

March 2021 Minute ref 050321 Item 15

## Transparency Code for Smaller Authorities

### What is in this for local councils?

Local councils will be considering the implications of the implementation of the Transparency Code for Smaller Authorities and the forthcoming changes to the external audit regime. This LAIS contains a tabulated summary of the changes affecting local councils, pending more detailed guidance from Government and information about compensation for the new burdens created, which it is anticipated will be published in conjunction with the National Association of Local Councils prior to the financial year 2015-16 commencing.

**Deadline: The changes affect councils with a turnover not exceeding £25,000 from 2015 as required under the implementing regulations to be made. The timetable and summary requirements for December 2014 – July 2016 are as follows:**

- December 2014 Transparency Code for Smaller Authorities issued as recommended practice
- By end March 2015 Subject to Parliamentary approval Regulations to come into force to require compliance with Code for Smaller Authorities
- Spring 2015 Proposed new burdens funding for smaller authorities to assist compliance with the Code (being negotiated between the National Association of Local Councils and the Department of Communities and Local Government)
- April 2015 Publication of draft minutes from all formal meetings, not later than one month after each meeting, and of meeting agendas and associated meeting papers not later than three clear days before the meeting takes place
- July 2015 Not later than 1 July 2015, publication by smaller authorities of first annual set of data completed which includes:
  - All items of expenditure above £100 (date incurred, summary of purpose, amount and VAT that cannot be recovered)
  - End of Year Accounts (the statement of accounts should be accompanied by a bank reconciliation and an explanation of significant variances and any differences between 'balances carried forward' and 'total cash and short term investments')
  - Annual governance statement
  - Internal Audit report
  - List of councillor responsibilities
  - Details of public land and building assets (description, location, owner/custodian, date and cost of acquisition and present use)
- July 2016 Not later than 1 July 2016, publication of second annual set of data completed

Thereafter all of the requirements of the Code continue to apply, including for annual data. The requirement is for accurate information to be published on a website (a local council's own or that of their billing authority is acceptable) which is publicly accessible free of charge.

NALC L05-14 23 December 2014 refers and is available through your local Association. The Transparency Code for Smaller Authorities: December 2014 can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388541/Transparency\\_Code\\_for\\_Smaller\\_Authorities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)

The following table is a summary of the changes affecting local councils as a result of changes to the external audit arrangements and the introduction of two new Transparency Codes

Category	Change	Mandatory External Audit	Mandatory Transparency Code
<b>Parish meetings</b>	<p>Parish meetings continue to be subject to external audit until 2017. Thereafter they will remain subject to the Freedom of Information Act 2000.</p> <p>Government has stated that it would be disproportionate and an unreasonable burden to place parish meetings under a duty to comply with the Code due to the level of resources and capabilities generally available to these bodies.</p>	<p><b>YES</b> But parish meetings with an annual turnover not exceeding £25,000 will be exempt from the requirement to have a routine annual external audit from April 2017.</p>	<p><b>NO</b> Exempt from the Transparency Code for smaller authorities.</p>
<b>Parish/Town Councils Turnover not exceeding £25,000</b>	<p>The Transparency Code must be complied with and provision has not yet been made to exempt these councils from external audit. However it is envisaged that an exemption would apply from 2017 by which point the required regulatory framework will be set.</p> <p>The existing external audit arrangements (for smaller authorities with a turnover not exceeding £25,000) will continue until the completion of the current Audit Commission contracts at the end of the 2016/17 financial year (apparently no exemption is possible until then). There is an overlap of two years during which the transparency requirements are in effect but relevant authorities cannot yet opt-out of having an annual external audit.</p> <p>The Department of Communities and Local Government recognise that this is an additional administrative burden and are currently developing a programme of funding with the National Association of Local Councils to address this and to assist smaller authorities in meeting the new requirements of the Code and to enable such authorities to be compliant with the transparency requirements with the minimum burden upon them. This work is at the planning stage but is aimed to commence before the start of the 2015/16 financial year. The Department is seeking to develop an approach that is flexible and responsive to the varying needs of individual authorities and regions of the country and that can start running as soon as possible in order to facilitate authorities' compliance for the start of the</p>	<p><b>YES</b> But exempt from routine annual external audit from April 2017.</p>	<p><b>YES</b> Must comply with the Transparency Code for Smaller Authorities from 2015.</p>

