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Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

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21 February 2022

NOTICE OF MEETING

A meeting of the **ARGYLL AND BUTE COUNCIL** will be held **BY TEAMS** on **THURSDAY, 24 FEBRUARY 2022** at **10:30 AM**, or at the conclusion of the Special Council Meeting, whichever is the later, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES
Minute of Argyll and Bute Council of 25 November 2021 (Pages 5 - 14)

4. MINUTES OF COMMITTEES

(a) Environment, Development and Infrastructure Committee of 2 December 2021 (Pages 15 - 18)

* (b) Policy and Resources Committee of 9 December 2021 (Pages 19 - 26)

(c) Special Policy and Resources Committee of 9 December 2021 (Pages 27 - 28)

(d) Community Services Committee of 16 December 2021 (Pages 29 - 36)

* (e) Policy and Resources Committee of 17 February 2022 (to follow)

The above minutes are submitted to the Council for approval of any recommendations on the items which the Committee does not have delegated powers. These items are marked with an *.

5. BUDGETING PACK 2022/23
Reports by Section 95 Officer

1. Introductory Report and Recommendations for Budget Papers

2. Revenue Pack

   a. Revenue Budget Overview
   b. Covid 19 Financial Position

c. Fees and Charges
d. Financial Risks Analysis 2022-23
e. Reserves and Balances – Updated for Budget Pack 2022-23

3. Capital Plan

a. Capital Plan Summary
b. Corporate Asset Management Strategy
c. Corporate Asset Management Plan including Asset Group Summaries

Please note that the Budget Pack 2022/23 relative to the consideration of the foregoing matters has been published separately under a meeting entitled "Budget Pack", please ensure that you have downloaded this to your iPad before coming to the meeting.

Accessing the Budget Pack from your iPad –

To access this years' Budgeting Pack 2022/23 Members should log into the Modern.Gov App on their iPad and tap the cog symbol on the top right hand side of the screen. In the next screen, tap the "Select Committees of Interest" option, scroll down until you find the Budget Pack. Tap on this line and a tick should appear opposite the Budget Pack to show that you have made your selection. Click "OK" at the bottom right hand side of the screen. This should now appear on your list of Committees. The budget pack will stand alone and will be published here separately from the Policy and Resources Committee and Council agendas. This will enable the same pack to be accessed at all meetings.

6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY
Report by Section 95 Officer (Pages 37 - 98)

7. BY-ELECTION RESULTS - LOMOND NORTH WARD
Report by Returning Officer (Pages 99 - 100)

8. POLITICAL MANAGEMENT ARRANGEMENTS
Report by Executive Director with responsibility for Legal and Regulatory Support (Pages 101 - 106)

9. FREEDOM OF ARGYLL AND BUTE AWARD CEREMONY
Report by Executive Director with responsibility for Legal and Regulatory Support (Pages 107 - 110)

EXEMPT REPORTS FOR DECISION

E1 10. REPORT FOR CASH FLOW FOR CAPITAL PROJECT - KILMARTIN MUSEUM CO LTD FOR KILMARTIN MUSEUM REDEVELOPMENT PROJECT
Report by Executive Director with responsibility for Development and Economic Growth (Pages 111 - 130)

The Council will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an "E" on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraph is:-

E1 Paragraph 6 Information relating to the financial or business affairs of any particular person (other than the authority).

ARGYLL AND BUTE COUNCIL

Contact: Sandra Campbell Tel: 01546 604401

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MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held BY TEAMS on THURSDAY, 25 NOVEMBER 2021

Present: Councillor David Kinniburgh (Chair)

Councillor Jim Anderson
Councillor John Armour
Councillor Gordon Blair
Councillor Rory Colville
Councillor Robin Currie
Councillor Mary-Jean Devon
Councillor Lorna Douglas
Councillor Jim Findlay
Councillor George Freeman
Councillor Audrey Forrest
Councillor Bobby Good
Councillor Kieron Green
Councillor Graham Hardie
Councillor Anne Horn
Councillor Donald Kelly
Councillor Jim Lynch
Councillor Donald MacMillan BEM
Councillor Sir Jamie McGrigor
Councillor Liz McCabe
Councillor Roderick McCuish
Councillor Yvonne McNeilly
Councillor Jean Moffat
Councillor Aileen Morton
Councillor Iain Paterson
Councillor Gemma Penfold
Councillor Alastair Redman
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Richard Trail
Councillor Sandy Taylor
Councillor Andrew Vennard

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director
David Logan, Head of Legal and Regulatory Support
Fergus Murray, Head of Development and Economic Growth
Douglas Whyte, Team Lead – Housing Strategy
Laurence Slavin, Interim Head of Financial Services
Fiona Davies, Chief Officer, Health and Social Care Partnership
Tricia O'Neill, Governance Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors McKenzie, Mulvaney and Philand.

2. DECLARATIONS OF INTEREST

Councillors Robertson and Horn each declared a non-financial interest in the Colonsay Affordable Housing Update at Item 17 of the Agenda due to them both being on the Board of the West Highland Housing Association. They both advised that they would take no part in the consideration of this item of business.

3. MINUTES

(a) **Minute of Argyll and Bute Council 30 September 2021**

The Minutes of the meeting of Argyll and Bute Council held on 30 September 2021 were approved as a correct record.

(b) **Minute of Special Argyll and Bute Council 28 October 2021**

The Minutes of the meeting of the Special Argyll and Bute Council held on 28 October 2021 were approved as a correct record.

4. MINUTES OF COMMITTEES

(a) Policy and Resources Committee of 14 October 2021

The Minutes of the Policy and Resources Committee held on 14 October 2021 were noted.

Arising under Item 4 (Financial Reports Monitoring Pack – 31 August 2021), the Council approved the revenue virements over £0.200m during July and August 2021.

Arising under Item 9 (ICT – Revised Acceptable Use Policy, the Council agreed the revised ICT AUP as attached at Appendix 1 to the report submitted to the P&R Committee.

5. LEADER'S REPORT

The Council gave consideration to a report outlining the Council Leader's activity during the period from 30 September to 9 November 2021. The report also included updates in relation to the Policy Lead portfolio.

Decision

The Council noted –

1. The content of the report.

2. That any reports, briefings or copy correspondence referred to in the report could be requested as appropriate through Leadership Support staff, noting that some confidential reports provided by external organisations, such as COSLA, may be restricted.

(Ref: Report by Leader of the Council dated 9 November 2021, submitted)

6. POLICY LEADS REPORT

The Council gave consideration to a report providing an update on the key areas of activity for each Policy Lead Councillor since the last update provided to the Council at the meeting held on 30 September 2021. Councillor Devon also provided an update on the recent Learning Awards Ceremony.

Decision

The Council noted the contents of the report.

(Ref: Report by Policy Lead Councillors dated 8 November 2021, submitted)

7. AUDITED ACCOUNTS 2020-2021

Consideration was given to a recommendation by the Audit and Scrutiny Committee and the report presenting the Audited Annual Accounts of the Council and Charitable Trusts for the year to 31 March 2021.

The Section 95 Officer took the opportunity to thank both the Finance team and Audit team for their continued hard work in the provision of the annual accounts.

Decision

The Council approved the Audited Annual Accounts of the Council and Charitable Trusts for the year to 31 March 2021.

(Ref: Report by Section 95 Officer dated 24 November 2021, submitted recommendation by the Audit & Scrutiny Committee, submitted)

8. AUDIT AND SCRUTINY ANNUAL REPORT 2020-2021

The Council considered the annual overview of the Audit and Scrutiny's activities during financial year 2020/21 and a summary of key developments since the commencement of 2021/22. The report set out how the Committee has fulfilled its remit and provided assurances to the Council.

Decision

The Council reviewed and endorsed the Chair's Annual Report.

(Ref: Report by Chair of the Audit and Scrutiny Committee dated 25 November 2021, submitted)

9. 2023 REVIEW OF UK PARLIAMENT CONSTITUENCIES - BOUNDARY COMMISSION FOR SCOTLAND PROPOSALS

The Council considered a report which provided information on the Boundary Commission for Scotland consultation on its proposals relating to the 2023 Review of UK Parliament constituencies.

Motion

Argyll and Bute Council agrees that its formal response to the Boundary Commission for Scotland 2023 Review of UK Parliamentary Constituencies should comprise the following:

a) Agreement with the proposals to extend the existing Argyll and Bute Constituency boundary to the north, to incorporate part of the current Highland Council Ward 21, as set out in the report and detailed in the map at Appendix 1;
b) Rejection of the Boundary Commission for Scotland's proposal to rename the new constituency 'Argyll' and requests that the existing Argyll and Bute name is retained.

Moved by Councillor Currie, seconded by Councillor Freeman

Amendment

a) Reject the proposals to extend the existing Argyll and Bute Constituency boundary to the north, to incorporate part of the current Highland Council Ward 21, as set out in the report and detailed in the map at Appendix 1;
b) Rejection of the Boundary Commission for Scotland's proposal to rename the new constituency 'Argyll' and requests that the existing Argyll and Bute name is retained.

