

3 October 2026



CIPFA LASAAC - Invitation to comment on the 2027/28 Code of Practice on Local Authority Accounting in the UK

Response from ICAS

Invitation to comment on the 2027/28 Code of Practice on Local Authority Accounting (UK)

The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 12,000 of our members are based in Scotland and 10,000 in the rest of the UK. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good.

We welcome the opportunity to respond to CIPFA LASAAC's consultation. The following submission has been prepared by the ICAS Public Sector Panel. Any enquiries should be addressed to: atelfer@icas.com

Our responses to the detailed questions

Not all questions in the ITC have been answered.

Q1 Do you believe there are any longer-term financial reporting reforms missing from the strategic plan? Please list those you believe are missing and provide reasons for your suggestions.

We support a long-term strategy and vision for financial reporting reform of the published annual accounts to set a clear direction of travel to:

1. *Focus on the public interest and public information needs*

An external stakeholder focus which follows the funding is a fundamental concept for defining primary users of published accounts. We strongly believe that the public is a primary user and have significant concerns about the proposal for elected members to be the single primary user and supporting rationale. There is not a trade-off to benefit preparers and auditors at the expense of high-quality accounts for the public and funders.

2. *Set a longer-term perspective to enable a broader range of long-term actions*

The current context is particularly difficult with multiple challenges creating uncertainty, cost, capacity and demand pressures alongside the systemic local audit crisis in England. There are also modernisations in sustainability and corporate reporting which will raise the bar for reporting. We note the pressure to progress reform at a faster pace.

Reforms to local taxes are being considered as is an English devolution agenda for the decentralisation of decision-making and accountability to local and regional government. This could all raise expectations for more accessible, informative and comparable local authority reporting.

The status quo is not sustainable and a step change in the modernisation of local authority published accounts is needed. A holistic longer-term strategy is essential to:

- Set a clear vision and define what successful financial reporting reform looks like – we believe that the ambition should inspire progress, to achieve best practice comparable with other sectors rather than incremental improvements upon historic local authority reporting.
- Articulate and communicate a clear direction of travel. This includes setting policy positions, engaging stakeholders and building a broad and diverse support base for the reform agenda.
- Adopt a strategic, long-term perspective. Reform should look beyond immediate challenges and constraints, supported by a roadmap for the progressive modernisation of local authority reporting.
- Differentiate between addressing current pressures and delivering long-term transformation. While short-term measures may be necessary, they should not define the overall ambition for reform.

- Policy positions and criteria for significant decisions should be consulted widely to enhance independent scrutiny and challenge, and ensure wider stakeholder support, including approval from HM Treasury's FRAB¹. We believe these positions should be published to enhance transparency.
- Broaden the focus from incremental change to a programme of actions capable of delivering fundamental reform. Short-term pragmatic improvements should contribute to the longer-term vision, align with policy positions and contribute to a clear trajectory of meaningful change.
- Create the capacity for innovation and more fundamental reform. Time and space are needed to explore ambitious solutions and realise their potential benefits.
- Promote greater challenge of established practices, actively seek external insights and best practice from other sectors, and use these to accelerate the pace and effectiveness of reform.
- Show clear leadership through challenging times to inspire an ambition to drive positive change, maintain momentum and stay focused on the long-term strategic direction.

We encourage setting a positive and ambitious vision for local authorities. This includes shifting from publishing annual accounts to a combined annual report and accounts that promotes accessibility and public engagement. This is more comparable with other sectors and represents current good practice.

Local authority accounts provide extensive information but are not engaging. The presentation appears more compliance driven rather than designed to meet the needs of users such as local residents, taxpayers and elected members seeking to understand performance, financial sustainability and stewardship of public resources.

A combined annual report and accounts targeted at the public should be more informative and user friendly. While some elements of an annual report have been included in the annual accounts, such as a narrative report/management commentary, there is still a significant gap between local authority accounts and best practice annual reports², principally around accessibility and presentation.

An annual report would be a more suitable vehicle to include future developments in reporting e.g. sustainability reporting and the opportunity to draw on good practice developments from [Modernising Corporate Reporting](#) (UK government, DBIST).

We suggest that reviewing some of the topics suggested in question 3 (Q3) could be approached holistically, within the wider perspective of an annual report (such as narrative reporting and outturn/performance reporting).

