

SCHEDULE

Articles 14, 15 and 16

TRANSITIONAL PAYMENTS

Calculations by Designated Authorities

1.—(1) In this Schedule—

“the participant authority” means the participant authority in relation to which calculations are being made in accordance with this Schedule;

“relevant area”, in relation to the participant authority, means any area which, immediately before the reorganisation date, was the whole or part of the area of the relevant authority and which, on and after that date, is the whole or part of the area of the participant authority (whether or not it was also the whole or part of that authority’s area immediately before that date);

“relevant capital receipts” means the usable part of capital receipts (within the meaning of Part IV of the 1989 Act) which has not been applied as mentioned in section 60(2) of that Act;

“relevant provision” means any amount set aside by the relevant authority as mentioned in section 41(3)(b) of the 1989 Act (other than an amount set aside in respect of debts owed to the authority or stocks) and not used before the reorganisation date; and

“transferred”, in relation to any property, rights or liabilities, means transferred by virtue of a provision of Part II of these Regulations, a determination under regulation 19 or a provision of any other relevant instrument.

(2) In this Schedule—

(a) any reference to property does not include property held by an authority, as sole trustee, exclusively for charitable purposes and any reference to rights or liabilities does not include rights or liabilities in respect of such property;

(b) any reference to an item in the final accounts, or its book value or net book value, is a reference to the item, or its book value or net book value, on the day immediately before the reorganisation date as shown in the final accounts;

(c) in the case of a relevant authority which is a relinquishing authority in relation to a transferred area and a billing authority (within the meaning of the 1992 Act), any reference to an item in the final accounts does not include any item which relates to the collection fund maintained by the authority pursuant to section 89 of the Local Government Finance Act 1988⁽¹⁾;

(d) any reference to the item of account which relates to debts owed by the relevant authority does not include so much (if any) of that item as relates to credit arrangements entered into by that authority;

(e) any reference to the appropriate amount or appropriate value of any item in the final accounts is a reference to such amount or value as may be agreed between the designated authority and the participant authority or, failing such agreement, determined by the designated authority; and

(f) references to subsection (3) of section 50 of the 1989 Act include references to that subsection as applied by section 51(4) of that Act (variations of credit arrangements).

(3) Where—

(a) a calculation in accordance with a formula in this Schedule requires an amount to be found by reference to an item of account which relates to any rights or liabilities of

(1) 1988 c. 41.

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the relevant authority which have been transferred to the designated authority or the participant authority; and

- (b) the rights or liabilities have been transferred jointly and severally to both of those authorities or to either of those authorities and another participant authority or the Residuary Body,

the amount or value of the item of account to be ascribed to the participant authority or the designated authority for the purposes of the calculation shall be such proportion of the amount or value of the item as may be agreed by all the authorities to whom the rights or liabilities have jointly and severally been transferred or, in default of such agreement, as the designated authority shall determine.

(4) An amount ascribed to an item of a formula in accordance with the following paragraphs of this Schedule may be nil or, as the case may be, a negative amount.

The first calculation is—

$$\frac{A + B + (C \times d)}{D}$$

where—

A is the amount which is the aggregate of—

- (a) the appropriate amount of so much of any financial reserves in the final accounts as is attributable to amounts set aside—
 - (i) in connection with any property which has been transferred to the participant authority; or
 - (ii) for the purpose of meeting any liabilities which have been so transferred; and
- (b) so much of any relevant provisions in those accounts as is attributable to amounts which were set aside or applied in that connection or for that purpose;

B is the amount found by subtracting the aggregate of—

- (a) the appropriate value of so much of the item in the final accounts which relates to debts owed to the relevant authority as is attributable to debts the right to which has been transferred to the participant authority; and
- (b) the appropriate value of so much of the item in those accounts which relates to stocks as is attributable to property which has been so transferred;

from the aggregate of—

- (a) the net book value of debts the right to which has been transferred to the participant authority; and
- (b) the net book value of stocks which are attributable to property which has been so transferred;

C is an amount determined in accordance with paragraph 3 below;

D is the amount calculated by the relevant authority as its council tax base for the final year in accordance with the relevant rules; and

d is the designated authority's estimate of so much of that amount as relates to any relevant area.

