

3.5.1. Example: proportionate method

In the example above, the net book value of the asset as at 31 March 20XY is £1,100,000 and the increase due to indexation was calculated to be £126,000. Using the proportionate method, the entries for the year would be:

	1 April 20XX	In-year movements	31 March 20XY	Indexation	31 March 20XY
	£000s	£000s	£000s	£000s	£000s
Gross book value	1,200		1,200	137 $(\frac{1,200}{1,100} \times 126)$	1,337
Accumulated depreciation	0	(100)	(100)	(11) $(\frac{(100)}{1,100} \times 126)$	(111)
Net book value	1,200	(100)	1,100	126	1,226

3.6. Transitional arrangements

The Code states revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

This means that authorities do not need to engage valuers to revalue all assets during 2025/26 and can move to a five-year cycle as and when formal revaluations become due.

Prior to the 2025/26 Code, assets had to be revalued if their current value differed materially from their carrying amount at the reporting date (IAS 16, paragraph 34). Although this requirement has been removed in the 2025/26 Code, the balances as at 31 March 2025 can be considered materially up to date. Therefore, when applying indexation for the first time on 31 March 2026, the calculation of indexation gains or losses will be compared to the 31 March 2025 index (and not the index at the date the asset was last valued if earlier).

3.7. Additions

From 2025/26, the Code states that out-of-cycle revaluations are not required unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued. This means that the Code expects most assets will not be revalued by a valuer more frequently than every five years.

Authorities will need to continue having their usual discussions with valuers around financial year-end to review capital expenditure incurred throughout the year to determine the appropriate treatment.

Where subsequent expenditure on property, plant and equipment meets the criteria to be capitalised, it is added to the carrying amount of the relevant asset. Unless non-contributory costs (such as costs attributable to design flaws) have been included in the capitalised amount, the amount paid should provide a fair measure of the future economic benefits or service potential that will flow to the authority. There is no requirement to revalue the asset in these circumstances, unless the authority has indications that the asset might be impaired.

Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the Balance Sheet.

Where additions enhance an existing asset, authorities are not expected to index the old and new components separately. A more practical and expedient approach is to combine the components and apply indexation starting from the year the enhancement expenditure is incurred.

However, where additions result in the creation of a new asset, it would be most appropriate to start applying indexation in the year following acquisition.

3.8. Impairments

Undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with [IAS 36 Impairment of Assets](#). Rather it should be the consideration of impairment triggers that determine whether the recoverable amount of an asset needs to be calculated and therefore whether a full revaluation is needed before the next five-yearly revaluation.

IAS 36 paragraphs 12–14 set out the indicators that entities must consider when determining whether an asset is impaired. They do not necessarily require entities to undertake full revaluations each year to comply with the standard. The Code does not expect authorities to undertake a full, professional revaluation of an asset to demonstrate there are no indicators of material impairment.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

3.8.1. External sources of information

- a) There are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
 - 'Observable indications' include dilapidated state, significant disrepair and structural defects.
 - Physical changes to the vicinity could impact property values – for example, the building of a new bypass.
 - Economic changes within the vicinity – for example, the closure of a major employer.

- b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
 - This will be mainly for the entity to identify, but a general market decline such as that seen in the aftermath of the financial crisis in 2008/09 could be relevant.
 - Significant changes to funding or service delivery requirement from government.
 - Technological advances.
- c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
 - Have there been significant changes to interest rates or market yields?
 - This is more likely to affect assets not valued using DRC.

3.8.2. Internal sources of information

- d) Evidence is available of obsolescence or physical damage of an asset.
 - The entity may identify if an asset has become obsolete in terms of suitability for the entity's service delivery needs. The entity's estates team will identify physical damage.
- e) Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
- g) An entity may identify other indications that an asset may be impaired and these would also require the entity to determine the asset's recoverable amount or, in the case of goodwill, perform an impairment test in accordance with paragraphs 80–99 of IAS 36.
- h) Evidence from internal reporting that indicates an asset may be impaired.
- i) Capital projects – for example, if capital expenditure occurs between valuations that does not add value, should this be impaired?

3.9. Reclassifications

During the five-year period covered by a rolling programme of valuation reviews, it is possible that the policy or other decisions of the authority will affect the categorisation of properties. Alternatively, changes of use may occur. These changes could alter the valuation. For example, when a property used for service delivery is declared surplus and not reallocated for the same service, its class changes to surplus assets or held-for-sale assets. Reallocation within services may also affect an asset's classification – eg, where a school is used as offices or workshops. In

either case, the authority may need to commission a separate valuation of the property concerned.

