ICAEW
REPRESENTATION 17/25

2025/26 CODE OF PRACTICE ON LOCAL AUTHORITY FINANCIAL REPORTING

Issued 14 February 2025

ICAEW welcomes the opportunity to respond to the consultation on the 2025/26 Code of Practice on Local Authority Financial Reporting in the United Kingdom published by CIPFA LASAAC on 5 December 2024, a copy of which is available from this link.

ICAEW supports CIPFA's focus on long-term reform

- Improving the quality and understandability of annual financial reports and the financial statements is essential to preventing a recurrence of the local audit backlog.
- Accounts need to be understandable to the users they serve.
- Reform should move from short-term 'sticking plasters' to long-term solutions.
- We look forward to supporting the work of the Better Reporting Group.

Changes to the measurement of non-investment assets are mostly positive

- How assets and liabilities are measured is a critical component of accounting and financial reporting and can change the shape of the balance sheet materially depending on the model and basis chosen.
- The accounting policy changes proposed are likely to have a major impact on the financial statements and reduce the burden on accounts preparers and auditors alike.
- We do not support mandating five-yearly revaluations as we believe preparers should have flexibility to select between three and five years depending on circumstances.

But we have reservations about the use of depreciated replacement cost

- We do not believe that applying DRC to operational assets where there is no observable market value improves the usefulness or reliability of financial statements.
- The high level of subjectivity in DRC calculations hampers the reliability of reported asset balances and risks inconsistency of valuation between similar assets.
- Current valuations are not used for strategic decision-making and so a historical cost measurement is an appropriate alternative.

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INTRODUCTION

1. ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 169,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.
2. ICAEW is the only recognised supervisory body (RSB) for local audit in England. We have 11 firms and 107 Key Audit Partners registered under the Local Audit and Accountability Act 2014.
3. ICAEW engages with policy makers, public servants, and others, to promote the need for effective financial management, audit and assurance, financial reporting, governance, and ethics across the public sector to ensure public money is spent wisely.
4. This response has been prepared by ICAEW's Public Sector team in consultation with ICAEW's Public Sector Advisory Group. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 14,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants, and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.
5. Our vision for local financial reporting and audit sets out steps we believe are necessary to improve the quality and rigour of the financial information provided to councillors to enable them to be effective in holding their local authorities to account, and to strengthen local audit to assure that information.
6. We submitted evidence on 17 April 2023 to the then House of Commons Levelling Up, Housing and Communities Committee setting out how we believe financial reporting and audit in local authorities can be improved.
7. We submitted evidence on 18 May 2023 to the HM Treasury Thematic Review of Non-investment Asset Valuations for Financial Reporting Purposes, welcoming reform to the measurement of non-current assets for public bodies while highlighting our reservations regarding the use of depreciated replacement cost (DRC).
8. We submitted evidence on 16 February 2024 to the HM Treasury Non-Investment Asset Valuation Exposure Draft, highlighting our support for HM Treasury's aim of improving financial reporting in the area of non-investment assets.
9. We submitted evidence on 7 March 2024 to the then Department for Levelling Up, Housing and Communities' consultation on addressing the local audit backlog in England.
10. We submitted evidence on 28 March 2024 to CIPFA LASAAC on short-term changes in England to the Code of Practice on Local Authority Accounting in the United Kingdom.
11. We submitted evidence on 29 January 2025 to the Ministry of Housing, Communities and Local Government regarding their strategy for local audit reform and the establishment of the Local Audit Office.
12. For questions on this submission please contact our Public Sector team at representations@icaew.com quoting REP 17/25.

