The Chartered Institute of
Public Finance & Accountancy

LASAAC

CIPFA

CIPFA LASAAC feedback statement on the 2025/26 Code

1. Introduction

1.1 This publication is a feedback statement from the CIPFA LASAAC Local Authority Accounting Code Board (CIPFA LASAAC) updating accounts preparers and other interested parties on the amendments to the 2025/26 *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) following the consultation on proposed changes to the Code in December 2024–February 2025.

1.2 This feedback statement should be considered alongside the consultation papers on the Code. The consultation documents are available on the archived consultation pages of the CIPFA website.

1.3 **This feedback statement does not form any part of the 2025/26 Code**.

1.4 Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code, prepared by CIPFA LASAAC. The Code is reviewed continuously and is normally updated annually. The Code confirms that in the unusual event that other statutory provisions require departures from the Code, then the statutory provisions must be followed.

1.5 In meeting its terms of reference, CIPFA LASAAC is committed to having due regard to ensuring high-quality financial reporting in local authority financial statements.

1.6 CIPFA LASAAC received 46 responses to the consultation. This is slightly lower than last year's consultation response rate of 55 responses and can be attributed to the time of year. The tables below show the distributions of responses:

Geographical distribution of organisations responding to the 2025/26 Code consultation	
English: 38	Welsh: 5
Scottish: 3	

Different types of organisation responding to the 2025/26 Code consultation	
Accountancy institute	District council
Audit firm	Individuals
Audit agency	London borough council

Borough council	Metropolitan council
City council	Police and crime commissioner
Consultants	Representative bodies
County council	Unitary council

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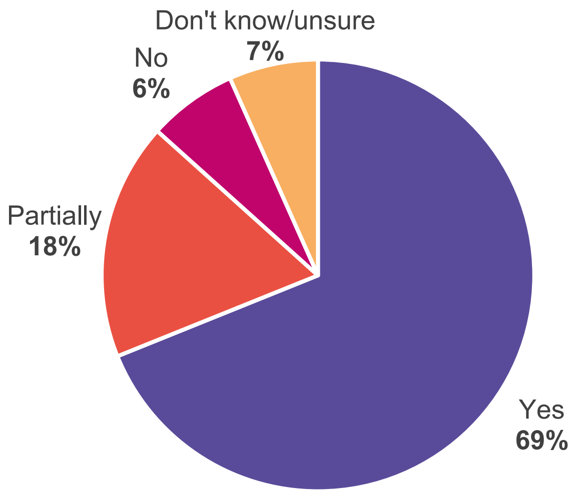
2. Longer-term reforms and change in approach to the measurement of operational property, plant and equipment in line with the HM Treasury Thematic Review

A1. Longer-term reforms

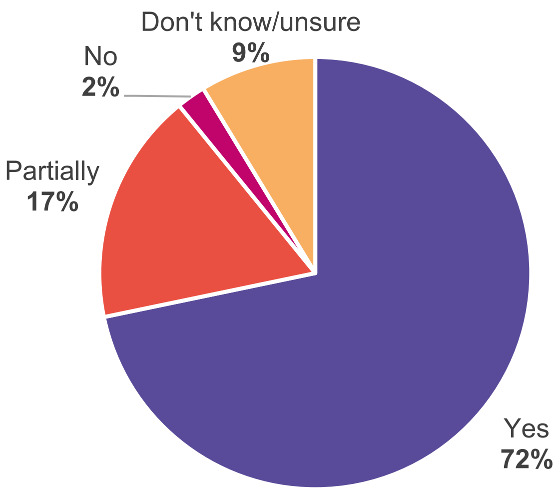
Question		
Q1	Do you agree with the approach of advancing the agenda in the context of longer-term reforms and implementing changes from the Thematic Review in 2025/26? If not, why not? Please provide your views on why this might be the case.	

2.1 Following discussions and careful consideration, CIPFA LASAAC proposed for the 2025/26 Code that it should advance the agenda in the context of longer-term reforms, in line with its strategic plan. The plans are to press ahead and prioritise this work alongside CIPFA through the Better Reporting Group.

2.2 The majority of respondents (31, 69%) agreed with advancing the agenda in the context of longer-term reforms. However, half of those who made comments had concerns about the impact of changes on preparers and auditors as well as practical considerations.

2.3 **CIPFA LASAAC noted the support for advancing the agenda in the context of longer-term reforms.**

A2. Approach to changes for operational property, plant and equipment

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

2.4 CIPFA LASAAC is of the view that current operational value (COV) as the measurement basis for all operational assets is largely consistent with the current UK approach of existing use value (EUV). The ITC therefore proposed that the EUV measurement basis should also be retained in the Code.

