Summary Of Consultation Responses

Note – a group of interested parties best described as professional accounting firms that audit local authorities is abbreviated in this Appendix to ''firm'' or "firms."

Simplifying measurement for operational property, plant and equipment using indexation

Question		Agree	Disagree	Don't know / Unsure	Other
1	Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods, the application of the requirements of the Code should be amended so that: • asset values in the financial statements may be based on the most recent valuation which has been subject to audit, adjusted for depreciation, and updated by a standard centrally determined index If not, why not? Please provide reasons for your view.	44 53%	26 32%	8 10%	4 5%
2	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries? If not, why not? Please provide reasons for your view.	28 35%	25 31%	19 24%	8 10%
3	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors? If not, why not? Please provide reasons for your view.	27 33%	16 19%	33 40%	7 8%

	Comments	Response	RAG Rating
1	Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods, the application of the requirements of the Code should be amended so that:		

	Comments	Response	RAG Rating
	• asset values in the financial statements may be based on the most recent valuation which has been subject to audit, adjusted for depreciation, and updated by a standard centrally determined index If not, why not? Please provide reasons for your view.		
1.1	Just over a third of respondents had concerns regarding audit. Most of the concern was whether there would be agreement and support from the audit community for the measures. There were also concerns about how contradictions between valuations and indexation would be approached by auditors and if this would create additional work or uncertainty. Some respondents indicated that standardisation and prescription would be needed to prevent further delays by having to justify judgements that have been made. On a similar theme others noted that a mixed approach of using valuations and indexation would create an additional stream of work.	Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, these concerns can be shared with system partners as part of the co-ordinated response to the audit backlogs. Standardisation and prescription are inherently challenging because they do not accommodate the variety of situations that may be encountered. Guidance on how to approach indexation is likely the most effective way to address these concerns.	Red – any update needs to be co-ordinated with auditors to ensure the proposals save time for preparers and auditors.
1.2	Another significant theme which was mentioned by just over a third of respondents was that the proposals are too late for the 2023/24 statutory accounts. Most Local Authorities either have valuations in progress or have received completed valuations.	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities.	Amber – The late issuance of the Code update could affect the workload of both auditors and preparers.
1.3	A quarter of respondents commented on indexation and its implications. Respondents comments were mainly regarding identifying suitable indices for different assets and regional variations, and the starting point for indexation especially with modified and disclaimed audit opinions. However there were also comments on: • Timing of indices being available for year end and having to use estimates • Indexation isn't a formal opinion of value	This was also raised at the consultation webinar, where a query was raised regarding appropriate indices for land. There is clearly work to be done to identify appropriate indices and produce guidance on their use if the measures are to achieve the intended aim of assisting the recovery stage of audit backlogs.	Red – The ability to provide suitable indices and guidance on their application is key.

	Comments	Response	RAG Rating
	• Should the Accountant or Valuer select the indices to use		
1.4	Nearly a fifth of respondents provided comments in support of the proposals. Which included that the proposals may benefit 2024/25 statutory accounts, an optional basis for indexation was ok, property, plant and equipment is the right area to be focussing on and some welcomed the proposals to reduce the local audit backlog.	It's encouraging that the proposals are focussing on the right area of the accounts. Whilst the timing isn't ideal, there may still be some value for local authorities to have the measures available for 2023/24.	Green – this is encouraging for 2024/25
1.5	12 respondents raised concerns about the return to valuations following the end of the temporary measures. The main focus was the increased workload to catch up at the end of the two-year short-term measures and another respondent was concerned that the existing issues would return. Others mentioned the market for valuers may be affected and the potential for large swings in asset carrying balances when valuations return.	The increased workload when the measures end is a risk, as the aim of the proposals is to assist the recovery phase of the local audit backlogs. However, the HMT Thematic review is on the horizon and these measures could ease the transition.	Amber – increased workload represents a risk at the end of the measures which would need monitoring.
1.6	11 respondents commented on the frequency of valuations. With some mentioning that yearly valuations are time consuming and labour intensive. This was supported by others who indicated a preference for five yearly formal valuations to be mandated or called for clearer support for the five-year rolling programme. However, there were also concerns about the seven year timeframe between formal valuations as part of the proposals with one respondent providing the following response "*These provisions of the Code derive from the requirements of IAS 16 paragraphs 31 and 34.* *It is not clear from the proposal that the requirements of paragraphs 4.1.2.37 and 4.1.2.38 would be disapplied. However, the invitation to comment and draft Code update indicate the possible remeasurement of operational property plant and equipment, without using professional valuations, where valuations had previously been conducted as at 31 March 2018 or later. This could*	IFRS paragraphs 31 and 34 cover the frequency of valuations and the principle is that they should be made with sufficient regularity to ensure that the carrying value does not differ materially. It does mention that annual revaluations may be unnecessary for items of property, plant and equipment with only insignificant changes in value and instead it may be necessary to revalue the item only every three or five years. Therefore, the seven year period between formal valuations risks divergence from IFRS requirements and is something CIPFA LASAAC will need to consider.	Red – The seven year period between formal valuations risks divergence from IFRS requirements.

