

**EXPLANATORY MEMORANDUM TO**  
**Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011**

**SR 2011 No. 326**

**1. Introduction**

- 1.1. This Explanatory Memorandum has been prepared by the Department of the Environment (“the Department”) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under sections 2(1), 3, 13, 17(3)(c), 18(3), 19(2), 20(3), 22 and 25(1)(b) of the Local Government Finance Act (Northern Ireland) 2011 ("the Act") and is subject to the negative resolution procedure.

**2. Purpose**

- 2.1. The Statutory Rule makes provision for the administration by district councils of their financial affairs.

**3. Background**

- 3.1. Part 1 of the Act sets out the legislative framework for financial administration in councils, and introduces a new prudential regime for capital finance. This allows councils greater freedom to manage their financial affairs without having to obtain consent from the Department for activities such as borrowing, establishing funds, or applying the proceeds from the sale of a capital asset.
- 3.2. Part 1 of the Act contains powers enabling the Department to make regulations and issue guidance regarding the exercise by councils of the functions conferred on them under this Part.
- 3.3. The Statutory Rule identifies the accounting codes of practice to be regarded as proper practices by councils when charging expenditure to the general fund.
- 3.4. The Statutory Rule makes provision for the prescribed date before which councils must consider and approve estimates of income, expenditure and the amount to be raised by rates for the next financial year, and revokes the Local Government (Annual Budget) Regulations (Northern Ireland) 1973 and the Local Government (Annual Budget) (Amendment) Regulations (Northern Ireland) 1973.
- 3.5. The Statutory Rule makes provision for borrowing by councils, and identifies the guidance that councils are to have regard to when determining how much they can afford to borrow.
- 3.6. The Statutory Rule makes provision for the treatment of expenditure as being, or not being, capital expenditure, and the treatment and application of capital receipts.

- 3.7. The Statutory Rule identifies the code of practice that councils are to have regard to in the exercise of their functions under Part 1 of the Act.
- 3.8. The Statutory Rule will come into operation in two stages:
- on 1st November 2011, for the purpose of allowing councils to determine their affordable borrowing limits for the next financial year; and
  - on 1st April 2012, for all purposes.

#### **4. Consultation**

- 4.1. In accordance with section 44(1) of the Act, consultation on the draft Statutory Rule was conducted between 17th December 2010 and 24th February 2011.
- 4.2. The Department received a total of fourteen responses to the consultation. None of the comments made by consultees necessitated a change in policy, or an amendment to the draft Statutory Rule.

#### **5. Equality Impact**

- 5.1. Under the terms of section 75 of the Northern Ireland Act 1998, and prior to consultation, the Department carried out an equality screening exercise on the draft Statutory Rule. No adverse impacts for any of the nine section 75 categories were identified. A full Equality Impact Assessment was therefore not required.

#### **6. Regulatory Impact**

- 6.1. A Regulatory Impact Assessment is not necessary, as the proposals result in no costs or savings for businesses, charities or voluntary bodies.

#### **7. Financial Implications**

- 7.1. The Statutory Rule has no financial implications.

#### **8. Section 24 of the Northern Ireland Act 1998**

- 8.1. The proposed legislation is considered compatible with section 24 of the Northern Ireland Act 1998.

#### **9. EU Implications**

- 9.1. Not applicable.

#### **10. Parity or Replicatory Measure**

- 10.1. The provisions in the Statutory Rule are similar to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended). The Statutory Rule permits practices established in those areas to apply to district councils in Northern Ireland.

#### **11. Additional Information**

- 11.1. Not applicable.