KEY POINTS

ICAEW SUPPORTS CIPFA'S FOCUS ON LONG-TERM REFORM

13. We believe that improving the quality and understandability of annual financial reports and the financial statements is essential to preventing a recurrence of the local audit backlog and to improving the ability of councillors and the public to hold their local authorities to account.
14. We particularly believe that accounts need to be understandable to the users they serve. Local authority annual financial reports in the UK are generally perceived to be impenetrable and as a consequence their ability to be a tool for accountability is impaired. Overcomplex and overcomplicated financial statements also detract from their role in governance, strategic decision-making, financial management, performance monitoring, and financial control.
15. Reform also needs to move on from short-term 'sticking plasters' to long-term solutions. While it is imperative that the backlog of outstanding unaudited financial statements is tackled, there is a need to address some of the underlying causes of complexity and complication that make it difficult for financial statement preparers to effectively communicate the financial performance and position of their local authorities. Many of the proposed improvements will help support such efforts.
16. We look forward to supporting the work of the Better Reporting Group in driving long-term reform of both local authority financial statements and the annual financial reports they are included within.

CHANGES TO THE MEASUREMENT OF NON-INVESTMENT ASSETS ARE MOSTLY POSITIVE

17. We concur with most of the suggested improvements to the Code of Practice for Local Authority Financial Reporting in the United Kingdom (the Accounting Code) effective in 2025/26 set out in the consultation, including those on the measurement of operational assets.
18. We believe that the changes will have a positive impact on accounts preparers and auditors alike, with financial reporting requirements becoming more straightforward and consistent with reporting across central government.
19. We support the adoption of three-to-five-year cycles for the revaluation of operational assets, with indexation between revaluations, rather than the prescription of five-year valuation cycles as is currently proposed. This appears to us to provide an appropriate balance between the need for reasonably up-to-date valuations to meet the needs of users, the costs that local authorities will incur in preparing such valuations, flexibility over the timing of valuations, and the effort required to audit them.

BUT WE HAVE RESERVATIONS ABOUT THE USE OF DEPRECIATED REPLACEMENT COST

20. We continue to have reservations about the use of depreciated replacement cost (DRC) in local authority financial statements for operational assets where there is no observable market value.
21. While DRC can be appropriate in some circumstances, the use of DRC as a measurement basis can sometimes overstate the economic value of assets (for example where no rational entity would choose to replace an asset on a like-for-like basis), and is often highly subjective depending on the underlying assumptions. In practice, this can often result in a less-than reliable valuation which is often of little relevance to the user.
22. Our response to HM Treasury's Thematic Review expressed these reservations in further detail, highlighting that applying DRC on an ongoing basis is expensive for local authorities and that valuations can often lead to delays in the auditing process where there are disagreements.

23. We also believe that valuations of operational property carry a lower level of risk to the finances of local authorities when compared to similar entities across the private sector. Valuations are not typically linked to the revenue raised by an authority, nor the expenditure they incur, meaning that they are of relatively limited use for decision making and of little relevance for users of financial statements.
24. Therefore, our preference would be to apply historical (deemed) cost to operational assets where no observable market exists. However, to be as constructive as possible, our response will reflect CIPFA LASAAC's (and HM Treasury's decision as per the Thematic Review) to continue to adopt the DRC valuation method.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: 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.

