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STATUTORY INSTRUMENTS

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**2007 No. 573**

**The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007**

**Early repayment of loans and interest on loans**

6. After regulation 30A of the Principal Regulations (back payment following unequal pay)(1), insert—

**“Early repayment of loans – premiums and discounts at 31st March 2007**

**30B.**—(1) This regulation applies where—

- (a) before 1st April 2007 a local authority repays a loan of money before the date on which the authority is required, in accordance with the terms of the loan, to fully repay the whole or the remaining part of it;
- (b) as a consequence of such early repayment—
  - (i) the authority is required to pay a premium to the lender of the loan or is required, in accordance with proper practices, to account for an amount in respect of a premium as if it were required to pay such a premium; or
  - (ii) the lender of the loan gives the authority a discount on the loan or the authority is required, in accordance with proper practices, to account for an amount in respect of a discount as if the lender had given the authority such a discount; and
- (c)
  - (i) in the case of a premium, an amount in respect of the premium included, in accordance with proper practices, in the authority’s balance sheet at 1st April 2007 is less than the amount so included immediately before that date;
  - (ii) in the case of a discount, an amount in respect of the discount included, in accordance with proper practices, in the authority’s balance sheet at 1st April 2007 is less than the amount so included immediately before that date.

(2) This regulation does not apply in relation to an amount in respect of a discount where, before 1st April 2007, a local authority credited the total amount of the discount to a revenue account in accordance with proper practices or with proper accounting practices which the authority was required to follow at that time.

(3) Subject to paragraphs (4) and (5), where this regulation applies, in each relevant year, the amount that a local authority shall charge to a revenue account for that year in respect of the premium or credit to a revenue account for that year in respect of the discount, as the case may be—

- (a) in the case of a premium, shall be an amount which is the same as or greater than the amount calculated in accordance with the formula specified in paragraph (6);
- (b) in the case of a discount, shall be an amount which is the same as or less than the amount calculated in accordance with that formula.

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(1) Regulation 30A of the Principal Regulations is inserted by regulation 5(2) of these Regulations.

(4) In the case of a premium, where, in relation to a relevant year, the result of the calculation of the formula specified in paragraph (6) is nil, the authority shall not charge any amount to a revenue account for that year in respect of the premium.

(5) By the end of the final year, the total amount charged by the authority to a revenue account in respect of the premium or credited by the authority to a revenue account in respect of the discount shall equal the amount of the premium or the discount, as the case may be.

(6) The formula specified for the purposes of paragraphs (3) and (4) is—

$$\frac{A - B}{C}$$

where—

“A” is—

- (a) in the case of a premium, the amount in respect of the premium included in the local authority’s balance sheet immediately before 1st April 2007 less the amount in respect of the premium included in the authority’s balance sheet at 1st April 2007;
- (b) in the case of a discount, the amount in respect of the discount included in the local authority’s balance sheet immediately before 1st April 2007 less the amount in respect of the discount included in the authority’s balance sheet at 1st April 2007;

“B” is the total of—

- (a) in the case of a premium—
  - (i) any amounts charged to a revenue account before the current year, by virtue of this regulation, in respect of the premium; and
  - (ii) any capital receipts used on or after 1st April 2007 to pay any part of the premium;
- (b) in the case of a discount, any amounts credited to a revenue account before the current year, by virtue of this regulation, in respect of the discount; and

“C” is the number of financial years from the current year to the final year inclusive.

(7) In this regulation, any reference to an amount included in an authority’s balance sheet shall, if no such amount was included, be construed as a reference to nil.

(8) In this regulation—

“current year” means the financial year for which the local authority is calculating the amount to charge or credit to its revenue account in accordance with this regulation;

“final year” means—

- (a) in the case of a premium—
  - (i) the financial year in which the whole or the remaining part of the loan would have been due to be fully repaid in accordance with the terms of the loan if the loan had not been repaid before that financial year; or
  - (ii) if later, the financial year in which the whole or the remaining part of any replacement loan (or, if more than one, the replacement loan which is due to be fully repaid last) is due to be fully repaid in accordance with the terms of the replacement loan;
- (b) in the case of a discount—

- (i) the financial year in which the whole or the remaining part of the loan would have been due to be fully repaid in accordance with the terms of the loan if the loan had not been repaid before that financial year; or
- (ii) if earlier, the financial year which ends on 31st March 2016;

“relevant year” means the financial year which begins on 1st April 2007 and each subsequent financial year until, and including, the final year; and

“replacement loan” means any loan of money to the local authority some or all of which the authority treats, for accounting purposes, as a replacement for some or all of the loan referred to in sub-paragraph (a) of paragraph (1).

