

**1987 No. 118**

**LOCAL GOVERNMENT, ENGLAND AND WALES**

**The Local Government Reorganisation (Capital Money)  
(Greater London) Order 1987**

<i>Made</i> - - - -	<i>2nd February 1987</i>
<i>Laid before Parliament</i>	<i>6th February 1987</i>
<i>Coming into force</i>	<i>27th February 1987</i>

The Secretary of State for the Environment, in exercise of the powers conferred upon him by sections 49, 77 and 101 of the Local Government Act 1985(a) and of all other powers enabling him in that behalf, hereby makes the following order:—

**PART I**

**Citation and commencement**

1. This Order may be cited as the Local Government Reorganisation (Capital Money) (Greater London) Order 1987 and shall come into force on 27th February 1987.

**Interpretation**

2.—(1) In this Order except where the context otherwise requires—

“the abolished council” means the Greater London Council;

“the 1985 Act” means the Local Government Act 1985;

“the 1980 Act” means the Local Government, Planning and Land Act 1980(b);

“direct capital receipts” means monies described in paragraph (2)(a);

“disposal” means disposal by operation of law or otherwise;

“education balances” means those transferred capital receipts which are not attributable to sums received by the abolished council from the disposal of land or other property or by way of repayment of grants and advances of a capital nature which remained unapplied immediately before 1st April 1986;

“housing advances” means sums advanced by the abolished council by way of loan for the purchase, construction, repair or improvement of dwellings;

“housing assets” means relevant land held by the abolished council for the purposes of section 92 of the Housing Act 1957(c);

“housing receipts” means those direct capital receipts which are attributable to the disposal of housing assets or the repayment of housing advances and grants for the purchase, construction, repair or improvement of dwellings;

“other property” means any vehicle, vessel, movable and immovable plant, machinery and apparatus;

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(a) 1985 c.51.

(b) 1980 c.65.

(c) 1957 c.56; the abolished council was a housing authority for the purposes of section 92 by virtue of section 21(4) of the London Government Act 1963 (c.33).

“reimbursable capital money” means capital money as defined in paragraph (2) which is payable by the Residuary Body to the Exchequer or to the European Commission by virtue of the relevant land, other property, grant or advance having been financed either in whole or in part by grants from the Exchequer or the Commission;

“relevant land” means any land other than—

- (a) land held as an investment of a superannuation fund maintained under regulations made under section 7 of the Superannuation Act 1972(a); and
- (b) land in respect of which a housing association is the mortgagor and the Residuary Body is the mortgagee;

“the rating authorities” means the rating authorities in Greater London other than The Temples;

“the Residuary Body” means the London Residuary Body;

“transferred capital receipts” means monies described in paragraph (2)(b).

(2) For the purposes of section 77 of the 1985 Act and this order, except article 9,

“capital money” means—

(a) money received by the Residuary Body—

- (i) which is attributable to the disposal of relevant land or other property by that Body;
- (ii) which is attributable to amounts left outstanding in accordance with section 9 of the Housing Act 1980(b) in connection with the disposal of housing assets by the abolished council; and
- (iii) by way of repayments of grants and advances of a capital nature; and

(b) such amount of the monies vested in the Residuary Body on the abolition date by virtue of section 62 of the 1985 Act as equals the aggregate of—

- (i) the net aggregate of those parts of the amounts shown as cash (whether credit or debit) in the accounts of the abolished council referred to in paragraph (3) for the financial year ended 31st March 1986, made up and balanced in accordance with regulation 6 of the Accounts and Audit Regulations 1983(c), which are attributable to the functions of the abolished council as a local education authority; and
- (ii) the amount shown as cash in the abolished council’s Supplies Reserve Fund for that financial year.

(3) The accounts referred to in paragraph (2)(b) are—

- (a) the Direct Labour Operation of the Architect’s Department Account;
- (b) the Inner London Education Authority Building and Equipment Renewal and Repair Fund;
- (c) the Insurance Fund;
- (d) the Insurance Reserve Fund;
- (e) the Mechanical and Electrical Engineering Maintenance Direct Labour Organisation Account; and
- (f) the Special No. 1 Precept Account.

