

2009 No. 560 (W.52)

**LOCAL GOVERNMENT,
WALES**

**The Local Authorities (Capital
Finance and Accounting) (Wales)
(Amendment) Regulations 2009**

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (“the 2003 Regulations”) and apply in relation to local authorities in Wales. They alter the ordinary accounting treatment of certain financial losses suffered by local authorities by allowing an affected local authority to record an offsetting credit in its accounts of up to the value of the loss. The effect of this is that whilst the authority’s accounts continue to fully show the loss that has been incurred, the effects of the loss on the authority’s budget calculations are mitigated. This is a temporary arrangement: the offsetting credit must be fully reversed in the financial year beginning on 1 April 2010 if it has not already been reversed by then.

A regulatory impact assessment has not been produced for this instrument as no impact on business, charities or the voluntary sector is foreseen.

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**The Local Authorities (Capital
Finance and Accounting) (Wales)
(Amendment) Regulations 2009**

Made 6 March 2009

Laid before the National Assembly for Wales
10 March 2009

Coming into force 31 March 2009

The Welsh Ministers, in exercise of the powers conferred by sections 21(1), 24 and 123(1) of the Local Government Act 2003⁽¹⁾, make the following Regulations:

Title, commencement and application

1.—(1) The title of these Regulations is the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2009 and they come into force on 31 March 2009.

(2) These Regulations apply in relation to local authorities in Wales.

**Amendment to the Local Authorities (Capital
Finance and Accounting) (Wales) Regulations 2003**

2. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003⁽²⁾ are amended by the insertion after regulation 24F of—

(1) 2003 c.26.

(2) S.I. 2003/3239 (W.319), amended by S.I. 2007/1051 (W.108) and S.I. 2008/588 (W.59); there are other amending instruments but none is relevant.

“Impairment of certain investments

24G.—(1) Where, in relation to a relevant investment, in accordance with proper practices—

- (a) an impairment loss is recognised in a revenue account of the local authority for the financial year beginning on 1 April 2008;
- (b) an impairment loss is recognised in a revenue account of the local authority for the financial year beginning on 1 April 2009; or
- (c) the value of an impairment loss recognised in a revenue account of the local authority for the financial year beginning on 1 April 2008 is increased in a revenue account of the authority for the financial year beginning on 1 April 2009,

the local authority may credit to a revenue account for the year in which the loss is recognised, or increased in value, any amount up to the amount of the loss.

(2) A local authority which credits an amount to a revenue account for the financial year beginning on 1 April 2008 under paragraph (1) may debit an amount of up to the value of that credit to a revenue account for the financial year beginning on 1 April 2009.

(3) Where—

- (a) under paragraph (1) a local authority credits an amount to a revenue account for the financial year beginning on 1 April 2008; and
- (b) in accordance with proper practices—
 - (i) the value of the impairment loss to which that credit relates is reduced in the financial year beginning on 1 April 2009, and
 - (ii) the local authority credits an amount to a revenue account for that year to recognise that reduction,

the local authority must debit to a revenue account for the financial year beginning on 1 April 2009 an amount equal to the credit mentioned in paragraph (b)(ii).

(4) Where—

- (a) under paragraph (1) a local authority credits an amount to a revenue account

for the year beginning on 1 April 2008;
and

- (b) in accordance with proper practices credits or has credited any amount to a revenue account before 1 April 2009 in respect of interest on the relevant investment not received on or before the date of the event giving rise to the impairment loss,

the local authority must debit to a revenue account for the financial year beginning on 1 April 2008 an amount equal to the total of the amounts mentioned in sub-paragraph (b).

(5) Where—

- (a) under paragraph (1) a local authority credits an amount to a revenue account for the year beginning on 1 April 2008 or 1 April 2009; and
- (b) in accordance with proper practices credits or has credited any amount to a revenue account before 1 April 2010 in respect of interest on the relevant investment not received on or before the date of the event giving rise to the impairment loss,

to the extent it has not debited an amount under paragraph (4) in respect of the interest, the local authority must debit to a revenue account for the financial year beginning on 1 April 2009 an amount equal to the total of the amounts mentioned in sub-paragraph (b).

(6) A local authority need not under paragraphs (3) to (5) debit to a revenue account a total amount that exceeds the total amount it has credited under paragraph (1).

(7) In paragraph (6), the reference to the total amount credited under paragraph (1) is a reference to that amount as reduced by a debit under paragraph (2).

(8) To the extent that a credit under paragraph (1) has not been fully reversed by debits under paragraphs (2) to (5), a local authority must debit to a revenue account for the financial year beginning on 1 April 2010 an amount equal to the value of the credit.

(9) In this regulation, a relevant investment is a local authority investment—

- (a) in a bank;
- (b) affected by an event in the period commencing on 1 April 2008 and ending on 27 November 2008,

other than an investment of the type described in section 17(1)(e)(1).”.

Brian Gibbons

Minister for Social Justice and Local Government, one of the Welsh Ministers.

6 March 2009

(1) In the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 any reference to a section is a reference to a section of the Local Government Act 2003: *see* regulation 1(3).