### **Early repayment of loans – premiums and discounts after 31st March 2007**

**30C.**—(1) This regulation applies where—

- (a) a local authority repays a loan of money on or after 1st April 2007 but before the date on which the authority is required, in accordance with the terms of the loan, to fully repay the whole or the remaining part of it;
- (b) as a consequence of such early repayment—
  - (i) the authority is required to pay a premium to the lender of the loan; or
  - (ii) the lender of the loan gives the authority a discount on the loan; and
- (c) the authority is not required, in accordance with proper practices, to include an amount in respect of the premium or the discount, as the case may be, in its balance sheet on or after 1st April 2007.

(2) Subject to paragraphs (3) and (4), where this regulation applies, in the initial year and in each subsequent financial year until, and including, the final year, the amount that the authority shall charge to a revenue account for that year in respect of the premium or credit to a revenue account for that year in respect of the discount, as the case may be—

- (a) in the case of a premium, shall be an amount which is the same as or greater than the amount calculated in accordance with the formula specified in paragraph (5);
- (b) in the case of a discount, shall be an amount which is the same as or less than the amount calculated in accordance with that formula.

(3) In the case of a premium, where, in relation to a financial year referred to in paragraph (2), the result of the calculation of the formula specified in paragraph (5) is nil, the authority shall not charge any amount to a revenue account for that year in respect of the premium.

(4) By the end of the final year, the total amount charged by the authority to a revenue account in respect of the premium or credited by the authority to a revenue account in respect of the discount shall equal the amount of the premium or the discount, as the case may be.

(5) The formula specified for the purposes of paragraphs (2) and (3) is—

$$\frac{D - E}{F}$$

where—

“D” is the amount of the premium or the amount of the discount, as the case may be;

“E” is the total of—

- (a) in the case of a premium—

- (i) any amounts charged to a revenue account before the current year, by virtue of this regulation, in respect of the premium; and
  - (ii) any capital receipts used to pay any part of the premium;
  - (b) in the case of a discount, any amounts credited to a revenue account before the current year, by virtue of this regulation, in respect of the discount; and
- “F” is the number of financial years from the current year to the final year inclusive.
- (6) In this regulation—
- “current year” means the financial year for which the local authority is calculating the amount to charge or credit to its revenue account in accordance with this regulation;
- “final year” means—
- (a) in the case of a premium—
    - (i) the financial year in which the whole or the remaining part of the loan would have been due to be fully repaid in accordance with the terms of the loan if the loan had not been repaid before that financial year; or
    - (ii) if later, the financial year in which the whole or the remaining part of any replacement loan (or, if more than one, the replacement loan which is due to be fully repaid last) is due to be fully repaid in accordance with the terms of the replacement loan;
  - (b) in the case of a discount—
    - (i) the financial year in which the whole or the remaining part of the loan would have been due to be fully repaid in accordance with the terms of the loan if the loan had not been repaid before that financial year; or
    - (ii) if earlier, the ninth financial year after the initial year (counting the financial years, immediately following the initial year, consecutively); and
- “initial year” means the financial year in which the loan is repaid.

### **Interest on loans given by local authorities**

#### **30D.—(1) Where—**

- (a) on or after 1st April 2007, a local authority gives a loan to a person;
- (b) the authority, in accordance with proper practices, includes an amount in respect of that loan in its balance sheet at the end of the financial year in which the loan is given (“the loan year”); and
- (c) the amount referred to in sub-paragraph (b) is less than the amount of the loan outstanding at the end of the loan year,

paragraph (3) shall apply.

#### **(2) Where—**

- (a) a local authority gave a loan to a person before 1st April 2007 and the whole or any remaining part of the loan is outstanding on or after 1st April 2007;
- (b) the authority, in accordance with proper practices, includes an amount in respect of that loan in its balance sheet at the end of the financial year which began on 1st April 2007 (“the 2007 financial year”); and
- (c) the amount referred to in sub-paragraph (b) is less than the amount of the loan outstanding at the end of the 2007 financial year,

paragraph (3) shall apply.

(3) Where this paragraph applies, the amount of the interest, if any, in respect of the loan, which the local authority credits to its revenue account—

- (a) (i) where the loan was given on or after 1st April 2007, in the loan year; or
- (ii) where the loan was given before 1st April 2007, in the 2007 financial year;  
and
- (b) in each subsequent year until, and including, the financial year in which the whole or any remaining part of the loan is fully repaid,

shall be the amount of the interest, if any, which it is due to receive in that year in accordance with the loan agreement for that loan.”.