

## STATUTORY INSTRUMENTS

1986 No. 436

## LOCAL GOVERNMENT, ENGLAND AND WALES

**The Local Government Reorganisation (Repayment of Loans)  
(Merseyside) Order 1986**

<i>Made - - - -</i>	<i>7th March 1986</i>
<i>Laid before Parliament</i>	<i>11th March 1986</i>
<i>Coming into Operation</i>	<i>1st April 1986</i>

The Secretary of State for the Environment, in exercise of the powers conferred upon him by section 58(2) of the Local Government Act 1985 (a) and of all other powers enabling him in that behalf, hereby makes the following order:

*Citation and Commencement*

1. This order may be cited as the Local Government Reorganisation (Repayment of Loans) (Merseyside) Order 1986 and shall come into operation on 1st April 1986.

*Interpretation*

2. In this order, unless the context otherwise requires—

“the abolished council” means the Merseyside Metropolitan County Council;

“the Act” means the Local Government Act 1985;

“deemed borrowing” means the amount which, in accordance with article 3 of this order, a relevant authority shall be deemed to have borrowed from the Merseyside Residuary Body;

“early repayment” means a repayment under article 7(1) of this order;

“repayment period” means the period determined in accordance with article 4(1) of this order.

*Amount of deemed borrowing*

3.—(1) The amount which each relevant authority shall be deemed to have borrowed from the Merseyside Residuary Body on 1st April 1986 shall be determined in accordance with this article.

(2) The deemed borrowing of the Merseyside Police Authority, the Merseyside Passenger Transport Authority and the Merseyside Fire and Civil Defence Authority shall be an amount equal to the loan debt outstanding immediately before 1st April 1986 which, but for the Act, would have become due on or after that date to the consolidated loans fund of the abolished council and which, as shown in that council's accounts for the financial year

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(a) 1985 c.51.

ended 31st March 1986, is attributable to the functions for which the Authority in question is to be responsible.

(3) The deemed borrowing of every other relevant authority, (the rating authorities) shall be calculated by the application of the formula—

$$\frac{Y}{Z}[(A - B) - (C + D)]$$

where—

A equals the total liability of the Merseyside Residuary Body under section 58(1) of the Act at 1st April 1986;

B equals the amount which is shown in the accounts of the abolished council as liabilities outstanding immediately before 1st April 1986 attributable to temporary borrowing for revenue purposes under paragraph 10(1)(a) of Schedule 13 to the Local Government Act 1972(a);

C equals the total of the deemed borrowing of the Authorities mentioned in paragraph (2);

D equals that part of the sums which the abolished council has advanced by way of loan which remains unpaid immediately before 1st April 1986;

Y equals the population of the area of the rating authority whose deemed borrowing is being calculated; and

Z equals the total population of the area of all the rating authorities in the county.

(4) For the purposes of paragraph (3), 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 30th June 1984.

#### *Repayment of Principal*

4.—(1) Every relevant authority shall discharge its liability to the Merseyside Residuary Body in respect of its deemed borrowing by making repayments of principal over a repayment period which shall be a number of years, commencing with the financial year beginning 1st April 1986, which shall be either 40 years or, if less, the number of years which is equal to the amount ascertained by rounding up to the next whole number the amount given by the application of the formula specified in paragraph (2).

(2) The formula specified for the purpose of paragraph (1) is—

$$\frac{3K + L}{4P}$$

Where—

K equals the total amount of principal, excluding any amount relating to sums advanced by the abolished council by way of loan, outstanding immediately before 1st April 1985 and which, but for the Act, would have become due on or after that date to the consolidated loans fund of the abolished council, as shown in that council's accounts for the financial year ended 31st March 1985;

L equals the total amount of principal, excluding any amount relating to sums advanced by the abolished council by way of loan, outstanding immediately before 1st April 1986 and which, but for the Act, would have become due on or after that date to the consolidated loans fund of the abolished council, as

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(a) 1972 c.70.

shown in that council's accounts for the financial year ended 31st March 1986; and

P equals the amounts of the repayments of principal, other than repayments relating to sums advanced by the abolished council by way of loan, which were payable to the consolidated loans fund of the abolished council during the financial year ended 31st March 1986.

(3) Subject to article 7 (early repayment), the amount of principal which is to be paid by a relevant authority in each financial year of the repayment period shall be calculated by dividing the amount of that authority's deemed borrowing by the number of years in that period.

