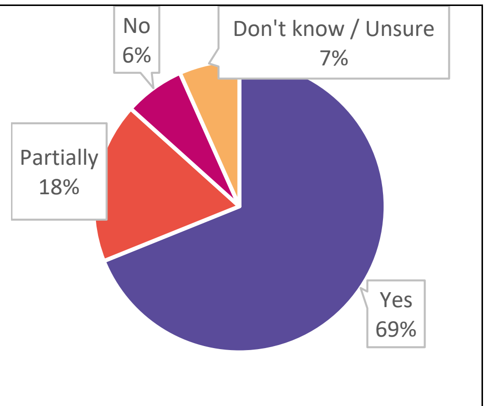
Summary Of Consultation Responses

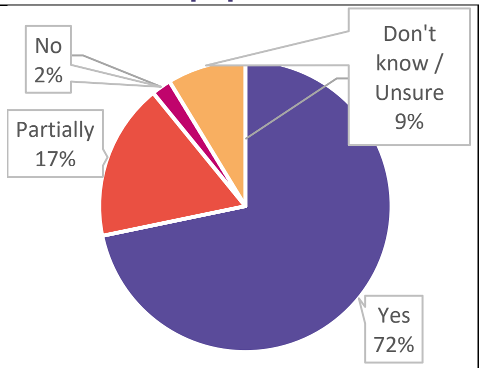
Focus on longer-term reforms

Q1	Do you agree with the approach to longer-term reforms of advancing the agenda in the context of longer-term reforms and implement changes from the Thematic Review in 2025/26?	

	Comments	Response	RAG Rating
1.1	Concerns were expressed by about half of respondents that made comments. These included:		
a)	Worry that indexation would create additional work for both preparers and auditors.	The Secretariat understands the concerns of practitioners and auditors and has no desire to unnecessarily add to the burden.	Red – capacity remains a challenge for local authorities and audit firms.
b)	Questions about the availability of suitable indices.	Discussions are ongoing with VOA around identification of suitable indices including regional differences.	Amber – discussions are ongoing with VOA.
c)	Whether guidance and indices will be ready in time for implementation.	The Better Reporting Group have already started looking at producing application guidance and identifying additional support required.	Green – BRG aim to publish application guidance alongside the 2025/26 Code.
d)	Clarity around the treatment of indexed valuations.	Detailed concerns were provided in the responses to questions 5 and 10.	Red - A decision on the status of indexation will be needed.
1.2	7 respondents, including those that did not agree as well as those that agreed, felt that the proposals didn’t go far enough and simplification should be the focus of changes to the Code. With one council stating *“...the financial statements are currently complex documents which are not understandable for the majority of users. Any changes which would improve understandability should be prioritised...”*	CIPFA LASAAC fully understands the conflicting demands inherent in producing IFRS compliant accounts, as required by central government, versus the funding basis accounts understood by taxpayers	Green – the focus of all BRG projects is on the user of the accounts.
1.3	One council urged CIPFA LASAAC to be mindful of the pressures on local authorities at	The Secretariat understands the concerns of practitioners and auditors and has no desire	Red – capacity remains a challenge

	Comments	Response	RAG Rating
	the minute. Bodies who have received modified audit opinions may be trying to build back assurance whilst navigating local government reorganisation.	desire to unnecessarily add to the burden.	for local authorities and audit firms.
1.4	One individual did not agree with the implementation of changes from the Thematic Review. They felt that *"the proposed changes to the Code are not being driven by an imperative to improve accountability through financial reporting but in reaction to audit issues that should be resolved within the audit community."*	The secretariat understands the sentiment expressed. However, the Code must be auditable according to current audit standards.	n/a

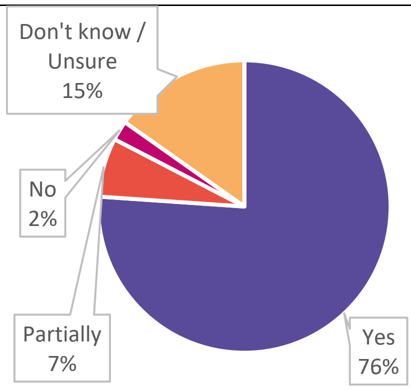
Approach to Changes for Operational Property, Plant and Equipment

Q2	Do you agree with the proposal to maintain the use of existing use value (EUV)?	

	Comments	Response	RAG Rating
2.1	Most respondents supported maintaining the use of EUV. While agreeing several respondents noted practitioners and valuers are already familiar with EUV, it is well understood, and changing it seemed unnecessary.	To note. Supportive of the view and proposal set out in ITC.	Green – this is in line with the proposal
2.2	An audit firm disagreed with the proposal to maintain the use of EUV and supported the introduction of current operational value (COV) as an alternative. They provided text from their response to the HMT Thematic Review consultation "…*a measurement approach based on the way an asset is used by an entity to deliver its functions rather a market-based approach applying concepts such as highest and best use is more appropriate for operational assets held for their service capacity in the public sector…"*	To note alternative view. However, most respondents were supportive of proposals in the ITC to maintain the use of EUV.	Green – most respondents were supportive of proposals, which are in line with the FReM.

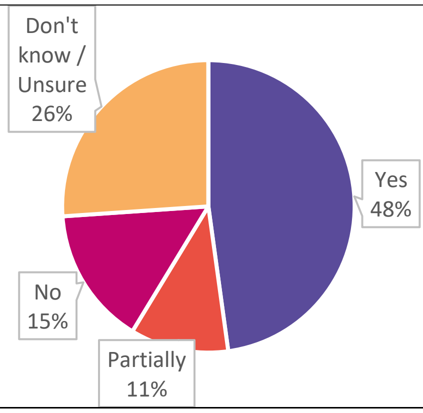
	Comments	Response	RAG Rating
2.3	However, an accountancy institute had a different view when in support of maintaining EUV *“…the alternative IPSASB measurement basis – Current Operational Value (COV) - does not permit the income approach as a valuation technique, which is an unnecessary restriction…”*	To note. Supportive of proposal in the ITC. This contrasts with the view expressed above and highlights the inherent difficulty of navigating differing opinions when setting standards.	Green – this is in line with the ITC proposal.

Specialised assets - the use of depreciated replacement cost in local authority measurement

Q3	Would you support a future move to value operational property, plant and equipment based on their current site and not consider alternative sites?	

	Comments	Response	RAG Rating
3.1	Most respondents who stated their rationale and supported a future move to value operational property, plant and equipment based on their current site and not consider alternative sites did so on the basis that alternative sites are generally inappropriate and rarely used. One Council noted that *“…operational assets are often required by an Authority in a specific locality e.g. schools. Assets (particularly schools but also other asset types) would be built in existing locations as they serve catchment areas and service users and would not be moved to a different locality…”*	To note. Although this won’t be implemented in 2025/26 and it will be discussed further by HMT, it is useful to know that respondents are supportive of these potential future changes.	Green – responses show encouragement for the current direction of travel.
3.2	Several respondents also expressed support on the basis that not having to consider alternative sites would reduce the amount of valuer assumptions and consequently reduce workloads.	To note. Again, it is helpful to understand that this would represent a reduction in workload.	Green – again responses show encouragement for the current direction of travel.
3.3	A couple of respondents commented that moving away from alternative site and Modern Equivalent Asset (MEA) concepts would be contrary to existing	To note. For any future changes in this area it will be important to understand the impact of diverging from	Amber – Consideration needed for how conflicts with existing RICS

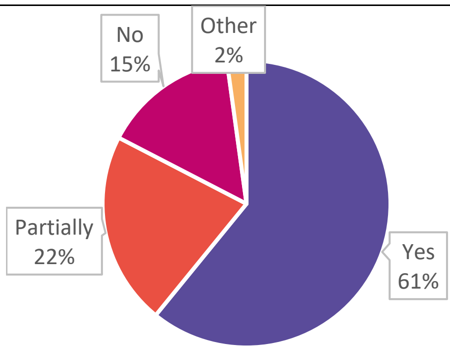
	Comments	Response	RAG Rating
	guidance from RICS regarding DRC valuations.	existing RICS guidance and how this can be addressed.	guidance will be addressed.

Q4	If operational property, plant and equipment is valued based on their current site. Should the modern equivalent asset (MEA) approach still be applied to the area of the site?	

