



CIPFA LASAAC 2026/27 CODE OF PRACTICE ON LOCAL AUTHORITY FINANCIAL REPORTING IN THE UK

Issued 10 October 2025

ICAEW welcomes the opportunity to comment on the 2026/27 Code of Practice on Local Authority Financial Reporting in the UK (the Code) published by the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) on 14 August 2025, a copy of which is available from this [link](#).

We welcome the proposed changes to the 2026/27 Code

- We concur with most of the proposed changes, subject to some specific comments
- The proposed new structure of the Code to mirror the FReM is a positive change
- An alternative statement to the EFA should be developed before its removal

Further timely financial reporting reforms are critical

- ICAEW supports CIPFA LASAAC's focus on long-term financial reporting reforms
- Accounts need to be understandable to its primary users – councillors and local residents
- Reform needs to be delivered at pace to reduce the burden across the system

Pension fund accounts need to be truly separate

- Separate statements are vital to ensure adequate disclosure of governance arrangements
- The Pensions Committee could have an enhanced role in the reporting process
- Pension fund accounts must be published before their administering authority

We support the introduction of sustainability reporting

- We encourage CIPFA LASAAC to implement sustainability reporting from 2027/28
- Introduction of the TCFD model in a phased approach would be most appropriate
- This approach would best prepare local authorities for future reporting requirements

For questions on this submission please contact us at representations@icaew.com quoting REP 86/25.

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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 sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 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 10 firms and 106 Key Audit Partners registered under the Local Audit and Accountability Act 2014.
3. This response of 10 October 2025 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.
4. 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.
5. 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.
6. 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).
7. 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.
8. 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.
9. We submitted [evidence](#) on 29 January 2025 to the Ministry of Housing, Communities and Local Government (MHCLG) regarding their strategy for local audit reform and the establishment of the Local Audit Office.
10. We submitted [evidence](#) on 14 February 2025 to CIPFA LASAAC on changes to the Code of Practice on Local Authority Accounting in the United Kingdom for 2025/26.

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KEY POINTS**WE WELCOME THE PROPOSED CHANGES TO THE 2026/27 CODE**

11. Subject to specific amendments outlined below, we believe that the proposed changes to the 2026/27 Code will have a positive impact on the quality of financial reporting in local authorities.
12. We are particularly supportive of the proposal to restructure the Code in such a way that mirrors the Government Financial Reporting Manual (FReM) which is applicable to central government entities. We consider that it is important for preparers to use the underlying financial reporting standards as much as possible and apply clear, public sector specific adaptations and interpretations only where required.
13. We also welcome CIPFA LASAAC adopting a more radical approach to reforming the Code. Radical reforms to local government financial reporting, if designed correctly, will have a significant impact on the overall accessibility and quality of the annual report and accounts. The accounts must enable councillors to hold their local authority to account and improve the ability of local residents to understand their local authorities overall financial position and performance. We look forward to working with the Better Reporting Group to progress future reforms.
14. However, a radical approach must also consider the needs of primary users by not removing key information that explains the funding position of local authorities. While we recognise that the Expenditure and Funding Analysis note in its current form does not meet the needs of users due to its complexity, removing this note without the addition of an alternative statement would create a significant information gap in the financial statements and potentially lead to non-compliance with IFRS standards across local authorities with listed debt.

FURTHER TIMELY FINANCIAL REPORTING REFORMS ARE CRITICAL

15. Local authority accounts are generally perceived to be impenetrable for many users and as a consequence their ability to be a tool for accountability is impaired. A key example of this is that many local councillors do not use the annual report and accounts to understand the financial position of their local authority, despite them being a primary user. A clear aspiration and long-term goal for the Code should be that it helps produce understandable accounts so that a lay person, like a councillor, is able to assess the overall financial performance and position of a local authority without having to be greatly experienced in local authority financial reporting.
16. It is therefore encouraging that the need to address the challenges across local authority financial reporting has been recognised by CIPFA LASAAC as a key priority in their strategic plan, and that several projects are underway with the intention of addressing the challenges in local authority financial reporting.
17. While changes to the 2026/27 Code are welcome and will have a positive impact on the sector, it is imperative that further changes to the Code that significantly alter reporting requirements and reduce its overall complexity are consulted on as soon as feasibly possible.