	Comments	Response	RAG Rating
	result, for 2023/24 and 2024/25 financial statements, in some assets not having been subject to professional revaluation for a period of six or seven years, a position which would be inconsistent with 4.1.2.38. *If the requirements of 4.1.2.37 and 38 are disapplied, this would be a departure from the requirements of IFRS and the presumption of "fair presentation" (IAS 1 paragraph 15) would be called into question."*		
1.7	Several respondents thought that the impact of the proposals would be limited and there wouldn't be significant time savings. There was one respondent that mentioned *"The proposal here is a step in the right direction but does not go far enough and is unlikely to have sufficient impact. It is clear that the intention is to make the adoption of the central methodology optional rather than mandatory. As such it opens the door to different interpretations by auditors and accounts preparers".*	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to recover from the audit backlogs.	Amber – there's the risk that the proposal does not save considerable preparer or auditor time.
1.8	A few respondents expressed concern that the short term England only measures were creating different accounting practices across the UK. However, there wasn't any desire for the proposals in other jurisdictions.	CIPFA LASAAC previously debated this issue and favoured maintaining a fully IFRS-compliant Code. This approach prioritises high-quality financial reporting, with short-term adjustments to address the England-specific problem.	Amber – compromise is unavoidable in any proposal.
1.9	One respondent commented on the need to inform stakeholders of the changes to the accounts such as residents and Councillors in this extract from their response *"Also, this is a change of valuation of approach, this could create extra audit work as they look to evaluate the effect of the switch and the need to communicate and explain the change to stakeholders such as Councillors and Residents."*	Communicating the change to key stakeholders is an important part of the process. CIPFA could provide guidance to section 151 officers, audit committees and elected members to assist.	Amber – clear communication will be essential to inform key stakeholders of the changes
1.10	Two respondents mentioned that paragraph CU2 relating to Impairment Reviews in the exposure draft wasn't adding to existing Code provisions and additional information should be provided if the intentions were for different requirements, as noted in this response "*For assets without*	If paragraph CU2 in the exposure draft fails to benefit practitioners, its redrafting or removal should be contemplated in any code amendments.	Amber – paragraph CU2 may need to be redrafted or removed.

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	complete valuer information due to indexation, CU2 requires authorities to make "reasonable attempts" to identify indicators of impairment. We would expect authorities to already have in place reasonable arrangements to identify assets that could be potentially impaired, even where a formal valuation has not taken place. As such, we feel that the additional requirements in CU2 neither add, nor replace the requirements already in place in 4.7.2.9 of the Code In this context it may be useful to provide a cross-reference to the existing paragraph and/or provide an example of what would be considered 'reasonable attempts' if, in CIPFA's view this is different to what is required under 4.7.2.9."		
1.11	The same two respondents raised a technical question regarding indexation being portrayed as a measurement basis in the exposure draft– *"Is the application of an index a measurement basis or a relaxation in intervals between valuations?* *The proposed amendment to para 4.1.2.4 identifies 'indexation using centrally determined indices' as a measurement basis. We think this is technically incorrect. The application of indexation, as described in CU1, is not a valuation basis. It's an estimation technique used in lieu of an up-to-date valuation, to roll forward previous valuations that applied: EUV, EUV-SH, DRC, or Fair Value as a measurement basis.* *The temporary relief proposed by CIPFA is a relaxation of the requirement to obtain up-to-date valuations in 2023/24 and 2024/25. The timing of valuations is dealt with in paragraph 4.1.2.38, and we consider that this paragraph should be amended to acknowledge the temporary relief being offered. If paragraph 4.1.2.38 is not amended, the Code will potentially contain a contradiction as it requires valuations to be carried out at intervals of no more than five years,*	Noted. The aim is to allow indexation to be used in between formal valuations and presentation in any code amendments will be adjusted accordingly to accurately reflect this.	Amber – Any update to the Code will need to be amended accordingly.

	Comments	Response	RAG Rating
	and from a technical perspective the indexation of a previous valuation is not a valuation."		
2	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries? If not, why not? Please provide reasons for your view.		
2.1	A significant proportion of respondents were concerned how the measures would be received by auditors, with half of respondents mentioning this. Respondents were of the view that the success of the measures hinge on them being agreed by auditors. Respondents mentioned any time savings would depend on the level of audit testing required and having to justify indices being used could still take up a considerable amount of time. Some respondents were concerned the measures could present a different point of challenge by auditors and therefore add to their workload rather than solve the current backlog. These concerns are summarised in a response by a County Council *"The potential for a reduction in workload providing additional evidence to auditors and resolving auditors' queries is entirely dependent on the Audit firms' response to the issuing of a standard centrally determined index. If the Audit firms do not accept the index issued, then it will likely fall on our Finance Team to justify the index used and why other indices do not provide better information. The wording of the short-term code will need to be very clear and meet audit expectations, otherwise it could add to the audit backlog, rather than address it."*	Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, these concerns can be shared with system partners as part of the co-ordinated response to the audit backlogs.	Red – any update needs to be co-ordinated with auditors to ensure the proposals save time for preparers and auditors.
2.2	Another significant theme was that just under half of respondents noted that the proposals are too	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial	Amber – The late issuance of the Code update could