	Comments	Response	RAG Rating
4.1	Responses to this question were not always entirely clear that they had understood the proposal. For example, several respondents queried what the alternative would be. However, on the whole respondents appeared to be supportive of maintaining the MEA approach.	The Secretariat notes for any future consultation on this topic, further consideration will be needed on how to best support respondents in fully understanding the proposals, including clearly setting out the alternative option. However, on the whole respondents were supportive of maintaining the MEA approach, which is useful information to be relayed to HMT.	Green – On the whole respondents were supportive of maintaining the MEA approach, although more explanation is needed in any future consultation proposals to assist respondents.
4.2	One Council suggested considering the definition of 'prudent purchaser' in tandem with this proposal. They noted *"..at present, the lower of the existing site area and the MEA site area (which for schools is calculated in accordance with the DfE Building Bulletins) is adopted in DRC valuations, on the basis that a 'prudent purchaser' would only acquire the lowest cost replacement site…"*	To note. This information can be communicated to HMT. However, this is the fundamental principle behind MEA valuations.	Amber – this information can be communicated to HMT, but it might be out of the scope of any changes.
4.3	An accountancy institute proposed a direct change to the Code *"..It would also continue to reflect the definition of DRC as contained within the RICS Red Book, which defines a DRC valuation as "The current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and*	The Secretariat notes that paragraph 4.1.2.7 of the Code already adopts this definition so there is no change required.	Green – Code already adopts definition so no change required.

	Comments	Response	RAG Rating
	optimisation." However, we believe that it would be beneficial for Paragraph 4.1.2.7 of the Code to directly adopt this definition and reference RICS guidance directly, as Paragraph 4.1.2.4 does when defining EUV and EUV-SH…"		

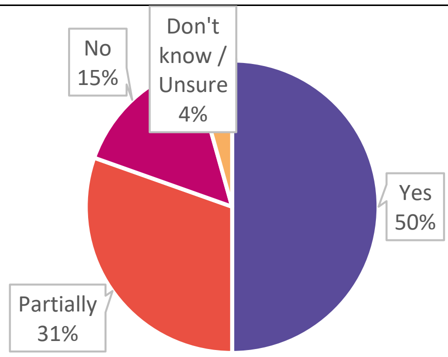
Frequency of valuations for operational property, plant and equipment and the use of indexation

Q5	Do you agree with the suggestion that, for non-investment assets which are not social housing, the Code should withdraw the IAS 16 requirement for revaluations to be made with sufficient regularity that ensures the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. Instead replacing this with a quinquennial revaluation or a five-year rolling basis, supported by indexation in intervening years?	

	Comments	Response	RAG Rating
5.1	Approximately a quarter of respondents who agreed with the proposals, indicated there would be a reduction in workload.	To note support for the ITC proposal and the anticipated reduction in workload	Green – support for the ITC proposal.
5.2	However, there were several respondents who felt this would increase their workload. These concerns were raised by authorities who are not currently experiencing difficulties with valuations. Therefore, having to revalue their entire portfolio each year (a mix of formal valuations and indexation) would represent a significant increase in work.	There is always the risk that changes could increase the workload for some authorities. However, with the unprecedented level of disclaimed audit opinions issued and asset valuations cited as one of the key issues, it is anticipated most authorities will benefit from these proposals.	Green – it is still anticipated that most authorities will benefit from the proposals.
5.3	Several respondents had concerns regarding audit which mirrors feedback received in the short-term measures consultation which considered implementing indexation in 2023-24 and 2024-25. Most concerns were that discussions already occurring for formal valuations would instead move to discussions on the selection of suitable indices and therefore significantly impact the ability to achieve time savings.	Whilst the auditors approach is outside the remit of CIPFA LASAAC, these concerns can be addressed somewhat by the involvement of auditors in the development of any guidance produced to assist with implementation. Standardisation and prescription are inherently challenging because they do not accommodate the variety of situations that may be encountered. Guidance on	Amber - Guidance needs to be co-ordinated with auditors to ensure the proposals save time for preparers and auditors. It's not likely prescription will be possible and therefore judgement will still be required, which is likely to still take up time in the short term. However, in the longer-term

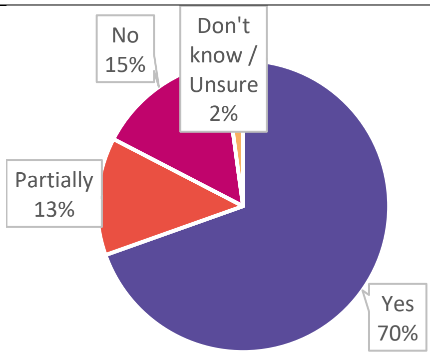
	Comments	Response	RAG Rating
	Several respondents also proposed prescribed indices as a potential solution to anticipated difficulties in selecting suitable indices and agreeing this with auditors.	how to approach indexation is likely the most effective way to address these concerns.	there is the potential for significant time savings.
5.4	Approximately a quarter of respondents also expressed the need for guidance which is considered in more detail in later questions. A few of these responses also queried the role of valuers and finance staff in the process of applying indexation to assets in between formal valuations. Including concerns if valuers will agree to carry out indexation, given it is a departure from formal valuations. One Council also noted their valuer would be unwilling to adopt indexation without formal acknowledgement by RICS.	Guidance will be key to the successful implementation of the changes. There has already been considerable work in this area in the application guidance produced by the VOA for HMT. This can be used as a starting point for guidance for local authority preparers and auditors. The Secretariat understands that some authorities/valuers already apply indexation to justify assets do not require revaluations. Furthermore, the status of indexation is something which is raised later in ITC responses and clarification in this area may alleviate concerns from valuers.	Amber – Given the significant starting point, guidance appears feasible, and indices have already been used by some authorities which proves it works. However, direction on the status of indexation will be needed and further clarifications provided.
5.5	There were also two alternative proposals suggested from two respondents who were partially supportive: • For quinquennial revaluations or a five-yearly rolling basis to be optional rather than mandatory. To provide flexibility for authorities who may prefer a shorter period or if it is more cost effective for some assets. There is no public sector specific reason to depart from IAS 16 which provides an appropriate range of three to five years. • The other proposal was for indexation changes to only be reflected by way of disclosure in the statement of accounts rather than making actual accounting entries for them. Most of their non-investment assets are	In the interests of a whole public sector position and to seek the most proportionate approach to the measurement of operational property, plant and equipment, the Secretariat notes the FReM is mandating entities can choose from a quinquennial revaluation or a five-year rolling basis for formal valuations, supported by annual indexation in the intervening years. Furthermore, as noted in 5.4 above the status of indexation is something which is raised later in ITC responses and a decision on this will then lead to determination of what disclosures will be required.	Amber – The proposals follow the FReM. However, direction on the status of indexation will be needed and further clarifications provided.

	Comments	Response	RAG Rating
	already valued every five years and therefore the changes could cause more work and confusion.		

Q6	Do you agree that authorities should use the 'best available' indices and in the extremely rare circumstance that no index is available, authorities should not be required to revalue those assets more frequently than every three years?	

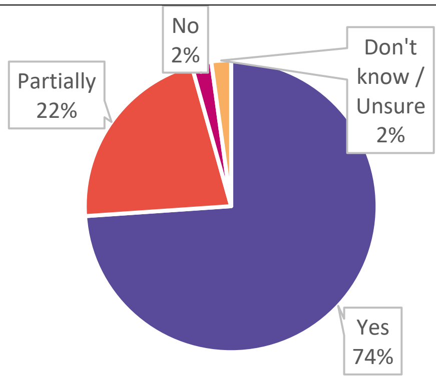
	Comments	Response	RAG Rating
6.1	Approximately a third of responses to this question requested guidance to assist with implementation and how to determine what best available indices are. This includes 7 respondents who noted they partially supported the proposal, which would take responses in favour to 30 respondents – 65%. There were some that went even further, with approximately a quarter of respondents suggesting prescribed indices. The main driver for requesting guidance or prescribed indices were concerns regarding preparers and auditors being able to agree on 'best available indices'. On the whole respondents were seeking further clarity and support in this area to assist with implementing the proposed changes.	As noted above in earlier responses, guidance will be key to the successful implementation of the changes. There has already been considerable work in this area in the application guidance produced by the VOA for HMT. This can be used as a starting point for guidance for local authority preparers and auditors. However, 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.	Amber – Given the significant starting point, guidance appears feasible, and indices have already been used by some authorities which proves it works. However, agreeing indices between auditors and preparers will be challenging and likely time consuming during the implementation phase. However, in the longer term there is potential for significant time savings.
6.2	Another two respondents proposed direct changes to the Code: *"…tweak the current proposals to better align with the requirements of the FReM. Paragraph 10.1.3 of the 2025-26 FReM states that "in rare circumstances where an index is not available, entities*	The Secretariat agrees and proposes tweaking the proposals to align with the requirements of the 2025-26 FReM which was issued after the ITC. Paragraph 10.1.3 of the 2025-26 FReM states that in rare circumstances where an index is not available, entities shall	Green – This revised proposal maintains consistency with the FReM.