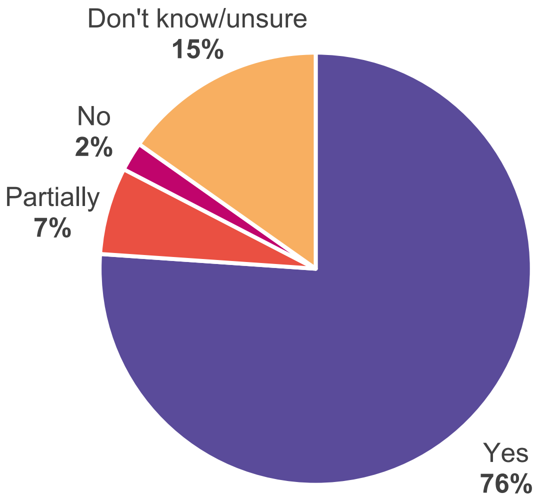
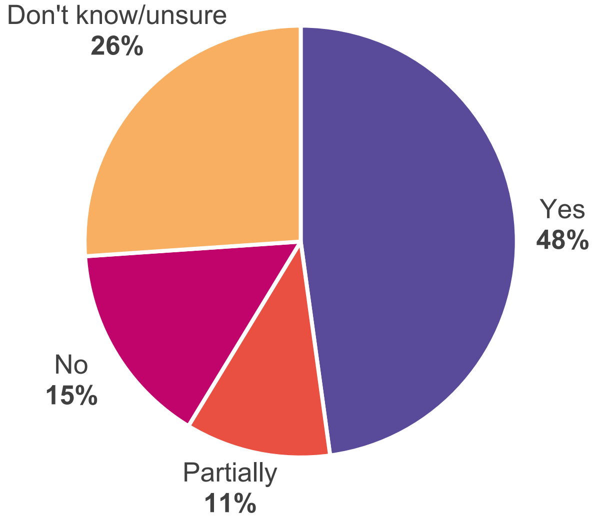
2.5 A substantial majority of respondents who answered this question (33, 72%) agreed with the proposal. While respondents in agreement noted that practitioners and valuers are already familiar with EUV, it is well understood, and changing it seemed unnecessary.

2.6 There were also eight respondents (17%) who were partially supportive of the proposal.

2.7 While one respondent disagreed and supported the introduction of COV, another held a different view in support of EUV, illustrating the challenge of navigating differing opinions when setting standards.

2.8 **CIPFA LASAAC agreed to retain the use of EUV measurement basis in the Code.**

A3. Specialised assets – the use of depreciated replacement cost in local authority measurement

Question		
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.	
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.	

2.9 The HM Treasury Thematic Review is exploring if assets should be valued based on their current site and not consider alternative sites. There is also a difference in that COV permits the use of identical replacement as well as modern equivalent assets (MEA). A key element of the current discussion is whether the modern equivalent approach should still be applied to the area of the current site if the requirement to consider alternative sites is removed. CIPFA LASAAC is keen to hear from local government stakeholders. However, no changes to the MEA approach will be implemented in 2025/26.

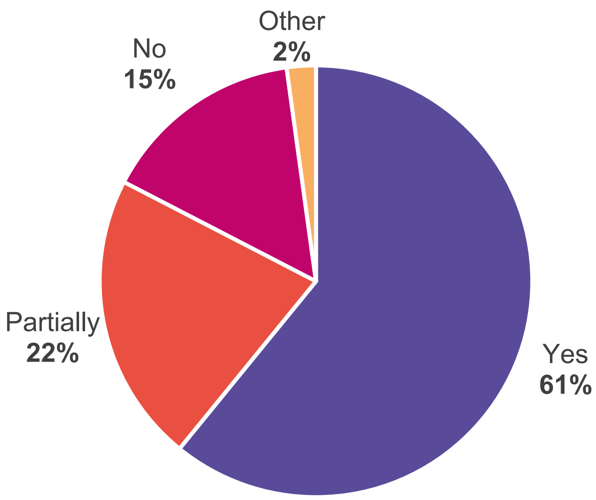
2.10 A substantial majority of respondents who answered this question (35, 76%) supported a future move to value operational property, plant and equipment based on their current site and not consider alternative sites. Respondents in agreement noted that alternative sites are generally inappropriate and rarely used and several respondents noted this would reduce workloads.