Moved by Councillor Lynch, seconded by Councillor Forrest.

The Provost adjourned the meeting at 12.15pm and re-convened at 12.25pm.

As the meeting was held on a virtual basis the vote required to be taken by calling the Roll and Members voted as follows –

Motion	**Amendment**
Councillor Anderson	Councillor Armour
Councillor Colville	Councillor Blair
Councillor Currie	Councillor Findlay
Councillor Devon	Councillor Forrest
Councillor Freeman	Councillor Horn
Councillor Good	Councillor Lynch
Councillor Green	Councillor Moffat
Councillor Hardie	Councillor Paterson
Councillor Kelly	Councillor Redman
Councillor Kinniburgh	Councillor Taylor
Councillor MacMillan BEM	Councillor Trail
Councillor McCabe	
Councillor McCuish	
Councillor Sir McGrigor	
Councillor McNeilly	
Councillor Morton	
Councillor Penfold	
Councillor Reid	
Councillor Robertson	
Councillor Vennard	

Decision

The Motion was carried by 20 votes to 11 and became the finding of the Council.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support, dated 18 October 2021, submitted)

10. MICROSOFT TEAMS/HYBRID MEETINGS/LIVE STREAMING UPDATE

The Council considered a report which provided an update on the progress of the project which has seen Microsoft Teams becoming the preferred platform for meetings and gave detail on the work which is ongoing to facilitate hybrid meetings and live streaming.

Decision

The Council –

1. Noted the progress made to date in relation to the rollout of Microsoft Teams as the preferred meeting platform, including the options relating to hybrid meetings and live streaming;

2. Agreed that the Council will, for the time being, continue to operate by way of remote on-line meetings with a view to the introduction of Hybrid meetings in early 2022 dependent on the guidance from Scottish Government;

3. Agreed, subject to the satisfactory completion of testing that the Policy and Resources Committee on 9th December and the Audit and Scrutiny Committee on 14th December will be livestreamed on a fully remote basis; and

4. Agreed that all Strategic Committees and Council will be livestreamed from January 2022.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 10 November 2021, submitted)

11. CONSUMPTION OF ALCOHOL BYE-LAW LUSS

The Council considered a report which provided an update on the Consumption of Alcohol Byelaw in Luss due for review on 19th January 2022.

Decision

The Council –

1. Noted the position with regards to the review of Luss Byelaw prohibiting consumption of alcohol in designated areas which is due to review in January 2022.

2. Agreed that no change to the Luss Byelaw is required at this time, in the knowledge that should there be any changes in circumstances that a formal review could take place at any point before the next period of review subject to adherence to Scottish Government Guidelines and their consequent approval and confirmation.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 3 November 2021, submitted)

12. POLITICAL MANAGEMENT ARRANGEMENTS

The Council gave consideration to filling vacancies on Council Committees and Outside Bodies which had arisen principally as a result of Councillor Barbara Morgan's resignation from the Council on 12 October 2021 and intimation of the resignation of Councillor Roddy McCuish as a Council Representative on the Argyll Community Housing Association Board.

Motion

The council agrees the following arrangements in relation to the vacancies and appointments set out in the report:

a) Appoints Cllr Aileen Morton as Chair of the Helensburgh and Lomond Area Committee
b) Appoints Cllr David Kinniburgh as Armed Forces Champion for Argyll and Bute Council
c) Appoints Cllr Mary Jean Devon as the council's representative on the Argyll Community Housing Association Board
d) In respect of the vacant seat on the Community Services Committee and the substitute member vacancy on the Dunbartonshire and Argyll and Bute Valuation Joint Board, agrees to postpone any appointments until after the by-election scheduled for 16th December 2021
e) Notes the political composition of the Council

Moved by Councillor Currie, seconded by Councillor Devon.

Amendment

a) Appoints Cllr Richard Trail as Chair of the Helensburgh and Lomond Area Committee
b) Appoints Cllr Gordon Blair as Armed Forces Champion for Argyll and Bute Council
c) Appoints Cllr John Armour as the council's representative on the Argyll Community Housing Association Board
d) Appoints Cllr Sandy Taylor on the Community Services Committee.
e) In respect of the vacancy as substitute member on the Dunbartonshire and Argyll and Bute Valuation Joint Board, agrees to postpone that appointment until after the by-election scheduled for 16th December 2021
f) Notes the political composition of the Council

Moved by Councillor Lynch, seconded by Councillor Forrest.

As the meeting was held on a virtual basis the vote required to be taken by calling the Roll and Members voted as follows –

Motion	**Amendment**
Councillor Anderson	Councillor Armour
Councillor Colville	Councillor Blair
Councillor Currie	Councillor Douglas
Councillor Devon	Councillor Findlay
Councillor Good	Councillor Forrest
Councillor Green	Councillor Freeman
Councillor Hardie	Councillor Horn
Councillor Kinniburgh	Councillor Kelly
Councillor MacMillan BEM	Councillor Lynch
Councillor McCabe	Councillor Moffat
Councillor McCuish	Councillor Paterson
Councillor Sir McGrigor	Councillor Taylor
Councillor McNeilly	Councillor Trail
Councillor Morton	
Councillor Penfold	
Councillor Redman	
Councillor Reid	
Councillor Robertson	
Councillor Vennard	

Decision

The Motion was carried by 19 votes to 13 and became the finding of the Council.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 12 November 2021, submitted)

13. APPOINTMENT OF PERSONS INTERESTED IN THE PROMOTION OF RELIGIOUS EDUCATION

The Council considered a report which advised that a vacancy had arisen on the Community Services Committee due to the resignation of Mr William Stewart Shaw who served as a representative of the Church of Scotland. The Church of Scotland has subsequently nominate Rev Sandy MacPherson to fill this vacancy.

Decision

The Council –

1. Confirmed the appointment of Rev Sandy MacPherson (as nominated by the Church of Scotland) as a member of the Community Services Committee.

2. Noted that the appointment of Rev Sandy MacPherson is conditional on the terms and requirements of the Councillors Code applying to this appointment.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 25 October 2021, submitted)

14. APPOINTMENT OF RECRUITMENT PANELS FOR THE POSITIONS OF HEAD OF EDUCATION: LEARNING AND TEACHING AND HSCP CHIEF OFFICER AND HEAD OF ADULT SERVICES

The Council considered a report which invited Members to establish Appointments Panels to appoint to the posts of Head of Education: Learning and Teaching, Head of Adult Services and HSCP Chief Officer.

Decision

The council:

a) Agreed to establish Appointments Panels for the recruitment of the Head of Education: Learning and Teaching, the Head of Adult Services, and the HSCP Chief Officer;
b) Agreed the proposed changes to the HSCP Panels for Heads of Service and the Chief Officer as agreed by the Integration Joint Board at its meetings on 27th May 2020 and 21st September 2021 respectively;
c) Appointed Cllr Graham Hardie and Cllr Sandy Taylor as substitutes in relation to the HSCP Appointment Panels for the Chief Officer and Head of Adult Services recruitment processes;
d) In respect of the Appointments Panel for the recruitment of the Head of Education: Learning and Teaching, appointed the following as members/substitutes:

Name	Nature of appointment
Cllr Yvonne McNeilly	Panel member - Administration
Cllr Kieron Green	Panel member - Administration
Cllr Jim Lynch	Panel member - SNP Group/Opposition
Cllr Mary Jean Devon	Substitute - Administration
Cllr Elaine Robertson	Substitute - Administration
Cllr Lorna Douglas	Substitute - SNP Group/Opposition

(Ref: Report by Executive Director with responsibility for Customer and Support Services dated 25 November 2021, submitted)

15. FREEDOM OF ARGYLL AND BUTE

The Council considered a report which advised that the Lieutenancy of Argyll and Bute had requested that the Council gives consideration to awarding the Freedom of Argyll and Bute to Patrick Stewart in recognition of his years of service to the community, both in the Lieutenancy context and in other areas of activity outlined in the submitted report.

Decision

The Council agreed to award the Freedom of Argyll and Bute to Patrick Stewart, CVO, MBE in recognition of his many years of service to Argyll and Bute through his Lieutenancy work and other areas of activity.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 22 October 2021, submitted)

16. ARGYLL AND BUTE LOCAL HOUSING STRATEGY (LHS) 2021/22 - 2026/27

The Council considered a report which advised of the arrangements for submission of the Local Housing Strategy (LHS) for approval by Scottish Ministers, in accordance with the Council's statutory duties under the Housing (Scotland) Act 2001, subsequent legislation, and the latest revise guidance issued by the Scottish Government in 2019.

Decision

The Council considered and approved the Local Housing Strategy for submission to the Scottish Ministers.

