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STATUTORY INSTRUMENTS

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**1997 No. 319**

**The Local Authorities (Capital Finance) Regulations 1997**

**PART II**

**EXPENDITURE FOR CAPITAL PURPOSES**

*Expenditure to be expenditure for capital purposes*

**Issue of loan instruments**

2. Expenditure of a local authority which is incidental to the issue of a loan instrument shall be expenditure for capital purposes unless all of the payments or repayments required to be made by the authority in respect of the loan instrument are required to be made not later than one year after the loan instrument is issued.

**Building works**

3. Expenditure incurred by a local authority on the carrying out of works which are intended to—
- (a) increase substantially the thermal insulation of a building or part of a building,
  - (b) increase substantially the extent to which a building or part of a building can or will be used by a person aged 60 or over or a person who is a disabled person within the meaning given to that expression in section 114(6) (approval of applications to provide certain facilities for the disabled), or
  - (c) reduce substantially, in relation to a building or part of a building, the risk to persons in case of fire,

in so far as it is not expenditure for capital purposes by virtue of section 40(2) (capital purposes), shall be expenditure for capital purposes if it may be so regarded in accordance with proper practices.

**Advances and grants for building works**

4.—(1) In this regulation, “relevant expenditure” means expenditure incurred by a local authority on the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by that person on—

- (a) the carrying out of works such as are mentioned in regulation 3; or
- (b) the carrying out of works which are intended to increase substantially the extent to which a building or part of a building can or will be used for any purpose.

(2) Relevant expenditure incurred by a local authority, in so far as it is not expenditure for capital purposes by virtue of section 40(4), and is not expenditure on approved investments, shall be expenditure for capital purposes.

### **Repayment of grants by local authority**

5. Where a local authority are required to repay or make a payment in respect of any grant or other financial assistance made or given to them by a Minister of the Crown or Community institution towards expenditure for capital purposes, the expenditure incurred by the authority on making that repayment or payment shall be expenditure for capital purposes.

### **Housing disposal costs**

6. Where an amount in respect of interest is included in any instalment of a disposal cost payable by a local authority in accordance with regulation 3 of the Housing (Change of Landlord) (Payment of Disposal Cost by Instalments) Regulations 1990(1), the expenditure incurred by the authority on paying that interest shall be expenditure for capital purposes.

### **Computer programs**

7. Expenditure incurred by a local authority on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program, in so far as it is not expenditure for capital purposes by virtue of section 40(2), shall be expenditure for capital purposes if the authority acquire or prepare the program for use for a period of at least one year for any purpose relevant to their functions.

### **Expenditure under private finance transactions**

8.—(1) In this regulation, “private finance transaction” has the same meaning as in Part IV of these Regulations.

(2) Expenditure incurred by a local authority under a private finance transaction, in so far as it is not expenditure for capital purposes by virtue of section 40(2), shall be expenditure for capital purposes.

### *Expenditure not to be expenditure for capital purposes*

### **Financial assistance for officers**

9. Expenditure incurred by a local authority on the making of advances, grants or other financial assistance—

- (a) to an officer of the authority pursuant to the terms and conditions of his employment, or
- (b) in connection with the appointment of a person as an officer of the authority, to that person,

in so far as, apart from this regulation, it would be expenditure for capital purposes by virtue of section 40(4), shall not be expenditure for capital purposes.

### **Expenditure on certain investments**

10.—(1) In this regulation, “relevant amount” means any amount which—

- (a) is due to a local authority under an investment which is, or was at the time it was made, an approved investment under regulation 2(b) or (c) of the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990(2);

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(1) [S.I. 1990/1019](#). There are amendments which are not relevant to this regulation. Part IV of the Housing Act 1988, under which the Regulations were made, was repealed by section 222 of, and paragraph 1 of Part I of Schedule 18 to, the Housing Act 1996 (c. 52) subject to the savings contained in paragraph 12 of the Schedule to the Housing Act 1996 (Commencement No. 3 and Transitional Provisions) Order 1996 ([S.I. 1996/2402 \(C. 62\)](#)).

(2) [S.I. 1990/426](#); amended by [S.I. 1991/501](#) and [S.I. 1992/1353](#).

- (b) has become payable by the institution or building society with whom the investment was made (“the relevant body”) before the date on which the authority are entitled under the terms of the investment to require it to be repaid or redeemed; and
  - (c) has become payable by reason of a default or breach of covenant on the part of the relevant body in relation to the payment of the principal sum invested or interest.
- (2) Expenditure to which paragraph (3) applies, in so far as, apart from this regulation, it would be expenditure for capital purposes by virtue of section 40(4), shall not be expenditure for capital purposes.
- (3) This paragraph applies to expenditure incurred by a local authority on the making of an investment where—
- (a) a relevant amount has been paid to the authority;
  - (b) the authority apply the relevant amount to meet the expenditure; and
  - (c) the investment consists of a deposit made with, or any security or other instrument issued by, the institution or building society which has become liable to pay the relevant amount.