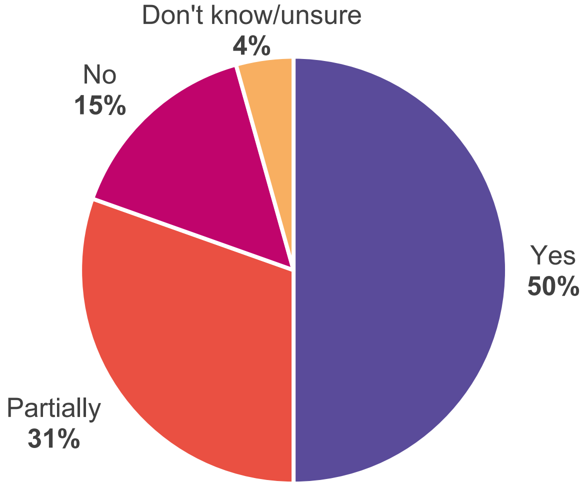
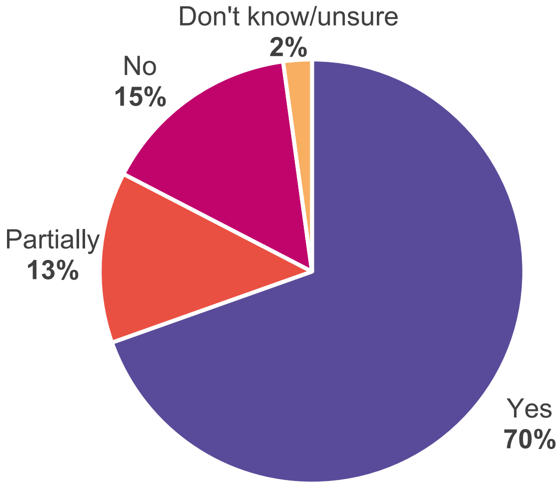
2.11 However, a couple of respondents highlighted that moving away from considering alternative sites would be contrary to existing RICS guidance and this would need to be considered before making any changes.

2.12 Respondents were not as certain on whether the modern equivalent asset approach should still be applied to the area of the site, though, and it was 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.

2.13 **CIPFA LASAAC noted the support for not considering alternative sites and will contribute to future discussions at FRAB.**

A4. Frequency of valuations for operational property, plant and equipment and the use of indexation

Question		
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.	

Question		
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.	
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.	

2.14 The majority of respondents agreed with the proposals as follows:

- To withdraw the IAS 16 requirement for revaluations to be made with sufficient regularity, instead replacing this with a quinquennial revaluation on a five-year rolling basis, supported by indexation in intervening years.
- 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.
- 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.

2.15 While in agreement, there were approximately a quarter of respondents who indicated that the proposals would lead to a reduction in workload.

2.16 However, there were several respondents who felt this would increase their workload, as they are not currently experiencing difficulties with valuations.

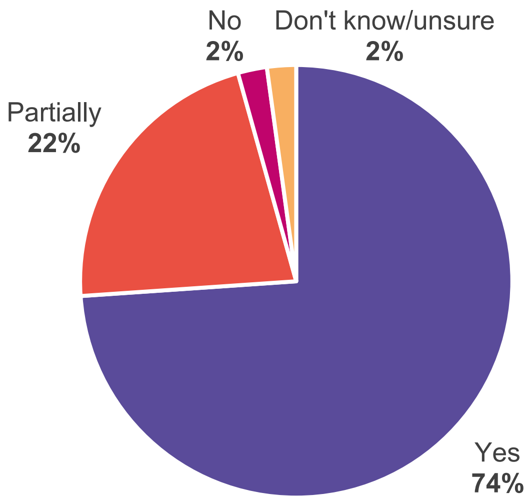
2.17 Respondents expressed the need for guidance, and a few of these queried the role of valuers and finance staff in the process of applying indexation to assets in between formal valuations. There were also concerns if valuers would agree to carry out indexation.

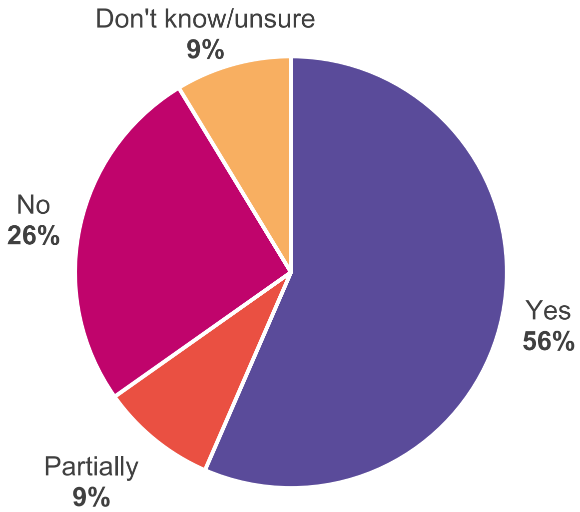
2.18 Question seven asked if full valuations would only be required where there are indicators of impairment. However, responses highlighted the need for clarification on other potential triggers for undertaking a full valuation, which most likely can be covered in guidance.