	Comments	Response	RAG Rating
	shall revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year 3…" *"…we think that the wording of the Code (para 4.1.2.37 in exposure draft) should be more prescriptive to state:* *"In the extremely rare circumstances that no index is available, the Code requires assets to be revalued at least every three years."* *As currently drafted the Code states what is not required rather than what IS required…"*	revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year three.	
6.3	There were also two alternative proposals suggested from a couple of respondents: • A partially supportive respondent suggested the current requirement that revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from current value, should be retained in circumstances where no index is available. • A fully supportive respondent and a respondent who didn't support the proposal queried if in these circumstances valuations could be five yearly to remain consistent with the other assets in the valuation cycle.	To note, alternative views. However, the Secretariat notes this would be a departure from the FReM.	Green – The existing proposals maintain consistency with the FReM.

Q7	Do you agree that, under the adaptation to IAS 16, full revaluation outside the five yearly cycle will only be required where there are indicators of impairment under IAS 36?	

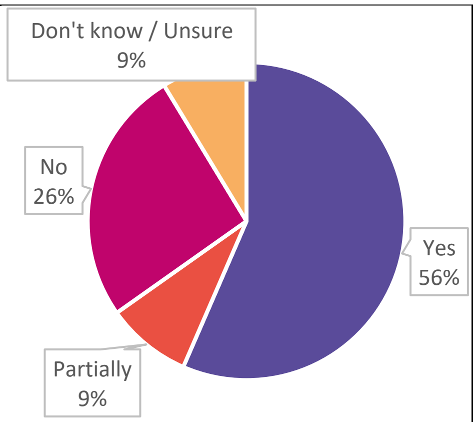
	Comments	Response	RAG Rating
7.1	Although most respondents agreed with the proposal, there were several respondents who also raised other potential triggers for full revaluation, which were: • Enhancement to existing assets (including componentisation) • New accounting standards • If formal valuations show indexation is not keeping carrying amounts up to date • Change of asset use • New tenancy agreements • New planning permission • Part disposal One response from an audit firm regarding enhancement expenditure stated *"…If as proposed, the requirement is removed to ensure the carrying value is not materially different from the current value – then the Code (per the exposure draft) is not clear on when an asset is required to be revalued after initial measurement at cost…"*	HMT application guidance, provides more details when impairments would be required. Therefore, it's anticipated this can be dealt with through application guidance being developed, which is using the HMT application guidance as a starting point. Furthermore, in relation to subsequent expenditure on property, plant and equipment paragraph B38 in Module 4 of the 2024/25 Code Guidance Notes already states "*Where expenditure meets these criteria, 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 (see paragraph B45 below)*."	Amber – Guidance can assist with how the changes are intended to be implemented across these different circumstances.
7.2	A few respondents indicated that further clarification and guidance would be needed particularly around indicators of impairment, including the involvement of valuers.	As noted above in earlier responses, guidance will be key to the successful implementation of the changes. Application guidance produced by the VOA for HMT is being used as a starting point to develop guidance for local authorities.	Green – The successful implementation of these changes will significantly rely on guidance. Although it is also worthwhile noting there will always be the inherent risk that guidance doesn't address every scenario.

	Comments	Response	RAG Rating
7.3	An accountancy institute suggested that paragraph 4.1.2.37 of Code should be clearer to prevent full valuations occurring where there are not material indicators of impairment and proposed wording from the FReM as per the below: "*Paragraph 10.4.7 states that: Undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and comply with IAS 36. Rather, it should be the consideration of impairment triggers which determine whether the recoverable amount of an asset needs to be calculated and therefore whether a full revaluation is needed or not before the next revaluation.*"	The wording in 4.1.2.37 of the exposure draft is consistent with the FReM Section 8.2 Interpretations and adaptations for the public sector context (adaptation 3 to IAS 16 in Table 2 of this section). Paragraph 10.4.7 in the FReM being referred to here is included at paragraph 4.7.2.10 in the Code exposure draft.	Green – the Code exposure draft aligns with wording in the FReM.

Q8	Do you agree that CIPFA should issue guidance on indices to be used to which local authorities must have due regard?	

	Comments	Response	RAG Rating
8.1	Nearly half of respondents suggested indices should be prescribed. This was primarily based on concerns agreeing indices between preparers and auditors. For example, here is a response from an audit firm: *"We understand the difficulties in prescribing indices given the diversity of assets in the assets base, however we do consider it would be helpful in ensuring clarity and consistency if indices were prescribed.* *We agree, as a minimum that CIPFA should issue guidance on what indices (name and date)*	As noted above in earlier responses, guidance will be key to the successful implementation of the changes. There has already been considerable work in this area in the application guidance produced by the VOA for HMT. This can be used as a starting point for guidance for local authority preparers and auditors. However, standardisation and prescription are inherently challenging because they do not	Amber – Given the significant starting point, guidance appears feasible, and indices have already been used by some authorities which proves it works. However, agreeing indices between auditors and preparers will be challenging and likely time consuming during the implementation phase. However, in

	Comments	Response	RAG Rating
	should be used in the majority of circumstances."	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.	the longer term there is potential for significant time savings.
8.2	Approximately a fifth of respondents suggested guidance rather than prescribed indices, with one Council commenting the below: "*Whilst there is some benefit to CIPFA providing guidance on this, this should be principles-based guidance only, and should not stipulate methods for calculating indices.* *In order to ensure that the indices applied are not far too generic and factor in the specific circumstances of individual assets, they need to be calculated by the individual(s) who has the best knowledge of the individual circumstances of that Authority's assets. This is most likely to be the valuer."*	As noted in 8.1 above, it is likely that indices will not be prescribed given the inherent difficulties in prescription.	Green – HMT are not prescribing indices due to the inherent difficulties with prescription and therefore it is likely to be the same approach taken to guidance produced for local authorities.
8.3	Another respondent noted a practical difficulty in obtaining indices, noting the purchase of indices data bases can be expensive.	To note. It is presumed that most local authority valuers already have access to existing indices available in the market and if any indices are to be created then funding of those indices would likely be a decision for MHCLG.	Amber – It is presumed that most local authority valuers will already have access to existing market indices.

Q9	Indices will need to reflect conditions as of 31 March as best possible. Therefore, it's likely that indices would be available to practitioners around March each year. Would this approach be feasible for practitioners?	

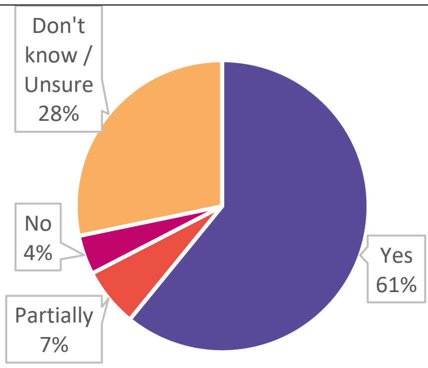
	Comments	Response	RAG Rating
9.1	Approximately half of respondents acknowledged March would be	To note. This supports the proposal in the ITC.	Green – supports the proposal in the ITC.

	Comments	Response	RAG Rating
	feasible. However, several of these respondents also noted that this is dependent on the deadline for draft accounts remaining at 30 June. One respondent noted in response to a later question that it would be helpful if in January indices could be issued in a format that the information will be provided in March for them to set up working papers ready.		
9.2	Approximately a quarter of respondents acknowledged in some way the challenge of obtaining indices that reflect asset values as at 31 March in a timely manner, given the data lag in the provision of indices.	This is an inherent challenge in using indices and using older indices increases the risk of estimates included in the draft accounts needing to be adjusted for the final accounts.	Amber – There is the risk that local authorities have to make adjustments for final accounts. However, it is our understanding that this already happens in some cases where indices are used.
9.3	Approximately a quarter of respondents noted that indices not being available until March would cause them difficulties.	As noted above, using older indices increases the risk of estimates needing to be revised and therefore increasing workloads.	Amber – There will be challenges on when indices should be provided, which is a delicate balance between information reflecting 31 March as best possible and having information in time to work it into the accounts.
9.4	An audit agency noted the wording of the question "*We note that the wording of question 9 states that 'indices would be available to practitioners around March each year'. As the indices will be industry standard, rather than bespoke, they will be available quarterly. We presume the question should have said that the guidance on the indices will be available around March*."	Noted. CIPFA and others are exploring the development of indices from market information. However, noted that this could have been made clearer and a question asking when guidance would be required would also be helpful.	Green – useful information gathered, but the question could have been clearer and an additional question regarding the availability of application guidance would also have been helpful.

