

2003 No. 515

LOCAL GOVERNMENT, ENGLAND

**The Local Authorities (Capital Finance) (Amendment No. 2)
(England) Regulations 2003**

Made - - - - - *4th March 2003*
Laid before Parliament *11th March 2003*
Coming into force *1st April 2003*

The Secretary of State, in exercise of the powers conferred upon him by sections 42(4), 48(1)(c) and 190(1) of the Local Government and Housing Act 1989(a) hereby makes the following Regulations:

Citation, commencement and application

1.—(1) These Regulations may be cited as the Local Authorities (Capital Finance) (Amendment No. 2) (England) Regulations 2003 and shall come into force on 1st April 2003.

(2) The amendments made by these Regulations apply only in relation to local authorities in England.

Amendment of the Local Authorities (Capital Finance) Regulations 1997

2.—(1) The Local Authorities (Capital Finance) Regulations 1997(b) are amended as follows.

(2) After regulation 12A (expenditure not required to be charged to a revenue account—expenditure for capital purposes on property within the Housing Revenue Account) insert—

“Expenditure not required to be charged to a revenue account—expenditure in respect of liabilities for retirement benefits

12B.—(1) Expenditure in respect of liabilities for retirement benefits appropriated to a pension reserve in accordance with proper practices shall be expenditure falling within section 42(2).

(2) For the purposes of paragraph (1) “retirement benefits” means benefits payable pursuant to—

- (a) the Local Government Pension Scheme Regulations 1997(c);
- (b) the Firemen’s Pension Scheme Order 1992(d);
- (c) the Police Pensions Regulations 1987(e);

(a) 1989 c. 42. 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.
(b) S.I. 1997/319 amended by S.I. 1998/371, 1999/1852, 2000/3237 and 2003/43. There are other amendments not relevant to these Regulations.
(c) S.I. 1997/1612 to which there are amendments not relevant to these Regulations.
(d) S.I. 1992/129.
(e) S.I. 1987/257 to which there are amendments not relevant to these Regulations.

- (d) the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000**(a)**;
 - (e) the Teachers (Compensation for Redundancy and Premature Retirement) Regulations 1997**(b)**; and
 - (f) any other regulations made under section 24 of the Superannuation Act 1972 (compensation for loss of office, etc)**(c)**.”.
- (3) Regulation 16 (meaning of private finance transaction) is amended as follows—
- (a) in paragraph (1)—
 - (i) omit the definition of “relevant asset”; and
 - (ii) in the definition of “works”, omit the words “, apart from works consisting of the construction of a house or other dwelling on housing land”; and
 - (b) in paragraph (2)—
 - (i) in sub-paragraph (a)(i), for the words “a relevant” substitute “an”; and
 - (ii) in sub-paragraph (d)(ii), omit the word “relevant”.

Signed by authority of the First Secretary of State

4th March 2003

Christopher Leslie
Parliamentary Under Secretary of State,
Office of the Deputy Prime Minister

(a) S.I. 2000/1410 to which there are amendments not relevant to these Regulations.

(b) S.I. 1997/311 to which there are amendments not relevant to these Regulations.

(c) 1972 c. 11 amended by the Police Pensions Act 1976 (c. 35), section 13(1) and Schedule 2(10).

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Local Authorities (Capital Finance) Regulations 1997 (“the 1997 Regulations”).

A new regulation 12B is inserted into the 1997 Regulations in order to deal with the effects of the application to local authorities of a new accounting standard, “FRS 17”, which requires future liabilities for retirement benefits to be recognised in local authorities’ accounts. Section 42 of the Local Government and Housing Act 1989 provides that certain expenditure of a local authority is not required to be charged to a revenue account of the authority. The new regulation 12B provides that expenditure on liabilities for certain retirement benefits which a local authority has appropriated to a pension reserve as required by proper accounting practices need not be charged to a revenue account (*regulation 2(2)*).

Regulation 16 of the 1997 Regulations defines “private finance transactions”. Such transactions are deemed to be credit arrangements for the purposes of section 48(1) of the Local Government and Housing Act 1989 by virtue of regulation 17 of the 1997 Regulations. The definition of private finance transaction in regulation 16 is amended to include the provision of, or carrying out of works in relation to, housing land (*regulation 2(3)*).

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