

SCHEDULE

Regulation 4

CONTENT OF THE FORM OF APPLICATION

1. The form of application shall state—

- (a) the dates on which the authority are to make payments under the instrument or how such dates are to be ascertained;
- (b) the amount of each of those payments or how that amount is to be calculated;
- (c) either the annual percentage rates of interest applicable to the instrument or (if it is the case) that it is not practicable to calculate such rates;
- (d) that, if the lender is an individual, he will not be liable to pay income tax at the basic rate in respect of any interest paid by the authority, but that he may be liable in respect of income tax at a higher rate;
- (e) the means, if any, by which any rights of the lender under the instrument are transferable;
- (f) the circumstances in which the authority are able to redeem the instrument other than at the request or under the instruction of the lender;
- (g) that the instrument is to be issued in accordance with the Local Government and Housing Act 1989 and that, under the Act, all money borrowed by the authority, together with any interest thereon, is charged indifferently on all the revenues of the authority; and
- (h) if the Secretary of State has designated the authority under Part VII of the Local Government Finance Act 1988 (limitation of charges etc.), or has notified the authority of a decision to designate them, as regards the financial year in which the instrument is to be issued, or any financial year in which payments fall to be made, that this is the case.

2. If the form of application states that it is not practicable to calculate annual percentage rates of interest, no other numerical rate of interest shall be stated.

3. Where annual percentage rates of interest are stated, they shall be shown no less prominently than any other rate of interest which is stated.

4. For the purposes of this Schedule, the annual percentage rates of interest are—

- (a) the net annual percentage rate; and
- (b) the gross equivalent annual percentage rate.

5. In paragraph 4(a) above, the net annual percentage rate means a rate per annum compounding annually expressed as a percentage such that—

- (a) the sum of the present values as at the date when the loan instrument is to be issued (referred to in this Schedule as “the relevant date”) of the amounts of any payments to be made by the authority to the lender; and
- (b) the total amount of money borrowed by or funds provided to the authority under the loan instrument;

would, when calculated at that date, be equal.

6. For the purposes of paragraph 5 above, the present value as at the relevant date—

- (a) of an amount to be paid on or before that date, is that amount; and
- (b) of an amount to be paid at a later date, is an amount found by the following formula—

$$\frac{A}{\left(1 + \frac{r}{100}\right)^t}$$

where

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“A” is the amount of the payment to be made;

“r” is the rate per annum expressed as a percentage; and

“t” is the period beginning with the relevant date and ending with the date of payment of the amount expressed in years.

7. In paragraph 4(b) above, the gross equivalent annual percentage rate means a rate calculated in the same manner as the net annual percentage rate but with the amount of any payment to be made by the authority to the lender increased by the product of the formula—

$$\frac{z \times y}{(100 - y)}$$

where

“z” is so much of the amount of the payment as is in respect of interest; and

“y” is the basic rate of income tax as at the relevant date expressed as a percentage.