3.10. Annual depreciation charge

The changes to the Code relating to indexation do not remove the requirement to calculate the depreciation charge in accordance with existing principles. The depreciation charge shall be based on the depreciable amount allocated over the useful life of the asset using a depreciation method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed, as set out in paragraph 4.1.2.44 of the Code.

Furthermore, it is important to remember that the asset life should be reviewed at least at the end of each financial reporting period. See paragraph 4.1.2.46 of the Code.

4. Disclosures

The Code provides a definition of materiality in paragraph 2.1.2.14 that is applied to information and disclosures in local authority financial statements. The Code only requires local authority financial statements to disclose information that is material. Local authority financial statements should only include disclosures that are material to the presentation of a 'true and fair' view of the financial position, financial performance and cash flows of the authority and to the understanding of users of the financial statements.

4.1. Accounting policies

Authorities should also review their accounting policies to ensure they meet the requirement set out in paragraph 4.1.4.2 of the Code. Disclosure of accounting policies in relation to property, plant and equipment is required where these accounting policies are significant to the authority's financial statements. An authority shall disclose information within these accounting policies that helps users to understand the valuation techniques used to develop the current value measurements for significant categories of property, plant and equipment.

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

Authorities should consider if disclosures regarding assumptions made about the future and other major sources of estimation uncertainty are required in line with paragraph 3.4.2.96 in the Code.

The disclosure of estimation uncertainty is limited to those estimates that have a significant risk of resulting in a material adjustment within the next financial year. The requirements are for details of:

- the nature of the assets and liabilities affected
- their carrying amount at the end of the financial year.

Authorities shall also refer to paragraphs 126, 127 and 129–133 of IAS 1.

4.3. Property, plant and equipment disclosures

The disclosure requirements for property, plant and equipment are set out in paragraph 4.1.4.3 of the Code. Included below is narrative authorities can choose to follow to explain the change in valuation regime from 2025/26:

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

Authorities should also consider disclosing significant assumptions applied in estimating the current values of property, plant and equipment in the revaluation note, including the use of indices. Authorities may also consider cross-referencing between the property, plant and equipment (PPE) note and assumptions made about the future and other major sources of estimation uncertainty note where relevant.

Authorities are encouraged to disclose the indices used and the calculations applied in their valuations. This transparency supports users in understanding the basis of the valuations and how the values might change under alternative assumptions. Disclosures should include the specific indices referenced and a clear explanation of the calculation methodology. To assist users' understanding, the revaluations note could present assets revalued through full valuations in the year they are performed, with a separate line for those adjusted using indexation. Full revaluations are carried out every five years and include desktop valuations in year three for when no index is available, while indexation is applied in the intervening years to reflect updated values. Separating these movements enhances transparency and helps users understand both the timing and the basis of changes in asset valuations. Included below is example text to disclose the different valuation basis.

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

4.3.1. Example disclosure

Index	Average change %	Valuation change £000
Index A	x	x
Index B	x	x
Index C	x	x
Other indices	x	x
Total indexation applied in 20X1/X2	x	x

[Note: Authorities may decide to include an 'Other indices' line for immaterial valuation changes to ensure this table agrees to the figures in Note 4 *Assumptions made about the future and other major sources of estimation uncertainty*.]

5. Audit considerations

5.1. Audit evidence

Auditors will not have a standard approach to the audit of indexation. Auditors will need to obtain sufficient appropriate audit evidence that indexation movements are not materially misstated. However, they are required to design and perform audit procedures for this purpose that are appropriate to the circumstances of that particular audited body. The procedures will be drawn from the principles of [ISA \(UK\) 500 – Audit Evidence](#) and [ISA \(UK\) 620 – Using the Work of an Auditor's Expert](#).

Auditors will consider many factors in assessing the risk of material misstatement arising from indexation. These will include the mix of asset types in the portfolio (particularly the proportion of assets that are specialised), the reliability of the asset register, the level of involvement of experts, the quality of the indices available for potential use and any incentives for management bias.

However, auditors will have common expectations of the objectives that authorities should satisfy in the indexation process and the information that should be available to them.

The following tables sets out the documents that accounts preparers can be expected to have available, covering:

- materiality assessments
- use of experts
- selection of indices
- application of indices.

5.2. Materiality assessments

Auditor expectations	Example evidence preparers could provide
The materiality amounts set by the authority are effective in supporting judgements on whether asset types require indexation and for assessments of the reliability of indices that are used.	A record of the assessments made of the thresholds beyond which the decisions of users could reasonably be expected to be impacted by potential misstatements (including the impact on the CIES of depreciation charges and any indexation losses).