PENSION FUND ACCOUNTS NEED TO BE TRULY SEPARATE

18. ICAEW fully support Government's intention through the English Devolution and Community Empowerment Bill to decouple local government pension fund accounts from those of their administering authority. This is a measure that has widespread support across the local government sector, because it will assist in preventing a recurrence of the local audit backlog which has unfortunately impacted pension funds, and because it mirrors the situation in Scotland and Wales where pension fund accounts have been decoupled for a while.
19. Decoupling also creates an opportunity to improve the quality of pension fund reporting, for example by improving disclosures around governance processes and control frameworks. We therefore recommend that pension funds should be required to complete a separate

annual governance statement and a separate statement of responsibilities. Not requiring separate statements would make it challenging for users to assess the effectiveness of a pension fund's governance framework and how the administering authority upholds rigorous financial management across the pension fund. We also believe that the Section 151 officer should have to specifically certify that the accounts provide a true and fair view of the financial position of the pension fund.

20. There is also an opportunity for the role of the Pensions Committee in the financial reporting process to be enhanced. For instance, we concur that the Chair of each local authority Pensions Committee should have to sign the annual governance statement along with the leader of the council, reflecting the important role the Committee has in maintaining effective governance arrangements at the pension funds. Consideration could also be given to whether the Pensions Committee should play a role in approving the financial statements for publication as well.
21. We also concur that audited pension fund accounts will need to be published before their administering authority. Local authority financial statements rely on assurances provided by the audit of the pension fund accounts, therefore it is essential that the audit and publication of the pension accounts occurs in a timely fashion to prevent reporting delays at their administering authority.

WE SUPPORT THE INTRODUCTION OF SUSTAINABILITY REPORTING

22. We support CIPFA LASAAC implementing sustainability reporting from the 2027/28 financial year. However, we don't agree with the consultation's view that there is not an appropriate sustainability framework which local government could apply.
23. Central government entities have been undertaking sustainability reporting in some form from as far back as the 2010-11 financial year, with reporting on scope one, two and three emissions via the Greening Government Commitments (GGC).
24. Additionally, HM Treasury has adopted the Task Force for Climate Related Financial Disclosures (TCFD) model for central government via a phased approach, with Phase 1 launching in the 2023-24 financial year and additional phases being introduced each subsequent year.
25. We believe that a similar phased approach for the introduction of the TCFD model would also make sense for local authorities. This would better prepare local authorities for future sustainability reporting requirements such as UK Sustainability Reporting Standards, which build on the TCFD model but add additional reporting requirements.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Do you have any comments or further suggestions for longer-term financial reporting reforms? Please provide reasons for your comments and suggestions.

26. ICAEW is supportive of CIPFA LASAAC's longer-term financial reporting reforms as per the strategic plan and we look forward to working with the Better Reporting Group to progress reform in these areas.
27. We are especially supportive of the project to review the structure and format of the Code and concur with paragraph 23 of the Invitation to Comment that this project should focus on a fundamental rethink of how the Code is produced and used. ICAEW has previously [commented](#) on how the Code could be made more accessible to preparers, including:
 - Adopting an approach similar to the FReM by adopting IFRS in full and setting out public sector interpretations and adaptations; this is explored further in our response to Question 4.
 - Re-structuring the Comprehensive Income and Expenditure Statement (CIES) so that expenditure and income by service line is included in the notes to the financial statements. We would recommend that the primary statement should summarise the

principal income and expenditure totals, split between operating, investing, financing, tax and discontinued operations. This would make it clearer to users how money coming into local authorities has been utilised and how the resulting surplus or deficit has been recorded. Such an approach would bring the CIES closer in line with the future requirements of IFRS 18 and allow the primary statement to focus on the overall financial picture of the authority. Examples of what the Statement of Financial Performance might look like under IFRS 18 can be found on pages 16, 17 and 18 of the IPSASB March 2025 working paper using this [link](#).

28. However, ICAEW has some concern regarding the extension of the statutory override for infrastructure assets until 2029. We believe that a long-term solution which meets the information needs of users and is achievable for accounts preparers needs to be developed as soon as possible. While we welcome the recognition in the strategic plan that a long-term solution is needed, in our view, CIPFA and the Better Reporting Group should consider the creation of a sub-group in 2026 to directly tackle this issue to enable sufficient time to liaise and consult with the sector regarding a workable solution.

Question 2: Do you agree that CIPFA LASAAC's seven objectives for the Code are correct? If not, why not? Please set out the reasons for your response.

