



This supporting information has been prepared to assist the auditor in performing their planning to inform their work on VFM arrangements under Auditor Guidance Note 3 (AGN 03). The supporting information is intended to provide additional sector specific context only. It is NOT part of the statutory guidance and auditors are only required to have regard to the explicit requirements set out in AGN 03.

Auditor Guidance Note 3 (AGN 03)

Supporting Information:

Other local bodies

December 2021

Background

This section provides some general information about the sector.

Auditors are required to provide a commentary on the arrangements to secure VFM for other local bodies that are not smaller authorities. The [Local Audit and Accountability Act 2014](#) defines what constitutes ‘smaller authorities’ in Part 2, Section 6. Where an authority’s gross income or gross expenditure (whichever is higher) does not exceed £6.5 million for the period under audit, or either of the preceding two periods, the authority would normally be considered a “smaller authority”. Such entities are out of scope for AGN 03 and this supporting information, unless they have opted to produce accounts in accordance with the CIPFA Code of Practice on Local Authority Accounting and, therefore, need to undergo a full audit.



Schedule 2 of the [Local Audit and Accountability Act 2014](#) lists the various relevant authorities in scope for that Act (and therefore the guidance in AGN 03; subject to the smaller authority exemption).

Other local bodies not explicitly covered elsewhere in the supporting information, and where not under the “smaller authority” exemption, are listed:

- A parish council.
- A joint authority established under [Part 4 of the Local Government Act 1985](#).
- A Passenger Transport Executive.
- The Greater London Authority.
- A functional body.
- The London Pensions Fund Authority.
- The London Waste and Recycling Board.
- The Common Council.
- A parish meeting.
- The Council of the Isles of Scilly.
- Charter trustees.
- A port health authority for a port health district that is wholly in England.
- The Broads Authority.
- A National Park authority for a National Park in England.
- A conservation board established by order of the Secretary of State under [section 86 of the Countryside and Rights of Way Act 2000](#).
- An authority established for an area in England by an order under [section 207 of the Local Government and Public Involvement in Health Act 2007](#) (joint waste authorities).
- An internal drainage board for an internal drainage district that is wholly in England.
- An economic prosperity board established under [section 88 of the Local Democracy, Economic Development and Construction Act 2009](#).



- A combined authority. For further supporting information on combined authorities, please refer to the separate document [Supporting Information: Combined Authorities](#) on the NAO website. Combined Authority supporting information is intended to be helpful to auditors of combined authorities, constituent authorities, and auditors of authorities planning to join or form a combined authority in future.
- Any person or body exercising functions in relation to an area wholly in England or partly in England and partly in Wales - which was originally subject to audit provisions contained in an enactment passed before the [Audit Commission Act 1998](#), and to which the audit provisions of that Act applied by virtue of paragraph 4(1) or 7 of Schedule 4 to that Act immediately before the repeal of section 2(1) of that Act by the [Local Audit and Accountability Act 2014](#) (*i.e. designed as continuing provision for any body previously covered under the jurisdiction of the Audit Commission*).

Where an auditor is unsure whether or not a local body is in scope for AGN 03 they are encouraged to discuss the matter with their firm's technical support, who can refer the query to the NAO if required.

Legal framework for body

This section sets out the legislation that governs the audited body's sector, together with any statutory guidance issued thereunder. It is included to provide auditors with information about the roles and responsibilities of the audited body as set out in law.

The legal framework for each individual local body will depend on its authorising legislation. Auditors may wish to draw on their ISA 315 procedures (Identifying and assessing the risks of material misstatement) through understanding the entity and its environment in relation to their work on the financial statements audit as an opportunity also to consider the local body's framework of authorities in the context of the requirements of AGN 03. For example, where the legal framework places reporting requirements on a local body, this might be relevant for both the true and fair presentation of the accounts **and** for the local body's arrangements to secure VFM.

Sector developments

This section contains contextual information that may be relevant to the body's general arrangements. It also sets out some of the current developments within the sector that may be relevant to the body's arrangements. The material may be helpful to auditors when undertaking their planning.

The examples below are neither prescriptive nor exhaustive, and should not be used as a checklist. The information in this section does not cover developments at individual audited bodies and auditors are also likely to need to draw on their own local knowledge.

Autumn Budget and Spending Review 2021

The [Autumn Budget and Spending Review 2021](#) (SR21), published on 27 October 2021, sets departmental budgets up to 2024-25. It confirms that departmental spending will grow at an average of 3.8 per cent annually. SR21 aims to support economic recovery



following the pandemic, and to support the government's plans to reduce regional inequalities across Britain. There is a focus on investing in public services, as well as economic growth, transitioning to net zero, and supporting people and businesses.

