

Financial Reporting Advisory Board Paper

Code of Practice on Local Authority Accounting

Issue:	Update on CIPFA LASAAC development of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code) encompassing: <ul style="list-style-type: none"> Anticipated content of the 2027/28 Code
Impact on guidance:	The 2027/28 Code will be the definitive guidance for local authority accounting in the relevant accounting periods.
IAS/IFRS adaptation?	Proposals only
Impact on WGA?	No significant impact on the WGA is anticipated.
IPSAS compliant?	No misalignment is anticipated
Impact on budgetary regime?	None – local authorities only.
Alignment with National Accounts	None – local authorities only.
Impact on Estimates?	None – local authorities only.
Recommendation:	The Board is requested to note CIPFA LASAAC’s consideration of its approach to development of the 2027/28 Code.
Timing:	2027/28: A consultation is anticipated over the summer, with the 2027/28 Code to be published no later than 1 April 2027.

DETAIL

Anticipated content of the 2027/28 Code

- CIPFA LASAAC considered a report on a proposed phased implementation of sustainability reporting starting from the 2027/28 Code, a long-term priority for CIPFA LASAAC. The report discussed various frameworks and standards and considered whether this was the right time to implement sustainability reporting, given well-known capacity constraints in the sector. Views from the 2026/27 consultation on this topic re-emphasised these concerns about the challenges of adoption, particularly for bodies affected by local government reorganisation that might cease to exist before the requirements came into effect. The Board will look to consult on proposals based on TCFD rules, with specific attention to the timetable for adoption and any needed adaptations for the local government context.

2. Some work on proposed content was not completed at the time of the CIPFA LASAAC meeting. CIPFA LASAAC will use its post-FRAB and May consultation-setting meetings to consider the following items for potential inclusion in the 2027/28 Code consultation:
 - Following on from work done by the Better Reporting Group to identify the users of local authority accounts, CIPFA LASAAC identified elected members as the primary users. Work is being done to understand the potential Code impacts of making this identification explicit
 - A revised proposal is expected from the Better Reporting Group's project on statutory overrides, which is developing a new accountability statement proposal. This would lift the non-IFRS compliant elements of local authority reporting into a separate statement, allowing for more straightforward reporting in the accounts themselves while retaining the ability to reconcile to the funding position.
3. CIPFA LASAAC also considered a proposal on pensions reporting, which is presented separately as paper FRAB 158 (4B) for further discussion.
4. CIPFA LASAAC also reviewed upcoming changes to accounting standards for potential impacts on the Code.
 - IFRS 18 is anticipated to have relatively little impact, with use of management-defined performance measures understood to be limited in the sector. Other changes in IFRS 18 are generally in line with the Code's existing approach, and the accountability statement proposal discussed above has additionally considered alignment with these requirements
 - IFRS 19, if implemented, would only affect local authority subsidiaries, which are outside of the scope of the Code

Effectiveness review

5. The effectiveness review of the arrangements to issue the Code has now begun, with CIPFA LASAAC as its primary focus. Lynn Pamment has been appointed to lead this project, with an external agency providing support to the project to preserve independence. Findings are expected to be shared with CIPFA LASAAC for its consideration later this year.

Local audit reform

6. The local audit team from MHCLG joined the CIPFA LASAAC Board for an update on how the local audit system is recovering, and how CIPFA LASAAC can support the rebuilding of assurance through its work. CIPFA and MHCLG are partnering to deliver three "Audit Readiness" sessions at the end of March 2026.

Summary and recommendation for the Code of Practice on Local Authority Accounting in the United Kingdom

7. This report sets out details of CIPFA/LASAAC proposals regarding
 - Anticipated content of the 2027/28 Code
 - Effectiveness review
 - Local audit reform

8. The Board is requested to note the position above and comment on the issues relating to the development of future editions of the Code.

CIPFA/LASAAC
March 2026