2.19 Several respondents also had concerns regarding audit. This mirrored feedback received in the short-term measurers consultation in 2024, which considered implementing indexation in 2023/24 and 2024/25.

2.20 Audit concerns were the main driver behind many respondents also suggesting prescribed indices.

2.21 One respondent also proposed a modification to the proposals set out in the exposure draft for when no index is available to align with the requirements of the 2025/26 FreM, which was issued after the ITC. CIPFA LASAAC agrees with the proposal to align with the FreM, which 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 three. The original proposal in the ITC for these circumstances was for valuations not to be required more frequently than every three years.

Question		
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.	

Question		
Q9	Indices will need to reflect conditions as at 31 March as best as 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.	
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?	

2.22 Respondents expressed concerns on agreeing indices between preparers and auditors, which was the main driver behind nearly half of respondents suggesting indices should be prescribed. However, a fifth of respondents suggested guidance rather than prescribed indices.

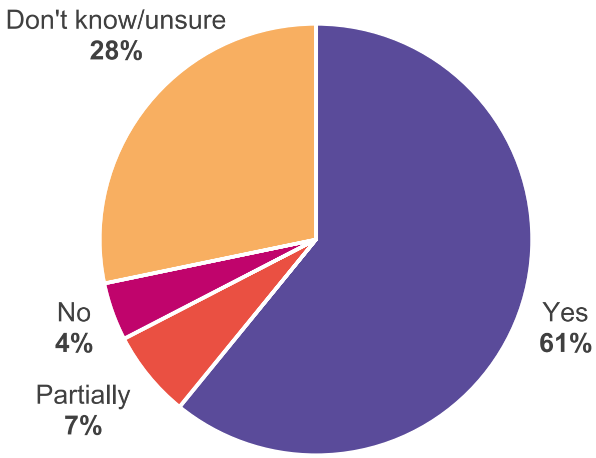
2.23 CIPFA/LASAAC acknowledges guidance will be key to the successful implementation of the changes and there has already been considerable work in this area in the application guidance produced by the Valuation Office Agency (VOA) for HM Treasury. This can be used as a starting point for guidance for 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. Therefore, guidance on how to approach indexation is likely the most effective way to address these concerns.

2.24 Half of respondents noted that March would be feasible for the provision of indices. Several of these respondents also noted that this is dependent on the deadline for draft accounts remaining at 30 June. However, there were approximately a quarter of respondents that noted indices not being available until March would cause them difficulties.

2.25 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. There were also concerns regarding the cost of purchasing indices for local authorities. However, it is presumed most local authorities will 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 the Ministry of Housing, Communities and Local Government (MHCLG).

2.26 There was valuable feedback from respondents on suggestions for guidance and these recommendations will be communicated to the Better Reporting Group, who are working on the development of application guidance.

2.27 However, there is one particular area of guidance that requires immediate direction from the board. Several respondents commented that application guidance should set out the accounting treatment and status of indexation, including disclosures required. This is also something that the Better Reporting Group have recently raised when they started work on application guidance. One respondent also noted that changes could impact fixed asset register systems, which should be considered in any guidance.

Question		
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.	

2.28 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, which upon further analysis is because nearly all these respondents do not hold social housing assets. 28 respondents (61%) answered in support.

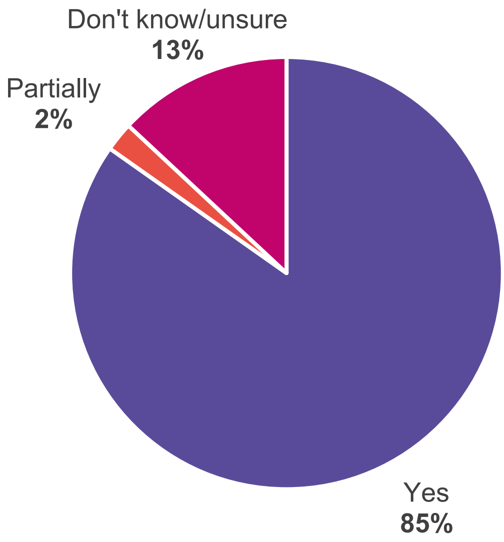
2.29 However, there were two councils who suggested updated guidance would be helpful, particularly to consider if adjustment/discount factors need to be updated, and this should be communicated to MHCLG.

