

LOCAL AUTHORITIES LOANS (CENTRAL) RULES, 1937

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LOCAL AUTHORITIES LOANS (CENTRAL) RULES, 1937

In exercise of the powers conferred by Sec. 4 of the Local Authorities Loans Act, 1914 (9 of 1914), the Central Government is pleased to make the following rules, namely

1. Short title, commencement and cancellation of former rules :-

- (1) These rules may be called the LOCAL AUTHORITIES LOANS (CENTRAL) RULES, 1937
- (2) They shall come into force on the 22nd November, 1937.
- (3) They shall apply to all local authorities in Chief Commissioners' Provinces and to cantonment authorities and port authorities of major ports in [States].
- (4) The Local Authorities Loans Rules, 1915, and the rules made by and [State] Government under S.4 of the Local Authorities Loans

Rules, 1915 said Act shall cease to have effect in respect of the authorities specified in sub-rule (3), except as regards money borrowed before these rules come into force.

2. Interpretation :-

In these rules

- (1) "the Act" means the Local Authorities Loans Act, 1914 (9 of 1914);
- (2) "Government loan" means a loan taken from Government funds;
- (3) "Loan" means a loan made, taken or raised, under the Act;
- (4) "Non-Government Loan" means a loan raised, with the sanction of Government, otherwise than from Government funds; and
- (5) "term of a loan" means the period elapsing between the date on which the loan is completely made, taken or raised, and the date on which it is completely repaid.

3. Limitation of borrowing power :-

A local authority shall not borrow money for any of the purposes specified in Cls. (i), (ii), (iii) or (iv) of sub-section (1) of Sec. 3 of the Act, unless the work to be carried out is either

- (a) within the local limits of the area subject to the control of the local authority, or
- (b) for the benefit of inhabitants within those limits.

4. Application :-

When a local authority desires to obtain a loan, it shall submit an application to the Central Government through the Chief Commissioner in the case of a local authority situated within a Chief Commissioner's province showing

- (1) the purpose for which the loan is required and where the loan is required for any of the purposes specified in Cls. (i), (ii), (iii) or (iv) of sub-section (1) of S.3(1) of the Local Authorities Loans Act, 1914 Act, an estimate of the cost of the entire work or such part of it as it is proposed to carry out from loan funds;
- (2) the amount which it is proposed to borrow;
- (3) the fund on the security of which it is proposed to borrow;

- (4) the law under which the said fund is levied, received or held;
- (5) the dates within which the money is to be borrowed, and, when it is proposed to raise a loan in instalments, the amount of each instalment, the dates within which the first instalment is to be taken or raised, and the years in which it is intended to take or raise the other instalments;
- (6) the rate of interest at which it is proposed to borrow;
- (7) the term of years for which the money is to be borrowed and the method by which it is to be repaid. If it is proposed to repay the loan by means of a sinking fund, the rate of interest, at which the improvement of such sinking fund is to be calculated, shall also be stated;
- (8) an account of the financial position of the local authority, including a statement of all existing prior charges on its funds.

5. Inquiry by Central Government :-

The Central Government may cause such inquiry as it thinks fit to be made into the statements contained in the application and into the utility of the purpose for which the loan is proposed.

6. Publication of application, etc :-

If it appears to the Central Government that the money ought to be borrowed, it shall cause to be published in the Gazette of India and in such other manner as it may deem fit within the local limits of the area subject to the control of the local authority, a copy of the application and such particulars in regard to any inquiry made under rule 5, as it may think necessary.

7. Disposal of application after publication :-

After the expiry of one month from such publication, and after calling for any further information which it may require, and considering any objections which may be preferred, the Central Government may

- (1) reject the application, or
- (2) grant the loan, or sanction the raising of the loan, as the case may be.

8. . :-

Where a local authority in its application desires the immediate grant, or sanction to the raising of a loan on the ground that funds

are urgently needed for any of the purposes mentioned in sub-section (1) of S.3 of the Act, the Central Government if it is satisfied that the loan is urgently needed for any such purposes, may, notwithstanding anything contained in rules 5, 6 and 7, after inquiry, if any as it thinks fit to make, grant, or sanction the raising of such loan at any time after the receipt of the application.

9. Non-Government loans :-

Sanction to raise a non-Government loan may be granted to a local authority if the following conditions are fulfilled, namely:

- (a) the term of the loan does not exceed thirty years; and
- (b) the amount of the loan does not exceed twenty-five lakhs of rupees.

10. Prescribed conditions :-

(1) In granting or sanctioning a loan, the Central Government may prescribe any further conditions not inconsistent with the Act, and with these rules, as it may think fit.