(4) Where the amount vested as mentioned in paragraph (2)(b) is less than the aggregate of the amounts shown as cash in the accounts of the abolished council for the financial year ended 31st March 1986 the Residuary Body shall be deemed for the purposes of this order to have had vested in it under section 62 such additional sum as makes that amount equal to that aggregate.

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(a) 1972 c.11.

(b) 1980 c.51.

(c) S.I. 1983/1761, to which there are amendments not relevant to this order.

## PART II

### Interpretation

#### 3.—(1) In this Part—

“net capital residue” means the direct capital receipts of the Residuary Body in the financial year in question other than those receipts which are attributable to—

- (a) the disposal of relevant land or other property purchased by that Body; or
- (b) repayments of grants and advances of a capital nature in respect of—
  - (i) grants or advances made by that Body; and
  - (ii) grants or advances made to authorities to whom Part VIII of the 1980 Act applies or to the London Transport Executive,

less the amount payable in that year by way of reimbursable capital money.

(2) For the purposes of this Part, the population of the area of a rating authority shall be taken to be the number estimated by the Registrar General and certified by him to the Secretary of State by reference to the 30th June which falls 21 months before the beginning of the financial year in question.

### Additions to net capital receipts

4.—(1) For the purposes of section 72(3) of the 1980 Act, each rating authority's net capital receipts for each financial year commencing with the financial year beginning 1st April 1986 shall be treated as if they included an amount determined in accordance with the formula—

$$\frac{SA}{T} + \frac{YB}{Z} \quad \text{where—}$$

S equals the population of the area of the rating authority in question;

T equals the population of the area of all the rating authorities;

A equals that part of the net capital residue for the financial year in question which does not consist of housing receipts;

Y equals that part of the amount of prescribed expenditure first specified for that year in accordance with section 72(1) of the 1980 Act in relation to the rating authority in question which is referable to the Housing Investment Programme;

Z equals the aggregate of those parts of the amounts of prescribed expenditure so specified in relation to each of the rating authorities which are referable to the Housing Investment Programme; and

B equals that part of the net capital residue for that year which consists of housing receipts.

(2) For the purposes of section 72(3) of the 1980 Act, each rating authority's net capital receipts for the financial year ending 31st March 1987 shall be treated as if they included (in addition to any amount ascertained in accordance with paragraph (1)) an amount determined in accordance with the formula—

$$\frac{SC}{T} \quad \text{where—}$$

S and T have the same values as in paragraph (1) and C is an amount equal to that which, if the abolished council had been an authority to whom Part VIII of the 1980 Act applied,

- (a) would have been regarded as capital receipts for the purposes of that Part of that Act; and
- (b) immediately before 1st April 1986 remained unused for the purpose of authorising prescribed expenditure by that council,

less the amount which would have been attributable to the functions of the abolished council as a local education authority.

(3) For the purposes of section 72(3) of the 1980 Act, the net capital receipts of the Inner London Education Authority for the financial year ending 31st March 1987 shall be treated as if they included the amount last mentioned in paragraph (2).

(4) Regulations under sections 72(3)(d) and 75 of the 1980 Act apply in relation to amounts to be included in the net capital receipts of any authority by virtue of this article as they apply to other receipts of the authority.

## PART III

### Grant to The Trust for London

5. On or before 31st March 1987 the Residuary Body shall pay by way of grant to The Trust for London (an eligible charity for the purposes of section 49 of the 1985 Act) the sum of ten million pounds.

### Distribution of other capital money

6.—(1) In respect of each financial year commencing with the financial year beginning 1st April 1986 the Residuary Body shall pay to each rating authority an amount which shall be determined in accordance with the Schedule to this order.

(2) The Residuary Body shall pay to the Inner London Education Authority—

- (a) the transferred capital receipts; and
- (b) an amount which shall be calculated by applying to the transferred capital receipts the rate agreed between the Residuary Body and the Authority on 28th April 1986 as if those receipts were an amount of principal and the rate were a weekly rate of interest in respect of the period beginning on 1st April 1986 and ending on the day on which the payment required by subparagraph (a) is made.