(Ref: Report by Executive Director with responsibility for Development and Economic Growth dated 25 November 2021, submitted)

17. COLONSAY AFFORDABLE HOUSING UPDATE

The Council considered a report which provided an update on the options on how to enable the development of 5 new build affordable houses at Port Mor on Colonsay.

Decision

The Council authorised a payment to West Highland Housing Association of £168,999 from the Strategic Housing Fund to enable the development of 5 affordable houses at Port Mor on Colonsay.

(Ref: Report by Executive Director with responsibility for Development and Economic Growth dated October 2021, submitted)

18. NOTICE OF MOTION UNDER STANDING ORDER 13

Moved by Councillor Trail, seconded by Councillor Paterson.

Motion

St. Joseph's school catchment boundary

a) Council notes that the current catchment of St. Joseph's school in Helensburgh was inherited from Strathclyde Regional Council in 1995.

b) The inherited catchment includes the whole of the Helensburgh and Lomond area apart from a corridor along the A82 from Glen Douglas to the boundary with West Dunbartonshire Council (the excluded area).

c) Council recognises that consideration should be given to whether the excluded area should be included within the catchment area with the rest of the Helensburgh & Lomond area.

d) Council agrees to refer this matter to the Community Services Committee, who exercise the functions of the Council as Education Authority, to consider initiating the statutory procedure in terms of the School (Consultation) (Scotland) Act 2010, to extend the school catchment to cover the whole of the Helensburgh and Lomond Area.

Decision

The Council agreed the terms of the Motion as submitted.

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MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE held BY MS TEAMS on THURSDAY, 2 DECEMBER 2021

Present:	Councillor Robin Currie (Chair)	
	Councillor Rory Colville	Councillor Aileen Morton
	Councillor John Armour	Councillor Alastair Redman
	Councillor Donald Kelly	Councillor Alan Reid
	Councillor David Kinniburgh	Councillor Andrew Vennard
	Councillor Sir Jamie McGrigor	Councillor Anne Horn
	Councillor Jean Moffat	Councillor Jim Lynch
Also Present:	Councillor Elaine Robertson	
Attending:	Kirsty Flanagan, Executive Director Fergus Murray, Head of Development and Economic Growth Jim Smith, Head of Roads and Infrastructure Services Stuart McLean, Committee Manager	

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Gary Mulvaney.

2. DECLARATIONS OF INTEREST

Councillor Jim Lynch declared a non-financial interest in item 10 of the agenda (Update On Staycation Proposals) by virtue of his Council appointment to the Board of the GRAB Trust. He claimed the benefit of the dispensation contained at Section 5.18(2) of the Standards Commission's Guidance and Dispensations Note dated July 2018 to allow him to speak and vote on this item of business.

Councillor Jean Moffat advised that she had been involved in discussions in respect of item 8 (Ardencraig Gardens) but intended to remain in the meeting during consideration of this item of business.

3. MINUTES

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 2 September were approved as a correct record.

Councillor Rory Colville joined the meeting during consideration of the following item of business.

4. KEY PERFORMANCE INDICATORS FQ2 2021/22

The Committee gave consideration to a report presenting the FQ2 2021/22 Key Performance Indicators for Development and Economic Growth; and Roads and Infrastructure Services.

Decision

The Environment, Development and Infrastructure Committee noted the FQ2 2021/22 Key Performance Indicator report as presented.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 9 November 2021, submitted)

5. ANNUAL STATUS AND OPTIONS REPORT 2021

The Committee gave consideration to a report introducing the Annual Status and Options Report which makes an analytical assessment of the condition of the Council's road network and associated infrastructure as well as setting out projected conditions based on varying levels of investment.

Decision

The Environment, Development and Infrastructure Committee endorsed the Annual Status and Options Report and the positive analytical feedback it provided.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2021, submitted)

* 6. CAMPBELTOWN FLOOD PROTECTION SCHEME

The Committee gave consideration to a report providing an update on progress with the Campbeltown Flood Protection Scheme (CFPS), including work completed, key dates and risks going forward.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted that a paper detailing the full Business Case would be brought back to the Environment, Development and Infrastructure Committee in March 2022. Construction of the final scheme would be subject to approval of the full Business Case prior to tender award.

2. Approved the acquisition of required land to minimise delays after full Business Case approval.

3. Agreed to refer the estimated additional funding requirements of £0.042m to be considered as part of the budget in February 2022.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated 2 December 2021, submitted)

7. UPDATE ON ELECTRIC VEHICLE CHARGING STRATEGY

The Committee gave consideration to a report providing a further update on the development of a medium to long term future strategy for electric vehicle charging (EVC) infrastructure across Argyll and Bute following on from the update given to the Committee in June.

Decision

The Environment, Development and Infrastructure Committee –

1. Agreed to the adaptations to the asset development methodology for EVC at Appendix One to the submitted report.

2. Agreed to the draft list of future EVC sites at Appendix Two to the submitted report, and agreed that this list should go forward for public consultation.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated 9 November 2021, submitted)

8. ARDENCRAIG GARDENS

The Committee gave consideration to a report providing an update on the progression of a possible partnership with a community group on Bute in respect of Ardencraig Gardens.

Decision

The Environment, Development and Infrastructure Committee –

1. Endorsed the proposal from the Ardencraig Gardens Friends' Group outlined at paragraph 3.7 of the submitted report.

2. Noted that the Head of Roads and Infrastructure would make arrangements to progress the partnership in the normal way.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2021, submitted)

9. LISMORE FERRY REPLACEMENT VESSEL

The Committee gave consideration to a report providing an update on the progress of the new Lismore Ferry and seeking endorsement of the name "Lady of Lismore" for the vessel.

Decision

The Environment, Development and Infrastructure Committee noted the content of the submitted report and endorsed the name "Lady of Lismore" for the new vessel.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2021, submitted)

10. UPDATE ON STAYCATION PROPOSALS

The Committee gave consideration to a report providing an update on proposals for the utilisation of funding to support Staycations in Argyll and Bute.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted the content of the report and approved the options in Table A contained within the submitted report.

2. Noted that this was a continually evolving process with milestones throughout the year and beyond.

3. Approved the proposals for 2022 as outlined in paragraph 6.2 of the submitted report to be funded from the Staycation funding agreed at the Council budget meeting to be spent in 2021/22 and 2022/23.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 2 December 2021, submitted)

11. SCOTTISH GOVERNMENT AVIATION STRATEGY CONSULTATION

The Committee gave consideration to a report providing details on the consultation by Scottish Government to help inform the development of an Aviation Strategy for Scotland.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted the proposed approach to raise awareness with Community Councils regarding the consultation, with the offer that if they didn't want to respond directly, their response could be included within the Council's official response.

2. Approved delegated powers to the Executive Director with responsibility for Air Services and Economic Growth, to approve the final Council response to the Scottish Government Aviation Strategy Consultation, in consultation with the Leader, Deputy Leader and Leader of the main opposition.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 5 November 2021, submitted)

12. ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE WORK PLAN

The Environment, Development and Infrastructure Committee work plan was before the Committee for noting.

Decision

The Environment, Development and Infrastructure Committee noted the content of the work plan.

(Reference: Environment, Development and Infrastructure Committee Workplan dated December 2021, submitted)

MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held BY MICROSOFT TEAMS on THURSDAY, 9 DECEMBER 2021

Present: Councillor Robin Currie (Chair)

Councillor Rory Colville
Councillor Bobby Good
Councillor Kieron Green
Councillor Jim Findlay
Councillor Audrey Forrest
Councillor Jim Lynch
Councillor David Kinniburgh
Councillor Yvonne McNeilly
Councillor Aileen Morton
Councillor Douglas Philand
Councillor Alastair Redman
Councillor Elaine Robertson
Councillor Richard Trail

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director
Laurence Slavin, Interim Head of Financial Services
Fergus Murray, Head of Development and Economic Growth
Ross McLaughlin, Head of Commercial Services
David Gibson, Head of Children, Families and Justice
Peter Leckie, Project Manager
Patricia O'Neill, Governance Manager
John Cornett, Audit Scotland
Kyle McAulay, Audit Scotland

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Gary Mulvaney and Mary Jean Devon.

2. DECLARATIONS OF INTEREST

There were no declarations of interest declared at this point.

Councillor Jim Findlay joined the meeting during consideration of item 5 (Budget Outlook 2022-23 to 2026-27) and declared a non-financial interest in item 18 of the agenda (Rothesay Pavilion Update) by virtue of his appointment to the Rothesay Pavilion Board. As this was a Council appointment he advised he would be claiming the benefit of the specific exclusion as per Standards Commission's Guidance to allow him to speak and vote on this item of business.

Councillor Audrey Forrest, during consideration of item 6 of the agenda (Budget Savings Options 2022/23), declared a non-financial interest in this item by virtue of her Council appointment to the Live Argyll Board. She advised that as this was a Council appointment she would be claiming the benefit of the specific exclusion as per the Standards Commission's Guidance to allow her to speak and vote on this item of business.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 14 October 2021 were approved as a correct record.