2.30 There was also an alternative view for the measurement of social housing assets, which is for these assets to be valued on a depreciated replacement cost or discounted cash flow basis.

2.31 **CIPFA LASAAC agreed to implement the proposals with respect to the frequency of valuations for operational property, plant and equipment and the use of indexation. The board also agreed to remove the adaptation of IAS 16 for the treatment of accumulated depreciation and impairment to allow the proportionate restatement method.**

2.32 **The board noted that the Better Reporting Group are currently producing application guidance.**

A5. Intangible assets

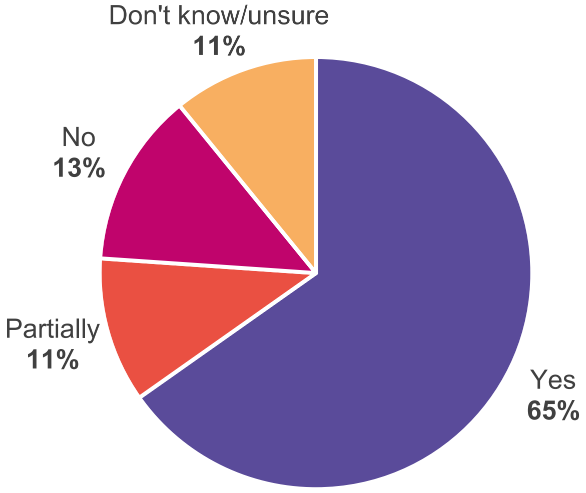
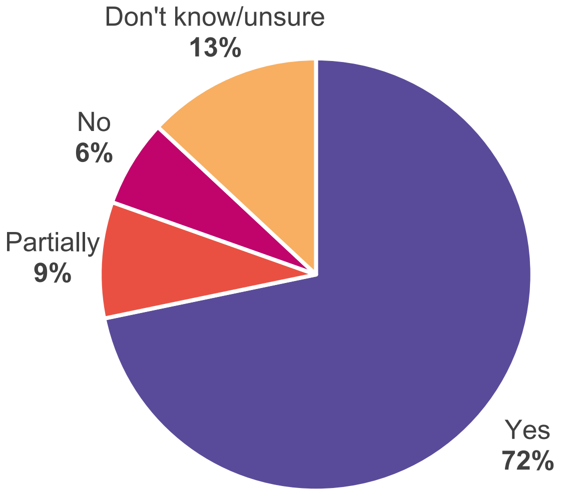
Question		
Q12	Do you agree with the proposal to withdraw the option to measure intangible assets using the revaluation model? If not, why not? Please provide reasons for your view.	

2.33 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.

2.34 However, two councils did have some concerns. The first council queried how potential information deficits would be dealt with, and the second council noted not using the revaluation model would mean a material difference in what would be included in their accounts.

2.35 **CIPFA LASAAC agreed to withdraw the option to measure intangible assets using the revaluation model in line with the consultation.**

A6. Transitional arrangements

Question		
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?	
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?	
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.	

2.36 From 2025/26 and throughout the transition period (the first full revaluation cycle), authorities will not be required to follow the requirements of IAS 8 following the change in accounting policy. Instead changes to the valuation of non-investment assets will be applied prospectively, with no restatement of prior year figures, supported by clear disclosure throughout transition.

2.37 The majority of respondents who answered this question (30, 65%) agreed with the proposal to implement changes in 2025/26. While in agreement, many respondents commented that the timeline offered sufficient time, with some suggesting that implementing the changes sooner would be beneficial. Approximately a fifth of respondents noted in their support that this would be dependent on the timely issue of guidance to assist with implementation.

2.38 However, there were also some concerns raised by a few respondents regarding workload and other pressures in the sector due to the local audit backstops and local government reorganisation, although one council felt these issues meant it was increasingly important that changes and wider reforms were progressed at pace.

2.39 Another Council raised the practical impact this would have on local authorities commissioning valuation services and the need for confirmation to be communicated as soon as possible.

2.40 There were also some helpful suggestions regarding significant operational challenges practitioners were anticipating during implementation of the proposed changes, which have already been picked up throughout the previous questions and highlighted already in this report.