	Comments	Response	RAG Rating
	late for the 2023/24 statutory accounts.	year, they may still hold value for some authorities.	affect the workload of both auditors and preparers.
2.3	Approximately a quarter of respondents indicated there would be either no reduction in workload, limited impact, or increased workload. Respondents felt that there wasn't a time saving for preparers in producing the accounts and it was more of a time saving for valuers. Respondents also noted concern that changing the approach to valuations could initially take more time to implement. A district Council also raised the point that other valuation inputs would still need to be audited and they can still take a considerable amount of time "*Presumably auditors will still want to test underlying assumptions such as floor areas etc which is a considerable part of the work.*"	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to recover from the audit backlogs. Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, concerns regarding the auditors approach to testing inputs on assets that have been indexed rather than subject to formal valuation can be shared with system partners.	Red – there's the risk that the proposal does not save considerable preparer or auditor time.
2.4	Indexation and its implications was raised by nearly a fifth of respondents. Again, the focus of the discussion was on the difficulties in identifying suitable indices for different assets and regional variations, and the starting point for indexation especially with modified and disclaimed audit opinions.	There is clearly work to be done to identify appropriate indices and produce guidance on their use if the measures are to achieve the intended aim of assisting the recovery stage of audit backlogs.	Red – The ability to provide suitable indices and guidance on their application is key.
2.5	10 respondents mentioned the future outlook once the short-term measures expire. Most of these comments were expressing concerns that there would be additional work when returning to valuations at the end of the short-term measures. However, there were also concerns about large swings in the carrying value of assets, on the return to valuations. An organisation also mentioned concern about a re-emergence of the current issues being experienced once the short-term measures end.	The increased workload when the measures end is a risk, as the aim of the proposals is to assist the recovery phase of the local audit backlogs. However, the HMT Thematic review is on the horizon and these measures could ease the transition.	Amber – increased workload represents a risk at the end of the measures which would need monitoring.
2.6	Given the consultation question only requested comments if	The aim of the proposals is to reduce the workload for	Amber – there's the risk

	Comments	Response	RAG Rating
	respondents thought there wouldn't be a time saving. There were 10 respondents who were supportive in their comments and most of these mentioned the workload saving in answering audit queries. Although, these were mostly in support of changes for the 2024/25 statutory accounts rather than 2023/24.	practitioners through the recovery stage and therefore it's encouraging to see the positive response. Whilst the timing isn't ideal, there may still be some value for local authorities to have the measures available for 2023/24.	that the proposal does not save considerable practitioner time.
2.7	There were three organisations that provided practical considerations, such as questioning how these changes would be presented in disclosure notes and accounting policies in the accounts. Although the views on this were split. One respondent commented "*However, we do raise the practical question as to how it is intended that indexation movements are to be presented in the financial statements. We would be concerned if they were to be presented with the same status as valuation movements, meaning that the Property, Plant and Equipment notes will need new lines and columns to support the new transaction type. Accounting policies will also need to be updated. The proposal would therefore have a significant impact on the template for the statement of accounts.*" However another respondent was concerned about having to rework the output from their asset management software as highlighted below *"It depends on the PPE disclosures. These are currently reported direct from the asset register software. As noted in Q1, if we need to segregate indexed and formal valuations this would not be currently achievable therefore we would not exercise this option because of the significant manual reworking. If there is agreement that it is not necessary to segregate, it becomes relatively straightforward."*	CIPFA can consider if updated disclosures and accounting policy templates will be necessary alongside any Code amendments. Furthermore, system limitations are an important consideration. Therefore, the optional basis of the measures is important, to give freedom for authorities to determine the best approach for their circumstances.	Amber – there's the risk that without guidance the measures are not implemented as expected. System limitations are unavoidable and it will be up to authorities to determine the best approach for their circumstances.
3	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors? If not, why not? Please provide reasons for your view.		

	Comments	Response	RAG Rating
3.1	Almost half of respondents noted that any reduction in workload would be dependent on initial agreement with auditors for the proposals especially how auditors would gain assurance and reduce the level of testing required. There were also suggestions of standardisation and prescription to aid with this process. An extract from a County Council's response is included below. *"Clearly the audit firms are best placed to answer this question, but in our view: yes, a net reduction in auditor workload may be achieved if the use of indexation (and identification of appropriate indices) as an alternative to formal revaluations can be agreed with the audit firms centrally in advance and the approach is not subject to local agreement between audit teams and their local authority clients."*	Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, these concerns can be shared with system partners as part of the co-ordinated response to the audit backlogs. Standardisation and prescription are inherently challenging because they do not accommodate the variety of situations that may be encountered. Guidance on how to approach indexation is likely the most effective way to address these concerns.	Red – any update needs to be co-ordinated with auditors to ensure the proposals save time for preparers and auditors.
3.2	11 respondents either raised a concern that indexation could contradict valuations that have already been completed, or stated that the proposals have come too late for the 2023/24 statutory accounts. The response from one organisation stated *"The proposal will have very limited benefit for auditors for 2023/24 given the timing of the consultation on the Code and any ensuing changes. Many auditors will have already written to the valuers requesting standard information from them and started to review responses and document this on audit files.* *In addition where preparers then switch to an indexation method (after getting a valuation), auditors will have to consider both valuations and consider the preparers' rationale for whichever valuation has been used. This is likely to add more time to the audit."*	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities. It's understood that authorities will need to use the best available information and hopefully indexation may help confirm their valuations are within an appropriate range.	Red – there's the risk that the proposal does not save considerable preparer or auditor time
3.3	Indexation and its implications was raised by 11 respondents. Again the main focus of the discussion was on the difficulties in identifying suitable indices for different assets	There is clearly work to be done to identify appropriate indices and produce guidance on their use if the measures are to achieve the	Red – The ability to provide suitable indices and