Q10	Do you have any comments on practical considerations for indexation and what should be included in application guidance issued to practitioners for the use of indices to assist with implementation?		
	Comments	**Response**	**RAG Rating**
10.1	Approximately a third of respondents commented that guidance should include what indices should be applied to each asset type and how to account for	To note. This valuable feedback from respondents will inform the development of guidance aimed at helping practitioners in this area.	Green – guidance is being developed and this can be explored.

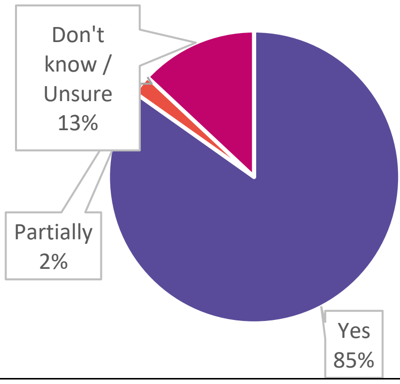
Q10	Do you have any comments on practical considerations for indexation and what should be included in application guidance issued to practitioners for the use of indices to assist with implementation?		
	Comments	**Response**	**RAG Rating**
	location factors/regional variations. An audit firm noted the below: "…*explanation of where this index would be relevant – ie what grouping of assets it could reasonably be applied to. This would need to cover factors including specific type of property, property use, location, quality of site (eg green field, brown field land) as would be traditionally considered as part of a formal valuation...*"		
10.2	Roughly a third of respondents mentioned the selection of indices. However, respondents were split on whether a range of indices that are available should be provided or indices should be prescribed. One Council in support of a range of available indices stated that: "*Full Clarity will be needed on the different types of indices that are available…*" However, a response from another Council in support of prescribed indices noted: "*We believe that indices should be prescribed in order to avoid merely moving the focus of audit work from market valuations to the appropriateness of indices. Any guidance should be sufficiently prescriptive that it removes areas of disagreement between audited bodies and auditors...*"	As noted above in earlier responses, guidance will be key to the successful implementation of the changes. There has already been considerable work in this area in the application guidance produced by the VOA for HMT. This can be used as a starting point for guidance for local authority preparers and auditors. However, 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.	Amber – Given the significant starting point, guidance appears feasible, and indices have already been used by some authorities which proves it works. However, agreeing indices between auditors and preparers will be challenging and likely time consuming during the implementation phase. However, in the longer term there is potential for significant time savings.
10.3	Several respondents commented that application guidance should set out the accounting treatment and status of indexation, including disclosures required. One respondent also noted the impact on fixed asset register systems should be considered. An audit firm noted: *"…• confirmation of the accounting treatment for movements due to*	The Secretariat acknowledges queries raised by consultation respondents regarding the status of indexation and the accounting treatment, this was also something raised by the Better Reporting Group when starting work on application guidance. The Secretariat recommends exploring the suggestion	Red - A decision on the status of indexation will be needed and further clarifications provided. If adjustments are made outside of fixed asset register systems it represents a risk regarding record keeping and

Q10	Do you have any comments on practical considerations for indexation and what should be included in application guidance issued to practitioners for the use of indices to assist with implementation?		
	Comments	**Response**	**RAG Rating**
	indexation (eg if the same as valuation movements) *• confirmation of the impact on accumulated depreciation (eg is it required to be zeroed where indexation is applied as this would not be regarded as a formal valuation)* *• explanation and examples of the disclosures required by the Code (eg how is indexation to be reported in the movement on the PPE balance, what is to be reported to distinguish between PPE stated revalued amounts v that at indexed amount and that based on historic cost)…"* An audit agency noted that IAS 16 allows either eliminating accumulated depreciation and impairment or the proportionate re-statement of both gross carrying amount and accumulated depreciation and impairment. However, the Code currently only allows the former and suggested that the proportionate restatement option may be appropriate for indexation.	raised by one respondent that the proportionate restatement option in IAS 16 may be appropriate for indexation. However, as noted by another respondent any changes need to be mindful of the impact on fixed asset register systems. This could lead to adjustments being made outside of fixed asset register systems and therefore additional guidance on record keeping and audit working papers could assist.	clear guidance will be needed.
10.4	Other suggestions for application guidance from respondents included: • Worked examples • Appropriate audit evidence • Valuer involvement • Date of indices to be used • In year CAPEX (including componentisation) • Materiality • Disclosures	To note. This valuable feedback from respondents will inform the development of guidance aimed at helping practitioners in this area.	Green – Guidance is currently being worked on by the Better Reporting Group and these recommendations will be communicated.

Q11	Do you agree with the proposal to make no changes to how social housing assets are valued using the EUV-SH basis, since the beacon approach appears to be working effectively?	

	Comments	Response	RAG Rating
11.1	There was clear support to make no changes to how social housing assets are valued. There were just over a quarter of respondents who selected don't know/ unsure, however upon further analysis this is because nearly all of these respondents do not hold social housing assets.	To note. Supportive of the view and proposal set out in ITC.	Green – this is in line with the proposal
11.2	There were two Councils who suggested updated guidance would be helpful, particularly to consider if adjustment/discount factors need to be updated. One Council commented: "*Yes, we agree that the approach appears to be working effectively. However, CIPFA should encourage MHCLG to issue an updated version of the 'Stock valuation for resource accounting: guidance for valuers', as the most recent version was published in 2016 and the adjustment factors do not adequately reflect the current market.*"	To note. This can be communicated to MHCLG.	Green – this information can be communicated to MHCLG.
11.3	There was also an alternative view suggested by an individual for the measurement of social housing assets: "*For authorities in England, where depreciation is the basis for setting aside resources for capital investment, valuations based on depreciated replacement cost or discounted cash flows would be much more effective as bases for the measurement of the extent to which an authority's resources have been consumed through use.*"	To note. There was a clear majority in support of the view and proposal set out in the ITC. However, this can be something that the Better Reporting Group could explore in future.	Green – this can be something for the Better Reporting Group to consider at a later date.

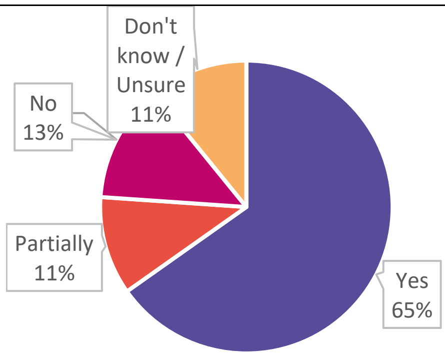
Intangible assets

Q12	Do you agree with the proposal to withdraw the option to measure intangible assets using the revaluation model?	

	Comments	Response	RAG Rating
12.1	There was overwhelming support for the withdrawal of the option to measure intangible assets using the revaluation model with over three quarters of respondents supporting this proposal.	To note. Supportive of the view and proposal set out in ITC.	Green – this is in line with the proposal
12.2	However, two Councils did note some concerns: The first Council queried how potential information deficits would be dealt with: "*The one slight concern would be if a council identified an intangible asset for which they did not hold any historic data. In order to include such an asset on the balance sheet, a valuation would be required. Given the short-term data of intangibles, instances of this occurring are likely to be few and far between, but it may be necessary to still allow the option to revalue intangibles in such scenarios only.*" The second Council noted not using the revaluation model would mean a material difference in what would be included in their accounts: "*…intangible assets include fishing quota which is carried at Fair Value. This is a material value on the Council's Balance Sheet (£47.9m market value as at 31 March 2024, in comparison to historic cost of £12m). Withdrawing the option to measure intangible assets using the revaluation model, would impact on the value recognised in the financial statements. If not*	The Secretariat notes the concern regarding information deficits, but there was overwhelming support for the proposal, and our understanding is most authorities account for intangible assets on a historical cost basis, and this hasn't previously caused any significant problems. Furthermore, while the difference between the revaluation model and historical cost may be material for certain authorities, it is expected this will be the case for most authorities. It is not anticipated to be material for local authorities in general, nor to have a significant impact on the UK public sector accounts. Overall, the Secretariat would recommend continuing with proposals to align with the FReM and withdraw the option to measure intangible assets using the revaluation model.	Green – there was overwhelming support for the proposal and it is not considered to have a material impact on the UK public sector accounts.

	Comments	Response	RAG Rating
	allowing for revaluation in subsequent years, the value of fishing quota would be materially misstated, and would therefore not show a true and fair presentation of the financial position of the Council…"		

Transitional arrangements

Q13	Do you agree with the proposed effective date of financial year 2025-26 for the changes?	