29. Yes, we broadly agree that CIPFA LASAAC's seven objectives are correct. However, in our view there are a couple of key themes that the objectives do not currently reflect.
30. Firstly, for the objective that the Code 'supports CIPFA LASAAC's objective to promote high-quality financial reporting,' we believe that 'timely' should be added prior to 'high-quality financial reporting.' This would bring the objective in line with the key aim of MHCLG to return timely financial reporting to the local financial reporting and audit system and would reflect the importance of the timely publication of audited financial statements in ensuring that they have value for users, enabling them to hold their local authority to account effectively.
31. Secondly, for the objective that the Code 'is structured so that its provisions are readily accessible to its users,' we believe that reference should be made for the need for its provisions to be understandable as well.
32. Finally, and most critically, we are surprised that none of the objectives refer to the key purpose of financial reporting within the public sector of enabling users to effectively hold public bodies to account. Councillors, as a primary user of local authority financial statements, should be able to use the accounts as a key tool to enable them to discharge their duties, not only in scrutinising the work of the local authority but also to control their spending. The same principle also applies for residents and council taxpayers, who have a direct interest in the performance of their local authority as service users and who have the right to inspect and object to their councils' accounts.
33. We therefore recommend either the inclusion of an eighth objective stating that the Code should enable primary users to be able to hold public bodies to account, or that an existing objective is amended as follows:
- 'Ensures that its users can understand how local authorities can achieve the reporting of a true and fair view of its financial position, performance and cash flows, **enabling them to effectively hold their local authority to account.**'

Question 3: Do you have any comments on the structure and format of the Code in relation to accessibility? Please set out the reasons for your response.

34. As we previously commented in our [response](#) to MHCLG's consultation on overhauling the local audit system in England, we believe that it is essential for the Code to be freely available for local authorities, other public bodies subject to its requirements, their auditors, councillors, and the general public. This would greatly improve the accessibility of the Code as it would guarantee that all parties have access to the most up-to-date reporting requirements. We are pleased that the Government is exploring options to make the Code freely available but would recommend that this is prioritised as a matter of urgency.

35. In addition, making the Code freely available digitally would also create significant benefits in terms of accessibility, enabling users to quickly find relevant information with the use of search functionality and enhanced navigational tools. A digital version would also enable greater comparability with the digitally available IFRS standards, which will be particularly important should proposal one be adopted for the Code's future structure. We are pleased to see that CIPFA is exploring digital options for future publications going forwards.

Question 4: Do you prefer proposal one or proposal two as a new structure for the Code? Please set out the reasons for your response.

36. While we agree that there are merits to both proposals, with either option being an improvement on how the Code is currently structured, on balance we prefer proposal one as a new structure for the Code.
37. We believe that implementing proposal one would provide a direct, clear link to IFRS that preparers can easily understand. Subsequently, any divergence from IFRS must be for public sector specific reasons only, and the Code should clearly explain why the adaptation is needed and what accounts preparers should do instead. This additional context is key for supporting high-quality reporting, enabling accounts preparers to truly understand why an adaptation or interpretation has been introduced.
38. We also agree with the idea of including a table showing where accounting standards have been applied in full, adapted, or interpreted for the public sector. Such a table is included in the [Government Financial Reporting Manual](#) for central government entities and the table makes it straightforward for users to assess how various accounting standards have been applied, adapted, or interpreted, at a glance.
39. However, CIPFA LASAAC should be mindful of the potential impact implementing a new structure for the Code could have on preparers, and whether such a change could have a detrimental impact on the build back process. Careful consideration should be given to whether such a change should be implemented immediately, or whether it would be more appropriate to update the Code's structure once other significant changes such as local government reorganisation have passed.

Question 5: Are there any other issues relating to the structure and format of the Code? Please set out the reasons for your response.

40. We have no further comments.

Question 6: Do you agree that the EFA in its current form should be removed from local authority financial statements? If not, why not?

41. Yes, we agree that the EFA in its current form should be removed from local authority financial statements.
42. We recognise that the EFA contains useful information, particularly the reconciliation between the accounting basis for which local authorities report under the Code and the funding basis in how local authorities are funded. However, we don't believe that the information, as it is currently laid out, is accessible for users. The statement in its current form is too long, is overly complex and therefore difficult to understand (even for finance professionals with an accounting background).

Question 7: Do you think that the EFA should be replaced with an alternative statement? Please explain your reasoning and provide details of any alternatives you would suggest.

43. Yes, we recommend that the EFA is replaced with an alternative statement. As aforementioned, a reconciliation between the statutory accounts prepared under IFRS and the funding basis is of interest to users – particularly local residents who are likely to be most interested in being able to determine how much local authority expenditure needs to be met from taxation.

