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WELSH STATUTORY INSTRUMENTS

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**2002 No. 2118 (W.213)**

**LOCAL GOVERNMENT, WALES**

**The Local Authorities (Companies)  
(Amendment) (Wales) Order 2002**

*Made* - - - - *18th July 2002*

*Coming into force* - - *1st September 2002*

The National Assembly for Wales, in exercise of the powers conferred upon the Secretary of State by sections 39(5) to (7) of the Local Government and Housing Act 1989<sup>(1)</sup>, but now vested in it by virtue of the National Assembly for Wales (Transfer of Functions) Order 1999<sup>(2)</sup> hereby makes the following Order.

**Name, commencement and extent**

1.—(1) This Order is called the Local Authorities (Companies) (Amendment) (Wales) Order 2002 and shall come into force on 1st September 2002.

(2) The amendments made by article 2 have effect in relation to local authorities in Wales.

**Amendment of Order**

2.—(1) The Local Authorities (Companies) Order 1995<sup>(3)</sup> shall be amended in accordance with paragraphs (2) to (4) below.

(2) In article 14 (application of Part IV: requirement for credit cover)—

(a) in paragraph (2), for the words “Part IV shall apply subject to the modification that” there shall be substituted the words “the requirement for credit cover in section 50(2) shall apply as if, but only as if,”;

(b) for paragraph (5) there shall be substituted the following paragraph—

“(5) For the purposes of this article, in relation to any financial year beginning on or after 1st April 2002, one or more of the following amounts, in any combination, constitutes an amount of credit cover—

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(1) 1989 c. 42. Section 39(1) (which prescribes the authorities to which Part IV of the Act applies) was amended by the Local Government (Wales) Act 1994 (c. 19), Schedule 16, paragraph 88; by the Police and Magistrates' Courts Act 1994 (c. 29), sections 30 and 93 and Schedule 9; by the Environment Act 1995 (c. 25) sections 73 and 120, Schedule 10, paragraph 31 and Schedule 24; by the Police Act 1997 (c. 50) section 67; by the Access to Justice Act 1999 (c. 22) Schedule 12, paragraphs 4 and 5; by the Greater London Authority Act 1999 (c. 29) section 111 and by S.I. 1996/633.

(2) See S.I. 1999/672.

(3) S.I. 1995/849 amended by S.I. 1996/621.

- (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);
  - (b) an amount by which the authority determine to treat as reduced the balance of a credit approval;
  - (c) an amount by which the authority determine to treat as reduced any credit cover provision designated in accordance with paragraph (8).”;
- (c) after paragraph (7) there shall be added the following paragraph—
- “(8) Where, in relation to any financial year ending on or after 31st March 2002, a basic credit approval having effect for that year is, pursuant to article 15, treated as increased by any amount, the authority may—
- (a) where a determination under section 56(1) is made in respect of part only of that amount, designate all or part of the residue of that amount as credit cover provision; or
  - (b) where no determination under section 56(1) is made in respect of any part of that amount, designate all or part of that amount as credit cover provision.”.
- (3) In article 15 (application of Part IV: increase in the basic credit approval), in paragraph (1), for the words “Part IV shall apply” there shall be substituted the words “the provisions in Part IV as to basic credit approvals shall apply.”.
- (4) In paragraph (1) of article 16 (liabilities of regulated companies)—
- (a) for sub-paragraph (bb)(4) there shall be substituted the following—

“(bb) the company's assets shall not be treated as reduced by the defraying, after the relevant date, of expenditure for any purpose, where that expenditure is defrayed from monies accumulated before the relevant date.”;
  - (b) for paragraph (i) of sub-paragraph (c) there shall be substituted the following—

“(i) any liability under a credit transaction (whether entered into by the company before, on or after the relevant date),”.
- (5) In paragraph (5B) of article 16(5), for the words “paragraphs (5A) and (5B)” there shall be substituted the words “paragraphs (5) and (5A)”.

Signed on behalf of the National Assembly for Wales under section 66(1) of the Government of Wales Act 1998(6)

*John Marek*  
The Deputy Presiding Officer of the National  
Assembly

18th July 2002

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(4) Sub-paragraph (bb) was inserted by S.I. 1996/621.  
(5) Paragraph (5B) was inserted by S.I. 1996/621.  
(6) 1998 c. 38.

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## EXPLANATORY NOTE

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

Article 14 of the Local Authorities (Companies) Order 1995 (“the 1995 Order”) requires an authority to have available an amount of credit cover for the liabilities of companies which, for the purposes of Part IV of the Local Government and Housing Act 1989 (“the 1989 Act”), are treated as companies regulated by the authority. Article 15(1) modifies Part IV by permitting an authority to treat a basic credit approval as increased by the amount by which its regulated companies reduce their liabilities. This Order amends article 14 of the 1995 Order so as to provide an additional mechanism by which an authority can provide that credit cover.

The amendments, which are set out in article 2(2), allow an authority to designate as credit cover provision, and treat as credit cover, any amount that has been treated as added to the authority’s basic credit approval in accordance with article 15 of the 1995 Order and in respect of which no determination has been made by an authority under section 56(1) of the 1989 Act (use of credit approvals). This Order also amends both article 14(2) and 15(1) of the 1995 Order to make it clear that those articles do not apply the whole of Part IV to such companies.

The Order also makes amendments relating to article 16(1) of the 1995 Order. The amendments allow an authority to disregard, as respect a company which becomes a regulated company in relation to the authority—

- (a) expenditure defrayed by the company, after it becomes a regulated company, from monies accumulated before it became a regulated company, and
- (b) liabilities of a regulated company under a credit transaction, whether entered into before or after the company became a regulated company.