

Directorate for Local Government and Third Sector
Local Government Division

T: 0131-244 7950 F: 0131-244 7020
E: simon.stone@scotland.gsi.gov.uk



Local Government Finance Circular No. 10/2011

By email:

To: Local Authority Chief Executives
Local Authority Directors of Finance

Copy to: COSLA
Audit Scotland
LASAAC
CIPFA

Our ref: B4972145
2 August 2011

Dear Chief Executive/Director of Finance,

CONSENT TO BORROW UNDER PARA 1 (2) OF SCHEDULE 3 OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1975 – SEVERANCE COSTS

Scottish Ministers have agreed to make available a borrowing consent scheme in 2011-12 for severance costs arising on the restructuring of services. This Finance Circular provides details of the scheme, and sets out the information that should be provided by a local authority wishing to make an application under the scheme.

Applications should be sent electronically to simon.stone@scotland.gsi.gov.uk and should be submitted no later than 23 September 2011.



Simon P Stone
Deputy Team Leader (Capital)
Local Government Division



REVENUE EXPENDITURE FUNDED FROM CAPITAL RESOURCES UNDER STATUTE

Consent to Borrow for Severance Costs

Policy and Procedures 2011-12

A guidance note issued by the Scottish Government

TABLE OF CONTENTS

INTRODUCTION AND GENERAL POLICY	1
CONSENT TO BORROW – SEVERANCE COSTS.....	1
Eligible Costs	2
APPLICATIONS FOR CONSENT TO BORROW	3
ASSESSMENT OF APPLICATIONS	3
Over-subscription.....	4
Affordability Test	5
CONSENT TO BORROW - CONDITIONS	5
ACCOUNTING.....	7
ADDITIONAL INFORMATION	8
Annex A - INFORMATION REQUIRED IN SUPPORT OF AN APPLICATION	9
General information	9
Background and overview	9
Detail of severance costs.....	9
Savings.....	11
Demonstration of need to borrow.....	12
Provisions, Budgets and Reserves.....	12
Repayment period	13

INTRODUCTION AND GENERAL POLICY

1. The Local Government (Scotland) Act 1975 (the 1975 Act) sets out the statutory powers of a local authority to borrow. The 1975 Act effectively limits Scottish local authority borrowing to support capital expenditure. However, the 1975 Act provides Scottish Ministers with the power to consent to a local authority borrowing to meet costs that they would not otherwise be able to meet from borrowing. In providing any consent under this power Ministers are required to be satisfied that the expenses are of such a nature that they should be met from borrowing. In providing consent Ministers may apply such terms and conditions as they consider appropriate.

2. Permitting local authorities to fund revenue expenditure from capital resources such as borrowing raises concerns at the macroeconomic level by facilitating a practice which threatens long-standing fiscal rules. For that reason, it is appropriate that the Scottish Government should control and monitor the use of capital resources used in this way and apply strict criteria in permitting such use.

3. Borrowing to meet revenue costs also runs counter to the principles of prudent financial management. Scottish Ministers will only consider issuing a local authority with consent to borrow to fund revenue expenditure for one-off payments or lump sum payments and not indefinitely continuing payments. It would be imprudent to allow a local authority to borrow to fund on-going costs.

4. Borrowing does not solve the financial difficulties of the local authority but simply allows the costs to be spread over time. The costs of borrowing undertaken to meet revenue costs will have to be met from revenue resources over several years. Borrowing for revenue costs is therefore likely to impact on the level of capital investment for service delivery. In making an application to Scottish Ministers to use borrowing to meet revenue costs local authorities should consider these issues.

5. In exercising their statutory powers Scottish Ministers are required to give consideration to the UK Government's (HM Treasury's) role in managing the economy and finances.

CONSENT TO BORROW – SEVERANCE COSTS

6. Scottish Ministers recognise the increased pressure on local authorities to deliver savings in the immediate future and to maintain these over the medium term. They also recognise that delivering early efficiency savings through organisational restructuring can lead to additional costs in the short term. As a result, and within the limits agreed with the UK Government (HM Treasury), they are prepared to make available up to £30m of consents to borrow in 2011-12 to support local authorities in managing these costs. As with previous schemes a need to borrow will need to be demonstrated.

7. While these consents to borrow will provide important additional support, they may not meet all of the costs of restructuring. It will be for authorities to assess how they best manage overall costs from the full range of resources available to them, including reserves.

