STATUTORY INSTRUMENTS

2014 No. 1628

LOCAL GOVERNMENT, ENGLAND AND WALES

The Local Audit (Liability Limitation Agreements) Regulations 2014

Made - - - -	*23rd June 2014*
Laid before Parliament	*27th June 2014*
Coming into force - -	*1st April 2015*

The Secretary of State makes the following Regulations in exercise of the powers conferred by section 14 of the Local Audit and Accountability Act 2014(**a**):

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Local Audit (Liability Limitation Agreements) Regulations 2014 and come into force on 1st April 2015.

(2) In these Regulations "the Act" means the Local Audit and Accountability Act 2014 and a "liability limitation agreement" means an agreement to which section 14 of the Act applies.

Duration of liability limitation agreements

2.—(1) A liability limitation agreement must not contain provisions which make the duration of the agreement longer than the financial year or years in relation to which the appointment of the local auditor applies.

(2) A liability limitation agreement is effective only to the extent that it complies with this regulation.

Restrictions on amount of liability limited

3.—(1) A local auditor's liability may be limited by a liability limitation agreement to such amount as is fair and reasonable in all the circumstances of the case, having regard (in particular) to—

(a) the local auditor's responsibilities under the Act,

(b) the nature and purpose of the local auditor's contractual obligations to the authority, and

(c) the professional standards expected of the local auditor.

(2) In determining what is fair and reasonable in all the circumstances of the case no account is to be taken of—

(a) matters arising after the loss or damage in question has been incurred, or

(**a**) 2014 c. 2.

(b) matters (whenever arising) affecting the possibility of recovering compensation from other persons liable in respect of the same loss or damage.

(3) A liability limitation agreement is effective only to the extent that it complies with this regulation.

(4) In the circumstances where a liability limitation agreement purports to limit the amount of the local auditor's liability, a provision of a liability limitation agreement that does not comply with paragraph (1) is to have effect as if it complied with paragraph (1).

Signed by authority of the Secretary of State for Communities and Local Government

Brandon Lewis
Parliamentary Under Secretary of State
23rd June 2014 Department for Communities and Local Government

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision about agreements (liability limitation agreements) to limit the liability of a local auditor appointed under Part 3 of the Local Audit and Accountability Act 2014 ('the Act') in respect of any negligence, default, breach of duty or trust in relation to a "relevant authority" (see section 2 of, and Schedule 2 to, the Act) .

Regulation 2 sets out a restriction on the duration of an agreement: it cannot cover more than the financial year or years to which the appointment of the local auditor relates.

Regulation 3 prevents the agreement from limiting the local auditor's liability to less than such amount as is fair and reasonable in all the circumstances of the case.

An impact assessment of the effect that the Act, which this instrument helps implement, will have on the costs of business is available from http://www.parliament.uk/documents/impact-assessments/IA13-11A.pdf. No separate assessment was carried out for this instrument.

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