25. ICAEW supports the approach undertaken by CIPFA LASAAC to advance the agenda in the context of implementing longer-term reforms.
26. ICAEW has regularly called for accounts reform and simplification of the Accounting Code more broadly. It is our view that the financial reporting requirements for local bodies are too complicated and disproportionate to the needs and context for the sector. Such requirements have played their part in allowing local government accounts to be complex, difficult to understand for users, and therefore failing to engage local people appropriately. They have also placed undue burdens upon accounts preparers and their auditors alike.
27. Implementation of longer-term accounts reform is therefore vital in preventing a reoccurrence of the audit backlog in the future. It would also help to ensure the production of accounts which are understandable to users and are achievable for accounts preparers to create in a timely manner. We concur that such reform will need to develop solutions in areas such as infrastructure assets and improve the presentation of the income and expenditure statement. We also believe that it is important to move away from the implementation of short-term 'sticking plasters,' which although assist in the short-term, they exacerbate issues in the longer-term making permanent solutions more difficult to develop.
28. ICAEW look forward to working with CIPFA through the Better Reporting Group to navigate implementation of longer-term reform which will support the local audit system.
29. We also welcome CIPFA LASAAC's intention to begin the process of developing long-term reform by implementing the changes from the HM Treasury Thematic Review on Property, Plant and Equipment (PPE). Operational PPE valuations are an area where we consider that the financial reporting requirements have been disproportionate to the needs of the sector.
30. In our view, such valuations carry a lower level of risk to the finances of public bodies funded by national or local taxation when compared to the private sector. Valuations of operational property, in most cases, are not linked to the revenue that a local authority receives, nor do they affect their expenditure directly. Furthermore, they typically do not impact outturn against budgets, and as such, are of relatively limited use for decision-making and are of less interest to users of the accounts.
31. Applying a current value model for PPE provides information about the market price of an asset and if no market exists, the replacement cost of the asset. Given that most operational assets are unlikely to be sold and that the replacement cost methodology often bears little relevance to actual likely costs to be incurred, we believe the informational value to be of limited use. The costs involved in revaluations do not necessarily provide sufficient benefit to the user of the accounts. Therefore, we do not support a current valuation for operational assets in governments. An historic cost measurement would be cheaper to implement and audit. Since the information from the current valuation model is not being used, the loss of market or replacement cost information should not cause a problem.

32. However, given the importance of aligning accounting policy options between local and central government, we would recommend that CIPFA LASAAC adopt the changes proposed in the Thematic Review.
33. The changes within the Thematic Review undoubtedly simplify the financial reporting requirements for accounts preparers with the application of indexation to reduce the frequency of revaluations. Therefore, we are supportive of the direction that CIPFA LASAAC have taken.

Question 2: Do you agree with the proposal to maintain the use of EUV? If not, why not? Please provide reasons for your view.

34. Yes, we agree with the proposal to maintain the use of EUV because:
    a) the alternative IPSASB measurement basis – Current Operational Value (COV) - does not permit the income approach as a valuation technique, which is an unnecessary restriction;
    b) RICS has created additional guidance on the application of EUV with which the valuation community is familiar; and
    c) as the consultation notes, the use of EUV also maintains consistency with the current UK approach for the valuation of operational assets.

Question 3: 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.

35. Yes, we would support a future move to value operational assets based on their current site and not consider alternative sites when undertaking a DRC valuation. We believe this would help to simplify the overall methodology and make it more straightforward for preparers to develop an appropriate valuation.
36. We also concur that the valuation of an operational asset based on an alternative site does not accurately reflect the current assets existing use value. This especially applies to many local authority assets, which are developed to service a public need in a specific location and as such, considering alternative locations may not be appropriate.
37. However, as we have noted previously, we do hold reservations regarding the use of DRC for assets where there is no observable market, as the use of DRC valuations are subjective, are difficult for preparers to develop, challenging for auditors to audit, and users typically do not fully understand the underlying methodology.
38. Therefore, we would be more supportive of a future move to value such operational assets at historical (deemed) cost.

Question 4: 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.

39. Yes, we believe that the modern equivalent approach should still be applied where operational asset valuations are based on their current site.
40. This methodology would ensure consistency with the FReM, which has maintained the modern equivalent approach for the 2025-26 financial year.
41. 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 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.

42. We would not support the use of identical replacement, as in practice this is generally not an approach taken when developing new assets and is not an approach recognised by RICS guidance.

Question 5: 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.