8. A consent to borrow will only be granted where an authority clearly demonstrates the need to borrow to meet the short term severance costs resulting from organisational restructuring. Consent should not be sought for any on-going costs.

Eligible costs

9. It is unlikely that Scottish Ministers will permit borrowing for anything other than the unavoidable in-year costs associated with severance (redundancy or early release).

10. Unavoidable costs include:

- Redundancy payments arising from application of *Part XI of the Employment Rights Act 1996* which sets out the amounts to be paid to an employee dismissed by reason of redundancy based upon the employees period of employment.
- Additional payments made to a pension fund as a result of retirement benefits being immediately payable to a member under Regulation 19 of *The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230)*. Regulation 19 entitles a pension member dismissed by reason of redundancy or business efficiency to immediate payment of pension without reduction where that member is 55 or more (50 in certain conditions).

11. Local authorities may also make discretionary payments of pay and pensions under legislative powers contained in *The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (SSI 1998/192)*, and the *Local Government Pension Scheme (Benefits, Membership and contributions) (Scotland) Regulations 2008*.

12. These discretionary payments include:

- Lump sum compensation and annual compensation due to an individual as a result of being credited with an additional period of service. Regulations 8-10 of SSI 1998/192.
- Redundancy gratuities. Regulation 48 of SSI 1998/192.
- Compensation for redundancy. Regulation 35 of SSI 1998/192.
- Additional payments to a pension fund as a result of an employer increasing an individual's total period of membership or award additional pension. Regulations 12 and 13 of SSI 2008/230.

13. These discretionary payments are unlikely to be the subject of a borrowing consent. However, should a local authority operate a scheme which aims to reduce employees but incurs only discretionary costs these applications will be considered. The application must clearly demonstrate that the costs that are the subject of their application do not exceed the unavoidable costs which would be incurred under a redundancy scheme.

14. Applications must include details of all of the severance costs to be incurred. Further information on the detail required is provided in Annex A.

15. Where an application includes costs under Regulation 19 of the *Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008*, (known as “strain on the fund” costs) the local authority **must confirm** that they have approached the Pension fund for agreement to spread these costs over a number of years, and advise on the Fund’s decision.

16. A local authority may include the “strain on the fund” costs within their application where the costs charged by the pension fund for spreading the costs will be significantly more than the costs of borrowing elsewhere. An application must provide information on both the costs of borrowing as well as the costs to be charged by the pension fund. This should include the assumptions made on interest rates, repayment periods etc. If applications exceed the consent value it is likely that we will have to give priority to those costs which can only be spread through borrowing,

17. Applications which include “strain on the fund” costs will not be considered without this information.

APPLICATIONS FOR CONSENT TO BORROW

18. This scheme only applies to expenditure incurred in 2011-12.

19. Local authorities should apply for a consent to borrow no later than **23 September 2011**. For applications received by that date the Scottish Government intends to confirm the outcome of applications by 16 December 2011.

20. Applications received after the closing date above may be considered. In deciding whether to accept any late applications, consideration will be given to the reasons for the late application, and the ability of Scottish Ministers to provide any additional borrowing consents.

21. In order to consider applications as fairly as possible the Scottish Government will be seeking a range of information. This is provided as a checklist at Annex A.

22. Applications should be in the form of a comprehensive but succinct business case and present the required information as fully as possible. Please include any additional information you wish to be considered. Failure to provide all the required information may result in consideration of the application being delayed whilst the Scottish Government seeks clarification. In the event of the local authority not providing that clarification, the application will not be considered.

23. Applications for a consent to borrow for severance costs should be made electronically to simon.stone@scotland.gsi.gov.uk. All applications will be acknowledged by an email response. If no acknowledgement is received, please call Simon Stone on 0131 244 7950.

ASSESSMENT OF APPLICATIONS

24. Applications will be considered based on the business case submitted by the local authority. This should cover, as a minimum, the information requirements listed

at Annex A. Scottish Government reserves the right to seek further information where this is required to assess the application.

25. Applications will be assessed to determine that the costs which are the subject of the application are eligible for a consent to borrow.

26. Decisions as to whether to provide a consent to individual councils will primarily be based on financial need. The level of funds, provisions and reserves available to the local authority to meet severance costs will be considered. In making an assessment of need Ministers acknowledge that authorities will wish to maintain a reasonable level of reserves to meet other financial pressures. This will be reflected in their decision on an application. Local authorities will need to make a very strong case if they consider that ear-marked reserves should be disregarded. Further information on reserves and provisions can be found in Annex A.