* 4. FINANCIAL REPORTS MONITORING PACK - 31 OCTOBER 2021

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2021. There were six detailed reports setting out the position as at 31 October 2021.

Decision

The Policy and Resources Committee –

1. Noted the revenue budget monitoring report as at 31 October 2021.

2. Noted the progress with the policy savings options as at 31 October 2021.

3. Noted the financial risks for 2021-22.

4. Noted the capital plan monitoring report as at 31 October 2021 and approved the proposed changes to the capital plan outlined in Appendix 4 of that report.

5. Noted the treasury monitoring report as at 31 October 2021.

6. Noted the reserves and balances report as at 31 October 2021.

7. Agreed to recommend to Council that the revenue virements over £0.200m during September and October 2021 were approved.

(Reference: Report by Section 95 Officer dated 5 November 2021, submitted)

Councillor Jim Findlay joined the meeting during consideration of the following item of business. He advised that he would be declaring an interest in item 18 of the agenda (Rothesay Pavilion Update) by virtue of his Council appointment to the Rothesay Pavilion Board. As this was a Council appointment he advised he would be claiming the benefit of the specific exclusion as per Standards Commission's Guidance to allow him to speak and vote on this item of business.

5. BUDGET OUTLOOK 2022-23 TO 2026-27

The Committee gave consideration to a report providing an update to the budget outlook 2022-23 to 2026-27 reported to the Policy and Resources Committee on 14 October 2021.

Decision

The Policy and Resources Committee noted the current estimated budget outlook position for the period 2022-23 to 2026-27.

(Reference: Report by Section 95 Officer dated 29 November 2021, submitted)

Councillor Audrey Forrest, during consideration of the following item of business, declared a non-financial interest in this item of business by virtue of her Council appointment to the Live Argyll Board. She advised that as this was a Council appointment she would be claiming the benefit of the specific exclusion as per the Standards Commission's Guidance to allow her to speak and vote on this item of business.

6. BUDGET SAVING OPTIONS 2022/23

The Committee gave consideration to a report providing information on savings options identified by officers for consideration for financial year 2022/23 and beyond.

Decision

The Policy and Resources Committee –

1. Noted the savings options identified by Officers and agreed by the Budget Working Group to be moved forward to the 2022/23 budget process.

2. Noted that officers would continue to identify further savings over the coming months to further bridge the estimated budget gap.

3. Noted that the Head of Customer Support Services would take forward a statutory consultation process with the Trade Unions for those savings options that could have a direct impact on jobs.

(Reference: Report by Section 95 Officer dated 29 November 2021, submitted)

John Cornett and Kyle McAulay of Audit Scotland joined the meeting at this point.

7. ARGYLL AND BUTE COUNCIL - 2020/21 ANNUAL AUDIT REPORT

The Argyll and Bute Council – 2020/21 Annual Audit Report was before the Committee for consideration.

Decision

The Policy and Resources Committee noted the 2020/21 Annual Audit Report as presented by Audit Scotland.

(Reference: Report by Section 95 Officer dated 2 December 2021, submitted)

8. UPDATE ON COVID 19 FINANCIAL POSITION

The Committee gave consideration to a report providing an update on the projected impact of the Covid-19 pandemic on the Council's Revenue Budget in 2021/22 and 2022/23 and the available Covid funding.

Decision

The Policy and Resources Committee noted the submitted report and, in particular that -

1. Since the report taken to Policy and Resources Committee on 14 October 2021, there had been a decrease to the overall estimated 2021-22 Covid revenue cost pressure of £0.051m and a decrease to the overall estimated 2022-23 Covid cost pressure of £0.048m.

2. There was currently £7.067m of available Covid funding.

3. There remained Scottish Government Covid Funding of £1.667m and £5.400m from the Loans Fund Principal Repayment Holiday (if required) which would be ringfenced for Covid purposes as outlined in paragraph 3.9 of the submitted report.

(Reference: Report by Section 95 Officer dated 29 November 2021, submitted)

9. KEY PERFORMANCE INDICATORS FQ2 2021/22

The Committee gave consideration to a report presenting the FQ2 2021/22 Key Performance Indicators for Financial Services, Commercial Services, Legal and Regulatory Support and Customer Support Services in a simplified format commensurate with the Covid-19 situation.

Decision

The Policy and Resources Committee noted the FQ2 2021/22 Key Performance Indicator Reports as presented.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 9 November 2021, submitted)

10. QUEEN'S PLATINUM JUBILEE

The Committee gave consideration to a report proposing the addition of a public holiday on 3 June 2022 to allow staff to participate in celebrations to mark Her Majesty The Queens’ 70 years on the throne.

Decision

The Policy and Resources Committee agreed to authorise an additional public holiday on 3 June 2022 to allow staff to participate in celebrations to mark the Queen’s Platinum Jubilee.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 23 November 2021, submitted)

11. RESTART, RECOVER AND RENEW: DELIVERING OUR RECOVERY STRATEGY AND ACTION PLAN

The Committee gave consideration to a report providing an update on delivering the Argyll and Bute Covid Recovery Strategy and requesting funding from the Recovery and Renewal Fund to support specific priorities of the Recovery Working Group.

Decision

The Policy and Resources Committee –

1. Noted the progress made in delivering the Covid Recovery Strategy.

2. Approved the sum of £110,000 from the Recovery and Renewal Fund to aid the delivery of critical areas of the Recovery Strategy and Action Plan.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 17 November 2021, submitted)

* 12. PROCUREMENT STRATEGY 2022-25 AND SUSTAINABLE PROCUREMENT POLICY 2022-25 - DRAFT DOCUMENTS AND CONSULTATION

The Committee gave consideration to a report which sought approval of the final revised Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25.

Decision

The Policy and Resources Committee –

1. Noted the key changes, as detailed at Section 4.3, to the Procurement Strategy 2022/25 and Section 4.5 to the Sustainable Procurement Policy 2022/25 and the outcome of the consultation.

2. Agreed to recommend to the Council agreement of the revised final Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25 to be published on the Council’s website in April 2022.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 1 December 2021, submitted)

13. UNACCOMPANIED ASYLUM SEEKING CHILDREN - NATIONAL TRANSFER SCHEME

The Committee gave consideration to a report providing an update on the change from a voluntary to mandatory National Transfer Scheme for Unaccompanied Asylum Seeking Children, outlining the implications and risks and providing an overview on the proposed model of care and support for Unaccompanied Asylum Seeking Children transferred to the authority through the National Transfer Scheme.

Decision

The Policy and Resources Committee –

1. Noted that on 23 November 2021 the UK Government served notice on Councils across the UK of their intention to issue a direction requiring local authorities to participate in the National Transfer Scheme for unaccompanied asylum-seeking children (UASC).

2. Noted the plans to provide appropriate care for UASCs transferred to the authority in a partnership between the HSCP and the Council.

3. Note the risks outlined in paragraphs 3.14 to 3.21 of the submitted report.

4. Accepted that the costs of UASCs are funded by the NTS funding package from the Home Office. However depending on the level of need, funding may not cover all of the support costs, and any such under funding will introduce a cost pressure.

(Reference: Report by Executive Director with responsibility for Resettlement dated 30 November 2021, submitted)

14. CLIMATE CHANGE BOARD UPDATE PAPERS

(a) Climate Change - Decarbonisation Plan Update 2022

The Committee gave consideration to a report providing an update on the Council's Decarbonisation Plan for 2022-25. The new decarbonisation plan was a refresh of the previous year's plan and set out a 3 year framework to continue the climate journey and route map to net zero.

Decision

The Policy and Resources Committee –

1. Agreed and adopted the Decarbonisation Plan 2022 – 2025.

2. Noted the progress of specific actions from the Decarbonisation Action Plan.

3. Agreed the Decarbonisation Action plan be regularly reported to Policy & Resources Committee.

4. Noted the 27% reduction in greenhouse gas emissions from the Council this year.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 6 November 2021, submitted)

(b) Council Usage of Single Use Plastic - Methods of Procurement Support

The Committee gave consideration to a report providing recommendations on the methods of procurement support that could be put in place to support service-led decisions on reducing the use of Single Use Plastic (SUP) products and ensure services consider the recyclability of products were appropriate across the Council.

Decision

The Policy and Resources Committee –

1. Noted that the various Services that currently purchase SUP products consider whether these products are essential or if there is a potential alternative that would meet the Service requirements, prior to orders being placed via PECOS or contacting the Procurement, Commercial and Contract Management Team (PCCMT) for a procurement process to be carried out.

2. Noted that the Sustainable Procurement Policy would be updated to reflect the Climate Change Board desire to limit SUP where possible – proposed wording had been included in the current draft version for 2022/23, and would be updated as follows in the final version: "To provide procurement support to any strategic decisions taken by the Council in relation to the usage of Single Use Plastic products and their recyclability".