SR21 provides a multi-year settlement to local authorities, with an estimated average real-terms increase of 3% a year in core spending power. English councils will be provided with £1.6 billion of new grant funding in each of the next three years, on top of funding to implement social care reform. This represents the largest annual increases in local government core funding in over a decade.

	£ billion						Average annual real terms growth	
	Outturn	Outturn	Baseline	Plans	Plans	Plans	2021-22 to 2024-25	2019-20 to 2024-25
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
Resource DEL (1) (2)	7.5	8.6	9.1	10.8	12.1	12.7	9.4%	8.4%
<i>of which: Adult Social Care reform</i>	-	-	-	0.2	1.4	2.0	-	-
Core Spending Power (CSP)	46.2	49.1	50.4	53.7	56.6	58.9	3.0%	2.5%

(1) Excluding ringfenced COVID-19 DEL

(2) Local Government DEL presented here is not reduced by the switch from DEL to AME for Business Rate Retention Pilots and does not include DEL compensation for new business rates measures announced at Budget 2021. Figures for 2019-20 and 2020-21 also reflect other adjustments for business rates and the New Homes Bonus. Therefore, the figures in this table do not match the outturn figures presented in the total DEL table.

Source: Spending Review 2021, Chapter 4 Departmental Settlements – Department for Levelling Up, Housing and Communities table 4.9

Health and Social Care Levy



In September 2021 the government announced its new plan for healthcare, adult social care, and their new funding plan with the policy paper [Build Back Better: Our Plan for Health and Social Care](#). The paper explains the government's plan to introduce a new Health and Social Care Levy, and to include a cap on social care costs. The government confirmed £5.4 billion for adult social care over the next three years through the levy. SR21 confirms: -

- £3.6 billion will go directly to local government over the SR21 period to implement the £86,000 cap on personal care costs and to expand means tested support to people with less than £100,000 in relevant assets.
- £1.7 billion over three years to improve the wider social care system, including the quality and integration of care. At least £500 million of this will be allocated to improve qualifications, skills and wellbeing across the adult social care workforce.
- Additional funding through the local government settlement to ensure all local authorities are able to meet core pressures in adult social care.

Local Authority functions

SR21 provides the following additional funding over the period: -

- £37.8 million to tackle cyber security challenges and invest in local authority cyber resilience, bringing the total funding for cyber to £85.8 million over the period.
- £34.5 million to strengthen local delivery and transparency by increasing procurement and commercial capacity in the sector, establishing ARGAs as the new systems leader, and helping local councils meet new transparency requirements.

Council tax & business rates

The referendum threshold for increases in council tax is expected to remain at 2% per year. In addition, local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year.

The government has concluded its review of the business rates system and has frozen the business rates multiplier in 2022-23, saving businesses in England an estimated



£4.6 billion over the next five years. The government has also announced a range of other measures, including a new, one year Retail, Hospitality and Leisure relief, and support for investment in property improvements and green technology. Local authorities will be fully compensated for all measures announced in the review.

For other local bodies, the sector developments in respect of local authorities are likely to be most relevant to auditors' planning. Auditors may find the information in the [Supporting information: Local Authorities](#) useful.

Governance reporting

This section sets out the Annual Governance Statement reporting requirements for the audited body.

Local bodies' own governance reporting provides helpful, although not necessarily comprehensive, information about the subject matter for auditors' work. Auditors may find the [CIPFA/SOLACE framework helpful](#), when considering the governance reporting at other local bodies, however, this should be proportionate to the nature of the local authority. **Auditors should not consider these requirements as prescriptive or exhaustive, or use the framework as a "checklist". Auditors may wish to be aware that while the framework still refers to 2016, some of the guidance documents contained within the framework may have been updated by CIPFA. Authorities will therefore need to ensure they are referring to the most relevant guidance where appropriate.** This framework is included in the Supporting Information: Local Authorities.



Sector specific resources

This section sets out some of the key stakeholders and their publications that auditors might find useful when understanding the sector.

National Audit Office: The NAO scrutinises public spending for Parliament. It publishes various outputs relevant to the audited body's sector; in this case on [local services](#). Reports that might be of particular interest to auditors of LAs are included in the supporting information for local authorities under sector specific resources.

Local Government Association (LGA) publications: The LGA regularly produces guidance and case studies that cover local government. For example, it maintains [LG Inform](#), which is designed to provide up-to-date published data about a local area and the performance of LAs.