43. Yes, we agree that the Accounting Code should withdraw the IAS 16 requirement for revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from what would be determined using the current value at the end of the reporting period.
44. We agree with the consultation that this requirement has led to accounts preparers and auditors having to conduct significant amounts of work, often resulting in the performance of annual valuations which are complex and challenging to complete. Such requirements are disproportionate to the lower level of risk which applies in the public sector, when non-investment asset valuations are mostly not linked to the revenue that a local authority receives, nor do they affect their expenditure directly. Nor do they typically impact outturn against budgets.
45. This change should reduce the burden on financial statements preparers and auditors alike, and assist the sector in preventing a reoccurrence of the audit backlog in future periods. The change also ensures consistency with the FReM, which has removed this requirement for the 2025-26 financial year.
46. We are less supportive of mandating quinquennial revaluations or a rolling programme of revaluations over a five-year cycle. While we agree with the valuation methodology in principle, we do not support prescribing a five-year valuation cycle. In our view, there is no public sector specific reason to depart from the requirements of IAS 16 paragraph 34, which provides an appropriate range of between three to five years. Allowing a wider range would provide further flexibility to local authorities, which may prefer a shorter revaluation period. It may also be more cost effective and efficient for some assets to have a shorter valuation cycle.
47. We support indexation being applied each year in-between valuation cycles, especially where a strict five-year valuation cycle is applied. This should ensure that the financial statements disclose a more accurate carrying amount in the years between where a full revaluation takes place, provided that appropriate indices are identified which are relevant to the type of non-investment asset being indexed.

Question 6: 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.

48. Yes, we agree that authorities should use the 'best available' indices when applying indexation to their non-investment assets.
49. We believe that this is a more appropriate approach than prescribing a set of indices more broadly. Preparers should be able to use their discretion to adopt indices which are the most appropriate for their particular assets.
50. We also support the application of a more frequent valuation cycle where a suitable index is not available, however, we believe that it may be more appropriate to 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 shall*

revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year 3".

51. Such an approach would be favourable, as it would allow entities to better align the timings of full valuations for assets without a suitable index, with assets that are remeasured using indexation. This approach would ensure that a full revaluation cycle would still only have to occur every five years (or three to five years if IAS 16 requirements are implemented), avoiding the need for procuring full revaluations on a more frequent basis and thus, reducing the burden on local authority preparers and auditors alike.

Question 7: 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.

52. While we agree in principle that a full revaluation outside the five-year cycle might be needed where there are indicators of impairment, we believe that the Code could be clearer on stating exactly when this applies.
53. Currently, paragraph 4.1.2.37 of the Accounting Code suggests that where there is an indication of impairment when applying IAS 36, this *"may require"* an asset to be fully revalued. This is unclear to accounts preparers and could result in differing interpretations between local authorities. It may also result in full valuations occurring where there are not material indicators of impairment.
54. We believe that following the approach of the FReM would be more proportionate to the risk of non-investment valuations being materially misstated. 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 paragraph also makes it clear that HM Treasury do not expect a full, professional revaluation of an asset to be undertaken to demonstrate there are no indicators of material impairment.

Question 8: 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.

55. Yes, we believe that local authorities would find guidance on appropriate indices to be used useful. This would help minimise the use of different or conflicting indices across local authorities for similar assets but maintain preparers' discretion for where a specific index (perhaps a regional one) is more suitable for their assets.
56. CIPFA should also consider keeping guidance under constant review to ensure that there is no unnecessary diversion from common indices which could be applied. From an auditing perspective, it is more challenging to assess the suitability of a more bespoke index which can result in further audit procedures being required.

Question 9: 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.

57. Yes, we concur that such an approach would be feasible for practitioners. It is important to ensure the most up-to-date valuation that an index is used from as close to the year-end as possible, therefore such an approach is welcome.

Question 10: 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?

58. We think that application guidance should include:
    a. Some suggestions for applicable indices which may be relevant to local authority asset classes. The guidance however would want to note that other indices may be more appropriate, depending on the specific type of asset and its location (e.g. the use of a regional index).
    b. An emphasis on the importance of using up-to-date indices, as referred to in our response to Question 9.
    c. A practical model demonstrating the application of indices to help generate consistency across local authorities.
59. We note that for assets with no observable market value and which are subsequently measured using DRC, the BCIS all-in Tender Price index is likely to be appropriate for many local authorities. However, this index is not appropriate to use for land assets which may need to be highlighted in guidance; this is because the index is a measure of price movements within the construction industry and does not assess movements in the valuation of land. We are aware of the inappropriate application of this index for land valuations across some central government entities.
60. We also suggest that local authorities agree with their auditor the index to be applied and any working methodologies and assumptions.