3. Noted that the Commodity Sourcing Strategy templates used for Regulated Procurements would be updated to include a question regarding SUP.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 6 November 2021, submitted)

The Chair ruled and the Committee agreed to adjourn the meeting for a ten minute comfort break at this point.

Councillor Aileen Morton left the meeting at this point.

Members were advised that if they wished to discuss the content of the Appendix at item 15(c) of the agenda, the Committee would be required to resolve in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public during consideration of the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8 and 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

15. TARBERT AND LOCHGILPHEAD REGENERATION FUND - ARDRISHAIG NORTH PUBLIC REALM

The Committee gave consideration to a recommendation from the Mid Argyll, Kintyre and the Islands Area Committee of 1 December 2021 in relation to Tarbert and Lochgilphead Regeneration Fund – Ardrishaig North Public Realm Full Business Case.

Decision

The Policy and Resources Committee agreed the recommendation from the Mid Argyll, Kintyre and the Islands Area Committee that -

1. The draft Full Business Case for Ardrishaig North Public Realm is approved and that Council funding of up to £330,000 is confirmed for the Ardrishaig North Public Realm Project from the Tarbert and Lochgilphead Regeneration Fund.

2. Approval of the final Full Business Case for Ardrishaig North Public Realm is delegated to the Executive Director with responsibility for Development and Infrastructure Services, subject to it being demonstrated that this is within the approved budget prior to implementation.

3. Delegated authority be afforded to the Executive Director with responsibility for Development and Infrastructure Services for the delivery of the project.

(Reference: Recommendation from Mid Argyll, Kintyre and the Islands Area Committee held on 1 December 2021; and report by Executive Director with responsibility for Development and Economic Growth dated 11 November 2021, submitted)

16. COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL EMPLOYMENT FOR YEAR 1 JULY 2020 - 30 JUNE 2021

A report outlining the costs and savings associated with early retirements/redundancies that had taken place between 1 July 2020 and 30 June 2021 was before the Committee for noting.

Decision

The Policy and Resources Committee –

1. Noted the numbers and costs of severance packages during the period 1 July 2020 – 30 June 2021 and the resulting savings.

2. Noted that the report ensured that the Council was compliant with the Audit Scotland recommendation in its report 'Bye Now, Pay Later'.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 25 October 2021, submitted)

17. POLICY AND RESOURCES COMMITTEE WORKPLAN

The Policy and Resources Committee Workplan was before the Committee for noting.

Decision

The Policy and Resources Committee noted the content of the workplan as at December 2021.

(Reference: Policy and Resources Committee Workplan dated December 2021, submitted)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8 and 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

18. ROTHESAY PAVILION UPDATE

The Committee gave consideration to a report providing an update on the project's approved budget, anticipated final cost of the works to completion, and the associated programme of activities; and made a recommendation as to the future of the project.

Decision

The Policy and Resources Committee agreed the terms of a Motion proposed by Councillor Robin Currie, seconded by Councillor Yvonne McNeilly.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 24 November 2021, submitted; and Motion by Councillor Robin Currie, seconded by Councillor Yvonne McNeilly, tabled)

MINUTES of SPECIAL MEETING of POLICY AND RESOURCES COMMITTEE held BY MICROSOFT TEAMS on THURSDAY, 9 DECEMBER 2021

Present: Councillor Robin Currie (Chair)

Councillor Rory Colville
Councillor Bobby Good
Councillor Kieron Green
Councillor Jim Findlay
Councillor Jim Lynch
Councillor David Kinniburgh
Councillor Yvonne McNeilly
Councillor Douglas Philand
Councillor Alastair Redman
Councillor Elaine Robertson
Councillor Richard Trail

Attending: Douglas Hendry, Executive Director
Patricia O'Neill, Governance Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mary Jean Devon, Audrey Forrest, Aileen Morton and Gary Mulvaney.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. PROPOSAL TO AMEND THE SCHEME FOR THE ESTABLISHMENT OF COMMUNITY COUNCILS IN ARGYLL & BUTE UNDER SECTION 53(1) OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973

The Committee gave consideration to a report inviting consideration of feedback received following an 8 week consultation to amend the current Scheme for the Establishment of Community Councils in Argyll and Bute and inviting approval of the final amended Scheme.

Decision

The Policy and Resources Committee considered the feedback received at appendix 1 to the submitted report and agreed –

1. The duly amended Scheme for the Establishment of Community Councils in Argyll and Bute (appendix 2 to the submitted report) which included provision for both remote and hybrid public meetings.

2. That officers proceed to give the required 4 week period of notice for the newly amended Scheme to take effect.

3. To delegate consideration of any feedback received during the 4 week period referred to at recommendation 3.2 of the submitted report to the Executive Director with responsibility for Community Councils, in consultation with the Policy Lead. Subject to there being no material changes proposed from the feedback received, the newly amended Scheme would come into effect at the end of the four week period and the

existing temporary departures previously put in place during the pandemic would be revoked.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 30 November 2021, submitted)

MINUTES of MEETING of COMMUNITY SERVICES COMMITTEE held BY MICROSOFT TEAMS on THURSDAY, 16 DECEMBER 2021

Present: Councillor Yvonne McNeilly (Chair)

Councillor Jim Anderson	Councillor Iain Paterson
Councillor Gordon Blair	Councillor Gemma Penfold
Councillor Mary-Jean Devon	Councillor Alan Reid
Councillor Lorna Douglas	Councillor Elaine Robertson
Councillor Audrey Forrest	Margaret Anderson
Councillor Kieron Green	Reverend Sandy MacPherson
Councillor Graham Hardie	Alison Palmer
Councillor Liz McCabe	Lorna Stewart

Attending: Douglas Hendry, Executive Director
Louise Connor, Head of Education: Learning and Teaching
Jennifer Crocket, Head of Education: Lifelong Learning and Support
Shona Barton, Committee Manager
Chief Superintendent Lynn Ratcliff, Police Scotland
Superintendent Claire Dobson, Police Scotland
Area Commander Joe McKay, Scottish Fire and Rescue Service
Stephen Whiston, Head of Strategic Planning Performance & Technology, Argyll & Bute HSCP

The Chair welcomed Reverend Sandy MacPherson as one of the religious representatives on the Committee and Lorna Stewart who has been nominated as a Teacher representative on the Committee.

A welcome was also extended to Chief Superintendent Lynn Ratcliff who has recently taken over from John Paterson.

The Chair also advised that this would be last meeting attended by Louise Connor, Head of Education: Learning and Teaching, as she would be retiring from this post at the end of the year. Councillor McNeilly thanked Louise for her commitment and service to the children and young people of Argyll and Bute and for all her hard work during her time with the Council, and wished her well for the future. It was noted that Louise would continue to work with the Council to take forward the Education Change Programme.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Julie McKenzie and Donald MacMillan BEM.

2. DECLARATIONS OF INTEREST

Councillor Graham Hardie noted in relation to item 7 (Argyll & Bute HSCP – Performance Report) and item 8 (Argyll & Bute HSCP Annual Performance Report 2020/21) on the Agenda that he was appointed to the role of non-Executive Member of NHS Highland Board by the Council. Having taken note of the updated Standards Commission Guidance in relation to declarations (issued on 7 December 2021) with specific reference to section 5.4(c) he did not consider that he had a relevant connection and as such would remain the meeting and speak and vote on these reports.

3. MINUTE

The Minute of the Community Services Committee held on 25 August 2021 was approved as a correct record.

4. ARGYLL AND BUTE LOCAL POLICING PLAN (2020-2023) - QUARTERLY REPORT (QTR2 - 2021/22)

Superintendent Claire Dobson presented the Quarter 2 – 2021/22 update in relation to the Argyll and Bute Local Policing Plan 2020 – 2023.

Chief Superintendent Lynn Ratcliff also provided an update on Police Scotland's response to the current Covid-19 position, both locally and at a national level, in respect of the Omicron variant. Thereafter both Officers responded to a number of questions asked.

Decision

The Committee reviewed and noted the contents of the report.

(Reference: Report for Quarter 2 2021/22 by Divisional Commander for Argyll and West Dunbartonshire Division, Police Scotland, submitted)

5. SCOTTISH FIRE AND RESCUE SERVICE - ARGYLL & BUTE PERFORMANCE REPORT Q2 - 1 JULY - 30 SEPTEMBER 2021

Area Commander Joe McKay presented a report highlighting Scottish Fire and Rescue Service's review of local performance within Argyll and Bute for Q2 2021-2022 and responded to a number of questions asked.

Decision

The Committee reviewed and noted the contents of the report.

(Reference: Q2 2021-2022 Report by Local Senior Officer, Scottish Fire and Rescue Service, submitted)

Councillor Liz McCabe left the meeting during consideration of the foregoing item.

Margaret Anderson joined the meeting during consideration of the foregoing item.

6. THE SCOTTISH FIRE AND RESCUE SERVICE - FIRE AND RESCUE FRAMEWORK FOR SCOTLAND - CONSULTATION

The Scottish Fire and Rescue Service are consulting on the next Fire and Rescue Framework for Scotland and have requested input to the consultation from the Community Services Committee. Consideration was given to a report setting out a draft response to this consultation.