	Comments	Response	RAG Rating
	and regional variations, and the starting point for indexation especially with modified and disclaimed audit opinions.	intended aim of assisting the recovery stage of audit backlogs.	guidance on their application is key.
3.4	10 respondents either felt there would be an increased workload resulting from the proposals or that the proposals would have a limited impact on workload. Of those who felt that there would be an additional workload this was mainly around having a mixed approach of indexation and valuations, effectively having another stream of work to consider.	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to recover from the audit backlogs. The aim is to allow indexation to be used in between formal valuations, which the provision of guidance may help to illustrate.	Red – there's the risk that the proposal does not save considerable preparer or auditor time.
3.5	Several respondents included comments on the future outlook following the end of the short-term measures. They were primarily concerned that there would be additional work when returning to the existing valuation process, including if there were any material variations moving from indexation to valuations. However, there were also a couple of respondents who indicated that they would like to see a long-term use of indexation.	The increased workload when the measures end is a risk, as the aim of the proposals is to assist the recovery phase of the local audit backlogs. It's noted that a long term use of indexation could be beneficial and with the HMT Thematic review on the horizon, these measures could ease the transition.	Amber – increased workload represents a risk at the end of the measures which would need monitoring.
3.6	There were several comments that indicated support and that there is potential to reduce workloads with the proposals. Most of these comments referenced that this would only be for the 2024/25 statutory accounts.	The aim of the proposals is to reduce the workload on practitioners through the recovery stage and whilst the timing isn't ideal, there may still be some value for local authorities to have the measures available for 2023/24.	Green – this is encouraging for 2024/25
3.7	Five respondents mentioned that even with indexation there would still be a considerable amount of work involved in evidencing the other inputs for valuations. This is set out in an extract from a County Council's response *"We would also note that, in our experience, a lot of the audit focus in recent years has been upon testing the existence of assets and the valuation inputs (such as floor area etc) and on challenging the basis of valuation (e.g. existing use value or depreciated replacement cost). Application of indices to derive carrying values will not alter the need for much of this work."*	Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, concerns regarding the auditors approach to testing inputs on assets that have been indexed rather than subject to formal valuation can be shared with system partners.	Amber – understanding of the audit approach to assets indexed is needed to alleviate concerns
3.8	An individual commented on a practical issue for auditors and the software they use for sampling *"Changes such as this would have*	Without an understanding of the auditors' sampling systems, commenting on this response isn't feasible. However, it appears to be	Amber - System limitations are unavoidable

	Comments	Response	RAG Rating
	an impact on the software programs used by external auditors to identify and record their samples - software changes would take time to implement and would incur cost."	a reasonable consideration that should be shared with system partners	but highlighting this at the earliest opportunity could save time later.
4	Who do you consider would be an appropriate authoritative body to determine the indices to be applied?		
4.1	Almost half of respondents mentioned RICS either individually or collectively as an appropriate authoritative body to determine the indices.	Given RICS is a globally recognised professional body that sets and enforces standards in valuations, it is understandable that most respondents have suggested them as the appropriate body.	Green – RICS are a professional body who are suitably qualified
4.2	A quarter of respondents mentioned CIPFA either individually or collectively as an appropriate authoritative body to determine the indices.	As CIPFA are the leader in public financial management and the consultation was issued by CIPFA LASAAC. It again is understandable that respondents have suggested CIPFA's involvement.	Green – CIPFA are a professional body who are able to work with other bodies to determine indices
4.3	13 respondents referenced using existing indices such as BCIS or ONS.	The use of existing indices would certainly expedite the process of using indexation and if there are existing indices that are appropriate then it would seem a sensible approach to use them.	Amber – Finding existing indices will expedite the process, but these still need to be identified
4.4	12 respondents mentioned RICS and CIPFA should work together to determine the indices. This is illustrated in the below response from a County Council "*Since the use of indices is being permitted through a change in the CIPFA Code of Practice, it would seem logical that CIPFA should determine the indices to be applied. As they are the leading professional body for the UK in this area of knowledge, it would make sense to collaborate with the Royal Institution of Chartered Surveyors (RICS) to determine the indices to be used. We are not suggesting that a new set of indices be created, rather than a preferred set of existing indices, such as the Building Cost Information Services (BCIS) indices, are adopted*."	A combination of RICS and CIPFA as illustrated in the response from the County Council appears a logical choice from respondents.	Green – CIPFA and RICS are both professional bodies who have the potential to work together to determine indices

	Comments	Response	RAG Rating
4.5	11 respondents stated that it should be a suitably qualified valuer to determine the indices.	A suitably qualified valuer would allow for a greater pool of options to choose from and would ensure that the indices are determined by a suitable professional in that field.	Green – this would allow for a greater pool of options to choose from
4.6	Six respondents mentioned DLUHC either individually or collectively as an appropriate authoritative body to determine the indices. One respondent stated the following "*This should be issued as accounting guidance by DLUHC to give it statutory override status and remove any doubt.*"	DLUHC are the system leader for local audit and therefore it wouldn't be appropriate for them to determine the indices.	Red – DLUHC as audit system leader are inappropriate
5	By what date would you need this information to be able to effectively implement an indexation approach?		
5.1	Just over a fifth of respondents said that they would need the information by the end of March.	Whilst this is likely to be achievable for 2024/25, this deadline has now passed for 2023/24. However, the proposals may still hold value for some authorities.	Red – The late issuance of indices could affect the workload of both auditors and preparers.
5.2	Nearly a fifth of respondents stated that it was too late for the 2023/24 accounts.	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities.	Red – The late issuance of indices could affect the workload of both auditors and preparers.
5.3	Ten respondents mentioned that they would need the information by the start of March.	Indices may not be available at the start of March and using older indices increases the risk of estimates included in the draft accounts needing to be adjusted for the final accounts. Furthermore, this deadline has now passed for 2023/24. However, the proposals may still hold value for some authorities	Red – The late issuance of indices could affect the workload of both auditors and preparers.
5.4	Nine respondents said that they would need the information by the middle of April.	Whilst this is likely to be achievable for 2024/25, this deadline will have passed by the time any Code amendment is ready for 2023/24. However, the proposals may still hold value for some authorities.	Red – The late issuance of indices could affect the workload of both auditors and preparers.
5.5	Several respondents stated that they would need the information by the end of April.	Whilst this is likely to be achievable for 2024/25, this deadline for having a centrally determined index available is tight for 2023/24. However, the proposals may still hold value for some authorities.	Red – The late issuance of indices could affect the workload of both

