

These notes refer to the Local Government Finance Act (Northern Ireland) 2011 (c.10) which received Royal Assent on 16 March 2011

Local Government Finance Act (Northern Ireland) 2011

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Sections 11 to 16 – Borrowing

Under Part V of the 1972 Act, district councils were allowed to borrow for purposes relevant to their functions, subject to the Department's approval.

The Act retains the power for a council to borrow for purposes relevant to its functions, but removes the requirement for approval by the Department.

The Act introduces a new power for a council to borrow for the purposes of the prudent management of its financial affairs. This means that, for the first time, councils will be able to decide to take a loan to refinance existing debt, for example.

Section 13 imposes a broad duty on councils to determine and keep under review the amount they can afford to borrow. Councils will have to comply with regulations made by the Department, and have regard to codes of practice specified in regulations, when determining an affordable borrowing limit.

Under section 14, in the event of a national economic crisis, the Department (with the consent of the Department of Finance and Personnel) may make regulations that will impose a blanket limit on borrowing by all councils. The Department may also, by direction, impose a limit on an individual council. Limits of this nature will override the prudential limits determined by the councils themselves. These powers will only be used as a last resort.