Decision

The Committee agreed to approve the response to the consultation on the Scottish Fire and Rescue Service Framework attached at Appendix 1 to the Executive Director's report.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 16 November 2021, submitted)

The Chair ruled, and the Committee agreed, to vary the order of business to enable the Argyll & Bute HSCP's Head of Strategic Planning, Performance and Technology to present the Argyll & Bute HSCP reports when he joined later in the meeting.

These reports were subsequently considered at items 11 and 12 of this Minute.

7. KEY PERFORMANCE INDICATORS FQ2 2021/22 - EDUCATION SERVICE

A paper presenting the Committee with the FQ2 2021/22 Key Performance Indictors (KPIs) for the Education Service was considered.

Decision

The Committee reviewed and scrutinised the FQ2 2021/22 KPI report as presented.

(Reference: Report by Executive Director with responsibility for Education dated 9 November 2021, submitted)

8. EDUCATION PERFORMANCE DATA ANALYSIS 2020-21

A report providing an overview of key performance data and outcomes for all pupils across each of the ten secondary schools for session 2020/21 using the local authority data available was considered.

Decision

The Committee:

1. noted that pupil performance and outcomes were based on teacher professional judgement based on a range of quality assured evidence, and not examination performance as the last formal SQA examination diet took place in 2019; and

2. considered the contents of the report and appendices attached.

(Reference: Report by Executive Director with responsibility for Education dated 11 November 2021, submitted)

9. EDUCATION SCOTLAND - SCRUTINY PROGRAMME FOR 2021-22

As a result of the Covid-19 pandemic, HM Inspectors of Education (HMIE) took the decision to pause all inspection activity on 13 March 2020. In September 2021, HMIE agreed with the Cabinet Secretary for Education and Skills, the arrangements to resume a programme of scrutiny activities for session 2021-22.

A report setting out this programme and how HMIE will approach scrutiny was before the Committee for consideration.

Decision

The Committee:

1. noted the proposed programme of HMIE engagement including Phase One: late September 2021 to December 2021 and Phase Two: February 2022 onwards as detailed in section 3 of the Executive Director's report; and

2. agreed that the Education Service would resume the arrangements for reporting Inspection outcomes that were in place pre Covid-19 ie –

   - details of all inspections carried out on a quarterly basis will be presented to Community Services Committee as a standing item;
   - the quarterly report will detail all establishment inspections conducted and published by Education Scotland within that period; and
   - that Ward Members will receive copies of school inspection reports for schools within their area as published by Education Scotland.

(Reference: Report by Executive Director with responsibility for Education dated 15 November 2021, submitted)

10. THE ELECTION OF A TEACHER REPRESENTATIVE TO THE COMMUNITY SERVICES COMMITTEE

A report updating the Committee on the appointment of one non-voting teaching representative to sit on the Community Services Committee to represent the teacher workforce was considered.

Decision

The Committee noted the content of the report and endorsed the appointment of Lorna Stewart as the representative nominated as a non-voting member of the Community Services Committee.

(Reference: Report by Executive Director with responsibility for Education dated November 2021, submitted)

11. ARGYLL & BUTE HSCP - PERFORMANCE REPORT

Consideration was given to a report which provided an update on the impact of service performance with regards to the Covid-19 pandemic and the progress made with regard to remobilising health and social care services in Argyll and Bute.

Decision

The Committee considered and noted the IJB Health and Social Care Partnership report presented to the IJB in November 2021.

(Reference: Report by Head of Strategic Planning, Performance & Technology, Argyll & Bute HSCP, submitted)

12. ARGYLL & BUTE HSCP ANNUAL PERFORMANCE REPORT 2020/21

Consideration was given to the Argyll & Bute Health and Social Care Partnership Annual Performance Report for 2020/21.

Decision

The Committee considered and noted the Argyll & Bute Health and Social Care Partnership Annual Performance Report for 2020/21.

(Reference: Argyll & Bute HSCP Annual Performance Report 2020/21, submitted)

13. ST JOSEPH'S SCHOOL CATCHMENT BOUNDARY

The Committee considered a request to initiate the statutory procedure in terms of the Schools (Consultation) Act 2010, to extend the school catchment for St Joseph's school to cover the whole of the Helensburgh and Lomond area.

Decision

The Committee agreed:

1. to note the terms of the referral from Council;

2. to take forward the statutory procedure in terms of the Schools (Consultation) Act 2010, to extend the school catchment for St Joseph's school to cover the whole of the Helensburgh and Lomond area, noting that the necessary resources to undertake this work will not be available until the completion of the ongoing work relating to the Education Change Programme; and

3. that an initial report on how the statutory procedure will be progressed will be brought forward to Members early in the life of the new Council.

(Reference: Extract from Minutes of Argyll and Bute Council meeting held on 25 November 2021, submitted)

14. 2021/22 HEALTH AND WELLBEING CENSUS

The Head of Education: Lifelong Learning and Support outlined the details of a Census planned by the Scottish Government for completion by April 2022 and delivered digitally to pupils in primary 5 through to S6. Concerns had been expressed about the types of questions being asked which had led to one third of Scottish local authorities choosing to proceed with participating in this Census, one third choosing not to participate, and one third pausing.

A discussion took place and the views of Committee Members were invited as to whether or not Argyll and Bute Council should participate in this Census.

Motion

To agree that Argyll and Bute Council does not participate in the Health and Wellbeing Census at this time.

Moved by Councillor Yvonne McNeilly, seconded by Councillor Mary-Jean Devon.

Amendment

To agree to pause this decision until privacy issues are clarified by the Children's Commissioner.

Moved by Councillor Lorna Douglas, seconded by Councillor Audrey Forrest.

A vote was taken by calling the roll.

Motion	Amendment
Councillor Anderson	Councillor Blair
Councillor Devon	Councillor Douglas
Councillor Green	Councillor Forrest
Councillor Hardie	Councillor Paterson
Councillor McNeilly	
Councillor Penfold	
Councillor Reid	
Councillor Robertson	
Margaret Anderson	
Reverend Sandy MacPherson	

The Motion was carried by 10 votes to 4 and the Committee resolved accordingly.

Decision

The Committee agreed that Argyll and Bute Council would not participate in the Health and Wellbeing Census at this time.

15. ANNUAL PARTICIPATION MEASURE 2020-21

A report providing information on the most recent Annual Participation Measure published in August 2021, covering the period April 2020 – March 2021 was before the Committee for noting.

Decision

The Committee noted the contents of the report.

(Reference: Report by Executive Director with responsibility for Education dated November 2021, submitted)

16. EDUCATION CHANGE PROGRAMME - UPDATE ON THE COMMUNITY ENGAGEMENT

The Community Services Committee agreed at its meeting on 10 June 2021 to embark on a wide ranging community engagement exercise to discuss and co-develop proposals for the future delivery of education in Argyll and Bute.

A report providing an update on the community engagement activity currently underway was before the Committee for information.

Decision

The Committee noted the contents of the report.

(Reference: Report by Executive Director with responsibility for Education dated 19 November 2021, submitted)

17. GAELIC LANGUAGE PLAN PROGRESS REPORT

A report providing an update on progress in delivering the actions in the approved Argyll and Bute Council Gaelic Language Plan was before the Committee for information.

Decision

The Committee noted the contents of the report.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated November 2021, submitted)

18. COMMUNITY SERVICES WORK PLAN 2021/22

The Community Services Committee work plan for 2021 – 2022 was before the Committee for information.

Decision

The Committee noted the contents of the work plan.

(Reference: Community Services Committee Work Plan 2021 – 2022, submitted)

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ARGYLL AND BUTE COUNCIL **COUNCIL**

FINANCIAL SERVICES **24 FEBRUARY 2022**

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1. EXECUTIVE SUMMARY

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Member's approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2022-23.

1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:

- Policy and Resources Committee on 17 February 2022
- Council on 24 February 2022
- Audit and Scrutiny Committee on 15 March 2022
- If required, Council on 28 April 2022, following recommendations from the Audit and Scrutiny Committee that need approval from Council.

1.3 The Council uses Link Group Treasury Solutions as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators which Members are asked to approve.

1.5 In 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year as detailed in section 2.5 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our external treasury management advisors. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

1.7 The review considered new loans fund advances and historic loans fund advances to assess whether the repayment methodology was still the most prudent option. In doing so a revised policy on loans fund advance repayment profiling was introduced as follows:

For all new loans fund advances the policy for repayment is:

- **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
- **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream using a 5.1% annuity rate. This would be utilised where the asset will generate income which can be used to repay the debt or as a result of spend to save schemes where again the savings can be used to repay the loans fund advances.

1.8 Section 3 of the document outlines the current actual external debt against the capital financing requirement highlighting any over or under borrowing. There is information on the interest rates projections and the borrowing strategy.