27. The assessment of need will also take into account the value and timing of any savings resulting from reductions in staff numbers.

28. Applications will be considered against the Affordability test outlined below. Scottish Ministers reserve the right to apply further criteria as required.

29. Any consent to borrow for equal pay which has already been agreed for a local authority will be taken into account when considering an application under this scheme.

30. The Scottish Government may ask other organisations for their views in assessing the applications.

31. A local authority is required to set out in their application the repayment period which they consider is appropriate. This should reflect need. The repayment period requested may not exceed 5 years.

32. In all cases Scottish Ministers reserve the right to decide how the value and repayment period for any individual consent is determined.

33. A local authority will be informed by letter of the result of their application. Where an application is successful this letter may include additional conditions applying to the consent granted.

Over-subscription

34. Scottish Ministers may consent to Scottish local authorities borrowing to meet revenue expenditure within limits agreed with the UK Government (HM Treasury).

35. The overall total that authorities are seeking to borrow will be considered in the light of the limits agreed with the UK Government. If Scottish Ministers are satisfied that successful applications can be met from agreed limits, consents may be issued to each applicant for the full amount of the expenditure which meets the assessment criteria. If, however, successful applications exceed the agreed level, consideration will be given at that stage to a method of distributing between

applicants the amount available. The approach adopted could be influenced by the scale of the reduction needed.

Affordability Test

36. All applications will be assessed for affordability against two criteria: available reserves and levels of budgeted expenditure.

37. The affordability test to be applied is that the costs to be financed from borrowing should exceed both: (a) 5% of available reserves anticipated at **31 March 2012**; and (b) 0.25% of budgeted expenditure for 2011-12. This test is the initial assessment of need. If the costs to be financed from borrowing do not exceed 5% of available reserves and 0.25% of budgeted expenditure this will indicate that need has not been demonstrated.

38. Generally, available reserves include both unallocated and earmarked revenue reserves. Local authorities may make a case for excluding any earmarked reserves, and where a strong enough case can be made the value of available reserves will be reduced before applying the affordability test. Further detail on the treatment of reserves is provided at Annex A.

39. Where provisions have been made, or where a budget provision has been made for the costs subject to the application, these must be identified in the application and will be considered as part of the assessment of affordability.

40. Budgeted expenditure equates to the Total Expenditure figure for 2011-12 reported on the POBE 2011, adjusted for any proposed transfers to/from reserves, contingency, and revenue contributions to capital. Authorities may update this information with known changes, but must provide explanations of any revisions.

41. Applications which do not meet these criteria may still be considered at the discretion of Scottish Ministers.

CONSENT TO BORROW - CONDITIONS

42. A consent to borrow issued under this scheme does not attract any Scottish Government loan charge support. The local authority is responsible for ensuring that use of a borrowing consent is in accordance with the prudential indicators set by the authority and that the borrowing is both affordable and sustainable.

43. Consents granted may only be applied to actual expenditure incurred. It may be applied to accrued costs or to an accounting provision made for eligible costs. However, should the accrual or provision exceed the actual eligible cost when incurred (creating a credit adjustment to the Comprehensive Income and Expenditure account), an additional statutory repayment of the loan fund advance shall be made to correct the over-borrowing.

44. The consent to borrow is valid only for the financial year 2011-12, meaning that any borrowing (loans fund advance) as a result of a consent under this scheme must be made by 31 March 2012.

45. Actual and planned use of any consent to borrow for severance costs should be included in the capital returns submitted periodically by local authorities.

46. Should a local authority determine that, having been granted a consent to borrow, it will not after all be using all or part of the consent, the authority should inform the Scottish Government as soon as possible, and no later than **30 April 2012**. Having this information will facilitate the assessment of late applications, or enable agreed applications to be increased where any consent has been reduced due to oversubscription.

47. Within three months of the financial year end the Director of Finance, or their equivalent, shall advise the Scottish Government of the actual borrowing undertaken reliant upon any consent to borrow. The local authority must confirm that such borrowing has been used only for the expenditure as detailed in the consent letter. The Scottish Government requires this information to monitor the borrowing position and enable us to share the information with HM Treasury.