2.41 However, one council had concerns regarding valuer capacity, and an individual expressed concern the valuer market would reduce as a result of the changes, which could cause supply issues if standards reverted to require yearly valuations in the future. They also expressed concern regarding valuer redundancies due to the reduced workload.

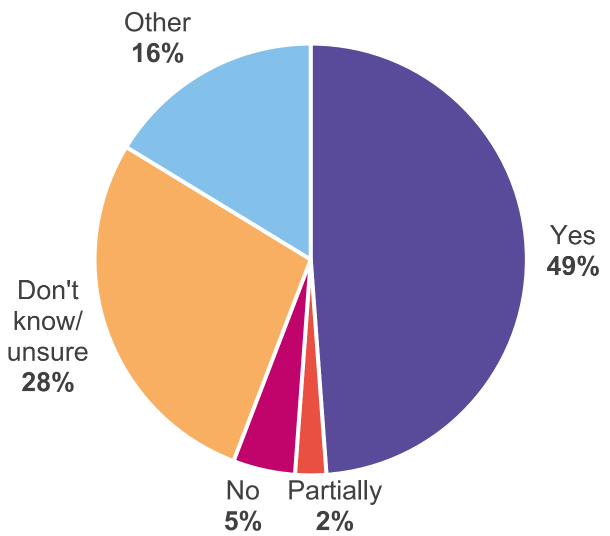
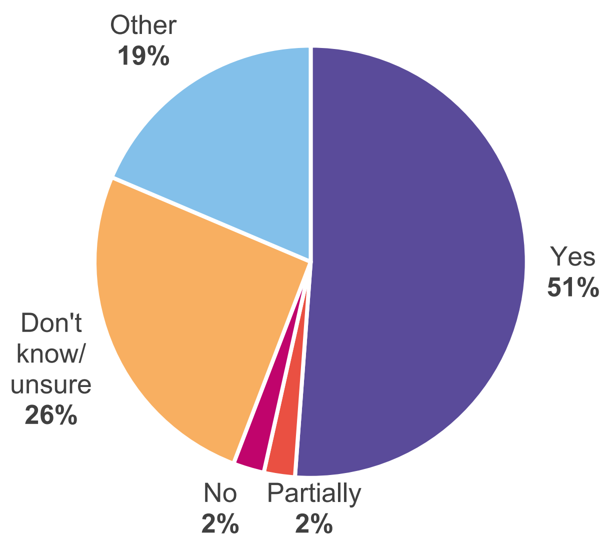
2.42 The local audit backstops in England were also raised by an audit firm, which the secretariat suggests will need to be considered by authorities and auditors on a case-by-case basis. It is also worthwhile noting that the changes could assist building back assurance on property, plant and equipment on a phased approach.

2.43 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.

2.44 **CIPFA LASAAC agreed to implement the changes proposed in the consultation with regards to non-investment asset valuations from 1 April 2025.**

3. Changes to standards for 2025/26

B1. IFRS 17 *Insurance Contracts*

Question		
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?	
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?	

3.1 IFRS 17 has been consulted on in five previous consultations, each of which has raised new issues, while not challenging the view that the Code should not change its approach from that currently used for IFRS 4 *Insurance Contracts*.

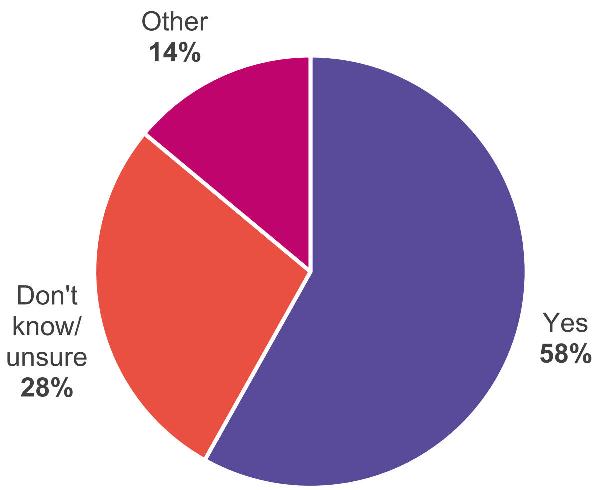
3.2 About half of the respondents (21, 49%) agreed with the proposed treatment. A further 44% (19) either had no opinion or were unsure because IFRS 17 would have no impact on their organisation.

3.3 Just over half of the respondents (22, 51%) agreed with the proposed timing. A further 45% (19) either had no opinion or were unsure because IFRS 17 would have no impact on their organisation.