1.9 Section 4 of the document outlines the annual investment strategy. The Council's investment priorities will be security first, liquidity second and then return. It explains the creditworthiness policy and the use of Link Group Treasury Solutions in this respect as well as the Country and Sector limits.

1.10 There are a number of appendices in Section 5. Some of this information has been provided by the Council's external treasury management advisors.

2. RECOMMENDATIONS

2.1 It is recommended that the Council:

a) Approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within. Note that the figures within the Strategy will be updated to reflect the budget decisions agreed at Council.

b) Approve the continued use of the asset life method for the repayment of loan fund advances using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.

c) Approve the proposed asset repayment periods as detailed within section 2.6 of the Treasury Management Strategy Statement.

d) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by the Council's external treasury management advisors.

3. IMPLICATIONS

3.1 Policy – Sets the policy for borrowing and investment decisions.

3.2 Financial – An effective Treasury Management Strategy forms a significant part of the Council's financial arrangements and its financial well-being.

3.3 Legal - None.

3.4 HR - None.

3.5 Fairer Scotland Duty – None.

3.5.1 Equalities – None.

3.5.2 Socio-Economic Duty – None.

3.5.3 Islands Duty – None.

3.6 Climate Change - None.

3.7 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.

3.8 Customer Service - None.

Policy Lead for Financial Services and Capital Regeneration Projects: Councillor Gary Mulvaney

Kirsty Flanagan
Section 95 Officer
10 February 2022

For further information please contact:
Anne Blue, Interim Head of Financial Services 01586-555269

APPENDICES
Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2022-23

Treasury Management Strategy Statement

and Annual Investment Strategy 2022-2023

INDEX

1 INTRODUCTION

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social and Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Code TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing / leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any loans to third parties, commercial investment initiatives or other non-financial investments will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

An annual Treasury Management Strategy Statement (this report) – this is the first and most important report which is submitted to full Council before the start of the financial year. The Council approve this Strategy in February, after which the Audit and Scrutiny Committee have an opportunity to make comments and recommendations. If required the Strategy would then go back to Council in April to approve any amendments recommended by the Audit and Scrutiny Committee. The Strategy covers:

- The capital plans (including prudential indicators);
- A policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- A permitted investment strategy (the parameters on how investments are be to managed).

A mid-year Treasury Management Review Report - this will update Members with the progress of the capital position, amending prudential indicators as necesssary and whether any policies require revision. Monitoring reports are submitted to each Policy and Resources Committee.

An Annual Treasury Report – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report is presented to Council after the end of each financial year.

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capial strategy report, which will provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The capital strategy was reported to members on 14 October 2021 and the decision taken that an updated strategy be presented to members in the early life of the new Council in 2022.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.
- The loans fund repayment policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (Audit and Scutiny Committee).

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Group, Treasury Solutions as its external treasury management consultants.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2022/23 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2022-25.

Capital Expenditure £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Executive Director - Douglas Hendry					
Education	3,012	8,938	4,415	4,273	2,226
Facility Services - Shared Offices	79	2,089	2,475	481	428
Major Projects/CHORD	7,644	17,125	3,923	285	0
Executive Director - Kirsty Flanagan					
ICT	811	1,662	1,376	983	771
Roads and Infrastructure	9,360	22,454	51,948	26,579	37,037
Development and Economic Growth	1,176	3,746	2,324	186	0
Live Argyll	182	472	998	431	428
Health and Social Care Partnership	290	392	1,729	447	428
Total	**22,554**	**56,878**	**69,188**	**33,665**	**41,318**

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing them. Any shortfall of resources results in a funding borrowing need. (The financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.)

Capital Expenditure £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Total Capital Expenditure	22,554	56,878	69,188	33,665	41,318
Financed by:					
Capital Receipts	0	806	1,387	2,095	0
Capital Grants	13,496	10,723	13,347	8,691	8,691
Capital Reserves	0	0	0	0	0
Revenue	744	39,879	2,755	186	0
Net Financing need for the year	**8,314**	**5,470**	**51,699**	**22,693**	**32,627**

2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, called the Loan Fund Principal Repayment, which reflects the useful life of capital assets financed by borrowing. This charge reduces the CFR each year. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £122m of such schemes within the CFR.

The CFR projections are noted in the following table.

£'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
Opening CFR	296,187	296,662	292,303	333,145	344,451
Closing CFR	296,662	292,303	333,145	344,451	365,252
Movement in CFR	**475**	**(4,359)**	**40,842**	**11,306**	**20,801**
Movement in CFR represented by					
£'000	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Net financing need for the year (above)	8,314	5,470	51,699	22,693	32,627
Less scheduled debt Amortisation	7,839	9,829	10,857	11,387	11,826
Movement in CFR	**475**	**(4,359)**	**40,842**	**11,306**	**20,801**

2.3 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Expected Investments	**98,138**	**88,300**	**80,000**	**70,000**	**60,000**

2.4 Limits to Borrowing Activity

The operational boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £'m	2020/21 Actual	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	200	196	223	247	267
Other long term liabilities	124	120	117	118	113
Total	**324**	**316**	**340**	**365**	**380**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

a) The authorised limits for external debt for the current year and two subsequent years are the legislative limits determined under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

b) The Council is asked to approve the following authorised limit:

Authorised Limit £'m	2020/21 Actual	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	205	201	228	252	272
Other long term liabilities	127	123	120	121	116
Total	**332**	**324**	**348**	**373**	**388**

2.5 Statutory repayment of loans fund advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Councils so long as a prudent provision is made each year. A review of the Council's loan fund advances was undertaken during 2019-20 to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

For all new loans fund advances the policy for the repayment is:-

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;

2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 3.41%, however it is still considered prudent to use the average historic rate at this time.

2.6 Asset Repayment Periods

Using the asset life method, the Council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The table below details the repayment period that applies for each asset type.

Asset Type	Repayment Period (Years)
Land (including cemeteries)	100
Road Structures - Bridges, Retaining Walls, Sea Walls, Flood Defences	60
Piers and Harbours - Major Structural Work	60
Piers and Harbours - Medium Term Works e.g painting/cathodic protection	20
Piers and Harbours - Limited Lifespan Improvements	10
Roads and Footways	20
Street Lighting	30
Vehicles & Plant	7
IT Equipment	5
Major Regeneration Works (Public Realm etc)	60
New Builds including Schools	60
Buildings - Electrical	40
Buildings - Plant	20
Buildings - Roofing	35
Buildings - Windows & External Doors	20
Buildings - Structural	25

3 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2021 and at 31 December 2021 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.21	**31.3.21**	**31.12.21**	**31.12.21**
Treasury investments	£000	%	£000	%
Banks	50,518	46%	79,356	69%
Building Societies - rated	0	0%	0	0%
Local Authorities	37,500	34%	17,500	15%
Money Market Funds	17,290	16%	14,330	12%
Certificates of Deposit	0	0%	0	0%
Third Party Loans	3,994	4%	3,828	3%
Total managed in house	**109,302**	**100%**	**115,014**	**100%**
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**109,302**	**100%**	**115,014**	**100%**
Treasury external borrowing				
PWLB	122,615	71%	118,843	70%
LOBOs	39,255	23%	39,255	23%
Market	11,000	6%	10,000	6%
Special	174	0%	50	0%
Temporary Borrowing	562	0%	602	0%
Local Bonds	33	0%	26	0%
Total External Borrowing	**173,639**	**100%**	**168,776**	**100%**
Net Treasury Investments / (Borrowing)	**(64,337)**		**(53,762)**	

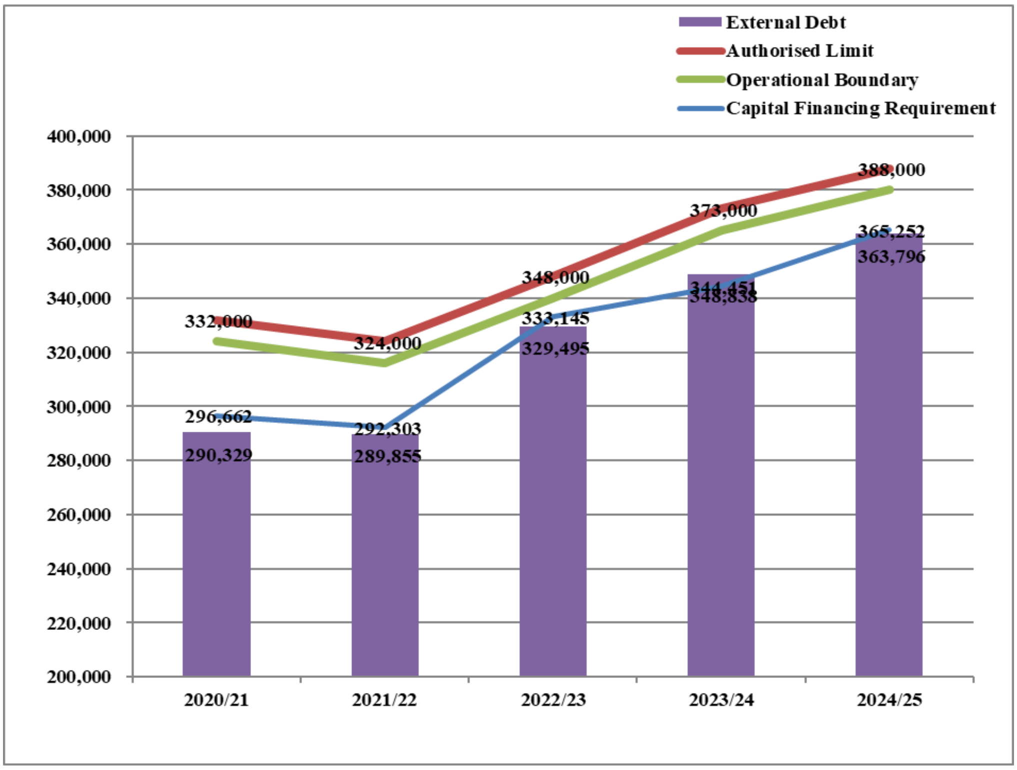
A more detailed analysis of the above table showing actual investments placed with individual counterparties can be found in Appendix 2.

