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STATUTORY INSTRUMENTS

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**1995 No. 849**

**The Local Authorities (Companies) Order 1995**

**PART V**

**CAPITAL FINANCE**

**Application of Part IV: requirement for credit cover**

**14.**—(1) Where in relation to things done by or to a regulated company in a financial year (in this article referred to as the “current year”) a relevant authority are treated by virtue of article 13(1) as having—

- (a) received a sum such as mentioned in article 13(1)(a),
- (b) received any consideration such as mentioned in article 13(1)(b),
- (c) received a sum such as mentioned in article 13(1)(c),
- (d) entered into a credit transaction,
- (e) agreed to a variation of the terms of a credit transaction,
- (f) incurred additional liabilities, or
- (g) made a reduction in liabilities,

the provisions of Part IV shall apply to the members of the local authority group to the extent and subject to the modifications referred to in the following provisions of this article and in articles 15 to 18.

(2) Subject to paragraph (4), with respect to each regulated company in the local authority group Part IV shall apply subject to the modification that there is required to be available to the relevant authority in the financial year following the current year an amount of credit cover which is equal to the aggregate of—

- (a) the amount which, if the company were a local authority, other than an authority to whom paragraph (3) below applies, the company would have been required to set aside as provision for credit liabilities in accordance with section 59 or section 61(4) with respect to sums or consideration falling within paragraph (1)(a) or (b) above;
- (b) an amount equal to the total receipts by the company of sums falling within paragraph (1)(c) above;
- (c) the amount which, if the company were a local authority, would be the initial cost of any credit transaction entered into by the company; and
- (d) the amount of credit cover which, if the company were a local authority, would be required to be available to it in accordance with section 51(4) with respect to any variation of the terms of a credit transaction;
- (e) where in the current year the company incurs additional liabilities within the meaning of article 16, the amount of the excess referred to in article 16(3).

(3) This paragraph applies to a local authority who, at the beginning of the current year, had a credit ceiling of nil or a negative amount, and who have no money outstanding by way of borrowing

other than short-term borrowing (within the meaning of section 45(6)) or borrowing which was undertaken under section 5 of the City of London (Various Powers) Act 1924<sup>(1)</sup>.

(4) For the purposes of paragraph (2), an amount of credit cover shall only be required by virtue of sub-paragraphs (c), (d) and (e) where the aggregate of the amounts referred to in those sub-paragraphs exceeds £10,000.

(5) For the purposes of this article either of the following amounts, or both in any combination, constitutes an amount of credit cover—

- (a) an amount which the authority determine to set aside from the usable part of the authority's capital receipts or from a revenue account as provision to meet credit liabilities (being an amount over and above amounts required to be set aside by virtue of any other provision of Part IV); or
- (b) an amount by which the authority determine to treat as reduced the balance of a credit approval.

(6) In paragraph (5)(b)—

- (a) the reference to a credit approval is a reference to a basic credit approval or a supplementary credit approval issued or transferred to the authority and having effect for the financial year following the current year;
- (b) the balance of a credit approval is that part of the approval with respect to which a determination has not been made under section 56(1).

(7) A determination by a local authority under paragraph (5) shall take effect at the time it is made, and shall be made not later than six months after the end of the financial year following the current year.

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(1) 1924 c.xxxvii. Section 5 was repealed by section 40(1) of the City of London (Various Powers) Act 1960 (c.xxxvi).