3. Set a holistic approach to financial reporting reform which encompasses a broad range of options

A credible long-term reform plan should prioritise a review of the legislative framework governing local authority accounts, given its significant influence on financial reporting. The review should identify outdated provisions, impediments and unnecessary regulatory burdens, with the aim of modernising and supporting financial reporting reform.

The review would support clear, understandable and comparable financial information that enables users to assess an authority's financial performance and stewardship of public resources.

Excluding legislative reform unnecessarily restricts the range of potential solutions. There needs to be greater challenge of the status quo, its restraint on effective financial reporting reform, whether current application meets the original intention of the legislation and if it is still relevant and appropriate or needs updated.

A review was recommended by the parliamentary inquiry³ and this needs to be responded to openly and constructively, in conjunction with central government. In our view, it is impossible to achieve the scale of meaningful change needed to meet the parliamentary reform objectives without reviewing and updating the legislative framework.

¹ HM Treasury's Financial Reporting Advisory Board

² [Good practice in annual reporting](#), February 2026

³ Conclusion page 34,35 [Financial Reporting and Audit in Local Authorities](#)

4. Set a coherent approach to decisions on reform and Code changes

We believe that articulating the principles underlying significant decisions on the Code and wider financial reporting reform within a long-term strategy would help provide a clear and consistent direction of reform. We recommend that this strategy is published, as transparency regarding the rationale for and direction of reform is itself a matter of public interest.

It is surprising that the BRG users report conclusions do not appear to have been reflected in CIPFA LASAAC's proposals. The reasons for this decision do not appear to be fully explained in the consultation paper (ITC⁴). We believe that CIPFA LASAAC should clearly articulate and publish the criteria and process used in reaching significant decisions, including:

- defining primary accounts users
- responding to requests to diverge from IFRS
- setting priorities for financial reporting reform
- how conflicts of interest are managed
- what red lines exist for reform options, why and if FRAB agrees
- clarifying the process for obtaining external scrutiny, challenge and independent input and how that has informed significant decisions.

We believe this needs to be more transparent. Where proposals or recommendations are not progressed, CIPFA LASAAC should explain the reasons for that decision (including any decisions not to pursue a review of the legislative framework impacting the annual accounts).

To provide clarity and support strategic alignment with the objectives of financial reporting reform, we believe that it is important for CIPFA LASAAC (subject to FRAB approval) to set a principles-based definition of when divergences from IFRS may be considered.

Any divergence from IFRS should be considered only where it is necessary to ensure that local authority accounts present a true and fair view and only be used in exceptional circumstances.

Consistency and clarity in financial reporting support user understanding, transparency and confidence in the reported information. Divergence from accounting standards risks reducing comparability, understanding and external stakeholder confidence so proposals to diverge need careful independent scrutiny.

5. Widening the consultation process

Whilst the detail may be more specialist, the strategic approach guiding reform and significant decisions is a matter that is in the public interest. We suggest that CIPFA/LASAAC seek the views of a broader range of external stakeholders, including funders and credit rating agencies as sustaining specialisation through divergence from IFRS on material or significant issues, particularly for significant issues such as pensions, can reduce external confidence in reporting.

While the summary of consultation responses on the Code is helpful, we recommend that to demonstrate due process CIPFA LASAAC also publishes individual responses for transparency (similar to parliament and the FRC). It would also be helpful to publish the split of categories of respondents and basis of conclusions, including reasons for accepting, rejecting or not progressing any proposals or suggestions.

Q2 Do you have any other comments relating to longer-term financial reporting Reforms?

No, please refer to our response to Q1.

Q3 Do you believe there are any topics that should be added to the list of potential BRG projects? Please list any you believe should be considered and provide reasons for your suggestions.

⁴ ITC Invitation to Comment

Yes, please see our response to Q1.

Q4 Which two topics do you believe the BRG should investigate next? Please provide reasons for your suggestions.

- narrative reporting
- aligning the accounts and government returns
- summary accounts
- group accounting
- financial instruments
- outturn/performance reporting
- example accounts
- guide to local government accounts
- **infrastructure assets - yes**
- **other yes – a review of the legislative framework influencing the presentation and disclosures of the published accounts**

See also our response to Q1, we would add a longer-term project to produce a combined annual report and accounts.

Q5 Do you agree that a single defined primary user is helpful for financial reporting? Please give reasons for your answer.