44. Without including such information, there is a danger that the financial statements would not meet the needs of its primary users. However, the replacement for the EFA must be more straightforward to prepare and less complex to increase its understandability for users.
45. In our view, there are two options with what the EFA could be replaced by:
- a) As suggested by the Redmond Review, the introduction of a summarised statement of information would enable the accounts to be prepared on a pure IFRS basis without any statutory adjustments, thus greatly reducing the overall complexity of the financial statements and making them much more accessible for users. The summarised statement could include a refreshed EFA statement detailing how the funding basis of the local authority differs from the accounting basis, as well as including other useful information such as a note on capital financing, investment and how this impacts the authorities' capital financing requirement, a section on the Housing Revenue Account, and a Collection Fund Statement.
 - b) Alternatively, another option would be for IFRS 8 Operating Segments to be adopted in full and for a new note to be introduced providing a segmental analysis that reconciles the funding basis to the accounting basis in a straightforward and understandable way. This should operate in tandem with further guidance as to how local authorities present their budgets and performance reporting, with the ideal scenario being that the refreshed statement and narrative reporting are inherently linked so users can easily follow through to the accounting basis.
46. Regardless of which option is adopted, the reduction of statutory overrides where possible, especially where they distort the true financial position of a local authority such as the Dedicated Schools Grant override, would greatly assist in reducing the overall complexity of both alternative statements. We are pleased that the Better Reporting Group are in the process of assessing all statutory overrides to see which, if any, can be removed in the future.

Question 8: Would you support removal of the EFA in the 2026/27 financial year, even if it is not immediately replaced with an alternative statement?

47. No, we would not support the removal of the EFA in the 2026/27 financial year if it is not immediately replaced with an alternative statement.
48. While we recognise the importance of reducing the burden on accounts preparers and auditors like, the EFA provides an essential reconciliation between the accounting and funding basis for users that other notes to the financial statements do not sufficiently provide.
49. Additionally, we foresee potential compliance issues with IFRS 8 should the EFA be removed immediately.
50. In our view, the EFA should be removed once an appropriate alternative statement has been developed that better meets the needs of primary users in terms of understanding the relationship between the accounting and funding basis of local authorities.

Question 9: Given the scope of IFRS 8 is for entities whose debt or equity instruments are traded in a public market, do you foresee any issues regarding compliance with IFRS if the EFA was to be removed? If so, please provide reasons for your view.

51. Yes, we do foresee some issues regarding compliance with IFRS 8 should the EFA be removed.
52. Without an alternative statement, the only section of the financial statements which would appear to comply with any of the requirements of IFRS 8 would be the CIES. IFRS 8, paragraph 28 states:
- ‘An entity shall provide reconciliations for all of the following:
- (a) the total of the reportable segments' revenues to the entity's revenue.
 - (b) the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity

allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to the entity's profit or loss after those items.

(c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.

(d) the total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported in accordance with paragraph 23.

(e) the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.'

53. The CIES should meet the requirements of IFRS 28 (a) above, but it is difficult to see how the other requirements of IFRS 8 are met by other statements if the EFA is excluded. Furthermore, since we recommend reformatting the CIES to move away from disclosing income and expenditure in reportable segments, it is likely that some form of alternative statement would need to be developed to at least ensure that local authorities with debt or equity instruments which are traded in a public market remain IFRS compliant going forwards.
54. A potential alternative statement could be a refreshed segmental analysis note we recommend in our response to Question 7.

Question 10: Do you agree that LGPS pension fund accounts should be removed from administering authorities accounts and published separately? If not, why not? Please provide reasons for your view.

55. Yes, we agree that LGPS pension funds should be decoupled from administering authorities and published separately.
56. This is a measure that has widespread support across the sector, with most audit firms issuing an entirely separate audit opinion for the pension fund already as well as being ringfenced from its administering authority. There is also an argument that the current situation of including LGPS pension fund accounts within the annual accounts of their administering authority yet publishing the pension fund annual report and accounts separately as well, is confusing for users.
57. Furthermore, the local audit crisis has impacted the completion of pension fund audits. Ten pension fund accounts were unable to meet the backstop deadline for publishing their 2023-24 audited financial statements. Additionally, three pension funds are still to publish audited accounts for 2023-24 according to PSAA's latest [audit opinion data](#), with all three being accompanied by unsigned accounts of their administering authority. It is unquestionable that being able to publish pension fund accounts separately to those of their administering authority would greatly diminish audit delays across pension fund accounts going forwards.

Question 11: Do you agree that LGPS pension fund accounts should have a separately prepared annual governance statement? If not, why not? Please provide reasons for your view.

58. Yes, we believe that LGPS pension funds should have a separately prepared annual governance statement for several reasons.
59. Firstly, the administering authority's annual governance statement does not make specific mention of the pension fund nor refer to the different control processes that apply to pension funds specifically. This makes it challenging to assess the overall effectiveness of a pension fund's governance framework and how effectively the administering authority supports good financial management within the pension fund. Considering the large amounts of money for which pension funds are responsible for, and the risk of funds not meeting their fiduciary obligations should effective governance arrangements not be in place, it would be an oversight for funds to not have to produce a separate statement.