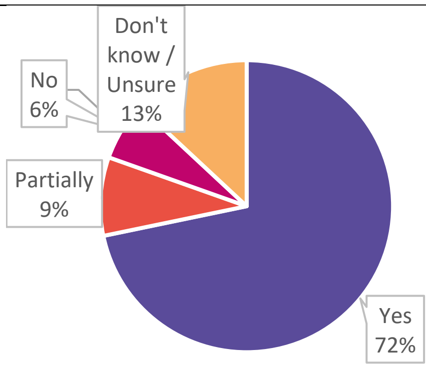
	Comments	Response	RAG Rating
13.1	The majority of respondents supported the proposed changes, with around half also expressing positive feedback. Many commented that the timeline offered sufficient time, with some suggesting that implementing the changes sooner would be beneficial. Several respondents also believed this would help reduce their workload.	To note. Supportive of the view and proposal set out in ITC.	Green – this is in line with the proposal
13.2	Approximately a fifth of respondents noted in their support that this would be dependent on the timely issue of guidance to assist with implementation.	To note. Supportive of the view and proposal set out in ITC. Guidance is being developed.	Green – this is in line with the proposal and guidance is being developed.
13.3	However, there were also some concerns raised by a few respondents regarding workload and other pressures in the sector due to: • Local audit backstops and; • Local Government Reorganisation However, there was one Council who felt that these issues meant it was increasingly important that changes and wider reforms were progressed at pace noting that:	To note. While the majority of respondents were supportive of the proposals, there are ongoing changes in the sector and increasing work pressures. It is hoped that the proposals will not add to the short-term workload, considering the existing challenges with formal valuations of property, plant, and equipment. In the longer term, the changes are expected to result in significant time savings, with clear guidance playing a	Green – the proposals aren't anticipated to increase workload in the short term and will hopefully lead to significant time savings in the longer term.

	Comments	Response	RAG Rating
	"...It is of paramount importance to local bodies who have received a modified or disclaimed audit opinion due to the imposition of the backstop dates that audit assurance is rapidly rebuilt – that is, over a much shorter period than the five years implied in the Financial Reporting Council's Accessible Guide. Not only is an accelerated return to audit opinions being based on sufficient appropriate audit evidence in the public interest, but it is also critical to progressing local government reorganisation to the timescales proposed in the government's devolution and local government reorganisation white paper. We would therefore urge that CIPFA LASAAC is cognisant of this wider context in judging when and how to advance accounts reforms and to implement changes in line with the HM Treasury Thematic Review…"	crucial role in achieving these efficiencies.	
13.4	There was also one Council who raised the practical impact this would have on local authorities commissioning valuation services and the need for confirmation to be provided as soon as possible: *"…Some authorities, will be in the process of retendering for valuation services. This is potentially made more problematic with the new Procurement Act coming into force. If this is to be in place for 2025/26 then what ever the final proposals are, authorities need to be informed of them very soon if valuers need to be engaged for the 2025/26 valuation process…"*	To note. Confirmation of changes should be communicated as soon as practicable.	Green – changes will need to be confirmed and communicated as soon as practicable.
13.5	One individual commented it was unclear in the Exposure Draft when the effective date for indexation is: "*It is not clear from the Exposure Draft what exactly is the effective date for indexation. Paragraph 4.1.2.37 says that "… 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) …". Does this*	To note. Worked examples could hopefully make the transition arrangements clearer.	Green – slight amendment to wording to align with the FReM and application guidance to assist with implementation.

	Comments	Response	RAG Rating
	mean that these revaluations do not require indexation until after an asset is revalued for the first time under the new regime? Or if they are required to be indexed, when does this apply? As carrying amounts will have been signed off as true and fair at 31 March 2025, there isn't a case for indexation at 1 April 2025. Presumably, then, indexation would not become relevant until 31 March 2026."		

Q14	Are there any significant operational challenges you consider might be encountered during the implementation of this proposed approach to the valuation of non-investment assets?		
	Comments	**Response**	**RAG Rating**
14.1	Most responses to this question focussed on similar themes that have already been raised throughout the other responses to the consultation such as: • Sufficient guidance • Audit concerns • Prescribed indices • Valuer input • Amending existing valuer contracts • Impact on fixed asset register systems • LG reorganisation • Timing of indices	To note. These points have been addressed in previous questions.	Green – these points have already been addressed in previous questions.
14.2	Five respondents raised resourcing concerns for both valuers and finance teams. Concerns regarding resourcing for finance teams sought clarification if it would be finance teams or valuers applying indexation. However, one Council had concerns regarding valuer capacity and noted they are already undertaking five-yearly rolling valuations, so having to apply indexation to all assets not subject to a formal valuation each year would represent a significant increase in workload that is not manageable. An individual expressed concern the valuer market would reduce due to only one fifth of assets being valued each year and this	To note. There are some respondents who indicated the proposals would represent an increase in workload. However, the majority supported the proposals and felt this would lead to a reduced workload. Regarding supply concerns, there is also the chance that valuers capacity is becoming increasingly stretched in the local authority sector which could discourage participants to enter the market and encourage others to leave. However, a more proportionate approach to the valuation of non-investment assets could attract and retain valuers.	Amber – overall the proposals appear to benefit the majority of respondents. However, if the changes are implemented feedback and monitoring will be crucial to review and take appropriate action regarding any unintended consequences.

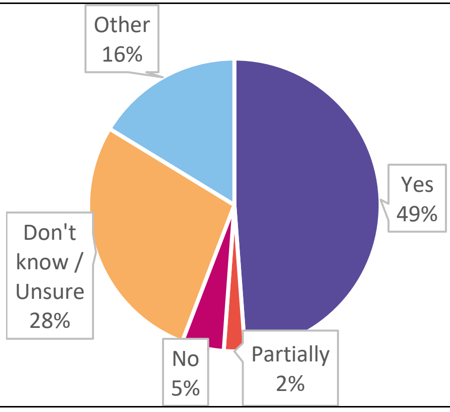
Q14	Are there any significant operational challenges you consider might be encountered during the implementation of this proposed approach to the valuation of non-investment assets?		
	Comments	**Response**	**RAG Rating**
	could cause supply issues if standards were amended in future years to require yearly valuations. They also expressed concern regarding valuer redundancies due to the reduced workload.		
14.3	An audit firm noted a potential complexity as a result of the local audit backstops: "*Where the value of operational assets in the audited 31 March 2025 financial statements are at current value, it is reasonable to conclude that there should be no need for any catch-up adjustments. Indexation could then start to be applied.* *However, at the implementation date, it is anticipated that there will still be some authorities reporting carrying values based on valuations that took place in prior years, for which no auditors opinion has been given and where disclaimed auditors reports or modified auditors opinions were issued.* *Any indexation applied in 2025/26 could be being applied to values that have not been fully audited…*"	To note. This will need to be considered by authorities and auditors on a case-by-case basis. It is also worthwhile noting that the changes could assist building back assurance on property, plant and equipment on a phased approach.	Amber – This would need to be considered by authorities and auditors throughout the audit backlogs.

Q15	Do you agree with the approach to transition as set out in the exposure draft?	

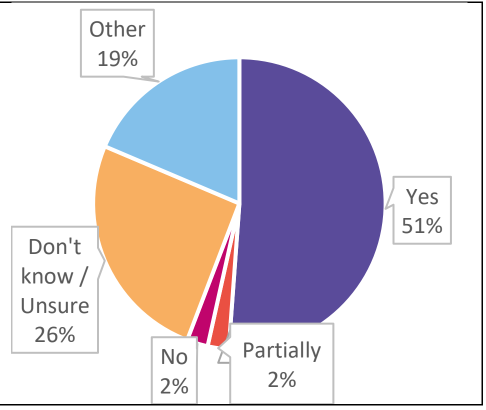
	Comments	**Response**	**RAG Rating**
15.1	There was a clear majority supportive of the approach to transition. However, a couple of respondents suggested changes to the wording in the Code as set out below:	The Secretariat does not propose changing the wording in paragraph 3.3.1.4 as this is consistent with the wording in the FReM.	Green – wording aligns with the FReM and a suggested disclosure for intangible assets could be included to assist preparers.

