



## Annex A

Clerk and Chief Executive of each  
District/Borough Council

Via e-mail

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12 February 2026

## Circular LG 07/26

Dear Chief Executive,

### **ACCOUNTS DIRECTION CIRCULAR 2025/26: NORTHERN IRELAND DISTRICT/BOROUGH COUNCILS**

1. In exercise of its powers under Article 24(2) of the Local Government (Northern Ireland) Order 2005 and Regulation 7 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 (the Regulations), the Department hereby directs that the accounts for the year ended 31 March 2026 should comply with the attached direction.
2. The prescribed template has been included within the District Council accounts pro-forma. The remuneration report contains a link to information on members' allowances and expenses on Councils' websites. Therefore, the information that is intended to be published on members' allowances and expenses should be submitted for audit to the Local Government Auditor at the same time as the statement of accounts.
3. The unaudited statement of accounts does not need to be approved by a committee. The Chief Financial Officer needs to certify the unaudited statement of accounts by 30 June.

Councils should arrange a committee meeting for one to two weeks prior to 30 September to allow audit certification by 30 September 2026.

4. The CIPFA/LASAAC Code Board has developed a Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) which is based on International Financial Reporting Standards. This document is recognised by the Department as a comprehensive statement of accounting practice to be followed in preparing a local authority's annual statement of accounts.
5. As in previous years, the Department has reviewed the requirements of the accounts direction having regard to suggestions from councils and local government auditors. I would like to draw your attention to the following advice:
  - Narrative Report - Councils should consider recommended topics in Section 3.1 of the CIPFA/LASAAC's Code or inclusion in the Narrative Report. See also the section 1.2 in relation to disclosures regarding financial reserves which should be included in the narrative report or with the financial statements themselves.
  - Councils should revalue their highly volatile assets on an annual basis and depending on materiality, other assets should be reviewed via a desktop exercise to identify assets that may require valuation.
  - Actual valuations - You should be sure that information passed to/obtained from external experts is appropriate. Please note that auditors are likely to request this information for review.
  - CIPFA has published a new bulletin, developed in collaboration with the Better Reporting Group (BRG), that supports authorities transitioning to quinquennial revaluations with annual indexation in between. The guidance offers advice on selecting indices, accounting treatments, disclosures, and audit expectations. However, due to time constraints in developing indices, it would be appropriate for Councils to continue with the current approach for the 31 March 2026 valuations - inspecting 20% of assets each year over a five-year cycle, with the remainder valued on a desktop basis.
  - Pension accounting – Councils should account for the estimated contribution as contained in the actuary's report. This will result in a difference to your actual

contributions paid to the scheme. The difference should be tracked and recorded for audit purposes.

- Discount rate for provisions – as advised in previous years, provisions should be discounted in accordance with the Code, including IAS 37 on provisions, contingent liabilities and contingent assets. Where councils use the ArlingClose recommended discount rate (that includes inflation) in valuing landfill provision, they should adjust their estimated landfill cash flows for inflation.
- Group accounts – the rationale should be documented for consolidating or not consolidating any subsidiaries/associate/joint ventures including smaller local government bodies) into group accounts. You should utilise the group accounting checklist produced by CIPFA.
- Local Government Reform – You should continue to consider the impact of reform and the need for provisions at the balance sheet date for matters such as severance costs, restructuring or redundancy costs, etc. Councils should pay due consideration to the changes in IAS 19 regarding termination benefits. You should also ensure expenditure allocated to reform for which matched income has been obtained is accounted for correctly, including the capitalisation of any expenditure not normally capitalised.
- Capitalisation of any expenditure not normally capitalised should be accounted for correctly and should either be compliant with a Departmental Capitalisation Direction or substantiated as Revenue Expenditure Funded From Capital Under Statute (REFCUS). Guidance on accounting for capitalisation directions was issued in April 2015 by CIPFA. Councils are required to advise the Department of how much of their allocation was used in the previous financial year no later than 30 June 2026. Estimates are not acceptable. Supporting information/ calculations must also be provided at this time to substantiate that figures are final, either by email or hard copy.
- Principal and agent transactions – You should be able to provide the auditors with appropriate evidence in support of principal and agent accounting. This is normally most relevant in the case of accounting for public realm transactions.

- Local Government Finance Act (NI) 2011 and the Prudential Code – you should ensure that the council is compliant with these, and that this is reflected where appropriate in the financial statements.
- IFRS 16 – Leases is a standard that was implemented in local authority accounting in the 2024/25 financial year. Councils should be aware that under the CIPFA Code of practice on Local Authority Accounting (the Code), IFRS 16 is implemented prospectively, meaning retrospective application is not required. The following exemptions to applying IFRS 16 under the Code should also be taken into consideration during implementation:
  - a) A lessee may elect not to apply the requirements of IFRS 16 in the Code to leases where the underlying asset is of low value
  - b) A lessee may elect not to apply the requirements of IFRS 16 in the Code to where the lease is short-term. Short-term leases are leases that have a lease term of 12 months or less at the commencement date.

Practitioners should refer to the Code for further details on exemptions and statutory accounting requirements.

- Councils will need to ensure that COVID-19 resource income from any Government Departments for the various COVID-19 funding streams received and from the Inland Revenue in respect of the Coronavirus Job 5 Retention Scheme should be recorded in Income within the Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement, within Councils' Financial Statements, with any related note.
- Any other grants should be included in the notes to the accounts under Taxation and Non-Specific Grant Income under the section headed Revenue Costs.
- Any allowable COVID-19 funding that can be carried forward should be included and shown separately in Reserves including any necessary notes. Any COVID funding included in reserves would need to be confirmed as being allowed to be carried forward with DoF prior to their inclusion in Reserves.

6. Please note the following:

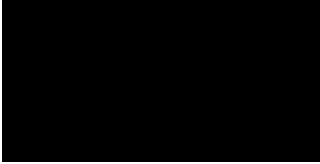
- Where councils have established subsidiaries to undertake its operating activities, the additional reporting requirements of the Code and the accounts direction should be applied to subsidiary accounts. These include a remuneration report and a governance statement.
- When councils set up companies that are associates or joint ventures they should ensure that financial year ends align with that of the council's and that independent auditors are appointed. This is particularly important for those companies that are consolidated into the council's group accounts.
- Publication of annual audit letters - A council is required by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 to publish the annual audit letter as soon as reasonably possible after its receipt from the local government auditor
- You are reminded that, in accordance with the regulations, councils must monitor the performance of internal audit activity, including a review of its effectiveness.
- All suspected, attempted and actual fraud should be reported to the Local Government Auditor on a more formal basis. Local councils should continue to report any such frauds using the circulated pro-forma 'Initial Notification of Frauds to the Local Government Auditor'. The information received shall determine whether or not there is any impact on the financial accounts and to have an overview of key fraud risks across local government. This return should be cc'd to the Department which will consider the current structures in place to monitor frauds, gather and collate information and bring trends and lessons to the attention of the sector as a whole.

7. The disclosure narrative for the related parties note was expanded in 2023/24 to accurately reflect the content of the CIPFA code. Section 3.9 of the CIPFA Code on Local Authority Accounting in the United Kingdom 2025/26 has full details of current accounting requirements.

8. I should like to remind you that except with the consent of the local government auditor, accounts must not be altered after the date on which they are first made available for public inspection.

9. Should you require clarification on any of the above matters, please contact one of the numbers provided above.

Yours sincerely,



**Jeff Glass**



**Martina Campbell**

**Joint Heads of Local Government Finance**

cc: Finance Officers, District/Borough Councils

Brian O'Neill, Local Government Auditor, NI Audit Office