

Focus on longer-term reforms

Q1 Do you agree with the approach of advancing the agenda in the context of longer-term reforms and implementing changes from the Thematic Review in 2025/26? If not, why not? Please provide your views on why this might be the case.

The backstop has dealt with the immediate issue of the audit backlog but unless significant progress is made on reform to simplify the accounts and improve the audit process, a new backlog will inevitably grow. It is vital, therefore, that CIPFA/LASAAC focuses on simplification.

Approach to changes for operational property, plant and equipment

Q2 Do you agree with the proposal to maintain the use of EUV? If not, why not? Please provide reasons for your view.

The real benefit for operational property, plant and equipment comes from simplifying the measurement process and taking a pragmatic approach to valuation. The argument between COV and EUV misses the point in terms of delivering real change to a proportionate approach to asset valuation. Focus should be on this and not esoteric accounting arguments.

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? If not, why not? Please provide reasons for your view.

Before bringing in any changes to current measurement techniques it is imperative that CIPFA/LASAAC ensure that a more proportionate approach to all valuations is taken in local authority accounts. Until that is achieved no further changes should be made.

Q4 If operational property, plant and equipment is valued based on their current site. Should the modern equivalent approach still be applied to the area of the site? If not, why not? Please provide reasons for your view.

Before bringing in any changes to current measurement techniques it is imperative that CIPFA/LASAAC ensure that a more proportionate approach to all valuations is taken in local authority accounts. Until that is achieved no further changes should be made.

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 that 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 the intervening years? If not, why not? Please provide reasons for your view.

Agree that 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 the intervening years.

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? If not, why not? Please provide reasons for your view.

We would prefer centrally prescribed indices as a 'best available' approach would simply transfer audit debate from valuations to indices. There should be no requirement to revalue more frequently than the quinquennial valuation, for any reason, as this is not effective value for public money where assets are tied up in operational delivery and the information is not of value to decision makers.

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? If not, why not? Please provide reasons for your view.

There should be no requirement to revalue outside the five-yearly cycle other than where the impairment is such that the asset cannot be used for its operational purpose.

Q8 Do you agree that CIPFA should issue guidance on indices to be used to which local authorities must have due regard? If not, why not? Please provide reasons for your view.

We would favour prescribed indices – see question 6.

Q9 Indices will need to reflect conditions as at 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? If not, why not? Please provide reasons for your view.

Provided that indices are prescribed and not subject to any local review this should not cause significant issues.

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?

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.

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? If not, why not? Please provide your views on why this might be the case.

The current valuation method should be retained– anything other than a Beacon valuation would be extremely onerous and could involve increased complexity and cost of valuation.

Q12 Do you agree with the proposal to withdraw the option to measure intangible assets using the revaluation model? If not, why not? Please provide reasons for your view.

Agreed

Q13 Do you agree with the proposed effective date of financial year 2025/26 for the changes? If so, why? If not, do you have a suggestion for an alternative effective date? If so, why?

Agree subject to agreement of indices and guidance being developed.

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?

None provided that indices and guidance is sufficiently prescribed. CIPFA/LASAAC should give consideration to providing additional guidance on valuation of assets on transfer under local government reorganisation to ensure a pragmatic and sensible approach.

Q15 Do you agree with the approach to transition as set out in the exposure draft? If not, why not? Please provide reasons for your view.

Agreed.

Q16 Do you agree with CIPFA/LASAAC's approach to the implementation of IFRS 17 Insurance Contracts in the Code? If not, why not? What alternatives do you suggest?

No comments unless anybody wishes to raise specific issues?

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?

No comments unless anybody wishes to raise specific issues?

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)? If not, why not? What alternatives do you suggest?

No comments unless anybody wishes to raise specific issues?

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.

CIPFA/LASAAC should be aware of the real impact on local authority budgets of removing the override. The changes are likely to make pooled investments less attractive in volatile markets because of the need for a spot valuation of these products.

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). If not, why not? Please provide reasons for your view.

No comments. SDCT would repeat its request for clarity that district councils will not have material infrastructure assets other than in exceptional circumstances.

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? If not, why not? Please provide reasons for your view.

No comments

Q22 Do you have any views on simplifications that might apply to the measurement of DRC? Please provide an explanation of any simplifications that might be used and a reason for your proposals.

No comments

Q23 Do you have any suggestions on which items should be prioritised in CIPFA/LASAAC's strategic plan? Please provide reasons for your suggestions.

SDCT has previously made comments on proposals for simplification in its paper setting out its asks.

Q24 Do you have any suggestions for improving local authority financial statements and the reports that accompany them? Please provide reasons for your suggestions.

See answer to Q23

Q25 Do you have views on the impact of the new IFRSs on the specifications of the Code? Please set out the reasons for your response.

During the recovery period, new IFRSs should only be introduced where they allow for simplification of current statements.

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.

During the recovery period, new IFRSs should only be introduced where they allow for simplification of current statements.

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.

SDCT has previously made comments on proposals for simplification in its paper setting out its asks.