	Comments	Response	RAG Rating
			auditors and preparers.
5.6	A few respondents mentioned that they would need information by the autumn which is highlighted in this response *“We would not opt to take advantage of the indexation option for the 2023/24 as valuation work is already in progress / has been instigated. We may consider utilising the indexation option for the 2024/25 accounts process but would require guidance around indexation factors in autumn 2024 to allow us to determine whether it is appropriate and feasible for us to adopt this approach.”*	Whilst this is likely to be achievable for 2024/25, this deadline has now passed for 2023/24. However, the proposals may still hold value for some authorities.	Red – The late issuance of indices could affect the workload of both auditors and preparers.
6	Do you have any other comments on this proposal?		
6.1	Just over a quarter of respondents mentioned similar concerns as in earlier questions, regarding audit and some also suggested standardisation and prescription. 10 respondents mentioned that the proposals were too late for the 2023/24 accounts.	Whilst the auditors approach to the measures is outside the remit of CIPFA LASAAC, these concerns can be shared with system partners as part of the co-ordinated response to the audit backlogs. Furthermore, whilst the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities.	Red – any update needs to be co-ordinated with auditors to ensure the proposals save time for preparers and auditors.
6.2	Several respondents mentioned in one way or another the limited value and overstated significance of valuations in local authority accounts. There were a couple of respondents that were also supportive of a permanent rather than temporary change in this area. Another couple of respondents referenced HM Treasury’s proposed changes.	The level of comments received indicate that the focus of the proposals is in the right area. Furthermore, with the HMT Thematic review on the horizon, adopting these measures on a temporary basis could provide a useful opportunity to assess their impact and could ease the transition.	Amber – Ensuring that preparers and auditors feel the proposals present time savings will be important to ensure their success.
6.3	Several respondents had queries on the scope of the consultation mentioning the following classes of assets: • Investment properties • Council Dwellings Another respondent mentioned that the ITC mentions only operational assets are to be indexed, however	Investment properties pose a higher level of risk in local authority accounts and therefore it wasn’t deemed appropriate for valuation requirements to be updated in this area. Council Dwellings was also raised at the consultation webinar. Our understanding is that Council Dwellings are already subject to a level of expedience by using the Beacon Approach and small changes to inputs can result in	Green – the scope of the measures appear appropriate

	Comments	Response	RAG Rating
	only ‘other land and buildings’ is referred to in the exposure draft.	material overall movements. Therefore, at this moment it’s not felt appropriate to apply this to Dwellings. Operational property, plant and equipment appears a more prudent starting point. Paragraph CU1 of the exposure draft does state “this option is only for operational assets measured at current value which are being used to provide services”.	
6.4	Five respondents mentioned the wording for conducting impairment reviews in the exposure draft doesn’t provide any benefit and could lead to additional work as set out in an extract from a County Councils response below *“The use of the phrase "reasonable attempts to identify factors" in respect of an impairment review without defining exactly what this means has the potential for the auditors to require a lot of extra work thereby undermining the effectiveness of the proposed change.”*	If paragraph CU2 in the exposure draft fails to benefit practitioners, its redrafting or removal should be contemplated in any code amendments.	Amber – paragraph CU2 may need to be redrafted or removed.
6.5	Increased workload as a result of implementing IFRS 16 was referenced by four respondents and clarification was sought on the below *“The CIPFA LASAAC Code Board has confirmed the requirement for mandatory adoption of IFRS 16 Leases in 2024/25. It is presumed that leased assets that would not previously have required valuation, and cannot be valued under the cost model, will still need to be formally valued on transition to IFRS 16, regardless of any general decision to pause valuation in 2024/25. It would be helpful to have this clarified though.”*	The intention isn’t to pause the valuation of assets, but rather allow indexation to be used in between formal valuations to ensure the carrying value of assets remain approximate to current value in the years between formal valuations. For assets that have not yet been subject to valuation and require a valuation, they will still need to be formally valued.	Amber – The implementation of IFRS 16 will need to be monitored
6.6	A couple of respondents expressed concern about having two different approaches to the valuation of assets across local authorities with one respondent noting the following *“The implications for whole of government accounts of two different approaches to asset valuation within the local authority sector should be carefully considered.”*	The aim of indexation is to ensure the carrying value of assets remain approximate to current value in the years between formal valuations. Therefore, the value of assets in local authority accounts should still be materially accurate.	Green – the measures should still ensure materially accurate carrying values for assets in local authority accounts
6.7	One organisation raised a technical point on how indexation is treated in the NHS accounts and proposed	By adopting this approach it could create differences across local authorities with those who adopt	Amber – consider if any Code