No, ICAS strongly believes a multiple primary user model is necessary. A focus on one primary user is too narrow given the purpose of local authorities, their significant economic and social impacts across communities, and the breadth of public services they provide. Local authorities are accountable to, and funded by, a diverse range of stakeholders including local residents, taxpayers and service users.

Published accounts therefore need to be designed to be generally understandable. This is best achieved through general purpose financial statements that support wider public accountability. Defining a single primary user does not reflect the accountability objective or the diversity of users and information needs that local authority reporting is intended to serve.

We believe that the benefits and simplicity from having a single primary user are overstated. Our understanding is that it was not the intention of the parliamentary inquiry⁵ report to focus on establishing one defined primary user. A definition based on multiple primary users is common across a range of reporting frameworks and organisational contexts, with Parliament representing a distinct constitutional exception.

Potential benefits for preparers and auditors do not, in our view, provide sufficient justification for defining a single primary user, nor should they be a determining factor in identifying primary users. We strongly believe that compliance with the IASB Conceptual Framework is the starting point for identifying primary users of published IFRS accounts. The definition should also reflect the distinct governance, accountability and legal framework of local authorities.

It is not sufficiently clear from the consultation paper why a different position is proposed from the conclusion of the BRG report on users of the accounts. We would welcome further clarification from CIPFA LASAAC.

Q6 Do you believe that the primary user of the accounts should be the elected member, as a body? Please give reasons for your answer.

No, we strongly believe that it is in the public interest for the public to also be identified as a primary user. Primary users of local authority accounts should be:

⁵ Conclusion page 34,35 [Financial Reporting and Audit in Local Authorities](#)

1. The public⁶ (local residents, taxpayers, service users & beneficiaries and the local electorate);
2. Elected members; and
3. Other funders and providers of finance.

We are not convinced that because Parliament is the primary user of central government accounts, this follows for councillors. The rationale for identifying Parliament as the primary user of central government accounts rests on Parliament's constitutional separation from government departments and its role in authorising expenditure and holding ministers and Accounting Officers to account.

Local government operates through a different accountability framework. A focus on elected members only as a primary user does not reflect the full accountability chain in local government. It is important that the ultimate account holder, the local electorate, is set as a primary user to reflect the principle of local democratic accountability.

Elected members have a dual role. They are not solely external scrutineers; they are also internal, members of the governing body responsible for budgets, policies, decisions and oversight; the Leader signs off the accounts⁷ alongside relevant officers. Therefore, they are simultaneously part of the stewardship process and the scrutiny process so cannot be viewed as wholly separate.

Treating elected members as the sole primary users therefore risks conflating the roles of account-holder and account-giver, therefore weakening recognition of the wider public accountability relationship between local authorities and the public.

If members are primary users based on their role as elected representatives, it needs to be alongside the public to address a potential perceived risk to objectivity which is inherent through their dual role.

Other factors to consider when selecting primary users

We strongly believe the decision to set primary users should follow a framework which considers the following:

(i) The IASB Conceptual Framework which guides IFRS

This is the starting point for all organisations which apply IFRS. We note that the UK government has used this to identify primary users of accounts for their current consultation on Modernising Corporate Reporting.

Applying the decision criteria used by the IASB Framework provides a clear and consistent method for evaluating how to identify and define primary users of published accounts prepared under IFRS. We would expect CIPFA LASAAC to include this in their decision-making process for local authority accounts.

The Framework states the objectives of general-purpose financial reporting and defines primary users as capital providers (including investors, lenders and creditors)⁸. The principle is to follow the money to support accountability. Applying this to local authorities, they are accountable to taxpayers and other funders.

Local authorities can access various sources of funding (including borrowing, bond finance, fees and charges)⁹. It is important that taxpayers and other funders are identified as primary users.

⁶ Representing local residents, taxpayers, services users & beneficiaries, local electorate and other interested members of the public per legislation referred to in section (ii) underpinning [public rights to inspect and object to the accounts](#) as “any persons interested” indicates the public generally (see paragraph ii below).

⁷ Management Commentary, Statement of responsibilities for the annual accounts – authority's responsibilities, annual governance statement and remuneration report

⁸ IASB Conceptual Framework from para 1.1-1.11

⁹ [SN05797.pdf](#)

The Framework also distinguishes between internal and external users. It identifies primary users as external parties who cannot request tailored information and therefore rely on published accounts for the financial information they need. The public meets this definition.