60. Secondly, requiring a separate statement would ensure consistency with Welsh and Scottish Pension fund annual reports, who are already required to produce an annual governance statement setting out how the pension fund complied with the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: Framework." We think that it is important for Code requirements to be consistent across the United Kingdom, with comparability and consistency being key themes for what makes a good annual report.
61. Finally, we believe that the annual governance statement will be extremely important to document the role of the Pensions Committee, particularly if they are to hold a more significant role in the production, publication, and approval of pension fund accounts going forwards as has been suggested by some in the sector.

Question 12: If a separate annual governance statement is required, do you agree that the head of paid service and leader of the council at the administering authority should sign the statement? If not, who should sign the statement? Please provide reasons for your view.

62. Yes, we agree that the head of paid service and leader of the council at the administering authority should sign the separate annual governance statement.
63. However, considering the likely enhanced role of the Pensions Committee following decoupling, we believe that the Chair of the Pensions Committee should also sign the statement. This would better reflect the fact that the function of maintaining pension funds is delegated to the Pensions Committee on behalf of the administering authority and would enshrine the important role that the committee has in maintaining effective governance arrangements for the fund.

Question 13: Do you agree that LGPS pension fund accounts should have a separately prepared statement of responsibilities? If not, why not? Please provide reasons for your view.

64. Yes, we agree that LGPS pension fund accounts should have a separately prepared statement of responsibilities.
65. We believe that users of pension fund accounts are interested in understanding the administering authority's responsibilities for the pension fund accounts and the responsibilities of the Section 151 officer in terms of the preparation of the accounts in accordance with the Code. Since the financial statements will be decoupled, it will be essential for the Section 151 officer to certify whether the pension fund financial statements provide a true and fair view of the pension fund's financial position at the reporting date.
66. Additionally, the requirement for a separately prepared statement of responsibilities would again ensure consistency with the devolved administrations; as previously noted, we concur that it is important for Code reporting requirements to be consistent across the United Kingdom where possible.

Question 14: If a separate statement of responsibilities is required, do you agree that the section 151 officer at the administering authority should sign the statement? If not, who should sign the statement? Please provide reasons for your view.

67. Yes, we agree that the Section 151 officer at the administering authority should sign the statement. Despite pension fund accounts being decoupled from their administering authority, it will remain the responsibility of the administering authority to make arrangements for the proper administration of the pension fund's financial affairs and to manage its affairs to secure economic, efficient, and effective use of its resources. It remains our view, as highlighted in our response to Question 15, that the administering authority should continue to ultimately approve the pension fund accounts for publication.
68. Furthermore, it will remain the responsibility of the Section 151 officer specifically to ensure that the pension fund accounts are prepared in line with relevant legislation, that suitable

accounting policies are applied and used consistently, that judgments for estimates are reasonable, and that the accounts comply with the Code requirements.

69. It is therefore imperative that through the statement, the Section 151 officer sets out their responsibilities in preparing the pension fund accounts and state whether the pension fund accounts provide a true and fair view of the pension fund at the reporting date.

Question 15: Should the audit committee of the administering authority approve the pension fund accounts? If not, who should approve the accounts? Please provide reasons for your view.

70. Yes, we agree that the audit committee of the administering authority should approve the pension fund accounts for reasons outlined in our response to question 14.

Question 16: Do you have any other comments or suggestions on the application of other aspects of the local audit and accounting regime (such as the value for money assessment, inspection and objection rights and public interest reporting) once pension fund accounts have been separated to ensure they operate in a proportionate and effective way?