## PART IV

### Administrative arrangements—notifications

7.—(1) Subject to paragraph (2), on or before 30th June and on or before 31st December in each financial year beginning with the financial year commencing 1st April 1986 the Residuary Body shall notify each rating authority of its estimate and revised estimate, respectively, of—

- (a) the amounts of capital money to be received in the current and next succeeding financial years;
- (b) the amounts to be paid to that authority in those years in accordance with this order;
- (c) the amounts which, in accordance with article 4(1), are to be treated as included in the authority's net capital receipts for those years; and
- (d) the classes of disposals and repayments to which the amounts referred to in subparagraph (c) relate.

(2) Paragraph (1) shall apply to the financial year ending 31st March 1987 with the omission of any reference to 30th June and revised estimates and with the substitution of 28th February for 31st December.

(3) On or before 28th February 1987 the Residuary Body shall notify each rating authority and the Inner London Education Authority of its estimate of the amount which, in accordance with article 4(2) and (3), respectively, is to be treated as included in the authority's net capital receipts and of the classes of disposals and repayments to which that amount relates.

(4) On or before 30th June in each financial year commencing with the financial year beginning 1st April 1987, the Residuary Body shall notify each rating authority of the amount determined for the preceding financial year in accordance with article 4(1) for that authority and on or before 30th June 1987 that Body shall notify each rating authority and the Inner London Education Authority of the amount determined in its case for the preceding financial year in accordance with article 4(2) and (3), respectively, together with an indication of the classes of disposals and repayments to which that amount relates.

(5) At the same time as it notifies an authority of any of the matters referred to in paragraphs (1), (3) and (4) the Residuary Body shall send a copy of such notification to the Secretary of State.

(6) For the purposes of paragraphs (1), (3) and (4), disposals and repayments shall be classified in accordance with Schedule 1 to the Local Government (Prescribed Expenditure) Regulations 1983(a),

#### **Administrative arrangements—distribution of capital money**

8.—(1) The payment required by article 6(2) shall be made no later than 28 days after the date upon which the accounts of the abolished council for the financial year ended 31st March 1986 are made up and balanced in accordance with regulation 6 of the Accounts and Audit Regulations 1983 or 14 days after this order comes into force, whichever is the later.

(2) The Residuary Body shall notify the Inner London Education Authority of the amount of the parts of that payment which are referable to the education balances and to the amount referred to in article 6(2)(b) and shall send a copy of such notification to the Secretary of State.

(3) Within seven days of making any payment in accordance with article 6(2), the Residuary Body shall notify the Secretary of State of the amount paid.

(4) The Residuary Body shall use its best endeavours to secure that payments required by article 6(1) are made on or before the last day of the financial year in question. Any part of a payment not so made (“the residual amount”) shall be paid no later than 30th June in the next financial year.

(5) Residual amounts shall be deemed to vest in the rating authority entitled to them on the last day of the financial year in question and shall thereafter be regarded as interest-free loans to the Residuary Body by the relevant rating authorities.

(6) On or before 1st July in each financial year commencing with the financial year beginning 1st April 1987 the Residuary Body shall notify the Secretary of State of the amounts paid in respect of the preceding financial year by virtue of article 6(1).

#### **Application of capital money**

9.—(1) Subject to paragraph (2), money received by an authority by virtue of this order shall be applied for any purpose for which capital money received by a local authority on the disposal of land under Part VII of the Local Government Act 1972(b) may properly be applied.

(2) The education balances and the amount referred to in article 6(2)(b) shall be carried to the general fund kept by the Inner London Education Authority in accordance with section 72(1) of the 1985 Act.

2nd February 1987

*Nicholas Ridley,*  
Secretary of State for the Environment

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(a) S.I. 1983/296; Schedule 1 was substituted by S.I. 1985/257.  
(b) 1972 c.70.

## SCHEDULE

Article 6(1)

### Formula for determining payments to be made by the Residuary Body

The formula for each financial year commencing with the financial year beginning 1st April 1986 is—

$$\frac{PY}{Z} + \frac{RS}{T} \quad \text{where—}$$

P is ascertained by applying the formula—

$$E - \frac{GH}{J} \quad \text{where—}$$

E is an amount equal to the housing receipts for the financial year in question, less—

- (a) the amount which is attributable to the repayment of housing advances, other than reimbursable capital money;
- (b) an amount equal to that part of the reimbursable capital money received in that year which is attributable to housing receipts;
- (c) an amount equal to the expenditure incurred by the Residuary Body in that year for facilitating the disposal of housing assets; and
- (d) an amount equal to the loans outstanding immediately before the first day of that year which that Body had raised for the purpose of financing expenditure incurred by them for facilitating the disposal of housing assets;