3.4 One audit firm suggested an amendment to paragraph A1.9 to clarify which transactions are out of scope.

3.5 **CIPFA LASAAC agreed to adopt the amended standard into the 2025/26 Code.**

B2. Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* (Lack of Exchangeability)

Question		
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?	

3.6 The requirements of the amendments to IAS 21 seem unlikely to apply to local authorities, so no change to the Code is proposed. Adoption of the amended standard would be signalled in appendices C and D of the Code.

3.7 Just over half of the respondents (25, 58%) agreed with the proposal. The remaining 42% (18) either had no opinion or were unsure because IAS 21 would have no impact on their organisation.

3.8 **CIPFA LASAAC agreed to adopt the amended standard into the 2025/26 Code.**

4. Legislative changes

C1. Fair value gains and losses on pooled investments (England and Wales)

Question	
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.

4.1 In 2018, the Local Authorities (Capital Finance and Accounting) Regulations 2003 were amended to mandate that a local authority must record any fluctuation in the fair value of a local authority's investment in a pooled investment fund in a separate account – the pooled investment funds adjustment account. This statutory override was due to expire on 31 March 2025 and any changes to the Code would need to reflect MHCLG's final decision on the override.

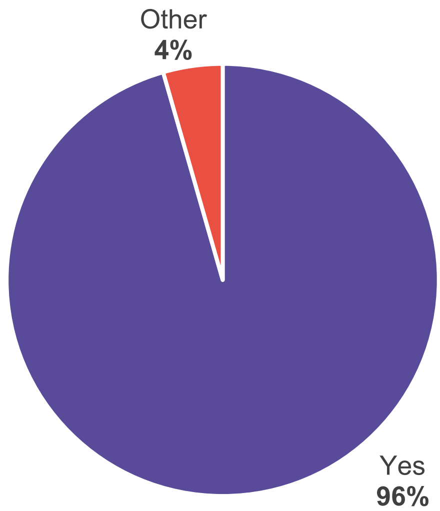
4.2 Of the 30 responses to this question, ten were strongly in favour of either extending the override or making the override permanent.

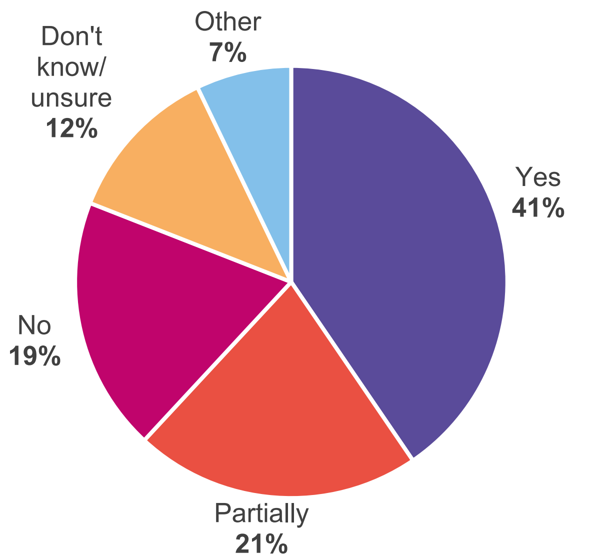
4.3 Eight respondents replied that they did not have any pooled investments, some citing the uncertainty around the override as the reason.

4.4 Four of those with pooled investments have already set up an earmarked reserve to smooth the effect of gains and losses on the general fund.

4.5 **CIPFA LASAAC agreed to implement the expected statutory overrides to be issued in England and Wales.**

C2. Reporting infrastructure assets

Question		
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.	

Question		
Q21	Do you agree 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.	
Q22	Do you have any views on simplifications that might apply to the measurement of depreciated replacement cost (DRC)? Please provide an explanation of any simplifications that might be used and a reason for your proposals.	

4.6 CIPFA LASAAC consulted on two key areas:

- Extending the statutory prescriptions that allow for the carrying amount of the derecognised component to be treated as nil when replacement expenditure occurs.
- Maintaining the temporary relief on the reporting of gross cost and accumulated depreciation within the Code.

4.7 Most of the respondents (43, 96%) agreed with maintaining the temporary solution while a long-term solution is found. Five respondents felt that the override should become permanent.

4.8 A significant number of respondents (26, 66%) reluctantly agreed that a one-off exercise would need to be undertaken to obtain deemed cost, although the responses indicated that deemed historical cost was still preferable to DRC.

