

NORTH LANARKSHIRE COUNCIL

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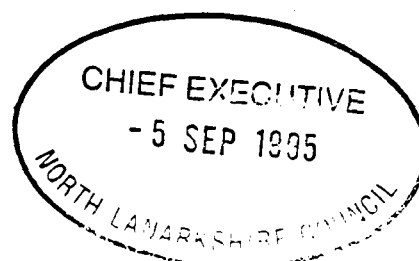
I refer to the Scottish Office circular dated 18 July 1995, and in particular paragraph 6 which points out that most borrowing transactions undertaken after 1 September by the existing authorities will require the consent of the successor councils.

I have written to each of the five constituent authorities, advising them that they will not require the consent of North Lanarkshire Council for every borrowing transaction. Instead, I have given a blanket consent, as suggested in the aforementioned circular, such consent being conditional on the existing Councils adhering to the CIPFA Code of Practice on Treasury Management.

While I have indicated that the consent is not conditional on the existing authorities submitting a detailed borrowing profile for the period up to 31 March 1996, Strathclyde Regional Council has submitted a brief paper (copy enclosed), in support of their request for blanket consent. It is my intention to seek a similar paper from each of the other authorities.

I would ask the Interim Executive Committee to approve the action I have taken.

JM



STRATHCLYDE REGIONAL COUNCIL

FINANCE DEPARTMENT: LOANS AND BANKING DIVISION

LOCAL GOVERNMENT REORGANISATION - LONG TERM BORROWING TRANSACTIONS

INTRODUCTION

1. In terms of Section 55 of the Local Government Etc (Scotland) Act 1994, the Regional Council is not permitted to let any contract the value of which exceeds the threshold specified in that section without the consent of the relevant successor Authority after the "relevant date". The Secretary of State has now specified 1 September 1995 as the "relevant date".
2. The Secretary of State has confirmed that Treasury Management transactions where the consideration (ie the interest payable on the loan over it's lifetime) exceeds £250,000 will require the consent of all successor Councils. The Scottish Office has however indicated that it is open to the new Councils to provide the Regional Council with a single blanket consent for Treasury Management transactions thus avoiding the need for the Regional Council to seek consent every time it wishes to borrow money. The purpose of this report is to outline the Regional Council's borrowing policy for 1995/96 and to seek a blanket consent to enter into the transactions necessary to complete that policy.

OUTSTANDING DEBT

3. The estimated outstanding debt of the Regional Council at 1 April 1995 is £2bn financed by advances from PWLB (91%), EIB (8%) and Temporary Loans (1%). The borrowing requirement for 1995/96 is estimated to be £199m comprising net new Capital Expenditure of £123m and Maturing Loans of £76m which will require to be refinanced.
4. The Regional Council has adopted the Code of Guidance of Treasury Management produced by the Chartered Institute of Public Finance and Accountancy and undertakes all borrowing activities in accordance with that Code.
5. The Council's 1995/96 borrowing requirement is profiled at annex 1. Some £40m at 8% with an average life to maturity of 14.5 years has already been drawn down. By 31 August 1995 it is expected that £60m will have been borrowed against this profile leaving some £139m to be borrowed according to need and market conditions during the remainder of the financial year.

6./

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APPROVED INSTRUMENTS AND SOURCES OF BORROWING

6. Borrowing can be classified as either temporary short-term (loans up to 1 year before maturity) or long-term (loans over 1 year to maturity). Approved short-term borrowing is done via dealing on the London Sterling Money Market and will be via term or fixed deposits. Longer-term borrowing will be from the Public Works Loans Board and possibly the European Investment Bank using the range of repayment terms and periods offered by those organisations. The overall aim will be to produce an average life to maturity of all long-term borrowing of at least 7 years or longer if current low long-term rates continue to prevail.

REQUEST FOR BLANKET CONSENT

7. Council is requested to give blanket consent to the Regional Council to borrow up to £140m in order to fund the remainder of it's long-term borrowing requirements in 1995/96.

F8/LB/21/7
G Singleton
Depute Director of Finance
22 August 1995
RBA012

STRATHCLYDE REGIONAL COUNCIL

PROFILE OF LONG TERM BORROWING REQUIREMENTS 1995/96

| QUARTER END | ESTIMATED BORROWING REQUIREMENT | | PROPOSED FUNDING | |
|----------------|------------------------------------|------------|------------------|------------|
| | £ | % | £ | % |
| JUNE | 30 | 15 | NIL | NIL |
| SEPTEMBER | 40 | 20 | 60 | 30 |
| DECEMBER | 26 | 13 | 40 | 20 |
| MARCH | <u>103</u> | <u>52</u> | <u>99</u> | <u>50</u> |
| | <u>199</u> | <u>100</u> | <u>199</u> | <u>100</u> |