

1990 No. 426

LOCAL GOVERNMENT, ENGLAND AND WALES

The Local Authorities (Capital Finance) (Approved Investments) Regulations 1990

<i>Made - - - -</i>	<i>5th March 1990</i>
<i>Laid before Parliament</i>	<i>9th March 1990</i>
<i>Coming into force</i>	<i>1st April 1990</i>

The Secretary of State for the Environment, as respects England, and the Secretary of State for Wales, as respects Wales, in exercise of the powers conferred on them by section 66(1)(a) of the Local Government and Housing Act 1989(a) and of all other powers enabling them in that behalf, hereby make the following Regulations:

1.—(1) These Regulations may be cited as the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990 and shall come into force on 1st April 1990.

(2) In these Regulations, —

“authorised institution” has the same meaning as in the Banking Act 1987(b);

“bill of exchange” has the meaning given by section 3 of the Bills of Exchange Act 1882(c);

“gilt-edged securities” means any securities specified by an order under paragraph 1 of Part I of Schedule 2 to the Capital Gains Tax Act 1979(d) and the securities specified in Part II of that Schedule;

“The Stock Exchange” means The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited;

“Treasury bills” means Treasury bills within the meaning of the Treasury Bills Act 1877(e).

2. Subject to regulation 3, the following investments are approved for the purposes of Part IV of the Local Government and Housing Act 1989 (revenue accounts and capital finance of local authorities) —

- (a) any investment which was made by a local authority on or before 21st December 1989 and which is of such a description that, for the purposes of Part VIII of the Local Government, Planning and Land Act 1980(f), if the investment had been made on that date, any expenditure on the making of that investment would not have been prescribed expenditure or the amount of prescribed expenditure which the authority would be taken to have paid on making the investment would have been nil;

(a) 1989 c.42. (b) 1987 c.22. (c) 1882 c.61. (d) 1979 c.14. Paragraph 1 of Part I of Schedule 2 was repealed in part by Part II of Schedule 9 to the Gas Act 1986 (c.44). (e) 1877 c.2. (f) 1980 c.65. Section 71 of, and Schedule 12 to, the 1980 Act were amended by sections 131 and 132 of the Local Government Finance Act 1988 (c.41). [DET 0045]

- (b) any deposit made with an authorised institution or the Bank of England, or any certificate of such a deposit, and, for this purpose, "deposit" has the same meaning as in the Banking Act 1987 except that no account is to be taken of the reference to a local authority in paragraph 12 of Schedule 2 to that Act;
- (c) any deposit made with or shares in a building society, or any certificate of such a deposit, and, for this purpose, "deposit", "share" and "building society" have the meaning given by section 119 of the Building Societies Act 1986(a);
- (d) any bill of exchange which has been accepted by an authorised institution;
- (e) Treasury bills;
- (f) gilt-edged securities;
- (g) securities admitted to the Official List of The Stock Exchange and issued by a body mentioned in Part I of the Schedule to these Regulations;
- (h) securities which are admitted to the Official List of The Stock Exchange and in respect of which all repayments of principal and payments of interest are guaranteed by Her Majesty's Government; and
- (i) any advance made to, or a loan instrument issued by or to, a person or body mentioned in Part II of the Schedule to these Regulations.

3. Any investment mentioned in regulation 2 shall be approved for the purposes of Part IV of the Local Government and Housing Act 1989 in relation to the local authority making the investment only if –

- (a) the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- (b) in the case of the investments mentioned in paragraphs (b) to (d) and (i) of regulation 2, other than deposits made with the Bank of England or certificates of such deposits, the authority may require the investment to be repaid or redeemed –
 - (i) without notice by the authority;
 - (ii) at less than twelve months' notice by the authority; or
 - (iii) within twelve months of the date on which the investment was made; and
- (c) any consideration received by the authority in respect of the investment is wholly in money paid to the authority.

5th March 1990

Chris Patten
Secretary of State for the Environment

1st March 1990

Peter Walker
Secretary of State for Wales

(a) 1986 c.53.

**SCHEDULE
PART I**

Regulation 2

**BODIES LISTED SECURITIES ISSUED BY WHICH ARE
APPROVED INVESTMENTS**

1. The European Atomic Energy Community.
2. The European Coal and Steel Community.
3. The European Economic Community.
4. The European Investment Bank.
5. The International Bank for Reconstruction and Development.
6. The International Finance Corporation.
7. The International Monetary Fund.
8. The African Development Bank.
9. The Asian Development Bank.
10. The Caribbean Development Bank.
11. The Inter-American Development Bank.
12. The Guaranteed Export Finance Corporation PLC.

PART II

**PERSONS OR BODIES ADVANCES TO WHOM ARE APPROVED
INVESTMENTS**

1. County councils.
2. District councils in England and Wales.
3. London borough councils.
4. The Common Council of the City of London.
5. The Council of the Isles of Scilly.
6. A joint authority established by Part IV of the Local Government Act 1985(a) (police, fire services, civil defence and transport).
7. A combined police authority established by an amalgamation scheme under the Police Act 1964(b).
8. The Receiver for the Metropolitan Police District.
9. The sub-treasurer of the Inner Temple.
10. The under-treasurer of the Middle Temple.

(a) 1985 c.51. (b) 1964 c.48.

11. Parish and community councils.
 12. The chairman of a parish meeting.
 13. Charter trustees.
 14. A levying body within the meaning of section 74 of the Local Government Finance Act 1988, other than a joint authority established by Part IV of the Local Government Act 1985.
 15. A body with power to issue a special levy or special levies by virtue of regulations made under section 75 of the Local Government Finance Act 1988(a).
 16. Regional, islands or district councils in Scotland.
 17. A joint board within the meaning of section 235(1) of the Local Government (Scotland) Act 1973(b).
 18. The British Coal Corporation.
 19. The British Railways Board.
 20. The British Waterways Board.
 21. The Civil Aviation Authority.
 22. London Regional Transport.
 23. The Post Office.
 24. The Commonwealth Development Corporation.
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EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations contain a list of investments which are approved by the Secretary of State for the purposes of Part IV of the Local Government and Housing Act 1989, which establishes a new capital finance system for local authorities from 1st April 1990.

Approved investments are treated differently from investments which are not approved in that, unlike the latter,—

- (a) expenditure on making approved investments is not expenditure for capital purposes and does not have to be charged to a revenue account;
- (b) any sum received on the disposal of an approved investment is not treated as a capital receipt; and
- (c) an authority's aggregate credit limit (which is a limit on the total amount of their borrowing and outstanding liabilities under credit arrangements) is increased by the amount of their approved investments.

The Regulations apply to England and Wales and come into force on 1st April 1990.

(a) Section 75 is amended by paragraph 55 of Schedule 5 to the Local Government and Housing Act 1989. (b) 1973 c.65.

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