

1986 No. 2063

LOCAL GOVERNMENT, ENGLAND AND WALES

**The Local Government Reorganisation (Capital Money)
(Metropolitan Counties) Order 1986**

<i>Made</i>	- - - -	28th November 1986
<i>Laid before Parliament</i>		5th December 1986
<i>Coming into Operation</i>		30th December 1986

The Secretary of State for the Environment, in exercise of the powers conferred upon him by sections 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, commencement and extent

1.— (1) This order may be cited as the Local Government Reorganisation (Capital Money) (Metropolitan Counties) Order 1986 and shall come into operation on 30th December 1986.

(2) This order applies to the metropolitan counties other than the Metropolitan County of West Midlands.

Interpretation

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

“the abolished council” in relation to a metropolitan county means the metropolitan county council which existed for that area immediately before 1st April 1986;

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

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

“compensation payments” means any payment made under Part VI of the Employment Protection (Consolidation) Act 1978(c), an order under section

(a) 1985 c.51.

(b) 1980 c.65.

(c) 1978 c.44.

2 of the Pensions (Increase) Act 1971(a), an order under section 59 of the Social Security Pensions Act 1975(b), the Local Government Reorganisation (Compensation) Regulations 1986(c) or the Local Government Reorganisation (Reduction of Redundancy Payment Cases) Scheme 1986(d) or made in satisfaction of contractual rights saved by section 53(3) of the 1985 Act; but excluding any part of any such payment which is recoverable from any person other than the recipient;

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

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

“non-reckonable capital money” means capital money which has been applied for the purpose of making compensation payments;

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

“police receipts” means that part of the monies described in paragraph (2)(b) which is attributable to the functions of the abolished council as a police authority;

“prescribed expenditure” shall be construed in accordance with Schedule 12 to the 1980 Act;

“reimbursable capital money” means capital money as defined in paragraph (2) which is payable by the Residuary Body to the Exchequer or 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 land other than land held for any of the purposes of the Superannuation Act 1972(e);

“the rating authorities” means the rating authorities in the relevant metropolitan county;

“the Residuary Body” in relation to a metropolitan county means the Residuary Body for that area;

“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) from the disposal of relevant land or other property by that Body; and

(ii) 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 outstanding capital balance of the abolished council, that is to say, the amount shown in the accounts of the council for the financial

(a) 1971 c.56; section 2 was repealed by section 65(3) of the Social Security Pensions Act 1975 but without prejudice to any existing order made under section 2.

(b) 1975 c.60.

(c) S.I. 1986/151.

(d) Made under section 59(3) of the Local Government Act 1985.

(e) 1972 c.11.

year ended 31st March 1986, made up and balanced in accordance with regulation 6 of the Accounts and Audit Regulations 1983(a), as attributable to sums received by that council from the disposal of land or other property and by way of repayment of grants and advances of a capital nature which remained unapplied immediately before 1st April 1986.

(3) Where the amount vested as mentioned in paragraph (2)(b) is less than the outstanding capital balance of the abolished council 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 balance.

PART II

Interpretation

3.— (1) In this Part—

“appropriate proportion” means a proportion equal to the proportion which the population of the area of the rating authority in question bears to the population of the area of all the rating authorities;

“net capital residue” means the direct capital receipts of the Residuary Body in the financial year in question other than—

- (a) from the disposal by that Body of relevant land and other property purchased by that Body; and
- (b) by way of 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 Passenger Transport Executives,

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

(2) For the purposes of this Part, the population of an area 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 relevant financial year.

Additions to net capital receipts

4.— (1) Subject to paragraph (3), for the purposes of section 72(3) of the 1980 Act the net capital receipts of each rating authority for the financial year beginning 1st April 1987 and all subsequent years shall be treated as if they included the appropriate proportion of that part of the net capital residue for that year which remains after the deduction of—

- (a) the amount of non-reckonable capital money applied in that year; and
- (b) an amount equal to the loans outstanding immediately before the first day of that year which the Residuary Body had raised for the purpose

(a) S.I. 1983/1761.

of financing expenditure incurred by them in making compensation payments.

