
STATUTORY INSTRUMENTS

1996 No. 604

Public Airport Companies (Capital Finance) Order 1996

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Public Airport Companies (Capital Finance) Order 1996 and shall come into force on 1st April 1996.

(2) In this Order,

“the Act” means the Local Government and Housing Act 1989;

“constituent council” shall be construed in accordance with section 16(2) of the Airports Act 1986⁽¹⁾;

“controlling authority” in relation to a public airport company has the same meaning as in section 16(2) of the Airports Act 1986 subject, however, to paragraph (3) of this article;

“controlling authority” in relation to a subsidiary of a public airport company means the controlling authority of that company;

“current assets” shall be construed in accordance with paragraph 77 of Schedule 4 to the Companies Act 1985⁽²⁾;

“equity share capital” means, in relation to a public airport company or any subsidiary of such a company, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution;

“local authority” has the same meaning as in section 67 of the Act;

“principal council” has the same meaning as in section 12 of the Airports Act 1986;

“public airport company” has the same meaning as in section 16(1) of the Airports Act 1986;

“the relevant date”, in relation to a public airport company or any subsidiary of such a company, means—

(a) in any financial year where the company’s or subsidiary’s balance sheet is prepared as at a date in that year, that date, or if there is more than one such date the latest such date; and

(b) in any other case, the last day of the financial year in question;

unless the public airport company or subsidiary, as the case may be, ceases to be a public airport company or subsidiary of such a company in which event it means the day preceding the date of cessor;

“relevant person” means any person other than—

(a) a local authority,

(b) a company which, in accordance with Part V of the Act, is under the control of, or is for the time being subject to the influence of, a local authority, or

(1) 1986 c. 31.

(2) 1985 c. 6.

- (c) a trust to which, by virtue of an order made under section 72 of the Act, the provisions of section 69 of the Act are applicable and which is for the time being subject to the influence of a local authority;

“share” includes stock; and

“subsidiary” has the same meaning given by section 736 of the Companies Act 1985.

(3) In the case of a public airport company listed in column 1 of the Schedule to this Order a reference in this Order to the controlling authority shall have effect, except where the reference is to a constituent council of the controlling authority, as if it were a reference to the constituent council named in relation to that company in column 2 of that Schedule.

Liabilities of controlling authority

2.—(1) Where a public airport company or any subsidiary of such a company—

- (a) incurs additional liabilities; or
(b) reduces its liabilities;

the liabilities are to be treated for the purposes of the application of Part IV of the Act as if they were incurred or reduced, as the case may be, by the controlling authority of that company; and, where they are to be so treated, the provisions of that Part are to apply as described in articles 3 and 4 below.

(2) For the purposes of paragraph (1) above, a public airport company or any subsidiary of such a company incurs additional liabilities where, upon calculation, the total of its relevant liabilities on the relevant date in a financial year exceeds an amount equal to the total of its relevant liabilities on the relevant date in the immediately preceding financial year.

(3) For the purposes of paragraph (1) above, a public airport company or any subsidiary of such a company reduces its liabilities where, upon calculation, the total of its relevant liabilities on the relevant date in a financial year is less than an amount equal to the total of its relevant liabilities on the relevant date in the immediately preceding financial year.

(4) Subject to paragraphs (6) and (7) below, in paragraphs (2) and (3) above, “relevant liabilities”, in relation to a public airport company or any subsidiary of such a company, means the aggregate of—

- (a) the total of the liabilities of the company or subsidiary, other than current liabilities, which are shown in the company’s or subsidiary’s balance sheet or, if there is no balance sheet as at any date in the financial year in question, the total of which is estimated by the controlling authority; and
(b) the amount, if any, by which the total of the current liabilities of the company or subsidiary exceeds the total of its current assets.