G is the amount paid in that year by virtue of article 5;

H is an amount equal to the housing receipts for that year which are attributable to the disposal of housing assets; and

J is an amount equal to the direct capital receipts for that year which are attributable to the disposal of relevant land;

R is ascertained by applying the formula—

$$F - \frac{GK}{J} \quad \text{where—}$$

F is an amount equal to the direct capital receipts for that year which are not housing receipts, less—

- (a) the amount which is attributable to the repayment of the advances referred to in article 2(2)(a)(ii) which are not housing advances, other than reimbursable capital money;
- (b) an amount equal to that part of the reimbursable capital money received in that year which is not attributable to housing receipts;
- (c) an amount equal to the expenditure incurred by the Residuary Body in that year for facilitating the disposal of other property and relevant land other than housing assets; and
- (d) an amount equal to the loans outstanding immediately before the first day of that year which that Body had raised for the purpose of financing expenditure incurred by them for facilitating the disposal of other property and relevant land other than housing assets;

K is an amount equal to the direct capital receipts for that year which are attributable to the disposal of relevant land but which are not housing receipts; and

Y, Z, S and T have the same meanings as in article 4:

Provided that—

- (a) if P is less than zero but R is greater than zero the formula shall be—

$$\frac{(P+R) S}{T};$$

- (b) if R is less than zero but P is greater than zero the formula shall be—

$$\frac{(P+R) Y}{Z}; \text{ and}$$

- (c) if both P and R are zero or less than zero or if the application of either of the formulae specified in subparagraphs (a) and (b) produces a negative result the Residuary Body shall not make any payment to the rating authorities under article 6(1).

## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order is primarily concerned with the distribution of capital receipts by the London Residuary Body to rating authorities in Greater London following the abolition of the Greater London Council: and with the enhancement of capital spending power under Part VIII of the Local Government, Planning and Land Act 1980 on account of such receipts. It also provides for the making of a grant to The Trust for London and for the transfer to the Inner London Education Authority of certain sums held by the abolished council.

Part I of the order defines terms used in the order. In particular, "capital money" is defined for the purposes of section 77 of the Local Government Act 1985 and the order.

Part II provides for notional additions to the net capital receipts of rating authorities (other than The Temples) and the Inner London Education Authority for the purposes of section 72(3) of the 1980 Act, to authorise further capital expenditure. For the financial year beginning on 1st April 1986 and subsequent years, the additions are based on the amounts derived from the disposal by the London Residuary Body of certain land and other property which it inherited on abolition and from the repayment to it of certain grants and advances of a capital nature but do not include amounts payable to the Exchequer or the European Commission by way of reimbursement of grant. For the financial year 1986/87 the additions also include amounts based on the capital receipts of the Greater London Council which had not been used before 1st April 1986.

Part III of the order provides for the making of a grant of £10 millions to The Trust for London and for the payment to the Inner London Education Authority of an amount which represents the part of the Greater London Councils' revenue balances and unapplied capital receipts at the abolition date which is attributable to its functions as a local education authority. Receipts of the Residuary Body from the disposal of certain land and other property are to be passed to the rating authorities in accordance with a formula which is contained in the Schedule to the order. The formula permits the Residuary Body to retain amounts which reflect its expenditure on facilitating disposals and on financing loans raised for that purpose; and amounts payable to the Exchequer or the European Commission by way of reimbursement of grant.

Part IV of the order requires the Residuary Body to notify the rating authorities, the Inner London Education Authority and the Secretary of State of the amounts, both notional and actual, which are likely to be available for distribution and which are, in fact, distributed. The Residuary Body is required to use its best endeavours to secure that payments to the rating authorities are made on or before the last day of the financial year in question. To the extent that payments are not so made, they are treated as interest-free loans from the rating authorities to the Residuary Body.

The rating authorities are required to use money received under the order for purposes for which they may use capital money which they have received on the disposal of land under Part VII of the Local Government Act 1972. Some of the money received by the Inner London Education Authority under the order is to be used for those purposes; the rest is to be carried to its general fund.