#### *Payment of interest*

5.—(1) In each financial year commencing with the financial year beginning 1st April 1986 a relevant authority shall pay interest on its deemed borrowing at an annual rate to be determined each year by dividing the interest payable by the Merseyside Residuary Body for that year in connection with the liabilities vested in it under section 58(1) of the Act (other than liabilities attributable to temporary borrowing for revenue purposes) by the sum of;

- (a) the total of the relevant authorities' current deemed borrowing; and
- (b) the residue referred to in paragraph (2)(b);

and the figure so determined shall be the rate for that year.

(2) For the purpose of this article—

- (a) a relevant authority's current deemed borrowing shall be ascertained by adding together the amounts of its unpaid deemed borrowing on the first day of each month of the financial year and dividing the aggregate by 12; and
- (b) the residue referred to in paragraph (1)(b) is  $\frac{1}{12}$ th of the sum of those parts of the amounts advanced by the abolished council by way of loan which remain unpaid on the 15th day of each month of the financial year.

#### *Administrative arrangements*

6.—(1) On or before 31st January in each year the Merseyside Residuary Body shall notify each relevant authority of its estimate of the interest rate which is to apply in the next financial year and of its revised estimate of the interest rate in respect of the current financial year: provided that, in respect of the financial year ending 31st March 1987, the Merseyside Residuary Body shall notify each relevant authority on or before 31st July 1986 of its estimate of the interest rate which is to apply in that year.

(2) On 30th September in each year each relevant authority shall pay to the Merseyside Residuary Body one half of the principal repayment for that financial year and an amount of interest which shall be calculated by multiplying by  $\frac{1}{12}$ th of the estimated interest rate the sum of the amounts of its deemed borrowing which were unpaid on the first day of each of the first six months of that financial year.

(3) On 31st March in each year each relevant authority shall pay to the Merseyside Residuary Body the second half of the principal repayment for the financial year then ending and an amount of interest which shall be calculated by multiplying by  $\frac{1}{12}$ th of the revised estimated interest rate the sum of the amounts of its deemed borrowing which were unpaid on the first day of each of the last six months of that financial year.

(4) On 31st March in each year each relevant authority shall pay to the Merseyside Residuary Body in addition to the payment required under paragraph (3), or receive from that Body, as the case may be, the amount of any difference between the amount payable by the authority under paragraph (2) and the amount which would have been payable if the revised estimated interest rate had applied.

(5) On or before 31st July in each year commencing with the financial year beginning 1st April 1987 the Merseyside Residuary Body shall notify each relevant authority of the actual interest rate for the preceding financial year. Any difference between the amount received by the Merseyside Residuary Body from a relevant authority and the amount due by reference to the actual interest rate shall be settled by a payment by the relevant authority or the Body, as the case may be, on 30th September.

*Early repayment*

7.—(1) A relevant authority may repay the whole or any part of the principal sum outstanding in respect of its deemed borrowing after giving to the Merseyside Residuary Body at least 60 days' notice in writing of its intention to do so.

(2) Where a relevant authority makes an early repayment, the amount of principal which it is to repay in each financial year commencing with the year after that in which the early repayment is made shall be re-calculated by dividing the amount of its deemed borrowing outstanding at the end of the day on which the early repayment was made by a figure which represents the whole number of years and any fraction of a year after that day until the end of the repayment period.

(3) In the remainder of the financial year after the day on which an early repayment is made, the amount of principal repayable by the authority which has made the early repayment shall be the difference between the amount of its deemed borrowing outstanding at the end of that day and the total of the payments for later years as calculated in accordance with paragraph (2), payable as a single sum on 31st March or, where the early repayment is made before 30th September, in two equal instalments on that day and 31st March.

(4) Article 6 shall not apply to repayments of principal to which paragraph (3) applies.

*Kenneth Baker,*  
Secretary of State  
for the Environment.

7th March 1986.

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EXPLANATORY NOTE

*(This Note is not part of the Order.)*

On 1st April 1986 the Merseyside Residuary Body will inherit from the Merseyside Metropolitan County Council liabilities in respect of money borrowed by that council.

This order defines the amounts which are to be paid to the Merseyside Residuary Body by the district councils within the metropolitan county and by the Merseyside Police Authority, the Merseyside Passenger Transport Authority and the Merseyside Fire and Civil Defence Authority, (referred to as the "relevant authorities") for the purpose of enabling that Body to discharge those liabilities (article 3). The order makes arrangements for the repayment of principal (article 4), the payment of interest (article 5), for administration (article 6) and for early repayment (article 7).

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