



Local Government and Housing Act 1989

1989 CHAPTER 42

^{F1} PART IV

REVENUE ACCOUNTS AND CAPITAL FINANCE OF LOCAL AUTHORITIES

Credit approvals

53 Basic credit approvals.

- [^{F1}(1) Before the beginning of each financial year, the Secretary of State shall issue to each local authority, in the form of a notice in writing, a credit approval with respect to the authority's credit arrangements and expenditure for capital purposes during that year.
- (2) A credit approval issued under this section (in this Part referred to as a "basic credit approval") may be nil but, subject to that, shall be expressed as an amount of money.
- (3) A basic credit approval shall have effect only for the financial year in respect of which it is issued and may be limited by excluding from the purposes for which the approval may be used capital purposes of a description specified in the approval.
- (4) Where regulations made by the Secretary of State so require, a basic credit approval shall specify, directly or by reference to tables or other documents specified in the approval, a period (in this Part referred to as the "amortisation period") during which the authority to whom the approval is issued are required to set aside, from a revenue account, as provision to meet credit liabilities, amounts determined in accordance with the regulations.
- (5) Under subsection (4) above, if the regulations so provide, a basic credit approval may specify different amortisation periods in relation to the use of the approval in respect of credit arrangements and expenditure for capital purposes of different descriptions.]

Status: Point in time view as at 18/11/2003.

Changes to legislation: Local Government and Housing Act 1989, Cross Heading: Credit approvals is up to date with all changes known to be in force on or before 23 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

Textual Amendments

F1 Pt. IV repealed (18.11.2003 for E. for specified purposes and the repeal of ss. 45, 53) by [Local Government Act 2003 \(c. 26\)](#), s. 128(6), **Sch. 7 para. 29**, Sch. 8; S.I. 2003/2938, art. 3(h) (with art. 8, Sch.)

Modifications etc. (not altering text)

C1 S. 53 applied (with modifications) (*temp.* 4.5.1995 - 31.3.1996) [S.I. 1995/1041](#), **art. 2 Sch. para. 4**
S. 53 excluded (8.5.2000 for certain purposes otherwise 3.7.2000) by [1999 c. 29](#), **s. 112(1)** (with Sch. 12 para. 9(1)); [S.I. 2000/801](#), **art. 2**, Sch. Pts. 2, 3
S. 53 applied (with modifications) (*temp.* 23.11.1995 - 31.3.1996) by [S.I. 1995/2803](#), art. 19(2), **Sch. 7 Pt. II para. 4**

54 Supplementary credit approvals.

- (1) Any Minister of the Crown may at any time issue to a local authority, in the form of a notice in writing, a credit approval (in this Part referred to as a “supplementary credit approval”).
- (2) A supplementary credit approval shall be expressed as an amount of money and shall be limited to credit arrangements and expenditure for capital purposes of a description specified in the approval (but, if the Minister concerned considers appropriate, all capital purposes may be so specified).
- (3) A supplementary credit approval shall have effect for such period as is specified in the approval; and where such an approval is issued not more than six months after the end of a financial year, it may specify a period which begins or begins and ends at any time during that financial year.
- (4) Subject to subsection (5) below, subsections (4) and (5) of section 53 above apply in relation to a supplementary credit approval as they apply in relation to a basic credit approval.
- (5) In the case of a supplementary credit approval issued in respect of expenditure which is treated by the authority concerned as expenditure for capital purposes by virtue only of directions under section 40(6) above, the approval [^{F2}may specify an amortisation period.].

Textual Amendments

F2 Words in s. 54(5) substituted (6.11.1997) by [1997 c. 63](#), **s. 2**

Modifications etc. (not altering text)

C2 S. 54(2)-(5) applied (with modifications) (13.3.1996) by [S.I. 1996/633](#), **art. 6(3)**
S. 54 excluded (8.5.2000 for certain purposes otherwise 3.7.2000) by [1999 c. 29](#), **s. 112(1)** (with Sch. 12 para. 9(1)); [S.I. 2000/801](#), **art. 2 Sch. Pts. 2, 3**

55 Criteria for issuing credit approvals.

- (1) In determining the amount of a basic credit approval or a supplementary credit approval to be issued to a local authority, the Secretary of State or other Minister

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may have regard, subject to the following provisions of this section, to such factors as appear to him to be appropriate.

(2) Without prejudice to the generality of subsection (1) above, the Secretary of State or other Minister may, in particular, have regard—

- (a) to the amount of any grants or contributions which it appears to him that the authority concerned have received and are likely to receive from any person in respect of expenditure incurred by the authority or to be incurred by them before the expiry of the period for which the credit approval is to have effect; and
- (b) subject to subsection (3) below, to the amount of capital receipts which it appears to him that the authority have received, might reasonably be expected to have received or to receive or are likely to receive before the expiry of the period for which the credit approval is to have effect.

[^{F3}(3) In determining the amount of a basic credit approval, the Secretary of State shall not take account of capital receipts to the extent that the authority concerned are required to set aside the receipts as provision for credit liabilities; and in determining the amount of a basic credit approval or a supplementary credit approval, the Secretary of State or other Minister shall not take account of capital receipts] to the extent that they are applied or paid as mentioned in subsections (7) to (9) of section 56 below

(4) In determining the amount of the basic credit approval or of a supplementary credit approval to be issued to a particular local authority in any financial year, the Secretary of State or other Minister shall not take account of the extent to which it appears to him that the local authority are or are likely to be in a position to finance expenditure for capital purposes from a revenue account.

(5) In this section “capital receipts” includes sums which constituted capital receipts for the purposes of Part VIII of the ^{M1}Local Government, Planning and Land Act 1980, whether or not they fall to be treated as capital receipts under section 58 below.