Question 11: 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.

61. Yes, we agree with this proposal. We support the use of the existing use value for social housing methodology as the most appropriate basis for valuing social housing in the records of both local authorities in the public sector and housing associations in the private sector.
62. We are not aware of any significant valuation issues regarding social housing and concur that it makes sense to maintain the current methodology where this is the case.

Question 12: 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.

63. Yes, we agree with this recommendation to require intangible assets to be valued at historic (deemed) cost and to withdraw the option to measure them using the revaluation model.
64. While there may be circumstances in which fair values might be potentially appropriate for certain intangible assets, these are not material to the UK public sector, and we see the benefits of adopting a consistent approach across government as a matter of accounting policy.

Question 13: 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?

65. Yes, we agree with the proposed effective date of financial year 2025/26 for the changes.
66. We concur that the changes are not that far reaching and will be relatively straightforward for accounts preparers to manage. It is also important that financial reporting requirements which reduce the burden on parties across the system are implemented at pace, therefore we would not support a delay in the effective date.

Question 14: 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?

67. No, we do not believe that there are any significant operational challenges which will be encountered in the proposed approach to the valuation of non-investment assets.
68. We believe that the changes will reduce the burden upon finance teams and auditors alike and assist with preventing a reoccurrence of the local audit backlog in future financial years.

Question 15: 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.

69. Yes, we agree with the transitional arrangements set out for the valuation of non-investment assets.
70. In particular, we agree with the proposal to follow the approach taken by HM Treasury's Thematic Review, not requiring the changes to accounting policy to be applied retrospectively. Such a requirement may have placed an undue burden on local authorities and would go against the theme of the proposals to simplify financial reporting requirements.
71. 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.

Question 16: 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?

72. While we agree that IFRS 17 is only likely to apply to a limited number of local authorities, we believe that it may be beneficial – either within the Accounting Code directly or within Code Guidance Notes, to follow the approach of the FReM and restrict accounting choices provided by IFRS 17.
73. Such an approach would support the comparability and consistency of local authority financial statements where a local authority has transactions within the scope of IFRS 17.
74. We also believe that this approach could reduce the burden upon accounts preparers, providing clarity on how they should apply the standard within a number of scenarios. Applying the standard without such guidance is likely to be challenging for local authorities where their primary activities are not insurance related.

Question 17: Do you agree with the timing of the implementation of IFRS 17 Insurance Contracts in the Code i.e., in the 2025/26 Code? If not, why not? What alternatives do you suggest?

75. Yes, we agree with the timing of the implementation of IFRS 17 within the 2025/26 Accounting Code. This is in line with the rest of the public sector thus this approach ensures consistency in reporting.

Question 18: 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?

76. Yes, we agree with the proposed approach here. We concur that the amendments are unlikely to apply to local authorities.

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Question 19: 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.

77. This question is not applicable to ICAEW.

Question 20: 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.

78. Yes, we agree that in the absence of a permanent solution, the current exemption to the treatment of infrastructure assets should be extended. An extension is vital to preventing disruption to the process of rebuilding assurance for local authorities and for returning timely financial reporting to the sector.
79. However, it is imperative that a long-term solution is developed quickly. We believe that it is important for financial reporting requirements to move away from short-term ‘sticking plasters’ for major issues such as infrastructure assets, as the problems only become more difficult to solve once such a temporary solution is introduced.
80. We would therefore only support an extension to the temporary solution for the 2025/26 financial year, with the temporary solution being reviewed on an annual basis going forwards and reapplied should an appropriate permanent solution not be forthcoming.
81. ICAEW welcome CIPFA LASAAC’s Task and Finish Group starting to develop a long-term solution with local authorities, and hope that this can be finalised within the 2025/26 financial year.

