EXPLANATORY MEMORANDUM TO

THE ENGLISH DEVOLUTION AND COMMUNITY EMPOWERMENT ACT 2026 (CONSEQUENTIAL AMENDMENTS) REGULATIONS 2026

2026 No. 1138

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty

2. Declaration

2.1 Jim McMahon, Parliamentary Under Secretary of State for Local Government, Devolution and Regional Growth at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Liam Overfield, Deputy Director for Local Audit Office Establishment, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Matthew West at the Ministry of Housing, Communities and Local Government can be contacted by email at the following address with any queries regarding the instrument: localaudit@communities.gov.uk. Alternatively, the department can be contacted by telephone: 0303 444 0000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument adds the new Local Audit Office (LAO), which has been created through the English Devolution and Community Empowerment Act, to the list of bodies that are Scheme Employers for the purposes of the Local Government Pension Scheme (LGPS). It does this by amending the list of "Scheme Employers" in the regulations that govern the administration of Local Government Pension Schemes in England and Wales.

4.2 This will enable the LAO to provide pensions for its staff through a Local Government Pension Scheme. The instrument specifically names Wolverhampton City Council as the administering authority for pensions for LAO staff.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

5. Policy Context

What is being done and why?

5.1 The Government has established a new public body, the Local Audit Office (LAO), to oversee the reformed system of audit of local public bodies in England. The reforms, including the creation of the LAO, have been implemented through Part 4 of the English Devolution and Community Empowerment Act 2026 (EDCEA 2026). The LAO will be a non-Departmental Public Body, accountable to the Secretary of State for Housing, Communities and Local Government.

5.2 The Department has been working to establish the LAO for its formal launch in Autumn 2026, and as part of this has consulted with national partners, including bodies that will transfer employees to the LAO, on the appropriate pension provision for LAO employees.

5.3 Ministers have agreed that the LAO should participate in the Local Government Pension Scheme as a Scheme Employer, based on the close relationship that the LAO will have with local authorities and the fact that the LAO will employ public servants. This instrument achieves this by adding the LAO to the list of bodies in Schedule 2 of the Local Government Pension Scheme Regulations 2013.

5.4 As the requirement to establish a pension scheme for the LAO arises as a consequence of the creation of the LAO in the EDCEA 2026, the amendment to the Local Government Pension Scheme Regulations 2013 is made using consequential amendment power in section 103 of the EDCEA 2026.

What was the previous policy, how is this different?

5.5 There was no single body responsible for the regulation and oversight of local audit prior to the establishment of the LAO in the EDCEA 2026. As a new public body, the LAO does not currently have a pension scheme. This instrument addresses this, ensuring the LAO is able to offer membership of the Local Government Pension to its employees.

6. Legislative and Legal Context

How has the law changed?

6.1 The list of statutory scheme employers in Part 1 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 has been amended to include the LAO. The table setting out who is the appropriate administering authority for each Scheme employer in Part 2 of Schedule 3 to those Regulations has also been amended so that it refers to the LAO.

Why was this approach taken to change the law?

6.2 This approach ensures that LAO staff will be enrolled in the Local Government Pension Scheme and that Wolverhampton City Council will act as the administering authority for the LAO through the West Midlands Pension Fund.

7. Consultation

Summary of consultation outcome and methodology

7.1 The department consulted with HM Treasury, the Local Government Association (LGA), the National Audit Office (NAO) and Public Sector Audit Appointments Ltd (PSAA). Employees from the NAO and PSAA will transfer to the Local Audit Office

in 2027. The consultation sought the views of employees of these organisations who will transfer to the LAO.

7.2 The department has also consulted with the proposed administering authority – Wolverhampton City Council.

7.3 A closed written consultation was sent to these bodies, and meetings have taken place with employees. The consultation considered the potential options for providing a pension for LAO employees. These were:

7.3.1 creating a standalone scheme. This option was not recommended on grounds of administrative cost, complexity and risk for an organisation of this size.

7.3.2 applying to join the Principal Civil Service Pension Scheme. This was not recommended on grounds that the LAO will not be employing civil servants and will be majority self-funded – meaning that the LAO would be unlikely to meet the admission criteria.

7.3.3 offering the Local Government Pension Scheme, with admission achieved through Scheme Employer status – this was the recommended option.

7.4 The organisations who were consulted agreed with the recommendation.

8. Applicable Guidance

8.1 None.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen. An Impact Assessment was produced for the 2026 Act and is available from https://bills.parliament.uk/publications/63710/documents/ 7405, and copies can be obtained from the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London SW1P 4DF.

9.2 The costs of the pension scheme will be borne from the LAO's budget and employee contributions to their pension. There will be no additional costs to central government.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is to include consideration of pensions provision for the LAO in the wider Post Legislative Scrutiny of the reforms to local audit in the EDCEA 2026. The Department will also oversee the performance and value for money of the LAO through its sponsorship arrangements for the body.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").