48. Where borrowing is undertaken using the consent to borrow, an advance from the loans fund shall be made and such advance shall be separately identifiable within the loans fund.

49. There is no requirement to apply capital receipts to redeem the loans fund advance made under a consent issued under this scheme. However, capital receipts may be used to meet the cost of the principal element of the loans fund advance made in reliance of this consent to borrow. The receipt must be applied to the total fund advance outstanding and may not be used to meet just the annual statutory repayment of this advance. If the application of the capital receipt does not extinguish the total loans fund advance outstanding the local authority is required to revise all the remaining annual statutory charges for that advance. This revision should reflect that the capital receipt was applied to produce a proportionate reduction to all future annual statutory charges.

50. A consent to borrow for revenue costs allows the use of capital resources (borrowing) to finance revenue expenditure. As such a condition of any consent is that a borrowing consent may not be used in the same year that there is a revenue contribution to finance the capital programme, or where there is a revenue contribution to the Capital Fund. In such cases we would expect the local authority to borrow for the capital programme, up to the proposed revenue contribution value. This will release the revenue contribution back to the General Fund and make this sum available to meet the revenue expenditure. The borrowing consent may still be used for any sum in excess of the revenue contribution. This consent condition is financially neutral for local authorities. Rather it requires a local authority to correctly align resource use for capital control purposes.

51. An illustration may make this clearer:

Capital Programme to be financed	£2,500k
Financed by:	
Capital receipts	£500k
Borrowing	£1,500k
Revenue Contribution to Capital	£250k
Grants	£250k
Total financing	£2,500k

Consent to borrow for severance costs granted – say £400k

Revised capital programme financing based on consent conditions:

Capital Programme to be financed	£2,500k
Financed by:	
Capital receipts	£500k
Borrowing	£1,750k
Grants	£250k
Total financing	£2,500k

Eligible severance costs - £250k financed from the released revenue contribution to capital, and £150k financed from borrowing relying on the consent issued. The same total borrowing will have been undertaken (£1,900k) and the same use of revenue funds (£250k). However, the borrowing will have been properly aligned to capital expenditure limiting the need to borrow for revenue purposes.

52. Where a consent relates only to the General Fund this condition does not apply to revenue contributions to the Housing Revenue Account capital programme. The reverse also applies. The condition only applies in the year in which the borrowing is undertaken, not the repayment of the advance.

53. The exception is for PPP/PFI lifecycle replacement costs which are met from the unitary payment and required by statutory guidance (see Finance Circular 4/2010) to be charged to the General Fund as “Capital expenditure charged to the General Fund balance”.

54. The local authority is required to keep appropriate records of any borrowing incurred under this consent for audit purposes, and to provide such information as may be necessary to demonstrate that the conditions of the scheme have been met.

ACCOUNTING

55. Expenditure, for which consent is provided, shall be accounted for in accordance with the Code of Practice on Local Authority Accounting. This requires the expenditure to be charged to the Comprehensive Income and Expenditure account. This consent to borrow permits the revenue expenditure to be neutralised for council tax purposes with the Capital Adjustment Account being debited (and the General Fund credited). This will increase the capital financing requirement under

the prudential framework by the amount of the expenditure effectively being capitalised.

56. A statutory amount for the repayment of debt shall be made each financial year in accordance with the conditions of this consent.

57. Pension funds may allow local authorities to spread the strain on the fund costs due to them over a number of years. We have been advised that the total value of these costs should be reflected in the IAS 9 actuarially calculated pension liability. As this is credited to the General Fund, and charged to the Pensions Reserve, before determining the amount to be financed from Council Tax, this provides local authorities with a similar outcome as borrowing for these costs. This also means that there is no requirement to raise a provision under FRS 12 for the full value of these costs, and to do so would result in a double count of the liability in the accounts.

ADDITIONAL INFORMATION

58. Any queries concerning the scheme, applications made, or consents granted under it, should be sent electronically to simon.stone@scotland.gsi.gov.uk

59. A summary of all applications made and consents issued under this scheme will be published on the Scottish Government website at:

www.scotland.gov.uk/Topics/Government/local-government/17999/LACapital/Borrowing/Consent.

