

Transparency code for parish councils with an annual turnover not exceeding £25,000 (England only)

Introduction

Pursuant to s.2 of the Local Government, Planning and Land Act 1980 ('the 1980 Act'), on 17 December, the Government issued a **code of recommended practice** ('the Code') for parish councils and other smaller authorities (internal drainage boards, charter trustees and port health authorities in England but not parish meetings) with a turnover not exceeding £25,000. Turnover is defined as the higher of an authority's gross income for the year and its gross expenditure for the year. Where accounts are balanced on a receipts and payments basis, receipts are treated as 'income' and payments are treated as 'expenditure'.

It is the Government's intention, pursuant to s.3 of the 1980 Act, to make compliance with the Code mandatory for parish councils and other smaller authorities with a turnover not exceeding £25,000 in March 2015. The exact date that the Code will become mandatory for councils is subject to the parliamentary timetable.

The Government has introduced the Code for two main reasons.

- Under a new audit framework effective from 1 April 2017, established by the Local Audit and Accountability Act 2014, parish councils (and internal drainage boards, charter trustees and port health authorities) with an annual turnover not exceeding £25,000 will be exempt from external audit. In place of external audit, these authorities will be subject to the Code to enable local electors and ratepayers to access relevant information about the authorities' accounts and governance.
- To meet the Government's desire to place more power into citizens' hands to increase democratic accountability.

A summary of the Code

1. At least from 1 July 2015 and thereafter not less than annually and not later than 1 July 2015 in the year immediately following the accounting year to which it relates, councils should publish the following.

- all transactions/items of expenditure above £100 (where possible excluding VAT) which confirms the date that the expenditure was incurred, a summary of the purpose of the expenditure (e.g. salaries, stationary order, village hall repairs), the amount and the VAT that cannot be recovered (see paragraphs 13 -15 of the Code);
 - end of year accounts (see paragraphs 16 and 17 of the Code),
 - annual governance statement (see paragraphs 18 and 19 of the Code),
 - internal audit report (see paragraphs 20 - 22 of the Code),
 - list of councillor or member responsibilities (see paragraph 23 of the Code), and
 - the details of public land and building assets (see paragraphs 24 - 27 of the Code)
2. Councils should publish the draft minutes of a meeting of full council, a committee or a sub-committee no later than one month after the meeting has taken place (see paragraph 29 of the Code).
 3. Councils should publish the agenda and associated papers for a meeting of full council, a committee or a sub-committee meeting no later than 3 clear days before the meeting to which they relate is taking place (paragraph 30 of the Code).
 4. The information specified in the Code must be published on a website which is publicly accessible free of charge. For example, on the parish council's or billing authority's website if the parish council does not have a website.

It is important to read the Code in full. Click [here](#) to read it.

Practical issues

The Code requires councils to publish certain information about transactions/items of expenditure above £100. This includes “the date the expenditure was incurred”. This may cause some problems for councils who, under the statutory proper practices which apply to the accounts of parish councils (see Governance and Accountability for Local Councils - A Practitioners' Guide (England) [here](#) on NALC's website) simply publish a list of payments which confirm the dates that the payments were made. This practice will not comply with the Code. Expenditure is incurred by a council when an order is placed, or if no order, when goods or services are received. This is demonstrably much earlier than when the payment is made. It is the view of Derek Kemp, NALC's Accounts and Audit Advisor, that the Code should require councils to confirm when it has made a payment above £100 rather than when it incurred expenditure above £100. NALC will share this view with Government officials.

Councils are required to publish information on the occasions specified in the Code on a website. Many councils do not have a website or adequate staffing levels to process information required by the Code electronically. With reference to Annex B of the Code, the Government asserts that it will provide some funding to assist compliance of the Code by councils (and other smaller authorities) in respect of publishing information on a website. NALC will provide updates about these two issues if and when they are available.

Any questions from County Associations relating to the Code as drafted or the Government's plans to provide funding to councils should be emailed to Chris Borg, Policy and Development Manager at NALC at chris.borg@nalc.gov.uk.

This briefing was issued by Meera Tharmarajah, Solicitor and Head of Legal Services

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