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Your reference:
Our reference: LGD 1/33/05
13 June 2006

Circular No. LGD 11/06

Dear Sir/Madam

**LOCAL GOVERNMENT ACT (NORTHERN IRELAND) 1972
LOANS TO OFFICERS FOR PURCHASE OF MOTOR VEHICLES - DETERMINATION**

Section 41B of the Local Government Act (Northern Ireland) 1972 provides for a district council to make a loan to an officer, for the purchase of a motor car or motor cycle, subject to such conditions as this Department, with the approval of the Department of Finance and Personnel, may determine.

Questions have been raised about the continuation of this arrangement throughout the re-organisation of local government. The Department has no plans to amend the existing legislation but would encourage district councils to exercise prudence in this matter, during the interim period.

The Department has now reviewed the existing interest rates applied by councils and has determined that revised interest rates shall apply to all such loans granted, with effect from 19 June 2006. The conditions of such loans shall be in accordance with the schedule referred to in the attached formal determination.

It should be noted that for any officer to be eligible to apply for financial assistance in accordance with the scheme, the employing authority will be required to pass a resolution that it is essential to the efficient carrying out of official duties.

Prior to entering into an agreement, councils are advised to check the base rates applied by the banks named in article 4(3) of the Consumer Credit (Exempt Agreements) Order 1989, as amended by the Consumer Credit (Exempt Agreements) (Amendment) Order 1999. If the total charge for credit exceeds the sum of one per cent above the highest of the base rates published by the banks named, 28 days prior to the date on which the agreement is made, the council will have to comply with the requirements of the Consumer Credit Act 1974. Compliance with these legislative provisions is the responsibility of each council.

Yours faithfully

A handwritten signature in cursive script, appearing to read "M F T Finnegan".

M F T FINNEGAN (MISS)

Encs.

LOCAL GOVERNMENT ACT (NORTHERN IRELAND) 1972

LOANS TO OFFICERS FOR PURCHASE OF MOTOR VEHICLES DETERMINATION (NORTHERN IRELAND) 2006

The Department of the Environment in exercise of the power conferred on it by Section 41B of the Local Government Act (Northern Ireland) 1972(a) as inserted by Article 25 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1985(b) and with the approval of the Department of Finance and Personnel, hereby determines as follows:-

Commencement

1. This Determination shall come into effect on 19 June 2006.

Interpretation

2. In this Determination:-

"motor vehicle" means a motor car or motor cycle, including a motor cycle combination or motor scooter.

Loans

3. A district council may make loans to such of its officers and on such conditions as are specified in the Schedule hereto to facilitate such officers in the purchase of a motor vehicle essential to the efficient carrying out of their official duties.

Dated 13th day of June 2006



A senior officer of the Department of the Environment

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- (a) 1972 c.9 (N.I)
(b) S.I. 1985/1208 (N.I. 15)

SCHEDULE

CONDITIONS UNDER WHICH A LOAN MAY BE MADE TO AN OFFICER FOR THE PURCHASE OF A MOTOR VEHICLE

1. Any officer whose district council resolves that it is essential, in the interests of the efficient conduct of the business of the district council, that the officer shall be permitted to use his private motor vehicle in carrying out his official duties, shall be eligible for financial assistance in accordance with this scheme.
2. The district council may, on receipt of an application for financial assistance from any such officer and subject to the terms and conditions of this scheme, authorise the grant of a loan not exceeding the purchase price of the new or second-hand motor vehicle which the officer proposes to acquire, after taking into account any allowance which may be made for the value of any motor vehicle which the officer offers in part exchange for the motor vehicle which he is proposing to acquire, or the selling price of any motor vehicle which the officer has disposed of otherwise than by part exchange during the preceding 12 months.
3. An application under this scheme in respect of a second-hand motor vehicle shall be accompanied by a certificate as to the reasonableness of the price, the road worthiness and the estimated future life of the vehicle which it is proposed to purchase, given by a qualified independent automobile engineer.
4. No application shall be approved unless the estimated future life of the motor vehicle, having regard to the annual mileage which the officer might reasonably be expected to cover on private and official journeys, is 2 years.
5. No application shall be approved unless the district council is satisfied that the type of motor vehicle concerned is suitable for the performance of the official duties for which it is required.
6. A loan granted in accordance herewith shall be repayable by instalments with interest over such period, not exceeding 4 years or the estimated life of the motor vehicle, whichever is the shorter, as may be approved, except that in the case of motor vehicles not more than 3 years old at the date of purchase the maximum loan period shall be 5 years.
7. Interest shall be charged and may be calculated by either of the following alternative methods:
 - a. at 6.0% per annum at half-yearly rests on the amount of the loan outstanding at the commencement of the second quarter of each period to which the interest charge relates. (This method is appropriate if the district council wishes to relate the interest element to the decreasing balance outstanding as the loan is repaid); or
 - b. by the addition to the amount to be repaid of 3.0% per annum on the amount of the loan. (This method is appropriate where it is desired that repayment of the loan and payment of the interest charge should be undertaken by equal monthly instalments).

8. Any officer to whom assistance has been granted shall, in the event of his contract of service with the district council granting the loan being terminated prior to the completion of repayment of the loan with interest accrued, be liable to repay the balance outstanding with interest accrued to the date of repayment forthwith, on the termination of his appointment.
9. Any officer to whom assistance has been granted shall, during any period in which the repayment of any part of the loan granted by the district council with interest accrued as outstanding in favour of the district council and subject to any unavoidable non-compliance with this condition due to the motor vehicle requiring repair or overhaul, undertake to utilise the motor vehicle in respect of which assistance has been granted in the performance of his official duties, as required by the district council.
10. Any officer to whom assistance has been granted shall undertake not to dispose of the motor vehicle in respect of which assistance has been granted, without the previous consent of the district council at any time prior to the repayment of the full amount of the loan with interest accrued. Should disposal be authorised, the balance of the principal sum owing, together with interest accrued to date, shall immediately become repayable to the district council.
11. An officer shall undertake, in respect of any motor vehicle for the purchase of which assistance has been given during the currency of the period of repayment of the loan with interest accrued and whilst the motor vehicle remains in his possession, to maintain a comprehensive policy of insurance in respect of the motor vehicle in which the district council's interest is recognised and to submit such policy to the Chief Financial Officer of the district council at such time as may be required.
12. As a condition of any assistance given an officer shall, if so required, execute a bond for the due performance of his contracted obligations, of such reasonable amount as the district council may determine; alternatively the motor vehicle shall be the property of the district council until the full amount of the loan with interest is paid.

Revised 19 June 2006