	<p>2015/16 financial year.</p> <p>It is Government's intention that from April 2017 the Code should be a replacement for external audit (for smaller authorities with a turnover not exceeding £25,000). Those councils may opt to also maintain an external audit. Government regards it as unlikely that authorities wish to maintain an external audit on a voluntary basis but if they did so wish, the intention is that this can be arranged by those authorities themselves or by contracting in to a Sector Led Body that will provide a bulk external audit procurement facility.</p>		
<b>Parish/Town Councils &gt;£25,000 to £200,000</b>	Although these councils will be subject to changed external audit arrangements under the Local Audit and Accountability Act 2014 from 2017, there are no imminent changes to their arrangements.	<b>YES</b>	<b>NO</b>
<b>Parish/Town Councils with a gross annual income or expenditure (whichever is the higher) exceeding £200,000 but not greater than £6.5 million.</b>	Although these councils will be subject to changed external audit arrangements under the Local Audit and Accountability Act 2014 from 2017, there are no imminent changes to their arrangements. The Local Government Transparency Code 2014 is recommended practice but only Part 2 of the Code will be mandatory and then only for authorities with a gross annual income or expenditure (whichever is the higher) which exceeds £6.5 million.	<b>YES</b>	<b>NO</b> But the Local Government Transparency Code 2014 contains recommended practice for these larger councils.

## Notes

The Local Audit and Accountability Act 2014 defines 'smaller authorities' as those where the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5 million (Section 6). The Act permits Government to make regulations in respect of smaller authorities (Section 5). It also provides for relevant authorities, such as local councils, to be able to opt to have their external auditor appointed by a specified sector-led body (which is likely to include an arrangement involving the National Association of Local Councils) rather than to appoint an external auditor locally – which in itself is a new arrangement provided for under the Act (Section 17). The Local Audit (Smaller Authorities) Regulations 2015 have been drafted to make provisions for this, which it is anticipated will apply from 1 April 2017.

Those councils with a turnover between £25,000 and £6.5 million p.a. must still have an appointed external auditor to undertake an external audit of their accounts under the new arrangements. This external audit is a limited assurance arrangement, consisting of a review of an annual return submitted by the authority. Authorities with a turnover of less than £25,000 p.a. will be exempt from this requirement. However it is necessary to appoint an external auditor to them if an auditor must consider, for instance, an objection to the authority's accounts and all smaller authorities will be under a legal duty – as currently – to prepare a statement of accounts.

## References

Local Audit and Accountability Act 2014 can be found at <http://www.legislation.gov.uk/ukpga/2014/2>

Local Audit and Accountability Act 2014: Local audit impact assessment can be found at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/349418/2014\\_FINAL\\_Local\\_Audit\\_IA.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/349418/2014_FINAL_Local_Audit_IA.pdf)

The draft Local Audit (Smaller Authorities) Regulations 2015 can be found at <http://www.legislation.gov.uk/ukdsi/2015/9780111126103/contents>

Draft transparency code for parish councils with a turnover not exceeding £25,000 Consultation summary of responses: August 2014 can be found at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/341231/140805-](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341231/140805-)

[Transparency Code for Parish Councils Consultation Summary and Response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341231/140805-Transparency_Code_for_Parish_Councils_Consultation_Summary_and_Response.pdf)

The Transparency Code for Smaller Authorities: December 2014 can be found at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388541/Transparency\\_Code\\_for\\_Smaller\\_Authorities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)

NALC Legal Briefing L01- 14 27 May 2014 The Local Government Transparency Code for parish councils with a gross annual income or expenditure exceeding £200,000 (England only) and L05-14 December 2014 Transparency Code for parish councils with an annual turnover not exceeding £25,000 (England only) are available through your local Association

Local Government Transparency Code 2014 can be found at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/360711/Local\\_Government\\_Transparency\\_Code\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf)

Future of Local Audit Consultation on secondary legislation: summary of responses and the Government Response can be found at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/383694/Future\\_of\\_Local\\_Audit\\_Consultation\\_Summary\\_and\\_Response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383694/Future_of_Local_Audit_Consultation_Summary_and_Response.pdf)