Auditor expectations	Example evidence preparers could provide
	Authorities need to ensure they discuss management's materiality thresholds with their auditors.
Where an authority determines the impact to be immaterial, the assessment is clearly documented, including the assumptions used in reaching that judgement.	A documented description of how management has made that assessment, supported by sufficient analysis to support the judgement reached. However, in applying indexation in the following year, the authority will need to account for the years when indexation was not applied and determine whether the cumulative impact of indexation over the financial years is material.
How has management assessed estimation uncertainty associated? For example, considered alternative indices/source data and sensitivity analysis.	This could be demonstrated by assessment performed to show consideration of alternative indices/source data and sensitivity analysis.

5.3. Use of experts

Auditor expectations	Example evidence preparers could provide
The authority has ensured that experts with the necessary competence, capabilities and objectivity have been commissioned to support the accounting work.	A record of the evaluations undertaken by the authority of the suitability of the experts for the work required. This should be supported by evidence such as engagement letters.
Obtain and document an understanding of the work of management's expert.	Engagement scope documents, valuation reports, methodology statements and correspondence outlining the expert's role.
The data provided to the experts is comprehensive and sufficiently accurate and complete to support their work.	Copies of the data provided to the experts, with cross-references to its sources.

Auditor expectations	Example evidence preparers could provide
Where the expert has made assumptions and judgements, these have been considered by the accounts preparers as to their reasonableness and appropriateness.	A record of the considerations given to the expert's reports and decisions taken to adopt their assumptions and judgements.

5.4. Selection of indices

Auditor expectations	Example evidence preparers could provide
Indices selected are in all material respects:	
• verifiable to a reliable source	Verifiable copies of source documentation.
• relevant to the asset type	A record of the judgements made for each index used as to: • the asset types that it is considered applicable for • where the index is not ideally specialised for an asset type, the reasons for disregarding the limitations • where two or more indices might be relevant to an asset type, the reasons for the choice made • where different indices have been applied to comparable asset types, the justification for the apparent inconsistency.
• relevant to the location of the asset	A record of the judgement made for each index that it sufficiently reflects local market conditions.
• appropriate for 31 March	Evidence of the index's coverage period (eg publication date, frequency) and confirmation that it reflects market conditions up to the reporting date.
• consistent with other evidence that the authority has about movements in asset values	A record of the consideration that has been given to other evidence (local market reports, corroborating data from in-year valuations, etc) and the judgements made about the

Auditor expectations	Example evidence preparers could provide
	reliability of each index or the adjustments that should be made to them.
Where it has been determined that there are no indices that meet these criteria for a particular asset type, this determination is reasonable.	A record of the process that led the authority to the determination (including the indices that were considered and the reasons why their limitations could not be disregarded).

5.5. Application of indices

Auditor expectations	Example evidence preparers could provide
Indices have been applied to carrying amounts in accordance with the requirements of the Code.	Documentation of the accounting entries made to recognise indexation adjustments in the financial statements (covering CIES, Balance Sheet and MiRS).
Where the Code allows for choice, the selection of accounting policies is reasonable and appropriate to the authority's circumstances (eg, the carrying amounts against which an index has been applied, the treatment of components, the treatment of accumulated depreciation).	A record of the accounting policy choices made and the justification for them.
Accounting treatments have been applied consistently across asset types.	A record of any differences in application and the reasons for each difference.
The calculations required to apply indices to carrying amounts have been performed completely and accurately and aggregated appropriately.	Detailed spreadsheets showing how base figures have been modified and aggregated to arrive at entries in the financial statements.
Adjustments made to published indices to reflect local circumstances are supportable.	A record of the adjustments processed and of the judgements made that: - the index would be more reliable if adjusted for the characteristics of the authority's assets or its geographical location - the particular adjustments made secure this improvement.

Auditor expectations	Example evidence preparers could provide
	Documentation of the evidence used to support the calculation of the adjustment.

6. Acknowledgements

This guidance was developed in collaboration with the Better Reporting Group (BRG) indexation and asset valuation project group, supported by CIPFA secretariat. The project members were:

John Newton (Chair)	Hampshire County Council
Daniel Bale	Valuation Office Agency
Jade Brunt	Manchester City Council
Sudesh Chander	HM Treasury
Elanor Davies	Scottish Government
David Ellis	CIPFA (Finance Advisory Network)
Shabana Kausar	London Borough of Barking & Dagenham
Helen McLeod-Baikie	Bruton Knowles
Allison Rhodes	Grant Thornton
Myles Riordan	Valuation Office Agency
Alex Rycroft	North Northamptonshire Council
Stephen Sheen	Ichabod's Industries Ltd

7. Join the Better Reporting Group (BRG)

For more information on the work of the BRG, including current and future projects, [please visit the CIPFA website](#). If you're interested in contributing to the BRG, please complete the [new member form](#) expressing your preferred involvement and a brief professional background.

If you have any questions or suggestions for the group, please email them to policy.technical@cipfa.org.