	Comments	Response	RAG Rating
	this approach "*In the NHS, the Group Accounts Manual (GAM) makes a clear distinction between adjustments to property, plant and equipment through indexation compared to formal revaluation. The NHS group accounting manual requires that cumulative depreciation is "zeroed" as an in-year movement only on formal revaluation and not on indexation. The proposals on the amendments to the Code do not cover this point. We would support a similar approach to that applied by the NHS GAM.* *Is it CIPFA's intention is that there is no difference in the accounting treatment between a formal revaluation and indexation? To avoid different interpretations, this should be made clear."*	indexation and those who maintain formal valuations. There is also the risk that it could create additional work as asset register process and systems would need to be altered. The proposal would be for no difference in the accounting treatment between a formal revaluation and indexation. Therefore, for any Code amendments there will need to be consideration if this should be made explicit.	amendments need to make this explicit

Reduced pensions disclosures

Question		Agree	Disagree	Don’t know / Unsure	Other
7	Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods the application of the requirements of the Code should be amended so that reduced pension disclosures are required, as outlined in the exposure draft. If not, why not? Please provide reasons for your view, noting any specific pension disclosures for which you consider this approach to be problematic.	39 47%	27 33%	11 13%	6 7%
8	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries? If not, why not? Please provide reasons for your view.	20 25%	37 46%	17 21%	6 8%
9	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors? If not, why not? Please provide reasons for your view.	24 29%	29 35%	24 29%	6 7%

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7	Do you agree with the proposal that, for local authorities in England only and for the 2023/24 and 2024/25 reporting periods the application of the requirements of the Code should be amended so that reduced pension disclosures are required, as outlined in the exposure draft. If not, why not? Please provide reasons for your view, noting any specific pension disclosures for which you consider this approach to be problematic.		
7.1	Some respondents expressed uncertainty during the consultation, questioning whether the proposals involved a transition from IAS 19 to FRS 102 for pension reporting.	While FRS 102 serves as a reference point, the proposal doesn't involve a switch in reporting standards. The objective is to reduce the pension disclosure burden by aligning them more closely with FRS 102 requirements.	Red – any update to the Code must remove any doubt for preparers and auditors.
7.2	Over a third of respondents expressed concerns about the proposal's limited impact on	There is a risk that failure to achieve significant time savings	Red – proposal does not save considerable

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	preparers and auditors. They argued that the information targeted for reduction likely originates from existing IAS 19 reports, offering minimal benefit. One borough council echoed this sentiment, stating: *"Little benefit as it relates to narrative disclosure notes that are lifted from the actuary reports."*	through this proposal could hinder efforts to reduce the audit backlog.	preparer or auditor time.
7.3	Four respondents raised concerns about a potential inconsistency between the proposal to remove sensitivity analysis from pension disclosures and the requirements of paragraph 3.4.2.96 of the Code. *"We are however unclear how the removal of the sensitivity analysis for each significant actuarial assumption aligns with the requirement of paragraph 3.4.2.96 of the Code to disclose information about major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year."*	Paragraph 3.4.2.96 of the Code requires disclosure of key assumptions and estimation uncertainties that could significantly impact asset/liability valuations. Authorities already include the impact of a change in the discount rate in the Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty note. This raises concerns that auditors may still expect to see the remaining sensitivity analysis information, removed by the proposal, included in this note unless the Code is amended to address this potential inconsistency.	Red - paragraph 3.4.2.96 may require changing.
7.4	Five respondents felt the short-term disruption outweighed any benefit and would rather see the change made permanent.	CIPFA LASAAC will explore long-term solutions during the reform phase, including a comprehensive review of pension disclosure requirements.	Amber – this forms part of the reform phase.
7.5	Several respondents called for more extensive reductions in disclosure requirements beyond the proposed changes. One representative body stated: *"Whilst we welcome the proposed reductions in disclosures we do not feel the proposals have gone far enough and would have preferred to see a move towards reporting on a contribution basis for local authorities."*	CIPFA LASAAC will explore long-term solutions during the reform phase, including a comprehensive review of pension disclosure requirements.	Amber – this forms part of the reform phase.
7.6	There were conflicting views from respondents as to the usefulness of the disclosures removed. Two respondents felt that the disclosures removed are not crucial	CIPFA LASAAC previously recognised the inherent balancing act between robust financial reporting and alleviating the audit backlog. The board also	Amber – compromise is unavoidable in any proposal.

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	to the readers understanding of the accounts. However, two other respondents felt that the disclosures removed were useful, with one county council stating: " *The disclosure which is proposed to be removed provides users of the accounts with a helpful quantification of the sensitivity of the pension asset/liabilities to the assumptions which underpin it. This is especially important given the breadth of assumptions, the extent of their uncertainty, and the materiality of the pension asset/liability on the balance sheet. The sensitivity analysis also provides a helpful 'sense-check' to attribute the year-on-year variation in the net pension asset/liability to movements in the underlying assumptions."*	acknowledged the diverse information needs of accounts users.	
7.7	11 organisations have already requested IAS 19 reports from their actuaries which will include sensitivity analysis, and one county council pointed out: *"The actuaries have also confirmed they are required to provide this information under the Technical Actuarial Standards so would not reduce the information received by the authority."*	Authorities will always need to make a judgement as to the amount of information from experts to include in the accounts.	Green – this is not impacted by the proposal
8	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for preparers, having regard both to additional work that would be required to implement the change, and anticipated reductions in requirements to provide additional evidence to auditors and to resolve auditor queries? If not, why not? Please provide reasons for your view.		
8.1	Three quarters of respondents that gave comments, replied that the deleted disclosures are not time consuming to produce and so therefore it will only be a marginal benefit for preparers.	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to reduce the audit backlog.	Red – proposal does not save considerable preparer time.
8.2	Five respondents thought that there would be additional work for preparers, even to remove disclosures from the accounts. One City Council noted: *"The time taken in removing the disclosure from the existing accounts template and reconfiguring it will be greater than*	The intention of the proposal was to reduce the current preparer burden, not to increase the preparer's workload.	Red – proposal does not save considerable preparer time.

