



2011 CHAPTER 10

PART 1

FINANCIAL ADMINISTRATION

Credit arrangements

“Credit arrangements”

17.—(1) For the purposes of this Part, a council shall be taken to have entered into a credit arrangement where—

- (a) it enters into a transaction which gives rise to a liability on its part, and
- (b) the liability is a qualifying liability.

(2) A transaction entered into by a council is to be taken for the purposes of subsection (1) as giving rise to a liability on the part of the council if—

- (a) it falls in accordance with proper practices to be treated for the purposes of the council’s accounts as giving rise to such a liability, or
- (b) it falls in accordance with regulations to be treated as falling within paragraph (a).

(3) The reference in subsection (1)(b) to a qualifying liability is to any liability other than—

- (a) a liability to repay money,
- (b) a liability in respect of which the date for performance is less than 12 months after the date on which the transaction giving rise to the liability is entered into, and
- (c) a prescribed liability.

Control of credit arrangements

18.—(1) A council may not enter into, or vary, a credit arrangement if doing so would result in a breach of—

- (a) the limit determined by it under section 13, or
- (b) any limit applicable to it under section 14.

(2) In applying those limits for the purposes of subsection (1)—

- (a) entry into a credit arrangement shall be treated as the borrowing of an amount of money equal to the cost of the arrangement, and
- (b) variation of a credit arrangement shall be treated as the borrowing of an amount of money equal to the cost of the variation.

(3) Regulations may make provision about the calculation for the purposes of subsection (2) of the cost of a credit arrangement or a variation and, in particular, about the treatment of options.