71. Across the local audit system, there is a consensus that some of the other aspects of the local audit and accounting regime need reforming. This particularly applies to the inspection and objection rights afforded to the public under the Local Audit and Accountability Act 2014, which are often described as burdensome for local authorities and disproportionate. On the other hand, with residents being seen as a primary user of local authority financial statements, there is a view that the objection and inspection process is a key tool to enable local residents to hold their local authority to account.
72. In terms of pension fund accounts, however, we do not think that their primary users are local residents but instead should be seen to be the current and former employees of the local authority who belong to the LGPS, and whose benefits are ultimately administered by the local authority pension fund itself. Therefore, there is a clear argument to be made that the same objection and inspection rights should not apply to pension fund accounts after they have been decoupled but perhaps should apply to current and former employees with a clear and direct interest in the pension fund and its financial arrangements. We believe that this is a more balanced approach when compared with the current process, ensuring that a key accountability mechanism is maintained but only for parties with a direct interest in the annual report and accounts.
73. For other areas of the local audit and accounting regime, such as VFM reporting arrangements and public interest reporting, we believe that they should continue to apply. VFM reporting arrangements will continue to be important for pension fund accounts, since local authorities are statutorily required to ensure that they manage the pension funds affairs to secure efficient, economic, and effective use of its resources and safeguard its assets. Therefore, it seems prudent to require auditors to assess the local authorities' arrangements to ensure its fiduciary obligations for its members are being met.
74. To achieve this, it is likely that aspects of the National Audit Office Code of Audit Practice will need updating to specify the VFM reporting requirements that should apply to pension funds. Currently, auditors of local authorities have to document and report on their arrangements to secure value for money, having regard to the following criteria when making this assessment:
- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
 - Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.
75. With the above criteria being tailored specifically to local authorities, we believe that they do not adequately capture the fiduciary duty of administering authorities of LGPS funds to act in

the best interests of scheme members and employers. In our view, it would therefore be beneficial to add specific criteria that only applies to pension fund audits, that requires auditors to consider the arrangements of the administering authority to meet their fiduciary duties and to prioritise the financial health of the pension fund.

76. We also believe that public interest reporting should be maintained for pension fund accounts, as this is an effective method for bringing significant weaknesses in governance arrangements or other relevant matters to the attention of the authority/fund and interested parties at speed.

Question 17: Do you agree that the audited pension fund accounts should be published before the local authority's audited statement of accounts deadline? If not, why not? Please provide reasons for your view.

77. Yes, we agree that the audited pension fund accounts (for clarity, these are the financial statements) should be published before the local authority's audited statement of accounts deadline. Local authority financial statements in terms of pensions reporting ultimately rely on assurances provided by the audit of the pension fund accounts and therefore it is of upmost importance for this to occur.
78. However, we believe that in an ideal world the pension fund accounts and the pension fund annual report would be published together as one document, as this would lead to a more coherent and higher quality annual report. A high-quality annual report should cross reference between the narrative reporting and the financial statements, with the narrative providing useful context to the numbers reported.
79. Additionally, timely publication would also greatly enhance the value and usability of accompanying narrative reporting. Our preference therefore would be for the deadline for publishing the pension fund annual report to be brought forward to be published before the local authority audited statement of accounts deadline.
80. We recognise that in practice this may be challenging to achieve. Decoupling pension fund accounts is likely to create additional demands on pension fund accounts preparers and there are concerns from preparers that bringing the deadline of 1 December forwards would be problematic. Therefore, to avoid any risk of overburdening the sector, we would recommend emphasising to pension funds that timely publication of the pension fund annual report with the accounts is preferred where possible but make it mandatory to publish audited pension fund accounts prior to the local authority accounts deadline.
81. A suitable deadline for publication of audited pension fund accounts is 30 September in our view, as this mirrors the previous timings for publication prior to the introduction of backstop dates and provides a sufficient buffer between 30 September and the deadline for the publication of local authority audited financial statements (1 December). Such a deadline also ensures the avoidance of a clash with NHS accounts deadlines in June and mirrors the reality that most auditors of pension funds undertake their work between July to September, after the NHS deadline has passed.

Question 18: Do you agree that the pensions fund accounts should be published as part of the pension fund annual report before the local authority's audited statement of accounts deadline (option two above)? If not, why not? Please provide reasons for your view.

82. No, as noted above, we do not consider that this option is currently feasible for the sector, although pension funds should be encouraged to publish their annual report and accounts together before the deadline, where possible.
83. We therefore conclude that the deadline for publishing the pension fund annual report should remain on 1 December.
84. However, the long-term goal should be to mandate publication of a joint pension fund annual report and accounts by our proposed 30 September deadline as referred to in our response to Question 17.

Question 19: Do you agree with CIPFA LASAAC's view that amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and 7) should be implemented in the Code? If not, why not? What alternatives do you suggest?

85. Yes, we agree with CIPFA LASAAC's view that the amendments to the classification and measurement of financial instruments should be implemented in the Code, as outlined in the Invitation to Comment.
86. We are content with the proposed amendments made as highlighted by the Exposure Draft.

Question 20: Do you agree with CIPFA LASAAC's view that amendments to contracts referencing nature-dependent electricity (amendments to IFRS 9 and 7) should be implemented in the Code as outlined above? If not, why not? What alternatives do you suggest?