Elected members have a dual role which is both internal (governance) and external (as an elected representative). Members can access additional internal management information, which report on a timelier basis to support their roles and decision-making. They do not rely solely on the annual accounts to undertake their responsibilities; they can also engage directly with management. Members are therefore not primary users according to accounting standards.

We believe that the consultation paper focuses disproportionately on annual accounts to support members information needs; in so doing it conflates management information with the annual accounts and misses the valuable additional input from management information to support elected members.

This principle also applies to oversight bodies such as the Accounts Commission. They are not reliant on the published accounts in the same way the public is, they receive additional resources and information to do their job and can request information from management.

There is not a direct equivalent of the Accounts Commission in England as arrangements vary. If one oversight body is singled out as a primary user based on its responsibilities, others could follow and it starts to become a busy space identifying all their different needs.

For comparability and simplicity, identifying the public as a primary user should be sufficiently broad to meet general needs, including oversight bodies.

International practice supports the public as a primary user

The IPSASB public sector conceptual framework is consistent with IFRS on multiple primary users, identifying resource providers and service recipients as the primary users of General Purpose Financial Reports (GPFR). This also aligns with the BRG user group report concluding that a multiple primary user model was appropriate (both elected members and local residents).

Some local residents are exempt from paying local taxes and some depend on local authority services. The category of primary users of the accounts should also include local residents and service users/ beneficiaries.

The US GASB¹⁰ has identified three groups as the primary users of external state and local governmental financial reports: the citizenry, legislative and oversight bodies, and investors and creditors.

GASB (the Board) also states that financial reporting plays a major role in fulfilling government's duty to be publicly accountable in a democratic society and is based on the taxpayer's "right to know".

"The Board believes that financial reporting plays a major role in fulfilling government's duty to be publicly accountable in a democratic society. Public accountability is based on the belief that the taxpayer has a "right to know", a right to receive openly declared facts that may lead to public debate by the citizens and their elected representatives."

(ii) Legislation¹¹ sets an important connection between the public and local authority accounts

Legislation underpins the right of the public ("any persons interested" ¹²) to access, inspect and object to the local authority's accounts. This is a direct relationship, not one filtered through elected

¹⁰ GASB's Concepts key Statement No. 1 Page ii [GASB CS 1](#)

¹¹ [Local Government \(Scotland\) Act 1973](#) and the [Local Authority Accounts \(Scotland\) Regulations 2014](#) and English equivalents

¹² [Local Government \(Scotland\) Act 1973](#) "any person interested may inspect....may object..." s101(1)&(2) and [The Local Authority Accounts \(Scotland\) Regulations 2014](#) s9(1) "the right of interested persons

representatives. We understand the legal intention is to support public accountability and independent scrutiny of how local authorities use public money. It provides strong justification for “the public” to be primary users of the accounts.

(iii) Objectivity and conflicts of interest

Making elected members the sole primary user of published local authority accounts creates a potential tension because they perform two distinct roles: they are both part of the accountability chain (through their governance role) and subject to accountability (through their external representative role) by citizens as the local electorate.

The person being held to account (and who signs the accounts ¹³ along with officers) is usually not the sole intended user of the accountability report. This raises questions about whether councillors can simultaneously be viewed as both the accountable party and the primary intended recipient of the accountability report (financial statements). It raises a question of whether there could be a perceived threat to objectivity and public-interest accountability.

The IESBA Code of Ethics ¹⁴ identifies objectivity as a fundamental principle and requires professional judgement not to be compromised by bias, conflict of interest or undue influence. Accountants must identify, evaluate and address circumstances creating threats to objectivity, public trust and confidence.

This raises questions about accountability design. The "reasonable and informed third party" test in the Code means considering how such a third party would view a situation and whether a perceived accountability tension exists. In this situation:

Would a reasonable taxpayer ¹⁵ consider it appropriate that the people exercising stewardship over public resources are also the only recognised primary users of the published stewardship report?

We believe that there is an accountability and governance argument, supported by public-interest and ethical principles of objectivity.

We would expect CIPFA LASAAC to consider potential impacts on objectivity as part of their decision-making process on defining primary users and other factors (as above) influencing the published accounts. From a councillor perspective, consideration also needs to be given to their equivalent standards to protect them from any concerns around objectivity ¹⁶.

