

---

STATUTORY INSTRUMENTS

---

**2001 No. 722**

**LOCAL GOVERNMENT, ENGLAND**

**The Local Authorities (Companies)  
(Amendment) (England) Order 2001**

<i>Made</i>	- - - -	<i>5th March 2001</i>
<i>Laid before Parliament</i>		<i>9th March 2001</i>
<i>Coming into force</i>	- -	<i>1st April 2001</i>

The Secretary of State for the Environment, Transport and the Regions, in exercise of the powers conferred upon him by sections 39(5) to (7) of the Local Government and Housing Act 1989<sup>(1)</sup>, and of all other powers enabling him in that behalf, hereby makes the following Order:

**Citation, commencement and extent**

1.—(1) This Order may be cited as the Local Authorities (Companies) (Amendment) (England) Order 2001 and shall come into force on 1st April 2001.

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

**Amendment of Order**

2.—(1) The Local Authorities (Companies) Order 1995<sup>(2)</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) 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 2001, one or more of the following amounts, in any combination, constitutes an amount of credit cover—

---

(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. The relevant powers of the Secretary of State have been devolved, in relation to Wales, by the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672); see the reference to the Local Government and Housing Act 1989 in Schedule 1.

(2) 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).”;
- (b) after paragraph (7) there shall be added the following paragraph—
- “(8) Where, in relation to any financial year ending on or after 31st March 2001, 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 paragraph (1) of article 16 (liabilities of regulated companies)—
- (a) for sub-paragraph (bb)(3) 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),”.
- (4) In paragraph (5B) of article 16(4), for the words “paragraphs (5A) and (5B)” there shall be substituted the words “paragraphs (5) and (5A)”.

Signed by authority of the Secretary of State for The Environment, Transport and the Regions

*Hilary Armstrong*  
Minister of State  
Department of the Environment, Transport and  
the Regions

5th March 2001

---

(3) Sub-paragraph (bb) was inserted by S.I. 1996/621.  
(4) Paragraph (5B) was inserted by S.I. 1996/621.

---

## EXPLANATORY NOTE

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

1. 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, are treated as companies regulated by the authority. 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, in respect of which no determination has been made by an authority under section 56(1) of the 1989 Act (use of credit approvals).

2. 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.