



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

Invitation to Comment

How to complete this survey



The full Invitation to Comment document is available on our website: <https://www.cipfa.org/policy-and-guidance/consultations/consultation-on-202627-code-of-practice-on-local-authority-financial-reporting-uk>

Responses are requested by **23:00 on 12 October 2025**.

Responses will only be submitted once you have clicked on Submit at the end of this consultation. You will be able to save and make changes to your responses after submission. Please note that comments boxes are limited to 8,000 characters.

If you have any issues with completing this form, please email cipfalasaac@cipfa.org

About you and/or your organisation



Which organisation are you responding on behalf of? * [Q>

Professor David Heald, University of Glasgow, but responding as an individual

David Heald's responses below appear in purple text. The items on which he did not respond have been deleted.

Q1. Do you have any comments or further suggestions for financial reporting reforms? Please provide reasons for your comments and suggestions.

My answers are governed by three strongly-held views. First, I support accruals accounting in the public sector, adopting IFRS as the base and then modifying and interpreting where necessary in light of specific public sector circumstances. In order to achieve consistency across the public sector, the threshold for deviations should be high. Second, I wish to see the Code move closer to the FReM approved by the Financial Reporting Advisory Board and to remain a UK-wide Code managed by a UK-wide body. Not least, this is practically helpful for users given that there is a top-level consolidation of the UK Whole of Government Accounts. I recognise that this is a multi-year task. Third, I am suspicious of calls for 'simpler' local authority accounts which would involve extensive departures from the IFRS base. My view is that present difficulties in English local audit stem from past policy mistakes on the audit side (abolition of the Audit Commission and particularly of District Audit), yet these difficulties are being used for pushback on accounting. Local authorities have complex transactions and many have developed complicated group structures. Neither is smallness an indication of low risk.

Risks to transparent financial reporting by local authorities are evident, as shown in this summary of evidence received by the Ministry of Housing, Communities and Local Government's recent consultation on the proposed Local Audit Office:

[Q]

4.1 Removal of the expenditure and funding analysis (EFA)

CQ

As part of ongoing reforms to local authority financial statements CIPFA/LASAAC is seeking views on removing the EFA within local authority financial statements. The EFA currently bridges the statutory accounts and the funding basis. However, feedback suggests it is seen as complex, underutilised, and burdensome to produce.

The EFA was introduced in 2016/17 following a previous project to develop local authority accounts which focussed on streamlining the accounts and improving their accessibility to users. It was consulted on in the 2015 consultation Telling the story: improving the presentation of local authority financial statements and the proposals focussed on two key strands:

- To allow local authorities to report on the same basis that they are organised, by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES).
- To introduce a new funding analysis that provides a direct reconciliation between the way local authorities are funded and budgeted for and the CIES in a way that is accessible to the lay reader.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from taxation and rents each year.

The EFA takes the net expenditure that is chargeable to taxation and rents and reconciles it to the CIES. The service analysis for both the EFA and the CIES are presented according to how an authority organises itself and manages financial performance, aligning with the requirements in IFRS 8 Operating Segments.

Although the scope of IFRS 8 is for entities whose debt or equity instruments are traded in a public market, it contains useful principles that the EFA sought to adopt. The EFA was intended to promote accountability and stewardship by providing a more direct link with the annual decision-making process of the authority and its budget ie the General Fund. It follows the performance framework of the authority and is intended to provide more transparency, including linking with the performance analysis in an authority's narrative report as set out in Section 3.1 of the Code.

However, anecdotal evidence suggests that the EFA may not have fully achieved its intended objectives and there were some respondents to the 2025/26 Code consultation who felt removing the EFA and associated notes would ease some of the burden currently on preparers and auditors, especially while assurance is rebuilt over disclaimed local authority accounts.

It is also worthwhile noting that the Better Reporting Group is currently reviewing statutory overrides, including how they are presented in local authority accounts, which will inevitably involve the EFA. Although it is not yet clear what will replace the EFA, a recommendation from the Redmond Review was to have standardised statements of service information and costs, which present a strong basis for discussion.

CIPFA/LASAAC invites views from stakeholders on the proposal to remove the EFA in its current form for 2026/27 and to either have no replacement or to put in a suitable replacement if one is developed .

Q6. Do you agree that the EFA in its current form should be removed from local authority financial statements?

☐ Yes

☐ Partially

☒ No

☐ Don't know / Unsure

☐ Other

If you do not agree, why not? Please set out the reasons for your response.

The EFA is a recognition that there are two types of accounting in local authorities: first, statutory financial reporting in accordance with the Code, and, second, budgetary accounting to establish how much revenue a council needs to raise in order to set taxes and charges which comply with its break-even requirement. If the Code Board believes that there are problems with the existing EFA, I am open to discussion on how that could be reshaped. There is a strong case for reviewing statutory adjustments which drive differences between the two accountings but I expect many of these to continue. I am categorically opposed to abolishing the EFA without having specified and consulted on the format of a replacement. Not least, abolition without a ready-made replacement affords no confidence that a replacement would be developed. Removal of the existing EFA without an immediate replacement would create difficulties in relation to IFRS 8. I am concerned that a proposal for abolition has been tabled without preparatory work comparable to what was done by a working party ahead of the creation of EFA.

Q7. Do you think that the EFA should be replaced with an alternative statement?

☐ Yes

☐ Partially

☒ No

☐ Don't know / Unsure

☐ Other

Please explain your reasoning and provide details of any alternatives you would suggest.

I have explained my position at Q6.

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

☐ Partially

☒ No

☐ Don't know / Unsure

☐ Other

Please set out the reasons for your response.

I have explained my position at Q6. Most relevantly, once abolished there would be no momentum to develop a replacement and an important accountability document would have been lost.

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?

☒ Yes

☐ Partially

☒ No

☐ Don't know / Unsure

☐ Other

Please provide reasons for your view.

My understanding from what I have read is that this would be the case.