(5) In this article “liabilities”, in relation to a public airport company or any subsidiary of such a company,—

- (a) subject to sub-paragraph (b) below includes the issued share capital of that company or subsidiary (including any premium obtained by the company or subsidiary upon the issue of such shares) and such liability shall be treated as a liability owed to the person who holds such issued shares,
(b) does not include any liability owed—
(i) to the controlling authority,
(ii) to a constituent council of the controlling authority,
(iii) to or by that public airport company by or to any subsidiary of that company,

- (iv) to a principal council which, on or after 17th December 1993, transferred or transfers, as the case may be, all of its share in the equity share capital of that public airport company to a relevant person provided that liability was owed before that transfer, or
 - (v) to a relevant person by reason of that person holding any share in the equity share capital of that company or subsidiary issued to a relevant person on or after 17th December 1993 or transferred to a relevant person by the controlling authority or a constituent council of that authority on or after that date, and
- (c) does not include any provision for—
- (i) pensions and similar obligations, or
 - (ii) taxation.

(6) Liabilities shown in the company's or subsidiary's balance sheet and which comprise current liabilities shall be included in the total of the liabilities of the company or subsidiary for the purpose of paragraph (4)(a) above and excluded from the total of current liabilities of that company or subsidiary for the purpose of paragraph (4)(b) above to the extent that they include any current liability which, in accordance with a determination of the controlling authority referring to that liability and made no later than 30th September in the following financial year, is not to be set against the current assets of the company or subsidiary.

(7) Liabilities shown in the company's or subsidiary's balance sheet and which comprise current liabilities shall be included in the total of the liabilities of the company or subsidiary for the purpose of paragraph (4)(a) above and excluded from the total of current liabilities of that company or subsidiary for the purposes of paragraph (4)(b) above where they were shown as liabilities of that company or subsidiary in the balance sheet for the preceding financial year but did not then comprise current liabilities.

Application of Part IV of the Act: requirement for credit cover

3.—(1) This paragraph applies where a controlling authority, in accordance with article 2(1)(a) above, is to be treated as incurring additional liabilities in respect of a financial year.

(2) Where paragraph (1) above applies, Part IV of the Act shall apply as if, but only as if, there were required to be available to that authority an amount of credit cover equal to the amount of additional liabilities calculated under article 2(2) above.

(3) Each of the following amounts constitutes for the purposes of this article an amount of credit cover—

- (a) an amount which, in accordance with a determination of the controlling authority is set aside from the usable part of the authority's capital receipts or from a revenue account of that authority for the financial year in question as provision to meet credit liabilities (being an amount over and above what they are required so to set aside by virtue of any other provision of Part IV of the Act); or
- (b) an amount by which, in accordance with a determination of the controlling authority, any credit approval issued or transferred to that authority, for the financial year in question, to the extent that they have not made a determination with respect to it under section 56(1) of the Act, is treated as reduced.

(4) Any amount falling to be set aside in accordance with paragraph (3)(a) above shall be set aside, and any reduction in accordance with paragraph (3)(b) above of a credit approval which is a basic credit approval shall be treated as taking place, on the last day of the financial year during which the public airport company or subsidiary concerned incurs additional liabilities on the relevant date as described in article 2(2) above.

(5) Any reduction in accordance with paragraph (3)(b) above of a credit approval which is a supplementary credit approval shall not exceed such amount of expenditure as the authority is

satisfied has been incurred during the relevant financial year by the public airport company or its subsidiary, as the case may be, for a purpose and during the period specified in that supplementary credit approval.

(6) Any reduction in accordance with paragraph (3)(b) above of a credit approval which is a supplementary credit approval shall be treated as taking place on the earlier of either the last day of the period specified in the approval or the last day of the financial year described in paragraph (4) above.

(7) In a case to which paragraph (4) above applies, a determination by a controlling authority under paragraph (3) above shall not be made later than 30th September in the financial year following that in which, in accordance with paragraph (4) above, an amount is to be set aside or a basic credit approval is to be treated as reduced.