We believe that a primary user definition which includes the public, elected representatives and other funders provides appropriate focus and clarity whilst reflecting the reality of the purpose of local authorities, who they serve, their governance, related legislation and the principle of local democratic accountability.

Q7 If you do not agree, which one user as identified by the BRG do you believe should be the primary user? Please give reasons for your answer.

- cabinet members and officers
- **local residents, taxpayers & other funders, service users & beneficiaries, the local electorate i.e. the public**
- credit providers
- representative groups
- press and media
- other local authorities
- central government

¹³ The Leader as representative along with officers, as noted in the response to Q6.

¹⁴ IESBA forms the basis of the ICAEW and ICAS Codes of Ethics and CIPFA's Standard of Professional Practice (SOPP) on Ethics

¹⁵ Or service user or funder or member of the public

¹⁶ Such as the Local Government Association Model Councillor Code of Conduct and the Nolan Principles

- auditors
- other.

We do not believe that one primary user is appropriate for local authorities, as explained in our response to Q5 & 6 and the BRG user report. The public is a primary user, as explained above.

Moreover, the list of users could be expanded to reflect local government's wider impact on society which is not just local residents but local taxpayers (citizens and businesses), service users and beneficiaries, charities, organisations and public interest in their environment impact.

We would broaden the category of credit providers to include other funders more broadly (e.g. banks, lenders, other finance providers, credit rating agencies), supply chain and service providers (e.g. charities and other organisations contributing to local authority service objectives).

All these groups have a valid interest in the accounts. The most appropriate way to satisfy the information needs of these varied groups is to produce general purpose financial statements which will be most easily understood by the maximum number of people. This aligns with the IASB Conceptual Framework. It is not solved by defining a single primary user group. In our view, it is best managed by focusing on how to make the accounts more understandable, less complex and less specialist.

Q8 Do you agree with the proposed revised wording for paragraph 2.1.2.6? If not, what do you suggest?

No, we do not believe that reducing the primary users to one group is an important or relevant consideration for the points raised in section 4.1.3. We believe there is sufficient guidance within accounting standards (and for auditors, the ISAs (UK)) to address the reasons cited in paras 40 & 42.

Such a change is not sufficiently meeting the objectivity test (see our response to Q6) or the intention of primary legislation to support a direct relationship between the public and the accounts.

The new version diverges from the IASB conceptual framework and international practice (including the IPSASB conceptual framework).

We are not persuaded by the reasons presented and cannot support the proposal as it fails to meet fundamental elements of the accounting, legislative and ethical code frameworks for published accounts.

Q9 Do you consider that the needs of elected members, as defined above, provide a sufficiently clear and consistent basis for preparers and auditors to apply judgement? Please give reasons for your answer.

No. Please refer to our response to Q8.

Q10 Are there any other impacts of changing to a primary user of the accounts for local authority financial reporting that have not been identified above? Please provide details

Yes, we highlight the following risks:

- It would weaken the direct public accountability relationship between local authorities, their accounts and the public¹⁷, which is inconsistent with the principle of local democratic accountability and legislation
- Further disengage the public as they are not acknowledged as primary users. Explicit recognition should drive more focused and effective financial reporting reform to better meet their needs and improve external engagement.

In turn, the proposed approach could:

¹⁷ Including local residents, local electorate, taxpayers, service users and beneficiaries i.e. the public

- Dilute the ambition for deeper, longer-term reform of accounts to meet the objectives of financial reporting reform ¹⁸ by focusing on elected members who are not dependent on the published accounts for information
- Create a perceived objectivity or conflict of interest risk because elected members are both part of the governance structure and subject to democratic accountability.
- Undermine the reputation and objectivity of local authority accounts as they do not consistently apply accounting standards to determine primary users and are inconsistent with primary legislation which has created a direct relationship between the published accounts and the public they serve.
- Ultimately this combines to reduce external confidence in the published accounts.

Q11 Do you agree that the introduction of an accountability report, containing information on a funding basis, alongside financial statements more closely aligned with IFRS, would improve understanding of local authority accounts for users? Please give reasons for your answer.

We agree that the Accountability Report is helpful to explain a complex specialism in the accounts. However, we view the accountability report as an interim measure rather than a sustainable solution as it does not address the underlying causes of complexity. In particular, it does not address outdated legislation that predates IFRS adoption and continues to conflate the council tax calculation with the published accounts.

