10 September 2025
ICAS response

Invitation to comment on the 2026/27 Code of Practice on Local Authority Accounting in the United Kingdom

Introduction

The Institute of Chartered Accountants of Scotland (ICAS) is a global, professional membership organisation and business network for Chartered Accountants. It's also an educator, regulator, examiner and a professional awarding body.

ICAS' diverse membership is made up of over 24,000 world class business professionals who work in the UK and in more than 80 countries around the globe. Members of ICAS are also known by the letters CA, an exclusive professional designation in the UK.

ICAS members operate at the forefront of ethical and sustainable business. Educated, regulated, and led by the highest standards of ethical leadership since 1854, they are at the top of their game. They are trusted professionals, who transform business and support one another for the greater good.

Acting in the public interest is the guiding principle of all that ICAS does and we continually work to maintain trust in the finance profession. That ethos is enshrined in the ICAS Code of Ethics – which applies to all members, students and member firms, and is underpinned by our Royal Charter commitment.

ICAS is a member of the Chartered Accountants Worldwide Network, a global family that brings together the members of 15 leading institutes to create a community of over 1.8 million Chartered Accountants and students in more than 190 countries.

Any enquiries should be addressed to: atelfer@icas.com.

Detailed response to questions

Longer-term financial reporting reforms	
Q1	Do you have any comments or further suggestions for longer-term financial reporting reforms? Please provide reasons for your comments and suggestions.
	We support a long-term view of reforms to achieve reporting objectives. As the legislative framework affects the financial statements, both legislative and presentational changes are needed to achieve a significant reduction in complexity and ensure greater transparency for users. Further exploration of legislative reform, where it impacts the financial statements is essential to modernise reporting and achieve significant improvement. Some of the legislation predates IFRS adoption in 2005. It is timely to affirm whether the original intentions are consistent with today's needs and priorities. We highlight the evidence reported by the Parliamentary Committee[1] for a holistic approach to address complexities in local authority financial statements. As legislative reform is a central government responsibility, collaboration with BRG and CIPFA LASAAC to explore where and how to remove complexity in the accounts, where driven by the legal framework would help to widen the envelope and potential for reform. This review needs to be done for each jurisdiction with separate legislation. We agree this should be in conjunction with the shorter-term presentational changes (quick wins) to maintain progress.

[1] Financial Reporting and Audit in Local Authorities paragraphs 102-111.

	The objectives to simplify and produce understandable, user-friendly accounts requires modernisation of the legislation where it is found to be out of date, no longer meeting its original intention or superseded by newer developments. Developments include changes in the adopted accounting standards, the evolution of the accountancy profession, proper practices and identifying where the legislation is no longer addressing a gap in proper practices and therefore creating an unintended consequence or obstacle inconsistent with the objective to simplify reporting for a wider non-specialist audience. We suggest a review includes: • Setting a longer-term vision of local authorities[2] to set the basis, priorities and direction of travel for modernisation through legislative *and* accounting changes to achieve the level of change needed to meet reporting objectives. • Some of the legislation is decades old and set in a different political and professional context. With all the developments in accounting standards, accountability, financial control and communication needs, the profession and public expectations, it is timely for a thorough review to ensure the legislative framework remains fit for today's purpose, is proportionate and aligned with the vision of local authorities. • As legislative change is a central government responsibility, there needs to be collaboration and commitment from central government, working with CIPFA LASAAC and BRG to support a holistic approach to achieving reporting objectives, address barriers and to identify alternative processes to meet needs (e.g. if legislation is found to be an anachronism). • Statutory overrides are a significant driver of additional disclosures, complexity and a material sum. Presentation changes alone do not remove the additional work and complexity generated. Exploration of the opportunities to remove the legislative root cause is important to achieve a significant reduction in complexity. • In particular, we would like to see a commitment to separate the funding calculation from the accounting basis of financial statements and to establish a new process for council tax setting which is not necessarily based on IFRS accounts[3] so the accounts can do their role, not a dual role. Certain legislation precedes the introduction of IFRS, so we are not convinced that this conflation is constructive or consistent with the original intention.