Textual Amendments

F3 Words in s. 55(3) substituted (6.11.1997) by [1997 c. 63, s. 1](#)

Modifications etc. (not altering text)

C3 S. 55 applied (with modifications) (13.3.1996) by [S.I. 1996/633, art. 6\(3\)](#)
S. 55 excluded (8.5.2000 for certain purposes otherwise 3.7.2000) by [1999 c. 29, s. 112\(1\)](#) (with [Sch. 12 para. 9\(1\)](#)); [S.I. 2000/801, art. 2, Sch. Pts. 2, 3](#)

Marginal Citations

M1 [1980 c. 65.](#)

56 Use of credit approvals by local authorities.

(1) Subject to Part I of Schedule 3 to this Act, where a local authority have received a basic credit approval or a supplementary credit approval, then, if they so determine, the approval may be treated wholly or partly—

- (a) as authority not to charge to a revenue account an amount of expenditure which is defrayed during the period for which the approval has effect and which is for capital purposes to which the approval applies; or

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- (b) as authority, within the period for which the approval has effect, to enter into or agree to a variation of a credit arrangement for purposes to which the approval applies.
- (2) Where a local authority have received a basic credit approval or a supplementary credit approval and that approval is not extinguished under section 57 below or Part I of Schedule 3 to this Act, then, if or to the extent that they have not made a determination with respect to it under subsection (1) above, the authority may, if they so determine, transfer the approval, reduced where appropriate under that section or Part, to another local authority, either in whole or in part; and, where such a transfer is made,—
- (a) the transfer of the approval (or part) shall not be regarded for the purposes of this Part as its use by the transferor authority; and
 - (b) this Part (including this section) shall have effect as if the approval (subject to any reduction as mentioned above) had been issued, in whole or as to the part transferred, directly to the transferee authority.
- (3) To the extent that and at the time when, in reliance on a credit approval,—
- (a) an amount of expenditure which is not charged to a revenue account of the authority concerned is defrayed, or
 - (b) the authority concerned enter into or agree to a variation of a credit arrangement,
- the credit approval shall be regarded as used and, accordingly, shall not be available on any subsequent occasion or for any other purpose.
- (4) Subsection (3) above applies whether or not the determination under subsection (1) above precedes the date on which the expenditure is defrayed or, as the case may be, the credit arrangement is entered into or varied.
- (5) A determination by a local authority under subsection (1) above that a credit approval is to be treated as mentioned in paragraph (a) or paragraph (b) of that subsection may not be made later than 30th September in the financial year following that in which the authority defray the expenditure or, as the case may be, enter into or vary the credit arrangement in question.

Modifications etc. (not altering text)

- C4** S. 56(1)(3)-(5) applied (with modifications) (13.3.1996) by [S.I. 1996/633](#), [art. 6\(3\)](#)
 S. 56 applied (3.7.2000) by [1999 c. 29](#), [s. 118\(3\)](#) (with [Sch. 12 para. 9\(1\)](#)); [S.I. 2000/801](#), [art. 2](#), [Sch. Pt. III](#)

57 Effect of certain capital grants on credit approvals.

- (1) In this section “specified capital grants” means grants, contributions and subsidies—
- (a) which are paid to local authorities in aid of their expenditure for capital purposes;
 - (b) which are neither commuted payments falling within subsection (2) of section 63 below nor single or other payments falling within subsection (3) of that section; and
 - (c) which are, or to the extent that they are, specified for the purposes of this section by regulations made by the Secretary of State.

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- (2) If at any time a local authority receive a specified capital grant, such, if any, of the authority's credit approvals as are relevant to that grant shall, in accordance with the following provisions of this section, be reduced or, as the case may be, extinguished by deducting there from an amount equal to the grant.
- (3) For the purposes of this section, a credit approval is relevant to a specified capital grant if—
- (a) the approval has effect at the time the grant is received or at any time thereafter; and
 - (b) the purposes for which the approval may be used are or include the purposes towards expenditure on which the grant is made.
- (4) Subject to subsections (5) and (6) below, where, by virtue of subsection (2) above, a deduction is required in respect of a specified capital grant,—
- (a) the deduction shall be applied to the credit approvals which are relevant to the grant in the order in which those approvals were received;
 - (b) subject to paragraph (d) below, the reduction or extinguishment of any such approval shall be regarded as taking place when the grant is received;
 - (c) if the amount of the deduction exceeds the total of the credit approvals which are relevant to the grant and were received before the grant, the excess shall be applied in reduction (or extinguishment) of credit approvals which are so relevant and are received later; and
 - (d) any such reduction or extinguishment of a later credit approval as is referred to in paragraph (c) above shall be regarded as taking place when the approval is received.
- (5) Notwithstanding anything in subsection (4) above, any reduction or extinguishment of a credit approval which is required to be made under Part I of Schedule 3 to this Act shall be applied before any reduction or extinguishment under this section.
- (6) In any case where—
- (a) before the time when a specified capital grant is received by a local authority, the authority have made a determination under subsection (1) of section 56 above with respect to a credit approval which is relevant to that grant, and
 - (b) by virtue of subsection (3) of that section, that credit approval is to any extent to be regarded as having been used before that time,
- the credit approval shall not, to that extent, be taken into account under subsections (2) and (4) above; but, subject to that, the making of a determination under section 56(1) above with respect to a credit approval shall not affect the operation of those subsections in relation to it.

Modifications etc. (not altering text)

- C5** S. 57 applied (with modifications) (13.3.1996) by [S.I. 1996/633, art. 6\(3\)](#)
- C6** S. 57(4)(c) applied (with modifications) (1.4.1995) by [S.I. 1995/798, reg. 7\(2\)](#)
S. 57(4)(c) applied (with modifications) (1.4.1996) by [S.I. 1996/633, art. 5\(2\)](#)

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