Question 21: 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.

82. Yes, we agree that implementation of a permanent solution for infrastructure assets – either at a revalued amount or at historical cost, will require a one-off exercise to measure infrastructure assets at depreciated replacement cost.
83. We concur that in the current scenario, where accounting records are not complete, it will be challenging to achieve a materially accurate valuation going forwards without the undertaking of such an exercise.

Question 22: 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.

84. We have no further views.

Question 23: Do you have any suggestions on which items should be prioritised in CIPFA/LASAAC’s strategic plan? Please provide reasons for your suggestions.

85. Our response to MHCLG’s Local Audit Reform consultation identified the following areas which we believe should be prioritised by CIPFA/LASAAC:
    - Operational property, plant and equipment – while we welcome the current proposals which will simplify reporting in this area, we would encourage a move away from DRC valuations in the future. We consider that the use of DRC creates a subjective valuation which is not understood by users of the accounts, nor is the level of work required proportionate to the value the disclosures bring to the accounts or the level of risk in the public sector.

- Infrastructure assets – as referred to in our response to Question 20, we believe that the development of a long-term solution to infrastructure assets which is achievable for accounts preparers and is in line with accounting standards is essential.
- Pensions disclosures – we believe that these disclosures should be brought closer in-line with FRS 102 requirements, as they are less onerous than the current disclosure requirements but still provide essential information that users of the financial statements need to understand the economic exposures of providing defined-benefit pensions arrangements to local authority staff. We are pleased that CIPFA's strategic plan recognises pension reporting as a priority area.
- Simplification of the Accounting Code more broadly – the Accounting Code should be designed on the basis that councillors, as elected representatives, are the primary users of local authority financial statements. Limiting divergences away from IFRS where possible would assist greatly.
- Introduction of a summary statement – a previous Redmond Review recommendation, we concur that such a statement could vastly enhance the understandability of local authority accounts to local residents, thus being a key vehicle in increasing transparency.
- Model accounts - currently, the model accounts are too long. If possible, they should be reduced in length to be closer to the length of the central government 'Department Yellow' template accounts. Again, we are pleased this is recognised as a priority area.
- Statutory overrides – we are of the view that statutory overrides have created significant issues in the structure and format of local authority financial statements, and that such overrides often come at the expense of a longer-term, more proportionate solution. Therefore, limiting overrides where possible would be our preference.
- Presentation of the income and expenditure statement – we believe the statement could benefit from a redesign to provide a more understandable view of the financial performance of each local authority and its group.

Question 24: Do you have any suggestions for improving local authority financial statements and the reports that accompany them? Please provide reasons for your suggestions.

86. We believe that prioritising areas noted in our response to Question 23 would greatly improve financial statements and the reports which accompany them.

Question 25: 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.

87. We believe that IFRS 18 and 19 are likely to have a limited impact on the specifications of the Code.
88. However, it is worth noting that IPSASB is due to issue a consultation paper in September 2025 which will showcase their interpretations of IFRS 18 for the public sector. Therefore, we consider that it may be worth CIPFA LASAAC keeping this consultation under review.

Question 26: 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.

89. Both IPSAS 47 Revenue and IPSAS 48 Transfer Expenses apply a broader concept of binding arrangements versus contracts in the IFRS revenue standard to ensure public sector specific transactions remain in scope where applicable.
90. There is no equivalent IFRS standard for transfer expenses.
91. We have summarised the key differences between IFRS and IPSAS in relation to non-exchange revenue and expenditure transactions in this article, which may be of interest. We

believe that the Code could benefit from the public sector specific application guidance and illustrative examples that demonstrate the accounting treatment for transactions that are within binding arrangements and those that are not.

Question 27: 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.

92. Our response to Question 23 sets out areas where we believe that improvements to the Code would be beneficial to accounts preparers, auditors, and users of the financial statements.

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