STATUTORY INSTRUMENTS

1986 No. 437

LOCAL GOVERNMENT, ENGLAND AND WALES

The Local Government Reorganisation (Debt Administration) (South Yorkshire) Order 1986

Made - - - - -	*7th March* 1986
Laid before Parliament	*11th March* 1986
Coming into Operation	*1st April* 1986

The Secretary of State for the Environment, in exercise of the powers conferred upon him by section 66(1) of the Local Government Act 1985**(a)** and of all other powers enabling him in that behalf, on the application of the councils of the districts in the metropolitan county of South Yorkshire, hereby makes the following order—

Citation and commencement

1. This order may be cited as the Local Government Reorganisation (Debt Administration) (South Yorkshire) Order 1986 and shall come into operation on 1st April 1986.

Interpretation

2. In this order—

"the Act" means the Local Government Act 1985,

"deemed borrowing" means the sum which, in accordance with article 4 of this order, a relevant authority is deemed to have borrowed from the designated council;

"designated council" means the Council of the Metropolitan Borough of Rotherham;

"early repayment" means a repayment under article 10(1) of this order;

"the fund" means the metropolitan debt administration fund which the designated council is required to establish by article 6(1) of this order;

"relevant authority" has the same meaning as in section 58(4)(*b*) of the Act, except that it does not include the designated council;

"repayment period" means the period specified in article 7(1) of this order.

Discharge of certain residuary functions by the designated council

3.—(1) The rights and liabilities of the South Yorkshire Metropolitan County Council in respect of money borrowed by that council, other than

(a) 1985 c. 51.

money borrowed temporarily for revenue purposes under paragraph 10(1)(*a*) of Schedule 13 to the Local Government Act 1972**(a)**, which would otherwise be vested in, or fall to be discharged by, the South Yorkshire Residuary Body by virtue of section 58(1) of the Act (repayment of loans), shall, as to the rights, be vested in the designated council on 1st April 1986 and shall, as to the liabilities, be discharged after that date by the designated council.

(2) The liabilities (both as respects principal and interest) which fall to be discharged by the designated council in accordance with paragraph (1) shall be charged on the revenues of the designated council.

Amount of deemed borrowing

4.—(1) For the purpose of providing the designated council with revenues to discharge the liabilities specified in article 3(1), each relevant authority shall be deemed to have borrowed from the designated council on 1st April 1986 a sum which shall be determined in accordance with this article.

(2) The deemed borrowing of the South Yorkshire Police Authority, the South Yorkshire Passenger Transport Authority and the South Yorkshire 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 South Yorkshire Metropolitan County Council and which, as shown in that council's accounts for the financial year ended 31st March 1986, is attributable to the functions for which the Authority in question is to be responsible.

(3) The deemed borrowing of each relevant authority, other than those specified in paragraph (2), shall be calculated by deducting from the amount of the liabilities which fall to be discharged by the designated council by virtue of article 3(1) the sum of the amounts determined in accordance with paragraph (2) and apportioning the resultant amount among the designated council and the relevant authorities, other than those specified in paragraph (2), in proportion to the populations of their respective areas.

(4) For the purposes of paragraph (3), the population of the area of the designated council or of a relevant 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 30th June 1984.

Designated council's transferred debt

5. The amount which is apportioned to the designated council under article 4(3) shall be referred to as that council's transferred debt.

The metropolitan debt administration fund

6.—(1) The designated council shall on 1st April 1986 establish and thereafter operate a loans fund which shall be called "the metropolitan debt administration fund".

(2) The fund shall be used for—

(*a*) defraying any expenditure which falls to be met by the designated council by virtue of this order; and

(a) 1972 c. 70.

(*b*) the repayment or redemption of debt connected with the liabilities which fall to be discharged by the designated council by virtue of article 3(1).

(3) For the purposes of paragraph (2)(*a*), "expenditure" includes the administrative expenses of the designated council which are properly incurred in the performance of the duties which are imposed upon it by this order.

Repayment of principal

7.—(1) Subject to article 10 (early repayment), a relevant authority shall discharge its liability to the designated council in respect of its deemed borrowing by making repayments of principal to the designated council over a repayment period of 35 years commencing with the financial year beginning 1st April 1986.

(2) The amount of principal which is to be repaid by a relevant authority in each financial year of the repayment period shall be calculated annually by applying the formula specified in the Schedule to this order.

(3) The designated council shall pay into the fund all repayments of principal which it has received under paragraph (1) and it shall also pay into that fund amounts equal to the repayments of principal which it would have made if it had been a relevant authority and if its transferred debt had been the deemed borrowing of that authority.

Payment of interest

8.—(1) In each financial year a relevant authority shall pay to the designated council interest on its deemed borrowing at an annual rate which shall be calculated annually by dividing an amount equal to the sum of—

(*a*) the interest payable for the financial year by the designated council out of the fund; and

(*b*) the administrative expenses properly payable by the designated council for that year out of that fund;

less any interest, other than interest payable by virtue of this paragraph or paragraph (3), payable for the financial year into the fund,

by the sum of the total of the relevant authorities' current deemed borrowing and the designated council's current transferred debt.