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	the time taken to input the figures from the Actuarial Report for most authorities."		
8.3	Several authorities thought the benefit would be dependent on stance taken by their auditors, with one London Borough responding: *"Our auditors have already indicated they expect underlying work to be done to IAS 19 standards and not simply a reduction to FRS 102 requirements, with the information on sensitivity analysis available."*	The current local audit backlog has strained relationships between authorities and auditors. Joint communications from system partners, alongside a revision to the NAO's Code of Audit Practice, could potentially help mitigate these concerns.	Amber – clear communication will be essential to alleviate practitioner concerns
8.4	Two respondents questioned if the disclosures would still be required for Whole of Government Accounts (WGA).	While WGA requirements for local authorities have not yet been confirmed by HM Treasury. The report from the authority's actuary should contain the relevant information that will enable them to meet WGA requirements at a later point in time.	Amber – the removed information may still be required for WGA
8.5	Three respondents felt a reduction in disclosures could lead to a reduction in audit queries, although a district council noted: *"...the focus of auditors is in gaining assurance over the main assumptions made by the actuary for the valuation of the overall liability/asset..."*	A reduction in audit queries is exactly what was envisioned when the proposal was first drafted.	Green – this is in line with the proposal
9	Do you consider that this would have a beneficial effect (a net reduction) in the overall workload for auditors? If not, why not? Please provide reasons for your view.		
9.1	Almost all respondents that gave comments, replied that the deleted disclosures will only provide a minimal benefit for auditors as disclosure notes are not the focus of the audit. One audit firm commented: *"Our audit procedures are focussed on understanding the processes for obtaining the information that feeds into the net pension asset/liability and associated in year transactions; obtaining assurance over the relevant source data and assumptions; obtaining assurance that the transactions are in line with our understanding; and obtaining assurance that accounting*	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to reduce the audit backlog.	Red – proposal does not save considerable auditor time.

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	transactions are compliant with Code requirements. While auditors do review the pension disclosures, this takes up a relatively small portion of audit time and any time saving would be inconsequential to auditor workload."		
9.2	Three authorities felt that more time could be saved if auditors were able to place more reliance on actuary reports. One noted: *"... the time that audit firms spend on the checking and assessment of pension reports produced by professional actuaries could be reduced without these short-term changes if they accepted the output of correctly procured, specifically qualified professionals."*	This would require a change in the NAO's Code of Audit Practice and is outside of CIPFA LASAAC's remit.	N/A - outside of CIPFA LASAAC's remit
10	Do you have any other comments on this proposal?		
10.1	Just over a fifth welcomed the proposals but felt that they would only provide a marginal saving.	There is a risk that failure to achieve significant time savings through this proposal could hinder efforts to reduce the audit backlog.	Red – proposal does not save considerable preparer or auditor time.
10.2	A fifth of all comments received would like to see CIPFA LASAAC take the proposals further. One consultancy firm suggested: *"I would have deleted the requirements of para 6.4.3.45 (8) and (9)"* and further proposed: *"If the intention is to reduce practitioner time and audit effort, pensions disclosure notes could be restricted to an analysis of movements on balance sheet assets and liabilities only."*	CIPFA LASAAC will explore long-term solutions during the reform phase, including a comprehensive review of pension disclosure requirements.	Amber – this forms part of the reform phase.
10.3	Just under a fifth would like to see the proposal as a permanent change to the Code. A Police authority noted: *"Given, as stated above, CIPFA LAASAC is of the view that certain disclosures made in local authority financial statements regarding pensions may not always be essential why can't these changes be made permanent?"*	CIPFA LASAAC will explore long-term solutions during the reform phase, including a comprehensive review of pension disclosure requirements.	Amber – this forms part of the reform phase.

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10.4	Five respondents felt it was too late for any changes to be implemented in 2023/24.	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities.	Amber – The late issuance of the Code update could affect the workload of both auditors and preparers.
10.5	Three respondents felt that they need decisions on the final Code update to be taken as early as possible and for CIPFA to provide further guidance and/or clarification.	Due to a tight timeframe, the realistic publication date for the code update is during May. CIPFA will provide further guidance as is necessary.	Green – this is in line with the proposal
10.6	One district council requested the proposal be optional, not mandatory.	Authorities that consistently meet the statutory deadline for publishing audited accounts may have established processes that work well for them.	Green – this is in line with the proposal
10.7	Just under a fifth of respondents that left comments felt that more time could be saved if auditors were able to place more reliance on actuary reports. A county council considered: *"It would be useful if the auditing standards would allow them to put reliance on the use of our experts."*	This would require a change in the NAO's Code of Audit Practice and is outside of CIPFA LASAAC's remit.	N/A - outside of CIPFA LASAAC's remit