3. The amount of C shall be determined in accordance with the formula—

$$E - (F + (GA - GB) + H)$$

where—

E is the amount which is the difference between—

- (a) the aggregate of financial reserves and relevant provisions in the final accounts; and

- (b) the aggregate of any revenue account deficits in those accounts or the accounts in respect of any preceding financial year for which provision has not already been made;

F is the amount which is—

- (a) where the designated authority is a successor authority in relation to an abolished authority, the aggregate of—
 - (i) the appropriate amount of so much of any financial reserves in the final accounts as is attributable to amounts set aside—
 - (a) in connection with any property which has been transferred to the designated authority; or
 - (b) for the purpose of meeting any liabilities which have been so transferred; and
 - (ii) so much of any relevant provisions in those accounts as is attributable to amounts which were set aside or applied in that connection or for that purpose; and
- (b) where the designated authority is the relinquishing authority in relation to a transferred area, the aggregate of—
 - (i) the appropriate amount of so much of any financial reserves in the final accounts as is attributable to amounts set aside—
 - (a) in connection with property other than property which has been transferred to the acquiring authority; or
 - (b) for the purpose of meeting any liabilities other than liabilities which have been so transferred; and
 - (ii) so much of any relevant provisions in those accounts as is attributable to amounts which were set aside or applied in that connection or for that purpose;

GA is—

- (a) in a case where the designated authority is a successor authority in relation to an abolished authority, the amount which is the aggregate of—
 - (i) the net book value of debts owed to the abolished authority the right to which has been transferred to the designated authority; and
 - (ii) the net book value of stocks which are attributable to property which has been so transferred; and
- (b) in a case where the designated authority is the relinquishing authority in relation to a transferred area, the amount which is the aggregate of—
 - (i) the net book value of debts owed to that authority other than debts the right to which has been transferred to the acquiring authority; and
 - (ii) the net book value of stocks which are attributable to property other than property which has been so transferred;

GB is—

- (a) in a case where the designated authority is a successor authority in relation to an abolished authority, the amount which is the aggregate of—
 - (i) the appropriate value of so much of the item in the final accounts which relates to debts owed to the abolished authority as is attributable to debts the right to which has been transferred to the designated authority; and
 - (ii) the appropriate value of so much of the item in those accounts which relates to stocks as is attributable to property which has been so transferred; and
- (b) in a case where the designated authority is the relinquishing authority in relation to a transferred area, the amount which is the aggregate of—

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- (i) the appropriate value of so much of the item in the final accounts which relates to debts owed to that authority as is not attributable to debts the right to which has been transferred to the acquiring authority; and
- (ii) the appropriate value of so much of the item in those accounts which relates to stocks as is not attributable to any property which has been so transferred; and

H is the aggregate of the amounts found in relation to all participant authorities in respect of items A and B in paragraph 2 above.

4. The second calculation is—

$$(I + J + K) - (L + M)$$

where—

I is the amount found by the first calculation in paragraph 2 above;

J is the aggregate of—

- (i) the book value of so much of the item in the final accounts which relates to debts owed by the relevant authority as is attributable to debts the liability for which has been transferred to the participant authority; and
- (ii) so much of the item in those accounts relating to receipts in advance as, in the designated authority’s opinion, is attributable to the participant authority;

K is an amount in respect of relevant capital receipts determined in accordance with paragraph 5 below;

L is the amount which is the aggregate of—

- (a) the net book value of so much of the item in the final accounts which relates to stocks as is attributable to property which has been transferred to the participant authority; and
- (b) so much of the item in those accounts relating to payments in advance as, in the designated authority’s opinion, is attributable to the participant authority;

M is the net book value of so much of the item in the final accounts which relates to debts owed to the relevant authority as is attributable to debts the right to which has been transferred to the participant authority.