87. Yes, we agree with CIPFA LASAAC's view that amendments to contracts referencing nature-dependent electricity should be implemented in the Code, as outlined in the Invitation to Comment.
88. However, we disagree that an amendment specifically referencing hedge accounting in relation to nature-dependent electricity contracts is not required. While paragraph 7.1.8.2 states that if an authority adopts hedge accounting it shall do so in accordance with IFRS 9, we believe that it would also be beneficial, either here or as part of paragraph 7.1.2.27, to refer to section 6.10 in IFRS 9 which covers hedge accounting for contracts referencing nature-dependent electricity specifically.
89. In our view, this would assist in making local authorities aware of the option to apply hedge accounting in relation to such contracts and highlight how hedge accounting can be used to decrease volatility where contracts are not assessed to meet the purpose of an authority's expected purchase, sale or usage requirements.

Question 21: Has your authority entered into, or is it considering entering into, a power purchase agreement (PPA) or virtual power purchase agreement (VPPA)?

90. Not applicable.

Question 22: Annual improvements to IFRS accounting standards, Volume 11. Do you agree with the proposals for implementation of these amendments to standards? If not, why not? What alternatives do you suggest?

91. Yes, we agree with the proposed implementation of amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 in the Code.
92. The changes made to the Code are necessary to ensure consistency between the Code and underlying accounting standards.

Question 23: Do you agree with CIPFA LASAAC's view that amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (amendments to heritage assets) do not require amendments to the Code? If not, why not? What alternatives do you suggest?

93. No, we believe that there is one significant change to FRS 102 that is not reflected in the Code and should be for consistency purposes.
94. Paragraph 34.55 (f) (v) of FRS 102 features an amendment to the disclosure requirements in relation to heritage assets, where the financial statements should now also summarise 'any depreciation or amortisation recognised in the period.'
95. The above is in addition to the four existing requirements listed in Paragraph 34.55 (f) of FRS 102 and paragraph 4.10.4.4 of the Code, which states that the financial statements shall contain a summary of transactions relating to heritage assets disclosing:

- ‘(i) the cost of acquisitions of heritage assets;
- (ii) the value of heritage assets acquired by donations;
- (iii) the carrying amount of heritage assets disposed of in the period and proceeds received; and
- (iv) any impairment recognised in the period.’

96. Not including this additional requirement within the Code is likely to be confusing for finance preparers when comparing FRS 102 and the Code. Furthermore, the disclosure would support the Code’s current requirements in relation to depreciation and amortisation of heritage assets, as paragraph 4.10.2.10 of the Code recognises that depreciation or amortisation is required where a heritage asset does not have an indefinite useful life. Additionally, paragraph 4.10.4.2 requires authorities to disclose any depreciation charged in the reconciliation of the carrying amount of heritage assets from the beginning to the end of the reporting period.
97. We therefore would recommend that Paragraph 4.10.4.4 of the Code is updated to reflect the changes in Paragraph 34.55 (f) of FRS 102.

Question 24: Do you agree with CIPFA LASAAC’s approach to the adaptation of IFRS 15 and IAS 20 in the Code? If not, why not? What alternatives do you suggest?

98. We agree with the adaptations for IAS 20 which have not changed and are in line with the FReM. However, we have some reservations regarding the blanket shift from IPSAS 23 to IFRS 15, including the proposed adaptation.
99. First, regarding the adaptation suggested in the Code relating to IFRS 15.15(a). This paragraph applies when the criteria to account for a contract with a customer are not met. In a public sector context this may relate to the ongoing requirement to provide public services despite the customer not always being able to pay for those services and thus not meeting the criteria as out in IFRS15.9(e). These may relate to transactions at below market rate (non-exchange) or they may not. Therefore, we would recommend that the focus on non-exchange transactions be removed.
100. Secondly, the service provider may have remaining performance obligations outstanding for the revenue received, in which case a contract liability is recognised and revenue only when those obligations are fulfilled. In our view the proposed adaptation misses this important aspect.
101. We would also recommend that the definition of a contract is expanded to include legislation and regulations which enables an entity to receive cash or another financial asset from another entity as per the FReM. It is important to reflect government’s wider enforceability mechanisms.
102. Our final point is more general regarding the shift from IPSAS 23 to IFRS 15. Our concern is that the Code is now mixing up core principles upon which revenue recognition, measurement and disclosures are based. IFRS 15 uses ‘performance obligation’ as the unit of account for revenue recognition but the Code refers to exchange and non-exchange transactions as the unit of account. The consultation paper states that CIPFA LASAAC is not looking to incorporate binding arrangements into the Code (para 89), which is at odds with IFRS 15 as it is underpinned by the enforceability of contracts. Binding arrangements are IPSASB’s adaptation to contracts to reflect the wider scope of government enforceability mechanisms since contracts are only enforceable by legal means.
103. We are not able to ascertain whether the Code is supplemented by the appropriate illustrative examples and application guidance regarding IFRS 15. Should these be heavily couched in terms of exchange/non-exchange, they may be difficult to relate back to the standard and could be more confusing than helpful.
104. The consultation paper does not include any analysis to underpin the recommendations such as why CIPFA LASAAC deem further material on transfer expenses as unnecessary.