Q48 Would you support a move to deem that local government pension schemes should be treated as if they were defined contribution schemes and follow Section 6.4.2 of the Code? Please give reasons for your answer.

We acknowledge the challenges and complexities associated with defined benefit (DB) accounting and welcome the work undertaken by the BRG Pensions Group. However, the proposal represents a significant departure from IFRS Accounting Standards.

We do not support a move to defined contribution (DC) accounting. Insufficient evidence has been presented to justify the need for change or demonstrate how it would support the requirement for local authority accounts to give a true and fair view.

The proposal would remove recognition of the net DB asset or liability and related disclosures at individual local authority level, reducing the visibility of longer-term pension obligations and increase risk.

We do not consider DC accounting to be an appropriate alternative where scheme actuaries can provide IAS 19 valuations, the resulting accounts can meet the true and fair view requirement and IAS 19 has been successfully applied by local authorities since 2010/11. Stronger evidence is required to explain why change is necessary and what benefits it would deliver to external users of local authority accounts.

There does not appear to be strong evidence from stakeholders such as pensioners and pension fund members that change is needed or that this is a priority issue. The case for reform should be based primarily on benefits to users of published accounts rather than preparers or auditors.

More broadly, we believe that consideration of financial reporting reform should extend beyond further Code-enabled divergence from IFRS Accounting Standards. Reform should be grounded in the purpose of published annual accounts and support broader public understanding and accountability.

Many organisations continue to operate funded DB schemes and face similar accounting challenges. We are not persuaded that the case for divergence is sufficiently strong in the local authority sector alone. A more fundamental question is whether IAS 19 remains the most appropriate accounting framework for schemes that remain open to future accrual. Examining the issue from this wider perspective, rather than through a local government lens alone, could provide a stronger basis for engagement with FRAB, the UK Endorsement Board and the IASB.

¹⁸ [Financial Reporting and Audit in Local Authorities](#)

The underlying legislative and regulatory factors that give rise to statutory overrides should also be addressed. As explained in our response to Q11, tackling these root causes should be prioritised before introducing further accounting divergence. As an example, we welcome progress on the decoupling of pension fund accounts from administering authority main accounts, aligning practice with Scotland and Wales. This should help to improve both understandability and streamlining.

Alignment with IFRS Accounting Standards supports comparability and broader public understanding of financial reporting across the public sector. We therefore do not support the BRG report's rationale that adaptation is justified because users of local authority accounts differ from those of profit-seeking entities. We prefer a more principles-based approach whereby divergence from IFRS Accounting Standards occurs only where necessary to ensure public sector entity accounts provide a true and fair view.

If proposing divergence, CIPFA/LASAAC should also seek the views of external stakeholders, including the public, credit rating agencies and funders, as divergence from IFRS on significant issue such as pensions could raise concerns and reduce external confidence in reporting.

The wider implications of the proposal also require further consideration. A net DB asset or liability would still need to be recognised at Whole of Government Accounts (WGA) level. As noted in the BRG paper, adoption of DC accounting would affect WGA returns and the consolidation process. The impact on participating employers, LGPS funds, administering authorities, auditors, HM Treasury and other bodies involved in LGPS governance and reporting should be fully assessed and explained.

The proposal could also alter existing responsibilities. Local authorities currently review pension disclosures, challenge assumptions where appropriate and obtain assurance over information provided by scheme actuaries. Clarification on how these responsibilities would operate under a DC accounting model for the combined accounting entries and disclosures is needed. This includes responsibility for preparing, reviewing and auditing the information required for WGA purposes.

Any transfer of work or costs to other parts of the public sector should be identified, quantified and agreed with the affected bodies. If responsibilities move away from local authorities and their auditors, there is a risk that valuable entity-level knowledge will be lost, potentially increasing the risk of material misstatement within the WGA process.

Other risks

Regardless of market performance, there is the possibility that treatment as a DC scheme could still give rise to pension related liabilities which need to be accounted for, such as deficit recovery plan liabilities. These liabilities would be likely to affect the surplus or deficit rather than other comprehensive income. Although such circumstances may be uncommon, the proposed accounting framework would still need to address them explicitly.

Q49 If the Code were to move to defined contribution reporting, what issues or concerns would you want to see addressed? Please give reasons for your answer.

