

Current & Future Financial Changes

A Report on a Presentation by Crispin Taylor (SLCC's National Financial Advisor) to Members of the SLCC 16 August 2017 – Northern Region Training Day – Barnsley, Yorkshire

The session, which was intended as an update on current and future financial changes, covered developments with various matters that are of importance to parish councils, i.e. auto-enrolment, the new audit regime, usage of the Practitioners' Guide, investments and the valuation of assets and Business Rates.

Auto-Enrolment

Crispin Taylor reported that the provision of an employee pension had now reached the stage where it was mandatory for even the smallest employer. He reminded Clerks that auto-enrolment of employees earning above the threshold and functions associated with employees earning below the threshold were the responsibility of the employer, not the employee.

The New Audit Regime

The 2016/17 audit regime was identical to that for 2015/16. It was a legal requirement that the final version of the approved and audited Annual Return should be published on a website (either the council's own website or usually that of the principal authority) no later than 30 September 2017.

2016/17 is the final year to be audited by the auditors appointed by the Audit Commission before its dissolution. For audits of accounts relating to 2017/18 onwards the external auditors will be appointed by the SAAA – Smaller Authorities Audit Appointments. Fees will be the same as in 2016/17. Most of audit regime will be the same as it has been for all smaller authorities – the exception will be the final stage, which may be different for smaller local councils.

Councils with annual turnover not exceeding £25,000 per year can choose to declare themselves exempt from regular annual audit. They will still have to prepare an Annual Return which will be approved by the council but will not have to send it to the external auditor. Such councils will save money by declaring themselves exempt, albeit not very much, as their audit fees, if there were no issues, have often only been in double figures. Such councils can only certify themselves as being exempt after the end of the financial year. They have to resolve to do this.

The publication requirements of the Transparency Code for Smaller Authorities have been mandatory for a couple of years. In order to self-certify a smaller local council will have to publish everything and will have to notify their external auditor that they are self-certifying. The external auditor will still have to be available to answer any questions about the accounts posed by electors.

Appendix A

It is mandatory for Councils with a gross annual income or expenditure exceeding £200,000 to follow the Local Government Transparency Code. This was originally designed for principal authorities, but many parish councils fall under its umbrella. There is still no mandatory transparency code for authorities with income or expenditure between £25,000 and £200,000, but the advisory is to be as transparent as possible and to publish as much financial information as feasible.

If a council's income or expenditure exceeds £200,000 in a specific year (and does not do so in other years) it must during that year comply with the publication requirements of the LGTC. The requirements are quite onerous and there are rumours that Central Government may be about to make them even more onerous.

The Practitioners' Guide

This is a Guide prepared jointly by NALC and the SLCC to help clerks with financial / audit matters. A new version tends to be published annually. Either the 2016 or the 2017 versions could be used in relation to 2016/17. From 2017/18 only the 2017 version is suitable.

Investments and the Valuation of Assets

It is now necessary to distinguish between long-term and short-term investments in the financial statements.

The methods currently employed to value fixed assets do not need to be changed. Depreciation and re-valuation are not employed for Asset Register purposes. Once recorded in the Register, the value of the asset is not altered. The one exception is if a fixed asset benefits from a substantial capital enhancement. Then the cost of the enhancement may be added to the initial registered value of the asset.

The current value of individual assets is irrelevant with regard to the Assets Register. It is quite different to valuation for insurance purposes, where inflation-linked increases are applied annually.

Fixed assets, such as Memorial Park, which are held for the community and can never be sold, are valued at £1.

Business Rates

If a property is occupied for non-domestic purposes it will often be subject to business rates. This does not apply to agricultural land, allotments or public open spaces.

A Small Business Rates exemption can be claimed if someone occupies property not exceeding a Rateable Value of (from 1 April 2017) £12,000. To get this exemption it MUST be claimed.

Revaluation of properties for business rates purposes is carried out by the Valuation Office Agency.