5. The amount of K shall be determined in such manner as the designated authority and the participant authority may agree or, in default of such agreement, in accordance with the formula—

$$\frac{KA \times d}{D}$$

where—

KA is an amount equal to the total of the item in the final accounts which relates to relevant capital receipts; and

D and d have the same meaning as in paragraph 2 above.

6. The third calculation is—

$$(N + P) - Q$$

where—

N is the amount found by the calculation made in accordance with paragraph 4 above;

P is the aggregate of amounts determined in accordance with paragraph 7 below in respect of any credit arrangements entered into by the relevant authority in respect of which the rights and liabilities have been transferred to the participant authority (“relevant credit arrangements”); and

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Q is the total of any investments or cash which have been transferred to the participant authority.

7. For the purposes of item P, the amount of each relevant credit arrangement shall be determined in accordance with the formula—

$$(R + S + T + U) \div V$$

where—

R is the amount which is the aggregate of—

- (a) any amount of the usable part of capital receipts which the relevant authority applied in relation to the relevant credit arrangement as mentioned in paragraph (b) of subsection (3) of section 50 of the 1989 Act (credit cover for credit arrangements); and
- (b) any amount set aside from a revenue account by that authority in relation to that credit arrangement as mentioned in paragraph (c) of that subsection;

S is the aggregate of amounts determined in respect of notional interest on the relevant credit arrangement for the purposes of paragraph 15(1)(b) of Schedule 3 to the 1989 Act⁽²⁾ for each financial year (“relevant year”) beginning with the financial year immediately following the financial year in which the relevant credit arrangement was entered into (“the first year”) and ending with the final year;

T is the aggregate of principal amounts for each relevant year; and, for these purposes, a principal amount for a relevant year is so much of the amount in respect of principal referred to in paragraph 15(1)(a) of Schedule 3 to the 1989 Act⁽³⁾ for that year as the designated authority and the participant authority agree is attributable to the relevant credit arrangement or, in default of such agreement, as the designated authority determines to be so attributable;

U is the amount which is the aggregate of—

- (a) the amount by which the total of amounts shown in the accounts of the relevant authority for each relevant year as amounts set aside from a revenue account as provision to meet credit liabilities in relation to the relevant credit arrangement (otherwise than in accordance with a determination under paragraph (c) of subsection (3) of section 50 of the 1989 Act) exceeds the amount which is the principal amount for that year for the purposes of item T above; and
- (b) the total of amounts shown in such accounts as the usable part of capital receipts applied as provision to meet credit liabilities in relation to the relevant credit arrangement (otherwise than as mentioned in paragraph (b) of that subsection); and

V is the aggregate of amounts shown in the accounts of the relevant authority for each relevant year as amounts applied under section 64(1)(b) of the 1989 Act in respect of the relevant credit arrangement.

8. The fourth calculation is—

$$W \div (X \div Y)$$

where—

W is the amount found by the calculation made in accordance with paragraph 6 above;

X is the aggregate of—

- (a) amounts paid by the designated authority to the participant authority by virtue of paragraph (1) of regulation 17 in consequence of calculations previously made in accordance with paragraph 6 above; and

⁽²⁾ Amounts in respect of notional interest are determined in accordance with paragraph 19 of Schedule 3 to the 1989 Act.

⁽³⁾ Provision in respect of amounts in respect of principal for the purposes of that calculation is made in Part VIII of the Local Authorities (Capital Finance) Regulations 1990 (S.I.1990/432) (as amended by S.I.1993/520 and 1994/553).

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- (b) amounts so paid by virtue of paragraph (5) of that regulation; and
- Y is the aggregate of—
- (a) amounts paid by the participant authority to the designated authority by virtue of paragraph (1) of regulation 17 in consequence of such calculations; and
 - (b) amounts so paid by virtue of paragraph (5) of that regulation.