

---

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Part I of the Local Government Act 2003 (“the 2003 Act”) introduced a legal framework within which local government may undertake capital expenditure and in Wales the Welsh Ministers may regulate that activity.

Under the 2003 Act the Welsh Ministers may by regulation, in particular—

- vary the definitions of credit arrangement and capital receipt
- control the use of capital receipts, and
- specify accounting practices.

The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (S.I. 2003/3239 W.319) (“the 2003 Regulations”) made such provision and these Regulations amend the 2003 Regulations.

Regulation 3 changes the definition of retirement benefits so that instead of benefits payable under specified funds or schemes, they are defined as benefits payable under statutory requirements which are accounted for in the ways specified (in accordance with proper practices). The ways specified differ for the financial year 2009-10 and subsequent years.

Regulation 4 permits local authorities to apply a capital receipt received from the disposal of an interest in land other than housing land to defray the costs of disposal, provided the costs do not exceed 4% of the capital receipt arising from the disposal.

Regulation 5 extends until 2013 the ability of local authorities to defer charging liabilities for back pay due to equal pay claims to revenue account until the date on which the back payment must actually be paid.

Regulation 6 extends to 2011 the special provision for impairment of investments.

Regulation 7 concerns the accounting treatment for short-term accumulating absences of employees (such as entitlement to holiday or time off in lieu which has accrued but not yet been taken). Local authorities must not charge an amount in respect of a liability for such entitlements to a revenue account until the date on which the liability ceases.

The accounting treatment for leases under proper practices is changing for the financial year 2010-11, which may lead to some existing financial arrangements being classified as operating or finance leases which were not previously so classed, with the result that the arrangements would be subject to different accounting treatment under proper practices. Regulation 8 provides that local authorities may continue to apply the accounting treatment that applies to such financial arrangements on 31 March 2010 for subsequent financial years.

Regulation 9 updates the title of one of the documents identified by the Welsh Ministers as constituting proper practices in relation to the accounting practices of a county or county borough council and designates a new document in relation to the accounting practices of community councils and minor joint committees.