

SL(5)497 – The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020

Background and Purpose

These Regulations amend the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (“the 2003 Regulations”).

These Regulations insert a new regulation 24K into the 2003 Regulations. New regulation 24K provides that a local authority must not charge an amount to its revenue account to reflect any fluctuation in the fair value of a local authority’s investment in a pooled investment fund. Instead, such amounts must be recorded in a separate account established and used solely for that purpose.

The Explanatory Memorandum to the Regulations (at section iv.) notes the following:

“Many local authorities have holdings in pooled investment funds....The Regulations amend the 2003 Regulations to mitigate the impact of fair value movements on pooled investment funds on local authority budget setting due to new International Financial Reporting Standards (IFRS) for Financial Instruments (IFRS9). This will place local authorities in Wales on an equivalent footing to counterparts in England.”

The change effected by these Regulations will apply to accounts prepared for financial years in respect of the period beginning with 1 April 2019 and ending with 31 March 2023.

Procedure

Negative.

Technical Scrutiny

No points are identified for reporting under Standing Order 21.2 in respect of this instrument.

Merits Scrutiny

The following 2 points are identified for reporting under Standing Order 21.3 in respect of this instrument.

Standing Order 21.3(ii) - that it is of political or legal importance or gives rise to issues of public policy likely to be of interest to the Assembly

1. The footnote to regulation 1(2) contains a number of statutory references to regulations which have amended the 2003 Regulations. One of the regulations listed in the footnote is “2006/994”, which appears to be an error as those regulations have not amended the 2003 Regulations. We assume this should instead have been a reference to “2006/944” (being the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2006, which did amend the 2003 Regulations).

It is accepted that the footnote does not form part of the law. However, if the purpose of its inclusion is to assist a reader, it would be helpful if the reference could be updated to reflect the correct amending regulations.



2. The Explanatory Memorandum to the Regulations states, at the end of section iv., that the amendments to the 2003 Regulations will come into force before 31 March 2020 (emphasis added).

However, these Regulations will come into force on 31 March 2020 and not before.

Implications arising from exiting the European Union

No implications are identified for reporting under Standing Order 21.3 in respect of this instrument.

Government Response

A government response is required.

Legal Advisers

Legislation, Justice and Constitution Committee

13 February 2020

