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DRAFT SCOTTISH STATUTORY INSTRUMENTS

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**2016 No.**

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016

PART 2

Borrowing by local authorities

**The authorised limit for external debt**

6.—(1) A local authority must determine before the start of each financial year how much external debt it can afford during that financial year and each of the subsequent two financial years (its “authorised limit” for each of those years).

(2) The authorised limit for each financial year must identify separately the amount of debt from borrowing money and the amount of debt from credit arrangements (its “debt amounts”).

(3) A local authority may—

- (a) vary its authorised limits during a financial year, if it considers it prudent to do so;
- (b) exceed either of the debt amounts during a financial year, if in doing so it does not exceed its authorised limit for that year.

(4) For the purposes of section 56(6) of the 1973 Act<sup>(1)</sup> the determination and any variation of the authorised limits are functions of the local authority with respect to borrowing money (and therefore are functions that may be discharged only by the local authority itself).

(5) In complying with its duty to determine its authorised limits, and in varying its authorised limits, a local authority must have regard to generally recognised codes of practice and guidance in relation to capital finance and treasury management.

(6) The officer with responsibility for administration of the financial affairs of the local authority, in terms of section 95 of the 1973 Act, must report to that authority where—

- (a) a debt amount has been exceeded; or
- (b) there is a likelihood that the authorised limit for a financial year will prove inadequate, in that officer’s opinion.

(7) On receipt of a report required by paragraph (6) the local authority must consider whether to vary its authorised limit and debt amounts.

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(1) There are amendments to section 56 that are not relevant to these Regulations.