	Comments	Response	RAG Rating
	"*… para 3.3.1.4 states "...When applying the changes to the measurement of non-investment assets including intangible assets...from 2025/26 and throughout the transition period (the first full revaluation cycle), authorities are not required to follow the requirements of IAS 8 following a change in accounting policy [IAS 8. 19]…." We do not think reference to 'and throughout the transition period (the first full revaluation cycle).' Is required. The change in policy will apply once - 2024/25 comparative figures will not be restated, 2025/26 figures will reflect revaluation of some but not all assets*." *"…It will be important however that clear disclosures are provided to users to explain the accounting policy changes. We welcome paragraph 4.1.4.3 which provides a suggested disclosure for local authorities to use for property, plant, and equipment, however we believe that a similar suggestion would be beneficial for intangible assets as well…"*	However, the Secretariat recommends including a suggested disclosure for intangible assets as suggested by one of the respondents to the ITC.	

IFRS 17 Insurance Contracts

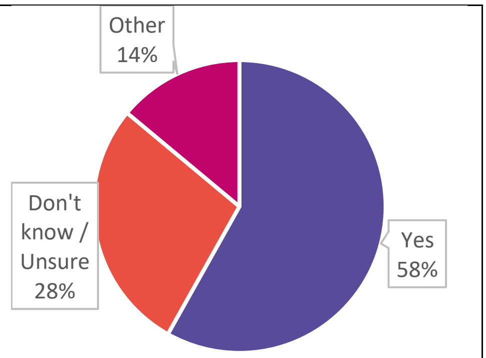
Q16	Do you agree with CIPFA LASAAC's approach to the implementation of IFRS 17 *Insurance Contracts* in the Code?	

	Comments	Response	RAG Rating
16.1	13 local authorities who responded to this question explicitly stated that IFRS 17 would have no impact on them.	To note support for the ITC proposal.	Green – this is in line with CIPFA LASAAC's view.
16.2	An accountancy institute suggested that the Code should follow the approach of the FReM and restrict accounting choices provided by IFRS 17.	As CIPFA LASAAC believes IFRS 17 will no impact on Local Authorities, restricting accounting choices would just add unnecessary complexity.	n/a
16.3	An audit firm has some suggested amendments to make it clearer when IFRS 17 may apply to an authority: *"The proposed wording in para A1.9 should reflect that product or service guarantees are out of scope only if they are issued by a manufacturer, dealer or retailer in connection with the sale of their products or services (so those issued by a third party could be in scope), and financial guarantee contracts can be in scope of IFRS 17 if an entity elects a policy to account for them under IFRS 17 rather than IFRS 9 (although this may be unlikely)."*	The secretariat proposes rewording this sentence for the avoidance of doubt. "IFRS 17 Insurance Contracts specifies the financial reporting for insurance contracts by an entity that issues such contracts. The standard does not cover insurance contracts held by a policyholder. A number of transactions such as giving a financial guarantee and product or service warranties if issued by a manufacturer, dealer or retailer in connection with the sale of their products or services are outside the scope of IFRS 17."	Green – the wording will be amended in the draft 25/26 Code.

Q17	Do you agree with the timing of the implementation of IFRS 17 *Insurance Contracts* in the Code ie in the 2025/26 Code? If not, why not? What alternatives do you suggest?	

	Comments	**Response**	**RAG Rating**
17.1	Again, 11 councils stated that IFRS 17 would have no impact on them. A further two respondents noted that the proposal is consistent with the rest of the public sector.	To note support for the ITC proposal.	Green – this is in line with CIPFA LASAAC's view.
17.2	A representative body requested that CIPFA LASAAC demonstrate why allocating resources to the implementation of IFRS 17 would add value to financial reporting and not just add unnecessary complexity.	Timely publication of meeting minutes and feedback statements online will facilitate transparent decision making.	Green – the secretariat is addressing this.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)

Q18	Do you agree with the proposed approach not to require changes to the Code for Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)?	

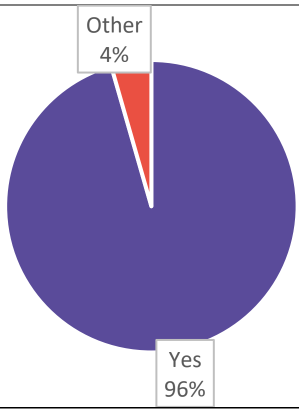
	Comments	**Response**	**RAG Rating**
18.1	16 respondents who responded to this question explicitly stated that it would either have no impact or not cause any issues.	To note support for the ITC proposal.	Green – this is in line with CIFPA LASAAC's view.

Fair value gains and losses on pooled investments (England and Wales)

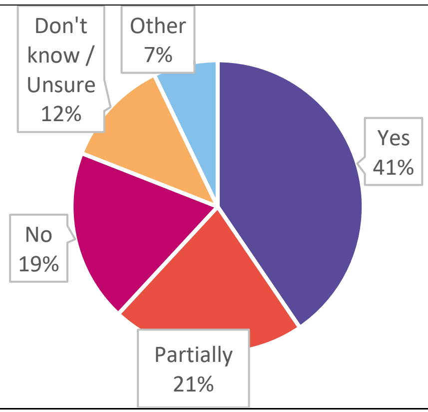
Q19	CIPFA/LASAAC would seek local authority views on their current approach to investments in pooled investments and what their future approach might be for these

	investments if the override was not in place? Please set out the reasons for your response.		
	Comments	**Response**	**RAG Rating**
19.1	Of the 30 responses to this question, 10 were strongly in favour of either extending the override or making the override permanent. The reason for this view was that without the override the volatility of pooled funds would impact on the taxpayer. As one council pointed out *"The issue with a removal of the IFRS 9 override is that it could place an extra financial burden on council tax payers due to an accounting rule. This is in contrast to accounting rules such as depreciation which are reversed out so as to not impact council tax payers."*	To note the support for extending the override beyond 31 March 2025.	n/a
19.2	Four councils have already set up an earmarked reserve to smooth the effects of pooled investments on the general fund.	This is a practical solution. While it would not be appropriate to mandate in the Code, it can be suggested in guidance.	Green – CIPFA will include this in the year end bulletin.
19.3	One council suggested the ability to elect to treat pooled investments as equity instruments.	Pooled investments would not meet the definition of equity instruments under IAS 32.	n/a
19.4	Several respondents pointed to the Provisional local government finance settlement 2025 to 2026 consultation: summary of responses and that government is minded not to extend the override for new arrangements. However, there are still questions about if there will be transitional arrangements put in place for existing arrangements.	Should MHCLG issue any transitional arrangements before the 25/26 Code is published, these will be incorporated.	Red – uncertainty remains regarding transitional arrangements.

Reporting Infrastructure Assets

Q20	Do you agree with CIPFA LASAAC that the temporary solution for reporting of infrastructure assets should be maintained? This requires statutory support in those jurisdictions where infrastructure assets are held on local authority balance sheets (England, Scotland and Wales).	

	Comments	Response	RAG Rating
20.1	18 respondents left comments. Of those, 13 comments were in favour of extending the override while a long-term solution is found.	To note the support for extending the override beyond 31 March 2025.	Green – This is in line with CIPFA LASAAC's view
20.2	Five felt the override should be made permanent. One council responded, *"The current exemption should be made permanent as the benefits of implementing a long-term solution for the valuation and reporting of Infrastructure assets do not justify the costs of implementation."*	It is argued that the use of statutory overrides to depart from IFRS makes the accounts harder to understand.	Amber – statutory overrides are not within the gift of CIPFA LASAAC.
20.3	Two respondents had no opinion on extending the override.	No further comment.	n/a

Q21	Do you agree that that implementation of financial reporting in accordance with IAS 16 will require at least a one-off exercise to measure infrastructure assets at depreciated replacement cost.	

	Comments	Response	RAG Rating
21.1	The eight respondents that selected "No", generally did not agree with changing the current valuation method. Reasons cited included:		
a)	Changing the valuation method to DRC would do nothing to assist users in understanding the value of infrastructure assets. As one individual stated, *"The results would be arbitrary and would be of little value to tax payers and would not assist in understanding the accounts."*	The Secretariat agrees that the accounts should support the information needs of local authority residents. The challenge of balancing IFRS requirements with understandability is well known to the Board.	Amber – the Board is already seeking to improve understandability by various means including through the work of the Better Reporting Group.
b)	When measured at DRC, infrastructure assets are anticipated to represent a significant increase to the balance sheet, dwarfing all other line items. This raises concerns about demonstrating the figure's accuracy if audits base materiality on gross expenditure.	Materiality concerns was one of the two primary reasons for the non-implementation of DRC for the Highways Network Asset in 2016/17.	Red – materiality continues to be an issue.