Scottish Government
Local Government Division
1 August 2011

INFORMATION REQUIRED IN SUPPORT OF AN APPLICATION

General information

1. Name and address of the local authority.
2. Contact name and details
 - Name
 - Direct telephone number
 - Email address
3. Director of Finance or equivalent
 - Name
 - Direct telephone number
 - Email address

Background and overview

4. Provide details of the service restructuring the local authority is undertaking and how the use of borrowing to meet the resultant severance costs will contribute to the local authority's plan. This should include an assessment of the likely timeframe of any costs and savings.

Detail of severance costs

5. Applications must include details of the local authority's policy on severance. Applications should identify the date of the local authority's most recent review of their severance policy, and the outcome of that review in relation to the level of discretionary payments or awards that the authority may offer to employees.
6. Decisions on whether to grant a consent to borrow are based upon an assessment of a local authority's need to borrow. The costs incurred in severance programmes may be mandatory or discretionary, both will affect the resources available to the local authority, but it is likely that only mandatory costs will be eligible under this scheme. It is important therefore that applications make a clear distinction between mandatory and discretionary costs.
7. Although not all severance costs will be eligible under the scheme, applications must include full details of the total cost of the severance programme, **separately identifying** the elements to be paid under the relevant legislation. The local authority should therefore provide details of all payments to be made in respect of the severance. These details should separately identify lump sum and annual payments of pay (including redundancy pay), pension, and any gratuities, identifying the legislation under which the payment is being made, and separating the information into mandatory and discretionary categories.

8. The information may be provided as a table with footnotes. See example below. Lines may be added to or delete from this table as necessary, but all costs must be included.

	Lump sum	Annual payments	
		2011-12	2012-13 <i>et seq</i>
Redundancy Pay ¹ Additional Pension (Early leavers business efficiency and redundancy) ²			
Unavoidable Costs			
Payment to pension fund due to increased membership or the award of additional pension ³			
Lump sum compensation ⁴			
Lump sum and annual compensation to individual arising from credit for additional period of service ⁵			
Retirement Gratuities ⁶			
Redundancy Gratuities ⁷			
Etc ⁸			
Total Discretionary Costs			

1. Employment Rights Act 1996

2. Regulation 19 of LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008.

3. Regulation 12 or 13 of LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008.

4. Regulation 35 of The Local Government (Discretionary Payments and Injury benefits) (Scotland) Regulations 1998.

5. Regulation 8-10 of The Local Government (Discretionary Payments and Injury benefits) (Scotland) Regulations 1998.

6. Regulation 47 of Local Government (Discretionary Payments and Injury benefits) (Scotland) Regulations 1998.

7. Regulation 48 of Local Government (Discretionary Payments and Injury benefits) (Scotland) Regulations 1998.

8. Provide details of the legislation.

9. The application should include information on the number of personnel to whom payments will be made.

10. It is unlikely that Scottish Ministers will permit borrowing for anything other than the unavoidable costs associated with severance. However, should a local authority operate a scheme which aims to reduce employees but incurs only discretionary costs these applications will be considered. The application must clearly demonstrate that the costs the subject of their application do not exceed the unavoidable costs which would be incurred under a redundancy scheme.

11. Under the *Local Government Pension Scheme (Administration) (Scotland) Regulations 2008* Pension Funds have the discretion to allow a local authority to spread certain of the additional costs arising under the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008) (the "strain on the fund costs") over a period of up to five years. This would have a similar benefit to a local authority as being able to borrow over this period. Where an

application includes strain on the fund costs, the local authority **must confirm** that they have approached the Pension fund to allow the costs to be so spread, and advise on their decision. If the pension fund has agreed to the spreading of the cost reasons must be provided why a consent to borrow is being requested. The authority should also provide details of any conditions placed upon them, including detail of any charges and the period over which they have been allowed to spread the costs.

12. A local authority may include the “strain on the fund” costs within their application where the costs charged by the pension fund for spreading the costs will be significantly more than the costs of borrowing elsewhere. An application must provide information on both the costs of borrowing as well as the costs to be charged by the pension fund. This should include the assumptions made on interest rates, repayment periods etc. If applications exceed the consent value it is likely that we will have to give priority to those costs which can only be spread through borrowing,

13. Applications which include “strain on the fund” costs will not be considered without this information.

14. The application must confirm that it does not contain any values which relate to ongoing costs.

Savings

15. Any savings in staff costs that result from a reduction in staff will have a direct impact on the assessment of the need to borrow to meet severance costs, and of the period over which the borrowing should be repaid. Applications should include an assessment of both the value and timing of the savings in staff costs that will result from the staff reductions. Information should be provided for a five year period to match the maximum repayment period of any borrowing under this scheme.