4.9 **CIPFA LASAAC noted the suggestions received for simplification of DRC measurement. CIPFA LASAAC agreed to maintain the temporary relief on reporting in the Code to align with expected statutory overrides.**

5. CIPFA LASAAC's strategic plan

D1. Improvement projects

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

5.1 CIPFA LASAAC agreed that it would contribute to the 'reform' process by exploring medium-term and long-term changes that might be made to the Code in relation to non-investment assets and pension reporting.

5.2 24 respondents from a broad range of organisations supported the priorities for CIPFA LASAAC as listed in the ITC. These include:

- presentation of statutory items/adjustments
- reducing the burden of LGPS pension reporting
- updated model accounts guidance
- group accounts
- sustainability reporting
- the Redmond Review
- materiality
- infrastructure assets long-term solution
- review of structure and format of the Code.

5.3 **CIPFA LASAAC noted the support for the priorities already identified.**

D2. Other changes to local authority financial statements and the reports that accompany them

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

5.4 CIPFA LASAAC requested suggestions for improving local authority financial statements and the reports that accompany them.

5.5 Nearly a quarter of all respondents felt that simplification was the key to easing burdens and improving readability. Four suggested standardised accounts would aid comparability, while others advocated for an increased use of local government specific adaptions and interpretations for financial standards to achieve improvements.

5.6 The need for post-implementation reviews of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* was raised, with three councils commenting that it feels like local government is trying to fit into private sector rules.

5.7 Across questions 23–25,12 different respondents (26%) supported the removal of the expenditure and funding analysis (EFA). The EFA was brought in to reconcile the CIES to the reported outturn of the authority, as well as the primary source of meeting the reporting requirements of IFRS 8 *Operating Segments*. However, anecdotal evidence suggests that the EFA has not fully achieved its intended objectives.

5.8 Removing the EFA and associated notes would ease some of the burden currently on preparers and auditors, especially while assurance is rebuilt over disclaimed local authority accounts.

5.9 **CIPFA LASAAC discussed the removal of the EFA and views were split on its removal in the 2025/26 Code. Following voting by the board, the final decision was to revisit this when developing the 2026/27 Code consultation.**

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6. Other financial reporting or emerging issues

E1. Changes to IFRS standards that could impact on the Code

Question	
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.

6.1 The IASB have issued the following standards, which are effective from 1 January 2027.

- IFRS 18 *Presentation and Disclosure in Financial Statements*
- IFRS 19 *Subsidiaries without Public Accountability*

6.2 Of the 21 respondents who left comments, over half felt the two new standards were unlikely to have a significant impact on local authorities.

6.3 Five respondents welcomed the improved comparability and enhanced transparency anticipated from IFRS 18. However, one audit firm cautioned that the Code's application of IFRS 19 requirements should be limited to the direct impact on local authorities.

6.4 **CIPFA LASAAC agreed to review upcoming the IFRSs for inclusion within the 2027/28 Code.**

E2. Other changes to local authority financial statements and the reports that accompany them

Question	
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.

6.5 The Code includes interpretations of IFRS based on IPSAS in several sections of the Code. These interpretations largely help reflect the local government context but do not change IFRS. The IPSASB have recently issued the following standards:

- IPSAS 47 *Revenue*
- IPSAS 48 *Transfer expenses*
- IPSAS 49 *Retirement benefit plans*

6.6 Of the 18 respondents who left comments, eight welcomed the public sector specific clarifications IPSAS should bring.

6.7 Seven respondents felt that further consideration was required before a decision to implement could be made.

6.8 **CIPFA LASAAC agreed to review upcoming IPSAS for inclusion where beneficial within the 2026/27 Code.**

7. Further guidance

F1. Other areas where additional guidance might be required

Question	
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.

7.1 Three councils suggested that creating a framework for applying IFRS changes in future would be helpful.

7.2 Several respondents raised detailed technical points relating to treatment within the Code for the following topics:

- Loan commitments at below market interest rates
- Transfers by absorption
- Statutory disclosure requirements – remuneration
- Disclosures for defined benefit pension funds

7.3 There were eight requests for updated or additional guidance in the following areas:

- Application of IFRS 16 for police authorities
- Accounting for a net pension asset
- Integration authorities (such as integration joint boards (IJBs))
- Materiality
- Sustainability reporting
- Group accounting

7.4 Four respondents asked for updated guidance on model accounts that supports a standard approach and consistent format of notes.

7.5 **CIPFA LASAAC noted all the comments received and asked the CIPFA LASAAC secretariat to review the technical points raised.**