Question 25: Do you agree with CIPFA LASAAC's approach to the implementation of IPSAS 49 Retirement Benefit Plans in the Code? If not, why not? What alternatives do you suggest?

105. Yes, we agree with CIPFA LASAAC's approach to the implementation of IPSAS 49.
106. While the addition of the cash flow statement would provide useful information to users, in this instance we agree that the additional burden this would place on preparers and auditors outweigh any benefits.

Question 26: Do you have views on the impact of the new IFRS on the specifications of the Code? Please set out the reasons for your response.

107. As noted [previously](#), we believe that IFRS 18 and IFRS 19 are likely to have a limited impact on the specification of the Code.
108. However, as discussed in our response to Question 1, IFRS 18 could provide a useful catalyst for CIPFA LASAAC and the Better Reporting Group to review and assess the presentation of the primary statements, with a view to ensuring that the primary statements provide a better understanding of the overall financial picture of the authority for users.
109. IPSASB is in the [process](#) of developing a consultation paper which will showcase their interpretation of IFRS 18 in the public sector. We consider that it may be worthwhile for CIPFA LASAAC to keep this project under review.

Question 27: Do you have views on the impact of the 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.

110. We do not believe that IPSAS 50 or the amendments to IPSAS 12 are likely to have any impact on local authorities. These standards and amendments relate specifically to mineral resources and mining activities which are not in the ordinary course of business for local authorities.
111. The amendments to IPSAS 41 may have an impact on local authorities, however, we would express caution in introducing any further changes to leasing standards at this point in time due to the difficulties local authorities have faced in implementing IFRS 16.

Question 28: Are there any areas of accounting for local government reorganisation where additional guidance or improvements to existing guidance would be helpful? Please support your answer by providing details and reasons for your suggestions.

112. While we believe that the accounting requirements surrounding local government reorganisation are relatively clear, it may be beneficial to produce a CIPFA bulletin that highlights example accounts or extracts that demonstrate how these requirements should be applied. This would then allow CIPFA to share best practice from recent local government reorganisations.
113. Additional guidance may also be useful for organisations where the local government reorganisation proposal includes boundary changes which may impact the assets and liabilities of local authorities.

Question 29: What do you consider is the best approach to the introduction of sustainability reporting in local government? For instance, which standards should be followed, guidance required and timing, eg a phased approach. Please set out the reasons for your response.

114. We would support the introduction of sustainability reporting across local government and do not agree with the view of CIPFA LASAAC that sustainability reporting is not sufficiently developed.
115. Central government entities have been completing sustainability reporting in some form from as far back as the 2010-11 financial year, with reporting on scope one, two and three

emissions via the Greening Government Commitments (GGC) forming an integral part of central government annual reports for some time.

116. Additionally, HM Treasury has adopted the Task Force for Climate Related Financial Disclosures (TCFD) model for central government via a phased approach, with Phase 1 launching in the 2023-24 financial year and additional phases being introduced each subsequent year.
117. We believe that a similar phased approach for the introduction of the TCFD model would also make sense for local authorities. This would ensure consistency with central government and forms a good foundation upon which to adopt other frameworks, such as IFRS ISSB in the future.
118. There is a strong public interest for sustainability reporting in local authority accounts, especially given the number climate emergencies that have been issued in the recent past. However, we recognise the importance of not over burdening finance preparers and auditors as the process of building back assurance continues. Sustainability reporting will need to be proportionate and must be underpinned by suitable guidance.

Question 30: Do you agree with implementing sustainability reporting from 2027/28? If not, why not? Please provide reasons for your view.

119. On balance we agree with the proposed timing.

Question 31: Where do you consider your authority is in terms of readiness for sustainability reporting? a) Confident in being ready for implementation as soon as possible. b) Somewhat confident in being ready for implementation in one or two years' time. c) Unsure when the authority will be fully ready for implementation. d) Not confident the authority will be ready for implementation anytime soon.

120. Not applicable.

Question 32: Are there any areas in the Code where additional guidance or improvements would be helpful? Please support your answer by giving details of the amendments you would suggest.

121. No further comments.