(2) In particular and without prejudice to the generality of sub-rule (1) the following conditions shall be prescribed, namely:

(i) In the case of every loan, that the Central Government shall determine, and the local authority shall pay, the cost

(a) of any inquiry made under rule 5,

(b) of advertisements published under rule 6,

(c) of inspections made, and other measures of control taken, under rule 11, and

(d) of any other proceedings taken by order of the Central Government under these rules.

(ii) In the case of every loan, that the local authority shall furnish to the Account Officer of the [State], and to the Central Government any information which they may require regarding its funds and regarding the expenditure of the loan.

(iii) In the case of a Government loan, that the Central Government, if it considers that the local authority has failed to comply with any of the conditions prescribed in respect of the loan or with any of the requirements of these rules, may at any time order that no further payments shall be made on account of such

loan, and that any amount advanced with interest thereon shall be repaid immediately.

(iv) In the case of non-Government loan, that the local authority shall not, without the previous approval of the Central Government vary the dates within which the raising of the loan, or of the first instalment of it, has been sanctioned; and that, if the loan is raised by instalments, the local authority shall report, for the previous approval of the Central Government, the dates within which each further instalment is to be raised.

11. Control and Inspection of Works and Accounts :-

The Central Government may make such provision as it may deem necessary

(a) for ascertaining and securing that the money borrowed is duly applied to the purpose for which it has been borrowed, and that the unexpended balance of the loan is not employed otherwise than in accordance with these rules;

(b) where the loan is taken for any of the purposes specified in Cls. (i), (ii), (iii) or (iv) of sub-section (1) of Sec. 3, of the Act for the proper inspection of the work to be carried out : Provided that every such work and the accounts connected therewith shall be open at all times to the inspection of

(1) the Superintending or Executive Engineer in whose division the work is situated, and

(2) of any person who may be authorised to inspect the accounts of the local authority, and

(3) of any other person specially authorised by the Central Government in this behalf.

12. Procedure on attaching :-

When the Central Government decides to attach any funds under Section 5 of the Act,

(a) the Central Government shall issue a notice to the local authority prohibiting the collection or management of such fund by the local authority and vesting the administration thereof in such officer as may be approved by the Central Government. The Central Government shall publish such notice in the Gazette of India and in such other manner as it may deem fit within the local limits of the area subject to the control of the local authority.

(b) The officer appointed by the Central Government under Sec. 5 of the Act shall pay the moneys collected or received under such attachment to the leader, or in the case of a Government loan, into the Government Treasury.

(c) The said officer shall prepare the accounts of moneys so collected, and of the cost of collection, in such form as the Central Government may, from time to time, direct. He shall deliver a copy of the accounts to the local authority, and shall cause a copy to be published in the Gazette of India.

13. Unexpended balances :-

If, on the completion of the work or the closing of the account of the transaction for which a local authority has borrowed money, the Central Government is satisfied that the whole of the money has not been spent on the purpose for which it was borrowed it shall proceed as follows, namely:

(a) In the case of a Government loan. The Central Government shall direct that the unexpended balance shall be forthwith repaid and the principal of the debt reduced by an equivalent amount. The Central Government may direct such variation as it may consider necessary on this account in the instalments fixed for the liquidation of the loan.

(b) In the case of a non-Government loan. The Central Government shall direct that the unexpended balance shall be utilised either in the reduction in any way of the debt of the local authority, or in carrying out any works which that authority is legally authorised to carry out.

14. Interest on Government loans :-

The following provisions shall apply to interest on Government loans, namely:

(1) Interest shall be charged, at the rate agreed upon, yearly or half-yearly, as the Central Government may determine and shall be reckoned and paid on such instalment from the date on which such instalment is received by the local authority.

(2) The Central Government may, if it thinks fit, and in so far as the law allow, direct that the compound interest at a rate not less than 8 per cent per annum shall be paid upon all overdue instalments of interest, or of principal and interest.

15. Accounts of Government loans :-

The accounts of every Government loan shall be kept by the Account Officer of the [State] in which it is made.

16. Sinking fund for non-Government loans. If a loan is not repayable by annuities or annual drawings the local authority shall establish a sinking fund, in the following manner, namely :-

(1) It shall pay out of its income, yearly, or half-yearly, into such fund a sum which, accumulating at such rate of compound interest as the Central Government may fix, will be sufficient to secure the liquidation of the loan within the term fixed for its repayment;

(2) It shall make the first of such payments within one year from the date of taking or raising the loan, unless the Central Government otherwise directs; and

(3) It shall submit the accounts of its sinking fund annually to the Account Officer of the [State] and shall at once make good from its income any amount by which he may certify that the fund is deficient, unless the Central Government sanctions a gradual readjustment.

17. Loans for railway construction repayable at option :-

Notwithstanding anything contained in the foregoing rules, it shall be permissible with the previous sanction of the Central Government for a District Board which desires to construct a railway partly from the proceeds of a cess levied for that purpose and partly from borrowed funds, to borrow money by means of debentures repayable at the option of such District Board.