16. Costs and savings information may be presented in tabular format. See example below. If this is provided separately to the legislative breakdown (see above) care should be taken to ensure that the corresponding values of the two tables match.

	2011-12	2012-13	2013-14	2014-15	2015-16
Costs					
Unavoidable Costs –					
Lump sums					
Unavoidable Costs –					
Annual payments					
Discretionary Costs –					
Lump sums					
Discretionary Costs –					
Annual payments					
Total Costs					
Savings					
Net Costs					

Demonstration of need to borrow

17. The business case should set out the financial circumstances of the local authority which supports the need to borrow. This should include details of the local authority's approach to managing the severance costs identified in terms of budgeting and the use of reserves. Provide details of options considered and rejected, with reasons, and why an application to borrow to meet all or part of the costs has been made.

18. Provide details of any other factors affecting the local authority's ability to meet the costs of their severance programme.

Provisions, Budgets and Reserves

19. Provide details of the forecast net revenue expenditure for 2011-12. This should equate to the Total Expenditure figure for 2011-12 reported on the POBE, adjusted for any proposed transfers to/from reserves, contingency, and revenue contributions to capital. Authorities may update this information with known changes, but must provide explanations of any revisions.

20. Provide details of any provision for severance costs as at 31 March 2011, and the estimated value of any such provision at 31 March 2012.

21. Provide details of any amounts included in the budget for 2011-12 for severance costs.

22. Scottish local authorities may only hold reserves if there is a statutory power to do so. Statutory powers require / permit the following revenue reserves – General Fund (including HRA), a Renewal and Repair Fund and an Insurance Fund. Other statutory powers permit other revenue reserves to be held for specific authorities e.g. Harbour Reserve. With the exception of the Insurance Fund all of these reserves will be treated as available unless the specific legislation restricts their use.

23. Available reserves do not include reserves that reflect the differences in timing between accounting recognition requirements and statutory recognition requirements (e.g. pension reserve and any statutory adjustment accounts).

24. Provide details of all statutory revenue reserves. Provide details of the HRA if the application covers the HRA. Note that this information should include both earmarked and un-earmarked amounts.

25. For each reserve applications should provide:

- The opening balance as at 1 April 2011;
- Details (reasons) for all proposed transfers to or from these reserves in 2011-12;
- Any earmarked amounts (with reasons for earmarking and when the reserves are likely to be used); and,
- The anticipated level of reserves at 31 March 2012.

A table in the format below should be provided together with an explanation of movements in reserves. Details of movements in the Insurance Fund are not required, nor for the HRA if this is not the subject of the application:

<i>Reserves (£k)</i>	<i>General Fund</i>	<i>HRA Reserve</i>	<i>Renewal and Repair Fund</i>	<i>Insurance Reserve</i>	<i>Other Statutory Reserves</i>	<i>Total</i>
<i>Balance at 1 Apr 2011</i>	1,000	200	150	100	50	1,500
<i>Use of Reserves</i>	-450	-50	-20	-20	-10	-550
<i>Additions to Reserves</i>	150	60	15	+20		245
<i>Balance at 31 Mar 2012</i>	700	210	145	100	40	1,195
<i>Included in Balance:</i>						
<i>Earmarked amount #1</i>	150					150
<i>Earmarked amount #2</i>					40	40
<i>Earmarked amount #3</i>		210				210
<i>Earmarked amount #4</i>			30			30
<i>Earmarked amount #5</i>				100		100

26. In determining the level of reserves available to the local authority Scottish Ministers will automatically exclude the following:

- Insurance reserve.
- Sums earmarked in the General Fund for 'second homes discounts' which are restricted and may only be used for affordable housing.
- The Housing Revenue Account (HRA) where the application does not relate to the HRA.
- Other statutory reserves which have a restricted use – details of the statutory restriction must be provided with the application.

27. A strong case must be made should you wish any other reserve, or earmarked part of a reserve, to be disregarded when your application is considered.

28. Where a local authority has already been granted a consent to borrow for equal pay the business case must make it clear the impact this has had on reserves and provisions.

Repayment period

29. The application should set out the loan repayment period the local authority considers is affordable based on financial projections. A detailed justification should be provided.