See our response to Q48.

Q50 Do you have any other suggestions for how pensions reporting could be improved? Please give reasons to support your answer

See our response to Q48.

Q55 Do you agree CIPFA/LASAAC should adopt the Task Force on Climate related Financial Disclosures (TCFD) framework for sustainability reporting? If not, what framework do you suggest?

We recommend that local authorities adopt UK Sustainability Reporting Standards (UK SRS) on a voluntary basis. TCFD was disbanded in October 2023 and is being superseded by UK SRS.

The government have decided to endorse voluntary use of UK SRS for any entity in the UK and indicated that future mandatory application could be introduced through separate regulation or legislation¹⁹. Dates are not yet confirmed. It may apply to larger entities from 1 January 2027.

There is a risk that local authorities could commit to TCFD disclosures while change is underway to transition to SRS. This may be disruptive and an inefficient use of time, particularly when resources are tight.

In our view, it would be more efficient to align with the longer-term direction of travel and transition to the emerging UK framework. It would also help ensure disclosures remain current and consistent with wider UK reporting practice.

We suggest that CIPFA LASAAC seeks clarity from the UK government about what the best approach is for public bodies during this transition period, particularly those who are planning to adopt sustainability reporting voluntarily from 2027/28 or later. This could help to ensure that investment on developing sustainability reporting meets latest good practice and is aligned with UK plans.

Q56 Do you think any of the TCFD recommended disclosures require adaptation or interpretation for local government? Please detail which ones and why.

Please see our response to Q55.

Q60 Do you agree implementation of sustainability reporting should start on a voluntary basis? If not, why not?

Yes, consistent with a proportionate approach for smaller bodies, we suggest voluntary implementation for small authorities and those bodies meeting the definition [Local Government in Scotland Act 2003](#) section 61 (or English alternative), but mandatory for the larger authorities, so they can learn and teach the others by example.

Q61 When do you think sustainability reporting should become mandatory? Please give reasons for your answer.

- 2027/28
- **2028/29 - yes**
- 2029/30
- Other.

Mandatory adoption by 2028/29 for the large authorities with early adoption encouraged would place them in an advantageous position. It would give them time to undertake materiality assessments, establish appropriate governance and set up processes and controls for collecting data etc.

Q64 Where should sustainability reporting be included within the statement of accounts? Please give reasons for your answer.

- Narrative report/management commentary
- Separate report
- Annex
- Authority's discretion
- **Other - yes**

¹⁹ The final UK SRS have now been published online and are available for any entity to use, in whole or in part, as they see fit". (para 1.5)
The effective date for UK SRS will be set out in any regulation or legislation if and when any reporting requirements are introduced. para 1.21
Source: [Government response to the consultation on UK Sustainability Reporting Standards \(web version\)](#) - GOV.UK

We do not have strong views on the specific location but support the approach in [UK SRS S1: General Requirements for Disclosure of Sustainability-related Financial Information](#) (paragraph 60) which enables some discretion in the general purpose financial reports.

It is important for the disclosures to be clear, not repetitive, supported by cross-referencing and reasonably comparable across authorities which is easier for readers. We would recommend that the time period of the sustainability report is consistent with the annual accounts.

The Management Commentary is a logical location although some are lengthy so some bodies may prefer to publish the full Sustainability Report online, with key messages and cross references in the Management Commentary to prevent the annual accounts becoming too unwieldy.

Q65 Do you agree that the only assurance required is a consistency check? Please give reasons for your answer.

No, we believe that sustainability disclosures need to be of the same standard and trustworthiness as the financials. This means an assurance opinion is needed. As sustainability assurance is a developing area, we believe that for the moment it should continue to operate on a voluntary basis. The long-term goal, however, has to be mandated assurance for all in scope entities, achieved over time and in separate phases.

This assurance can be provided by a qualified practitioner with recognised standards and with the relevant knowledge and skillset.

Q67 Do you agree that deferring mandatory implementation of IFRS 18 in the Code until 2028/29, to align with the introduction of the accountability report, is a reasonable and proportionate approach? Please give reasons for your answer.

No, we support timely implementation for efficiency and to encourage those willing to do so.



CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH
+44 (0) 131 347 0100
connect@icas.com
icas.com

 @ICASaccounting

 ICAS – The Professional Body of CAS

 ICAS_accounting

 ICAS_accounting