
EXPLANATORY NOTE

(This note is not part of the Order)

Part IV of the Local Government and Housing Act 1989 establishes a framework of capital finance controls for local authorities in relation to the financial years starting on or after 1st April 1990. Section 39 enables these controls to be extended and adapted so as to take account of the capital finance transactions of bodies under local authority control. Among these bodies are public airport companies which, under the Airports Act 1986, were established under the control of those local authorities which own their issued share capital and subsidiaries of such companies.

This Order, which comes into force on 1st April 1990, sets out the effects of the capital financing transactions of such a company and its subsidiaries for the local authority which is the “controlling authority”.

Article 2 describes the relevant changes in the liabilities of a public airport company or its subsidiaries as between one financial year and another which are to be treated as having an effect upon the controlling authority. It determines how these effects are to be measured. Article 3 sets out the effect for a controlling authority of increases in liabilities of a public airport company or its subsidiaries (other than those owed between those companies and their local authority shareholders) occurring between the last balance sheets drawn up for those companies in successive financial years (or 31st March if no balance sheet is available). Article 4 sets out the effect for a controlling authority of decreases in such liabilities occurring over the same period. Article 5 sets out the effect for a controlling authority where a public airport company or a subsidiary of such a company reduces its share capital or purchases or redeems its own shares held by persons other than its local authority shareholders.

The Schedule specifies which local authority is to be treated as the controlling authority in cases where public airport companies are controlled jointly by more than one local authority.