	Comments	Response	RAG Rating
c)	Many councils felt given the unlikely sale of infrastructure assets, unrealised revaluation gains offer no practical benefit, so cost remains the appropriate valuation basis.	All operational PPE is held for its service potential and not for investment purposes.	n/a
21.2	The 26 respondents that selected “Yes” or “Partially” reluctantly agreed a starting point for DHC needed to be obtained. However, most were concerned at the huge amount of work this would entail and questioned if the costs outweighed the benefits.	The Secretariat understands the concerns of practitioners and auditors and has no desire to unnecessarily add to the burden.	Red – capacity remains a challenge for local authorities and audit firms.
21.3	One audit agency suggested the use of a statutory override that deems the balance at 31 March 2025 to be cost.	It is argued that the use of statutory overrides to depart from IFRS makes the accounts harder to understand.	Amber – statutory overrides are not within the gift of CIPFA LASAAC.

Q22	Do you have any views on simplifications which might apply to the measurement of DRC. Please provide an explanation of any simplifications which might be used and a reason for your proposals.		
	Comments	**Response**	**RAG Rating**
22.1	11 responded to say that they did not believe DRC would not assist in making the accounts more understandable for users.	The Secretariat agrees that the accounts should support the information needs of local authority residents. The challenge of balancing IFRS requirements with understandability is well known to the Board.	Amber – the Board is already seeking to improve understandability by various means including through the work of the Better Reporting Group.
22.2	One council which favoured staying at DHC suggested that derecognition is deemed to be zero *“This could be achieved by recognising the assumption that no authority replaces a part of the highway unless it has already reached a point whereby it is unusable or fails to meet the required safety standards. In that case, the value of the asset being replaced can be considered to be zero since the value of highways is in their continued use.”*	While this proposal is consistent with normal custom and practice for highways infrastructure assets, it contributed to auditor concerns that necessitated the current temporary override.	Red – this would not necessarily resolve the issue.
22.3	Other suggestions to simplify DRC included:	Most of the suggestions are in line with the toolkit proposed for valuation of the Highways Network Asset in 2016/17.	n/a
a)	The use of standard cost indices as a proxy for DRC, such as a standard value per mile of road.	Noted.	n/a

b)	A standardised valuation toolkit that has central auditor assurance.	Noted.	n/a
c)	Base valuations on data already available for maintenance purposes.	Noted.	n/a
d)	Calculate deemed cost every 5 years using standard cost indices as a proxy for DRC.	Noted.	n/a
e)	Basing life spans on industry standards.	Noted.	n/a
f)	Limiting the number of components.	Noted.	n/a
g)	Central provision of rates wherever possible.	Noted.	n/a

Improvement projects

Q23	Do you have any suggestions on which items should be prioritised in CIPFA LASAAC's strategic plan? Please provide reasons for your suggestions.		
	Comments	**Response**	**RAG Rating**
23.1	24 respondents from a broad range of organisations, supported the priorities for CIPFA LASAAC as listed in the invitation to comment.	No further comment	Green – this is in line with CIPFA LASAAC's view.
a)	11 respondents specifically cited that PPE valuations should continue to be a priority. Comments included questioning if assets need to be shown at current value and a desire to move away from DRC.	While a move to indexation represents an initial improvement, CIPFA LASAAC recognises this area as one that presents persistent challenges.	Amber – the BRG will investigate this topic in the future.
b)	Nine comments were received in relation to pensions reporting. Comments included publishing pension fund accounts separately and changing to defined contribution scheme accounting.	Noted.	Green – BRG project will commence later in 2025.
c)	Five respondents felt that focus should be on a long-term infrastructure assets solution enabling the temporary override to be removed.	Responses from questions 20-22 can be used to develop a way forward.	Red – materiality and indices pose ongoing challenges to a DRC solution.
d)	Five felt that statutory overrides were the largest obstacle to accessibility for users of the accounts. All felt that the current presentation needed improvement.	Anecdotal evidence suggests that the EFA has not fully achieved its intended objectives. The Better Reporting Group have a project looking at statutory overrides.	Green – BRG project is about to commence.
f)	Five comments were received in relation to guidance and model accounts. Respondents would like to see guidance updated and worked examples of common complexities included. Several respondents suggested model	CIPFA is working to improve consistency across its publications and bring older guidance up to date.	Green – this work is ongoing.

	accounts that all local authorities must follow, similar to NHS bodies.		
e)	Three councils identified that materiality should be the priority. One council would like a clear definition of materiality, whilst the others would like to see a separate materiality level for PPE items.	Noted.	Red – changes are reliant on other system partners.
g)	Three respondents recognised that sustainability should be a priority. One Audit agency noted that reporting requirements are lagging behind the rest of the UK.	CIPFA have already published some initial guidance in the publication "Public sector sustainability reporting: time to step it up."	Amber – Sustainability Reporting is not yet explicitly included in CIPFA LASAAC's Terms of Reference.
23.2	An audit firm and an audit agency both felt that group accounts should be included as an improvement project.	When the chapter 9 of the Code was written, not many local authorities were party to some form of collaborative arrangement that requires group accounts to be prepared. This is no longer the case, and although the underlying IFRS have not changed a review is probably due.	Green – this will be a future BRG project
23.3	Nine local authorities felt that changes designed to speed up current processes or to simplify the accounts to make them more accessible to users should be the priority. As one council explained *"Priority should be based on two objectives, being: to reduce the workload requirements on both accounts' preparers and auditors in respect of the financial statements, and to make the financial statements more understandable for the users of the document."*	To note. This is a helpful suggestion CIPFA LASAAC may wish to consider as part of the upcoming effectiveness review. The Better Reporting Group's focus is on enhancing user experiences with accounts, rather than solely easing the burden on preparers or auditors.	Green – the focus of all BRG projects is on the user of the accounts.
23.4	There were calls from three London councils to make access to the Code free of charge.	This question was asked as part of the MHCLG's consultation on local audit reform, to which CIPFA was supportive of any changes to the future funding model.	n/a

Other changes to local authority financial statements and the reports which accompany them

Q24	Do you have any suggestions for improving local authority financial statements and the reports which accompany them? Please provide reasons for your suggestions.		
	Comments	**Response**	**RAG Rating**
24.1	10 councils felt that simplification was key to reducing the burden on	The BRG will recommend practical measures that	Green – better reporting is being

	preparers and auditors and for making accounts more user friendly.	improve the value of local authority accounts to users, this may include simplification.	addressed through the BRG.
24.2	4 councils noted that there have been a number of reports and reviews into improving local government accounts. They suggested CIPFA LASAAC consider the recommendations from the DLUHC committee and Redmond review.	CIPFA LASAAC in conjunction with the BRG will address the recommendations outlined in the reports referenced.	Amber – the BRG will investigate this topic in the future.
24.3	3 respondents felt that any disclosures need to be relevant for local government, not adapted from a commercial basis.	When implementing a new standard, CIPFA LASAAC evaluates the necessity of public sector specific interpretations or adaptations.	Green – CIPFA LASAAC considers interpretations and adaptations.
24.4	1 council suggested introducing more overrides from the inception of a new IFRS. This would stop local authorities from having to adapt practices to comply with a standard not designed with them in mind.	When implementing a new standard, CIPFA LASAAC evaluates the necessity of public sector-specific interpretations or adaptations.	Green – CIPFA LASAAC considers interpretations and adaptations.
24.5	3 authorities questioned whether it is appropriate for local government accounts to be IFRS based. One police authority asked *"it is unclear why organisations which are well below the materiality of WGA have to comply with IFRS standards when this is not required in other sectors."*	Entities exempt from the WGA process are required to have gross expenditure, income, assets, and liabilities below £30m. This threshold effectively excludes authorities currently mandated to comply with the Code. Consequently, non-IFRS compliant accounts from local authorities would create consolidation challenges within the WGA process.	Red – WGA is produced under IFRS.
24.6	An audit agency felt that post implementation reviews are a critical aspect of the adoption of standards and called for the reviews of IFRS 9 and IFRS 15 to be prioritised. They also requested that new standards are implemented in a timely manner.	CIPFA LASAAC acknowledges the IFRS 9 & IFRS 15 post implementation reviews have been postponed.	Amber – add post implementation reviews to the strategic plan
24.7	Four respondents suggested the introduction of a standardised format, so accounts look largely similar to corporate accounts with additional disclosures where it is essential to provide additional information. One council suggested *"Trust accounts within the NHS could be used as a good reference point, as they look largely the same as corporate accounts, but do still include a few industry specific modifications, but*	The range of services, operational arrangements and governance structures within local authorities present significant challenges to creating standardised format for the accounts.	Green – example accounts are included within the guidance notes.