(8) In a case to which paragraph (6) above applies, a determination by a controlling authority under paragraph (3) above shall not be made later than 30th September in the financial year following that in which in, accordance with paragraph (6) above, the supplementary credit approval is to be treated as reduced.

Application of Part IV of the Act; additional credit allowance

4.—(1) Where a controlling authority, in accordance with article 2(1)(b), is to be treated as reducing its liabilities in respect of a financial year, Part IV of the Act shall apply as if, but only as if, that authority were entitled to an amount of additional credit allowance equal to the total of the reduction in liabilities for the public airport company and its subsidiaries concerned.

(2) In paragraph (1) above, the reference to a reduction in liabilities for a public airport company or any subsidiary of such a company is a reference to an amount equal to the amount of the reduction in liabilities calculated under article 2(3) above.

(3) Each of the following amounts constitutes for this purpose an amount of additional credit allowance—

- (a) an amount by which, in accordance with a determination of the controlling authority, any basic credit approval issued or transferred to that authority is treated as increased; and
- (b) a sum which, in accordance with a determination of that authority, is to cease to be set aside as provision for credit liabilities.

(4) Any increase of a basic credit approval, in accordance with paragraph (3)(a) above, shall be treated as taking place, and any amount which is to cease to be set aside, in accordance with paragraph (3)(b) above, shall cease to be set aside, on the last day of the financial year in which the public airport company or subsidiary concerned reduced its liabilities on the relevant date as described in article 2(3) above.

(5) If an amount ceases to be set aside in accordance with paragraph (3)(b) above,

- (a) the controlling authority's credit ceiling shall at that time be increased by an amount equal to the amount ceasing to be set aside; and
- (b) an amount shall at that time be deducted from the amount taken into account under section 62(1)(d) of the Act for that authority equal to the amount ceasing to be set aside (and, by virtue of this sub-paragraph, the amount taken into account under section 62(1)(d) may, accordingly, be a negative amount).

(6) Any amount which ceases to be set aside in accordance with paragraph (3)(b) above may be applied by the controlling authority according as it determines for one or more of the purposes described in section 60(2) of the Act and, subject to paragraph (10) below, an amount may be so applied in the financial year referred to in paragraph (4) above or in any later financial year.

(7) An amount which is applied as provision to meet credit liabilities as described in paragraph (6) above may be used as an amount of credit cover for the purposes of section 50 of the Act or

article 3 above in accordance with a determination of the controlling authority referring to the credit arrangement or additional liabilities, as the case may be.

(8) Where any amount is applied as described in paragraph (6) above, the amount taken into account under section 62(1)(d) of the Act for the controlling authority shall at that time be increased by an amount equal to the amount so applied.

(9) A determination by a controlling authority under paragraph (3) above shall be made not later than 30th September in the financial year following that in which, in accordance with paragraph (4) above, a basic credit approval is to be treated as increased or an amount ceases to be set aside.

(10) A determination by a controlling authority under paragraph (6) above as to the manner in which any amount is to be applied shall not be made later than 30th September in the financial year following that in which, in accordance with the determination, an amount is to be applied.

Revocation

5. The following Orders are hereby revoked, that is to say:

The Public Airport Companies (Capital Finance) Order 1990(3);

The Public Airport Companies (Capital Finance) (Amendment) Order 1991(4);

The Public Airport Companies (Capital Finance) (Second Amendment) Order 1992(5);

The Public Airport Companies (Capital Finance) (Third Amendment) Order 1992(6);

The Public Airport Companies (Capital Finance) (Fourth Amendment) Order 1993(7).

Signed by authority of the Secretary of State for Transport

6th March 1996

Goschen
Parliamentary Under Secretary of State,
Department of Transport

(3) [S.I.1990/719](#).
(4) [S.I. 1991/423](#).
(5) [S.I. 1992/196](#).
(6) [S.I. 1992/3056](#).
(7) [S.I. 1993/2875](#).