(2) For the purposes of paragraph (1) the current deemed borrowing of a relevant authority and the current transferred debt of the designated council shall be ascertained by dividing by 12 the sum of its deemed borrowing or, as the case may be, its transferred debt, which is unpaid or outstanding, respectively, on the first day of each month of the financial year.

(3) The designated council shall pay into the fund all payments of interest which it receives under paragraph (1) and it shall also pay into that fund amounts equal to the payments of interest which it would have made if it had been a relevant authority and if its transferred debt had been the deemed borrowing of that authority.

Administrative arrangements

9.—(1) On or before 10th February in each year the designated council shall notify each relevant authority of its estimate of the interest rate which is to apply in the next financial year: provided that, in respect of the financial year ending 31st March 1987, the designated council shall notify each relevant authority on or before 31st May 1986 of its estimate of the interest rate which is to apply in that year.

(2) On 30th June in each year each relevant authority shall pay to the designated council one half of the principal repayment for that financial year and an amount of interest which shall be calculated by multiplying by 1/12th 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 three months of that financial year.

(3) On or before 10th December in each year the designated council shall notify each relevant authority of its revised estimate of the interest rate in respect of the current financial year.

(4) On 31st December in each year each relevant authority shall pay to the designated council one half of the principal repayment for that financial year and an amount of interest which shall be calculated by multiplying by 1/12th of the revised estimated interest rate the aggregate of—

(*a*) the sum of the amounts of its deemed borrowing which were unpaid on the first day of each of the six months beginning on 1st July and ending on 31st December; and

(*b*) the sum of the amounts of its deemed borrowing which it is estimated will be unpaid on the first day of each of the last three months of the financial year.

(5) On 31st December in each year each relevant authority shall pay to the designated council, in addition to the payment required under paragraph (4) or shall receive from that council, as the case may be, the amount of any difference between the amount paid by the authority to that council on 30th June under paragraph (2) and the amount which the authority would then have paid if the revised estimated interest rate had applied.

(6) On or before 31st May in each year commencing with the financial year beginning 1st April 1987 the designated council shall notify each relevant authority of the actual interest rate for the preceding financial year. Any difference between the amounts received by the designated council during the preceding financial year and the amounts which that council would have received if the actual interest rate had then applied shall be paid by the relevant authority to that council or, as the case may be, by that council to the relevant authority, on 30th June.

(7) Paragraphs (2) and (4) shall apply to payments which the designated council is required to make by virtue of articles 7(3) and 8(3) as if those payments were repayments of principal and payments of interest made by a relevant authority.

(8) Paragraphs (5) and (6) shall apply in relation to the payment to or by the designated council of the amount of any difference between the amounts paid by that council under paragraphs (2) and (4) and the amounts which that council would have paid if the revised estimated or actual interest rates had applied as they apply to payments to or by a relevant authority.

Early repayment

10.—(1) A relevant authority may repay the whole or any part of the principal sum outstanding in respect of its deemed borrowing at any time during the repayment period after giving to the designated council at least 30 days' notice in writing of its intention to do so.

(2) The designated council may at any time discharge its transferred debt either wholly or in part.

Power to borrow

11. Without prejudice to their other borrowing powers, the designated council and a relevant authority may, during the period within which they are required to discharge their liabilities under this order, borrow money for the purpose of discharging those liabilities.

Article 7(2) SCHEDULE

Formula for calculating repayments of principal

The formula specified for the purposes of article 7(2) is:

$$\frac{Pr}{(1+r)^n - 1} \quad \text{where}$$

P is the amount of the deemed borrowing of a relevant authority or, as the case may be, the transferred debt of the designated council which is unpaid or outstanding, respectively, at the end of the last day of the preceding financial year or, in respect of the financial year ending 31st March 1987, the first day of that year;

r is a rate of 10%; and

n is the repayment period or, in relation to years after the financial year ending 31st March 1987, the residue of that period.

Kenneth Baker,
Secretary of State for
the Environment.

7th March 1986.

EXPLANATORY NOTE

(This Note is not part of the Order.)

This order transfers to the Rotherham Metropolitan Borough Council ("the designated council") the rights and liabilities of the South Yorkshire Metropolitan County Council in respect of money borrowed (other than money borrowed temporarily for revenue purposes) which would otherwise have been transferred to the South Yorkshire Residuary Body (article 3).

It defines the sums which are to be paid to the designated council by the other district councils within the metropolitan county and by the Police, Passenger Transport and Fire and Civil Defence Authorities within that county, for the purpose of enabling the designated council to discharge those liabilities (article 4). It also provides for part of those liabilities to be met by the designated council itself (article 5). Payments of principal and interest are to be made over 35 years.

The designated council is required to establish a metropolitan debt administration fund and is empowered to recover the administrative expenses which it incurs in performance of the duties imposed by the order (article 6).

The order also makes consequential administrative arrangements (articles 7-10).

The designated council, the other district councils and the Authorities are empowered to borrow money to discharge their liabilities (article 11).

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