Other comments on the short-term proposals

	Comments	Response	RAG Rating
11	Do you have any other comments on how the short-term proposals might be implemented? For example, having considered the proposal in this ITC, to the extent that you are in favour of them, do you agree or disagree that this is an appropriate matter for specification in the Code, which is a matter for CIPFA LASAAC to determine under its usual process?		
11.1	Just under a quarter of respondents felt that the proposals were too late for 2023/24.	While the timing of the proposals is undeniably outside the ideal window for the 2023/24 financial year, they may still hold value for some authorities.	Amber – The late issuance of the Code update could affect the workload of both auditors and preparers.
11.2	Ten authorities and a representative body voiced disappointment over the lack of delay for IFRS 16 implementation, citing the existing local audit backlog as a concern.	CIPFA LASAAC debated this point after reviewing consultation feedback on the 2024/25 Code. Out of the 57 authorities that responded to this consultation, only a minority (around 17%) raised it as an issue.	Amber – IFRS 16 implementation may add to auditor and preparer burden.
11.3	Over a fifth felt the current proposals were insufficient, while nearly a third of respondents called for more permanent Code simplifications. One consultancy firm suggested: "*1. Remove the expenditure and funding analysis (EFA), which far from reflecting information reported to senior management, is a purely arithmetical exercise to comply with the Code;* *2. Reduce or remove the statutory overrides as has been suggested by the Public Accounts Committee as these shield local authorities from the impacts of poor decision-making particularly on investments;* *3. Restrict the requirement to produce Group Accounts to those authorities where there is a material quantum of third party trading. The majority of local authority companies are set up to deliver capital projects (usually either housing or regeneration schemes) and are totally reliant on funding from the local authority, which is then eliminated on consolidation. More meaningful information can be provided through the related party transactions disclosure.* *4. Reduce the number of disclosure note requirements, Many notes,*	CIPFA LASAAC will be looking at long term solutions including pensions disclosures as part of the reform phase.	Amber – this forms part of the reform phase.

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	especially financial instrument and statutory override disclosures, duplicate information already available elsewhere in the accounts. *5. Scrap the requirement to report the Collection Fund separately, given that each preceptor reports their share of local taxation in the CIES"*		
11.4	Two respondents highlighted that Code changes for England only were creating inconsistencies across the jurisdictions in the UK.	CIPFA LASAAC previously debated this issue and favoured maintaining a fully IFRS-compliant Code. This approach prioritises high-quality financial reporting, with short-term adjustments to address the England-specific problem.	Amber – compromise is unavoidable in any proposal.
11.5	Six respondents requested further guidance on disclaimed opinions and the application of indexation plus additional disclosures that would be required. One audit firm suggested: *"Therefore, CIPFA might consider adding the following additional disclosures:* *- Why indexation is being introduced as a temporary option.* *- Whether or not the Authority has taken advantage of the option to apply indexation.* *- An amendment to para 4.1.4.3 4 to show the proportion of PPE carrying values not subject to valuation within 5 years, i.e. the proportion assets where indexation has been applied.* *- The nature of the assets carried at valuation plus indexation.* *- The amount of indexation included in carrying values."*	Full guidance notes will need to be prepared by CIPFA to accompany any Code update.	Green – this is in line with the proposals.
11.6	Just over a quarter of respondents felt that the proposals were appropriate for the Code, however three respondents suggested statutory instrument might have a greater impact. One accountancy institute noted: *"There is a limit to what can be achieved short-term through amending the Code to simplify and streamline financial reporting. The level of fundamental reform required needs greater government involvement and legislative change."*	CIPFA LASAAC can take comfort in knowing respondents favour code updates for short-term issues. This approach offers greater flexibility compared to statutory overrides, which can be unwieldy and leave lasting impacts. Code updates allow for swifter adjustments while maintaining a clear legal framework.	Green – this is in line with the proposals.

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11.7	Three respondents felt that the success of any proposals would be dependent on alignment with audit guidelines.	To address the local audit backlog, the NAO, DLUHC, and CIPFA/LASAAC conducted consultations as part of a collaborative effort to develop a joint solution, detailed in the joint statement.	Green – this is in line with the proposals.
11.8	Two respondents indicated that a change in the statutory deadline for the publication of draft accounts would assist practitioners.	Although the 2023/24 deadline of 31 May 2024 was not included, DLUHC's consultation sought views on the draft account deadline for the 2024/25 to 2027/28 accounts.	N/A - outside of CIPFA LASAAC's remit
11.9	Three respondents felt that the underlying issues causing the backlog would not be resolved by Code amendments. One accountancy institute noted: *"These temporary measures will not address the underlying systemic problems that have led to the current backlog. Some of these relate to shortages of experienced staff in local authority finance teams, attraction and retention hurdles in the profession, increased workload pressure on finance and audit staff, emerging new reporting requirements without associated upskilling in finance teams, and the impact of reduced local government funding, among others."*	While CIPFA LASAAC can't directly resolve the issues raised by the accountancy institute, the board can still direct practitioners to helpful resources such as publications and training.	N/A - outside of CIPFA LASAAC's remit
11.10	Ten respondents had comments about the perceived focus of audit work and that a change in the audit framework allowing auditors to focus on areas that impact on the taxpayer would be more beneficial.	This would require a change in the NAO's Code of Audit Practice and is outside of CIPFA LASAAC's remit.	N/A - outside of CIPFA LASAAC's remit