
WELSH STATUTORY INSTRUMENTS

2020 No. 110 (W. 19)

LOCAL GOVERNMENT, WALES

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020

<i>Made</i>	- - - -	<i>31 January 2020</i>
<i>Laid before the National Assembly for Wales</i>	- -	<i>04 February 2020</i>
<i>Coming into force</i>	- -	<i>31 March 2020</i>

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 interpretation

1.—(1) The title of these Regulations is the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020 and they come into force on 31 March 2020.

(2) In these Regulations, “the 2003 Regulations” means the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003(2).

Fair value gains and losses of pooled investment funds

2. In the 2003 Regulations, after regulation 24J insert—

“Fair value gains and losses of pooled investment funds

24K.—(1) In this regulation—

“administering authority” means an administering authority as defined in Schedule 1 to the Local Government Pension Scheme Regulations 2013(3);

“fair value” has the same meaning as in Regulation 25A to these Regulations;

“fair value gain or loss” means a change in the fair value of an investment;

(1) 2003 c. 26. Section 24 was amended by section 238(3) of the Local Government and Public Involvement in Health Act 2007 (c. 28). Powers under Part 1 of the Local Government Act 2003 are now vested in the Welsh Ministers so far as they are exercisable in relation to Wales, by virtue of section 24 of the Local Government Act 2003 as amended.

(2) S.I. 2003/3239 (W. 319), as amended by S.I. 2004/1010 (W. 107), 2006/944 (W. 93), 2006/2914, 2007/1051 (W. 108), 2008/588 (W. 59), 2009/560 (W. 52), 2010/685 (W. 67), S.I. 2014/481 (W. 58), S.I. 2016/102 (W. 50), and S.I. 2018/325 (W. 61).

(3) S.I. 2013/2356.

- “pooled investment fund” means—
- (a) a money market fund; or
 - (b) an investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961⁽⁴⁾ (local authority investment schemes).
- (2) Paragraph (3) applies where a local authority—
- (a) invests in a pooled investment fund (other than in its capacity as an administering authority in relation to a pension fund); and
 - (b) a fair value gain or loss experienced on the authority’s investment in that pooled investment fund would otherwise be charged to a revenue account by that local authority in accordance with proper practices.
- (3) Where this paragraph applies, the local authority—
- (a) must not charge to a revenue account an amount in respect of that fair value gain or loss; and
 - (b) must charge that amount to an account established, charged and used solely for the purpose of recognising fair value gains and losses in accordance with this regulation.
- (4) Paragraph (3) does not apply in respect of—
- (a) an impairment loss in relation to the authority’s investment in a pooled investment fund as recognised in a revenue account of the authority in accordance with proper practices; or
 - (b) a sale or other disposal of the whole or any part of the authority’s investment in a pooled investment fund.
- (5) This regulation applies in relation to accounts prepared for financial years falling within the period beginning with 1 April 2019 and ending with 31 March 2023.”.

31 January 2020

Julie James
Minister for Housing and Local Government,
one of the Welsh Ministers

(4) 1961 c. 62.

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”).

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 fair value of a local authority investment in a pooled investment fund is determined in accordance with proper accounting practices as defined in regulation 25 of the 2003 Regulations. This accounting treatment is not to apply to the recognition of an impairment loss to such an investment as recognised under those proper accounting practices, or to any disposal (including a sale) of such an investment. It is also not applicable to investments made by a local authority in its capacity as the administering authority of a local government pension fund.

Regulation 24K will apply to accounts prepared for financial years in respect of the period beginning with 1 April 2019 and ending with 31 March 2023.

The Welsh Ministers’ Code of Practice on the carrying out of Regulatory Impact Assessments was considered in relation to these Regulations. A full regulatory impact assessment has not been produced as no impact on the private or voluntary sectors is foreseen.