

---

## EXPLANATORY NOTE

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

These Regulations amend the Local Authorities (Capital Finance) Regulations 1990, which are concerned with the local authority capital finance system introduced by Part IV of the Local Government and Housing Act 1989.

The amendments made by these Regulations include a further extension of the definition of expenditure for capital purposes provided in section 40 of the 1989 Act, in respect of works to increase thermal insulation and fire safety, and in connection with the adaptation of buildings for use by disabled or elderly persons (regulation 2(a)). Regulation 2(b) provides for certain contracts between local authorities and residuary bodies not to be treated as credit arrangements under Part IV of the 1989 Act.

Various changes are also made in relation to capital receipts. Regulation 2(c) provides for sums of less than £5,000 received on the disposal of an asset not to be capital receipts. Amendments are made by regulation 2(d) to (f) and (1) to the way in which capital receipts are to be treated as reduced for certain purposes. As a result of the amendment made by regulation 2(g), provision for credit liabilities will not now be required to be made where, in certain circumstances, two local authorities exchange land. A minor amendment is made by regulation 2(h) to the provision for credit liabilities required to be made in one other case.

Fresh provision is made in regulation 3 for adjustments on or after 31 st March 1991 to an authority's credit ceiling, which is one of the components of the aggregate credit limit. A new adjustment is required to be made where assets have been statutorily transferred to another authority.