Format and structure of the Code	
Q2	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.
	Broadly, yes.
Q3	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.
	We agree that the Code should be digitalised and freely available. To maximise stability, changes should be minimal and focus on the most substantive and important updates.
Q4	Do you prefer proposal one or proposal two as a new structure for the Code? Please set out the reasons for your response.

[2] including user-friendly and accessible reporting, proportionate regulation, potential for using AI and other technologies for supporting reporting, decision-making and maximising efficiency and effectiveness; data quality and transparency.
[3] See footnote 1.

	We recognise that there can be benefits to both options. It is helpful for preparers not to have too much change; it is also helpful for non-specialists to have divergences from IFRS in one place with cross-references for broader understanding. We would prefer to see greater focus on the fundamental changes needed in Q1 as a higher priority.
Q5	Are there any other issues relating to the structure and format of the Code? Please set out the reasons for your response.
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Removal of the expenditure and funding analysis (EFA)	
Q6	Do you agree that the EFA in its current form should be removed from local authority financial statements? If not, why not?
	We would like to see greater focus on the fundamental changes needed to remove complexity, to simplify and streamline accounts as per our response to Q1. Other presentational changes can be addressed once there is greater clarity on the higher level legislative and accounting changes to achieve these objectives, once agreed by the BRG and central government.
Q7	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.
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Q8	Would you support removal of the EFA in the 2026/27 financial year, even if it is not immediately replaced with an alternative statement?
	Yes.
Q9	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.
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Pension fund accounts	
Q10	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.
	Yes we believe this allows greater focus on pension fund accounts, which involve material sums of money.
Q11	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.

	Yes.
Q12	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.
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Q13	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.
	Yes.
Q14	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.
	Yes.
Q15	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.
	Yes.
Q16	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?
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Q17	Do you agree that the audited pension fund accounts should be published before the local authority's audited statement of accounts deadline (option one above)? If not, why not? Please provide reasons for your view.
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Q18	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.
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Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and 7)	
Q19	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 as outlined above? If not, why not? What alternatives do you suggest?
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Amendments to contracts referencing nature-dependent electricity (amendments to IFRS 9 and 7)	
Q20	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?
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Q21	Has your authority entered into, or is it considering entering into, a power purchase agreement (PPA) or virtual power purchase agreement (VPPA)?
	N/A

Annual improvements to IFRS accounting standards – Volume 11	
Q22	Do you agree with the proposals for implementation of these amendments to standards as outlined above? If not, why not? What alternatives do you suggest?
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Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (amendments to heritage assets)	
Q23	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?
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IPSAS 47 *Revenue* and IPSAS 48 *Transfer Expenses*	
Q24	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?
	Yes.

IPSAS 49 *Retirement Benefit Plans*	
Q25	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?
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Changes to IFRS standards that could impact on the Code	
Q26	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.
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Changes to IPSAS standards that could impact on the Code	
Q27	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.
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Local government reorganisation	
Q28	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.
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Sustainability reporting	
Q29	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, e.g. a phased approach. Please set out the reasons for your response.
	We are supportive of introducing sustainability reporting in local authorities and the TCFD approach developed by HM Treasury. Our principles for reporting are that it is: • Proportionate to the entity, so that it is not onerous • Driven by materiality (both financial and impact i.e. "double materiality) • Aligned and interoperable with what is being implemented for companies (however we would extend the focus on financial materiality to impact and include impact metrics).

Q30	Do you agree with implementing sustainability reporting from 2027/28? If not, why not? Please provide reasons for your view.
	A transitional year would be helpful. Generally, we would encourage a phased approach for larger organisations and then phased in to smaller organisations.
Q31	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 any time soon.
	N/A

Other areas where additional guidance might be required	
Q32	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.
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