
STATUTORY INSTRUMENTS

1997 No. 319

The Local Authorities (Capital Finance) Regulations 1997

PART IV

CREDIT ARRANGEMENTS

Variation of credit arrangements

Variation of arrangements excluded from section 49(2)

46. Where a credit arrangement which is excluded from section 49(2) is varied as mentioned in section 51(1) (variation of credit arrangements), the adjusted cost and the cost of the arrangement at any time after the variation shall be determined in accordance with regulations 47 to 51.

The adjusted cost of arrangements—general provision

47.—(1) Subject to regulation 15, the adjusted cost of a credit arrangement which is excluded from section 49(2), other than a credit arrangement falling within regulation 48, 49 or 50, shall be the amount which, at the time the arrangement is varied, the authority estimate will be the aggregate of—

- (a) the value of the consideration given by them in respect of the arrangement before or during the financial year in which the arrangement is varied; and
- (b) the value of the consideration falling to be given by them in respect of the arrangement, as varied, in any subsequent financial year.

(2) For each subsequent financial year referred to in paragraph (1)(b), the value of the consideration falling to be given in that year shall be the amount determined by the formula in regulation 14(2), but, for this purpose—

“x” is the value of the consideration which the authority estimate will fall to be given by them in that financial year in respect of the arrangement as varied;

“r” is the percentage rate of discount prescribed for the financial year in which the arrangement is varied by regulations made by the Secretary of State for the purposes of section 49; and

“n” is the financial year concerned expressed as a year subsequent to the financial year in which the arrangement is varied (so that the first of the subsequent financial years is 1, the next is 2, and so on).

Leases having an adjusted cost of nil

48. Where—

- (a) a credit arrangement which is a lease of land (“the arrangement”) is varied by the grant to the authority of a new lease of the same land for a term which extends beyond the expiry date of the arrangement, and
- (b) if the new lease were granted upon the expiry of the arrangement, the initial cost of the new lease would fall to be determined under regulation 29, 30 or 32,

the adjusted cost of the arrangement shall be nil.

Variation of lease where initial cost included consideration under earlier lease

49.—(1) In this regulation—

“preceding interest”, in relation to a relevant lease, means the earlier leasehold interest mentioned in regulation 35(2) or, as the case may be, paragraph (6)(b) of regulation 7 of the 1990 Regulations; and

“relevant lease” means a lease of which the initial cost was determined under regulation 35 or paragraph (6) of regulation 7 of the 1990 Regulations⁽¹⁾.

(2) Where a local authority agree to a variation of a credit arrangement which is a relevant lease, the adjusted cost of the lease shall be the aggregate of—

- (a) the amount which, apart from this regulation, would be the adjusted cost by virtue of regulation 47; and
- (b) the value of the consideration given by the authority in respect of the preceding interest.

Continuation of tenancy under Part II of the Landlord and Tenant Act 1954

50.—(1) In this regulation—

“the 1954 Act” means the Landlord and Tenant Act 1954⁽²⁾; and

“relevant lease” means a lease which creates a tenancy to which Part II of the 1954 Act (security for business and professional tenants) applies.

(2) Where a credit arrangement which is a relevant lease is varied by the continuation of the tenancy by virtue of section 24 of the 1954 Act (continuation of tenancies to which Part II applies and grant of new tenancies), the adjusted cost of the lease shall be an amount determined for the lease under regulation 47, or, where the initial cost of the lease was determined under regulation 35 or paragraph (6) of regulation 7 of the 1990 Regulations, under regulation 49.

Cost of arrangements at any time after variation

51. Where a local authority agree to a variation of a credit arrangement which is excluded from section 49(2), the cost of the arrangement at any time after the variation shall be the amount which would, in accordance with regulation 47, be the adjusted cost of the arrangement if the variation was made at the time in question, on the basis of an estimate made at that time and disregarding any consideration given by the authority in respect of the arrangement before that time.

(1) [S.I. 1990/432](#); paragraph (6) of regulation 7 was amended by [S.I. 1992/3257](#), [S.I. 1995/850](#), [S.I. 1996/568](#) and [S.I. 1996/2539](#).
(2) [1954 c. 56](#).