(2) Subject to paragraph (3), for the purposes of section 72(3) of the 1980 Act the net capital receipts of each rating authority for the financial year ending 31st March 1987 shall be deemed to include the appropriate proportion of an amount equal to the aggregate of—

- (a) the amount which, but for the 1985 Act, would have been carried forward by the abolished council on 1st April 1986 as the balance of its capital receipts for the purposes of Part VIII of the 1980 Act; and
- (b) the net capital residue for that year,

less the amount of non-reckonable capital money applied in that year.

(3) The preceding paragraphs of this article have no application in relation to a rating authority for a financial year when the appropriate proportion for the authority would be a negative amount.

(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 rating authority by virtue of this article as they apply to other receipts of such an authority.

PART III

Interpretation

5.— (1) In this Part—

“distributable capital money” means the direct capital receipts of the Residuary Body in the financial year in question other than repayments of advances of a capital nature, less—

- (a) the amount payable in that year by way of reimbursable capital money;
- (b) the expenditure incurred by that Body in that year for facilitating the disposal of any land or other property;
- (c) an amount equal to the amount of non-reckonable capital money applied in that year; 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—
 - (i) for facilitating the disposal of relevant land and other property; and
 - (ii) in making compensation payments.

(2) For the purposes of this Part, “appropriate proportion” shall be construed in accordance with article 3.

Distribution of capital money

6.— (1) Subject to paragraph (4) and article 8, in each financial year commencing with the financial year beginning 1st April 1986, the Residuary Body shall pay to each rating authority the appropriate proportion of the distributable capital money for that year.

(2) Subject to paragraph (4), in respect of the financial year ending 31st March 1987, the Residuary Body shall pay to each rating authority, in addition to any amount payable in accordance with paragraph (1), the appropriate proportion of the transferred capital receipts other than the police receipts.

(3) The Residuary Body shall pay the police receipts (if any) to the police authority established by section 24 of the 1985 Act.

(4) The preceding paragraphs of this article have no application in relation to a rating authority for a financial year when the appropriate proportion for the authority would be a negative amount.

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, 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 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 sub-paragraph (c) relate.

(2) In relation to the financial year ending 31st March 1987 paragraph (1) shall have effect with the omission of any reference to 30th June and revised estimates.

(3) 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 actual amount which, in accordance with article 4, is to be treated as included in the authority's net capital receipts in the preceding financial year and shall indicate the classes of disposals and repayments to which that amount relates.

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

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

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

Administrative arrangements—distribution of capital money

8.— (1) The payment required by article 6(2) and (3) shall be made no later than 28 days after the date upon which the accounts of the abolished council are made up and balanced in accordance with the Accounts and Audit Regulations 1983 or 14 days after this order comes into operation, whichever is the later.

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

(3) 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.

(4) 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.

(5) 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. 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(a) may properly be applied.

28th November 1986.

Nicholas Ridley,
Secretary of State for the Environment.

(a) 1972 c.70.

EXPLANATORY NOTE

(This Note is not part of the Order.)

This order is concerned with the distribution of capital receipts by residuary bodies to authorities in metropolitan counties (other than the West Midlands) following the abolition of metropolitan county councils: 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.

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 for the purposes of section 72(3) of the 1980 Act, to authorise further capital expenditure. For the financial year beginning on 1st April 1987 and subsequent years, the additions are equal to the amounts derived from the disposal by the relevant residuary body of land and other property which they inherited on abolition and from the repayment to it of certain grants and advances of a capital nature. For the financial year 1986-87, the additions also include amounts based on the capital receipts of the abolished council which had not been used before 1st April 1986.

Part III of the order provides for the distribution, in cash, of the amount shown in the accounts of the abolished authorities as their unapplied capital receipts at the abolition date. Those amounts which are attributable to the functions of the abolished councils as police authorities pass to the police authorities established by section 24 of the Local Government Act 1985. Other amounts pass to the rating authorities in the county pro rata to population. Receipts of residuary bodies from the disposal of land or other property inherited from the abolished councils are to be passed on to the rating authorities on the same basis but with some deductions. These deductions will reflect expenditure by the residuary body on facilitating disposals and on making statutory compensation payments; the unrepaid amount of loans to the residuary body to finance such payments and for facilitating disposals; and amounts payable to the Exchequer or the European Commission by way of reimbursement of grant.

Part IV of the order requires the residuary bodies to notify the rating authorities 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 bodies are required to use their best endeavours to secure that payments 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 bodies.

Authorities who receive money under the order are required to use it 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.

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