	without making the accounts inaccessible for the average reader."		
24.8	Three respondents felt that removing duplicate information by linking to other documents would help declutter the accounts. One individual suggested *"Refer to Pensions IAS 19 report published on website rather than in detailed disclosures"*	The Code encourages the provision of links to documents containing supplemental information that, while not required, is beneficial to users. Examples are found in paragraphs 4.10.4.1 and 7.3.3.8.	Green – Authorities could determine if referencing other published documents would provide sufficient information to taxpayers.
24.9	Four respondents to this question requested a redesign of the CIES to align closer to RO/WGA and to remove the EFA. As one council pointed out *"Currently the telling the story approach creates a lot of duplication and involves producing three versions of the I&E which is confusing to users of the accounts."*	Although the EFA is the primary source of meeting the reporting requirements of IFRS 8 *Operating Segments*, the CIES based on management reporting structure also partially meets this requirement.	Green – removal of the EFA will ease the burden on preparers and auditors.
24.10	Three councils felt that the disclosures around IFRS 9 Financial Instruments is complicated and detailed but doesn't add much for users. One council felt this was because it is trying to fit local government into private sector rules.	CIPFA LASAAC acknowledges the IFRS 9 post implementation review has been postponed.	Amber – add post implementation reviews to the strategic plan
24.11	One council asked for the calculation of the employee benefit accrual to be standardised.	The Secretariat acknowledges the practical challenges associated with these calculations; however, as these challenges are specific to individual councils' circumstances and systems, developing comprehensive guidance is difficult.	n/a
24.12	The same council also requested the removal of the fair value hierarchy for surplus assets as it takes a disproportionate amount of time to produce.	The secretariat appreciates the challenges producing this disclosure; however, the fair value hierarchy disclosure is required by IFRS 13 *Fair Value Measurement.*	n/a

Changes to IFRS standards which could impact on the Code

Q25	Do you have views on the impact of the new IFRS on the specifications of the Code? Please set out the reasons for your response.		
	Comments	**Response**	**RAG Rating**
25.1	21 respondents made comments, of which five wanted any changes made to the Code to be consistent with the reform agenda.	CIPFA LASAAC acknowledges the role the Code will play in reforming local audit and is committed to avoiding changes that could jeopardize this process.	n/a

25.2	13 felt that the two new IFRS standards were unlikely to have a significant impact on local authorities.	No further comment.	Green – This is in line with CIPFA LASAAC's view
25.3	Five responses welcomed enhanced transparency and improved comparability that IFRS 18 should introduce. There is cautious support for a move back to SeRCoP, as one council says *"It would be simpler to drop the telling the story approach of EFA and CIES and revert to simply having a SERCOP based version of the I&E."*	Adopting a SeRCoP based I&E statement will require consideration to ensure compliance with IFRS 8 *Segmental Reporting* requirements, which requires a management reporting basis.	Amber – a SeRCoP based I&E statement would not meet IFRS 8 requirements
25.4	An audit firm felt that the Code should focus on the requirements for local authorities for IFRS 19 and not that of subsidiary companies.	The IFRS 19 requirements on subsidiary companies will be limited to the extent that they directly relate to the group accounting requirements applicable to local authorities.	Green – the Code sets out the proper accounting practices for local authorities.
25.5	One accounting institute noted that IPSASB will be issuing a consultation on IFRS 18 in September 2025.	To note. The outcomes of this consultation may inform future debates on IFRS 18 at CIPFA LASAAC.	n/a

Changes to IPSAS standards which could impact on the Code

Q26	Do you have views on the impact of new IPSAS on the specifications of the Code as they augment the interpretations of the local government context? Please set out the reasons for your response.		
	Comments	**Response**	**RAG Rating**
26.1	18 respondents left comments, of which four wanted any changes made to the Code to be consistent with the reform agenda.	CIPFA LASAAC acknowledges the role the Code will play in reforming local audit and is committed to avoiding changes that could jeopardize this process.	n/a
26.3	Eight respondents welcomed the public sector specific clarification IPSAS should bring.	No further comment.	Green – this is consistent with CIPFA LASAAC's view
26.4	Seven respondents felt that further consideration was needed before a decision to implement could be made.	The impact of each IPSAS will be considered in full before inclusion in the Code.	n/a

Other areas where additional guidance might be required

Q27	Are there any areas within the Code where additional guidance or improvements to the Code would be helpful? Please support your answer by giving details of the amendments you would suggest.		
	Comments	**Response**	**RAG Rating**

27.1	19 comments were received this year, covering a wide variety of topics.	No further comment.	n/a
27.2	Three councils suggested that creating a framework for applying IFRS changes in future would be helpful.	To note. CIPFA LASAAC may wish to consider this suggestion as part of the upcoming effectiveness review.	n/a
27.3	There were eight requests for updated or additional guidance in the following areas:		
a)	Application of IFRS 16 for police authorities.	Noted.	Green – CIPFA will include IFRS 16 in the year end bulletin.
b)	Accounting for a net pension asset.	Guidance was included within CIPFA Bulletin 15 Reporting of pensions surpluses and IFRIC 14.	n/a
c)	Integration Authorities (such as Integration Joint Boards (IJBs)).	Noted.	Amber – further information is required.
d)	Materiality.	Noted.	Red – reliant on other system partners
e)	Sustainability reporting.	CIPFA have already published some initial guidance in the publication "Public sector sustainability reporting: time to step it up."	Amber – Sustainability Reporting is not yet explicitly included in CIPFA LASAAC's Terms of Reference.
f)	Group accounting.	CIPFA is working to bring older guidance up to date.	Green – this work is ongoing.
27.4	Four respondents asked for updated guidance on model accounts that supports a standard approach and consistent format of notes.	CIPFA is working to improve consistency across its publications and bring older guidance up to date.	Green – this work is ongoing.
27.5	An audit firm had specific comments on wording within the Code in four areas:		
a)	**Loan commitments at below market interest rates** 7.1.3.3 states: *"In the case of a financial liability an authority does not become a party to the contractual provisions of a financial liability unless one of the parties has performed. For example, a loan debt contract is recognised by the borrower when the cash lent is received rather than when the authority became committed to the loan agreement."* Under IFRS 9 this is only the case where the loan commitment is at market rates but this distinction is not made clear. 7.1.2.25 d) suggests that loan commitments at below market interest are not covered by the scope exclusion –	The Secretariat will need to review the paragraph of the code to see if further clarification is necessary.	Amber – It is vital that the provisions of the Code with respect to this issue is clearly understood.

	but remains silent on the required accounting treatment.		
b)	**Transfers by absorption** 2.5.2.7 states: *"Local government reorganisations normally take place at the start of a financial year. The reorganisation shall be achieved in the financial statements by adjusting the opening Balance Sheet for the current year; transfers shall not be reflected in the surplus or deficit on the provision of services, but shall be separately disclosed in the Movement in Reserves Statement and other comprehensive income and expenditure. The notes to the accounts shall separately identify transfers of assets and liabilities (and any consequential changes to reserves)."* We are unclear on what basis a transfer would be reflected in the CIES as other comprehensive income and expenditure. The Code guidance also emphasises that any gain/ loss will be treated as a movement in reserves and reported in the Movement in reserves statement.	The Secretariat will need to review the paragraph of the code to see if further clarification is necessary.	Amber – It is vital that the provisions of the Code with respect to this issue is clearly understood.
c)	**Statutory disclosure requirements - remuneration** Code 3.4.5.1 1) b) states *"An analysis by job title of the remuneration and employer's pension contributions (as defined by the regulations referred to in 1) above) in respect of senior employees and relevant police officers whose salary is £50,000 or more per year (or by name and job title where the salary is £150,000 or more per year) (England and Wales)."* The paragraph is not an accurate summary of the requirement set out in Schedule 1 of the Accounts and Audit Regulations 2015. The threshold of £50,000 applies only to the definition of "senior employees" and NOT to the definition of relevant police officers.	The secretariat proposes rewording this sentence for the avoidance of doubt. "An analysis by job title of the remuneration and employer's pension contributions ~~(as defined by the regulations referred to in 1) above)~~ in respect of senior employees and relevant police officers ~~whose salary is £50,000 or more per year~~ (as defined by the regulations referred to in 1) above) ~~(~~or by name and job title where the salary is £150,000 or more per year~~)~~ (England and Wales)."	Green – the wording can be amended in the draft 25/26 Code
d)	**Disclosures for defined benefit pension funds** 6.5.5.1. u) refers to the Regulation 4(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 (as	The secretariat is undertaking a thorough review of the Code to ensure all references are correct.	Green – this reference will be amended in the draft 25/26 Code

	amended). This should now refer to Regulation 4 (1) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 as the 2009 regulations have been revoked and replaced.		