The Council's forward projections for borrowing, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt as 1st April	173,639	168,805	173,174	212,431	236,654
Change in Debt (In Year)	(4,834)	4,369	39,257	24,223	19,996
Other long-term liabilities (OLTL) at 1st April	124,117	121,524	116,681	117,064	112,184
Change in OLTL (In Year)	(2,593)	(4,843)	383	(4,880)	(5,038)
Actual gross debt at 31st March	**290,329**	**289,855**	**329,495**	**348,838**	**363,796**
The Capital Financing Requirement	**296,662**	**292,303**	**333,145**	**344,451**	**365,252**
Under / (Over) borrowing	**6,333**	**2,448**	**3,650**	**(4,387)**	**1,456**

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 22/23 financial year, having been deferred in December 2020. The change requires local authorities to account for leased assets previously treated as operating leases (off balance sheet) as finance leases (on balance sheet), which increases capital expenditure and the gross debt required to finance them. Work is underway to identify and evaluate the operating leases affected and, in the meantime, the figures used in the calculations above represent a high level estimate of the potential impact on the Council's Capital Financing Requirement.

The following graph shows the the CFR compared to the expected net debt in each of the years and the under / (over) borrowed position, also shown is the Council's authorised limit for debt and it's operational boundary (see paragraph 2.4 above.



Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue or speculative purposes.

The Section 95 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Link Asset Services have also provided commentary in relation to interest rates and this is included within Appendix 3.

3.3 Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates that had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority, which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

3.4 Borrowing strategy

Over the past few years, the Council has benefited from lower borrowing costs due to low interest rates, in particular utilisation of short term temporary borrowing and internal borrowing (use of existing cash).

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. Any decisions will be reported to the appropriate committee at the next available opportunity. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Section 95 Officer, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting a pragmatic approach to changing circumstances.

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

If rescheduling was done, it will be reported to the appropriate Committee at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

A list of approved sources of long and short term borrowing is shown below:

On Balance Sheet	Fixed	Variable
PWLB	√	√
Municipal bond agency	√	√
Local authorities	√	√
Banks	√	√
Pension funds	√	√
Insurance companies	√	√
UK Infrastructure Bank	√	√
Market (long-term)	√	√
Market (temporary)	√	√
Market (LOBOs)	√	√
Stock issues	√	√
Local temporary	√	√
Local Bonds	√	
Local authority bills	√	√
Overdraft		√
Negotiable bonds	√	√
Internal (capital receipts & revenue balances)	√	√
Commercial paper	√	
Medium Term Notes	√	
Finance leases	√	√

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017, ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2018.

The above regulations and guidance place a high priority on the management of risk. **The Council's investment priorities will be security first, liquidity second and then return.** This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of types of investment instruments that are permitted investments authorised for use in Appendix 5. Appendix 6 expands on the risks involved in each type of investment and the mitigating controls.
5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
6. Transaction limits are set for each type of investment in Appendix 5.
7. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.5).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2021/22 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparies are supplemented with the following further overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

Further explanation of the approach for creditworthiness used by Link Group is found in Appendix 7.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes.

4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 24 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February..

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Negative investment Rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Investment treasury indicator and limit

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested for longer than 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	20	20	20

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days).

4.5 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of SONIA (Sterling Overnight Interest Average).This benchmark will be used from 1st April 2022 and replaces 7 day LIBID.

4.6 End of year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 APPENDICES

Appendix 1 – Capital Prudential and Treasury Indicators 2022/23 – 2024/25

1. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Ratio	4.64%	4.90%	2.70%	4.56%	4.57%

The estimates of financing costs include current commitments and the proposals in this budget report.

2. Maturity structure of borrowing

The purpose of this indicator is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if this is set to be too restrictive it will impair the opportunities to reduce costs/ improve performance. The indicator is "Maturity structure of borrowing". These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicator and limits.

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	100%
10 years to 20 years	0%	100%
10 years to 20 years	0%	100%

10 years to 20 years	0%	100%
10 years and above	0%	100%

The interest rate exposure in respect of the Council's external debt will be monitored on an ongoing basis by keeping the proportion of variable interest rate debt at an appropriate level given the total amount of external debt and the interest rate environment within which the Council is operating. When interest rates are increasing the Council will look to move to fixed rate borrowing and if interest rates are likely to fall then the level of variable rate borrowing will be increased to minimise future interest payments.

%	2021/22	2022/23	2023/24	2024/25
Interest rate exposure				
	Upper	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	195%	190%	190%	190%
Limits on variable interest rates based on net debt	60%	60%	60%	60%

Appendix 2 – Detailed Current Portfolio Position

TREASURY PORTFOLIO					
		Actual	Actual	Current	Current
		31.3.21	**31.3.21**	**31.12.21**	**31.12.21**
Treasury investments		**£000**	**%**	**£000**	**%**
Banks	Clydesdale Bank	15,518	14%	4,356	4%
	Goldman Sachs	0	0%	10,000	9%
	Qatar National Bank	10,000	9%	15,000	13%
	Santander	15,000	14%	5,000	4%
	Close Brothers	5,000	5%	15,000	13%
	First Abu Dhabi Bank	0	0%	5,000	4%
	AL Rayan Kank	5,000	5%	15,000	13%
		50,518	46%	79,356	69%
Local Authorities	Dudley Metropolitian Borough Council	5,000	5%	0	0%
	Lancashire County Council	5,000	5%	0	0%
	London Borough of Croydon	7,500	7%	7,500	7%
	Rotherhan Metropolitan Borough Council	7,500	7%	7,500	7%
	Thurrock Borough Council	10,000	9%	0	0%
	Cheshire West & Chester Council	2,500	2%	2,500	2%
		37,500	34%	17,500	15%
Money Market Funds	BNP Paribas Inticast Fund	0	0%	3,110	3%
	Federated	2,290	2%	0	0%
	CCLA	15,000	14%	11,220	10%
		17,290	16%	14,330	12%
Third Party Loans	Argyll Community Housing Association	2,502	2%	2,434	2%
	Fyne Homes	76	0%	0	0%
	West Highland Housing Accociation Ltd	866	1%	844	1%
	The Port Ellen Station	58	0%	58	0%
	Hubco Sub Debt	492	0%	492	0%
		3,994	4%	3,828	3%
Total Treasury Investments		**109,302**	**100%**	**115,014**	**100%**

Treasury external borrowing		Actual 31.3.21	Actual 31.3.21	Current 31.12.21	Current 31.12.21
Local Authorities		0	0%	0	0%
PWLB		122,615	71%	118,843	70%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	8%
	FMS Wertmanagement	5,255	3%	5,255	3%
	Bayerische Landesbank	21,000	12%	21,000	12%
		39,255	23%	39,255	23%
Market	Barclays (formerly LOBO)	10,000	6%	10,000	6%
	Prudential assurance co	1,000	1%	0	0%
		11,000	6%	10,000	6%
Special	Prudential assurance co	14	0%	10	0%
	Scottish Government (Formerly Salix Finance Ltd)	160	0%	40	0%
		174	0%	50	0%
Temporary Borrowing		562	0%	602	0%
Local Bonds		33	0%	26	0%
Total External Borrowing		**173,639**	**100%**	**168,776**	**100%**
Net Treasury Investments / (Borrowing)		**(64,337)**		**(53,762)**	

Appendix 3 – Interest Rate Forecasts 2021 - 2024 and Commentary Provided by Link Asset Services (at 20.12.21)

Link Group Interest Ra 20.12.21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.
As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields
Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.
The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going <u>above</u> a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.

- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Appendix 4 – Economic Background Provided by Link Asset Services (at 22.12.21)

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.

- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major expenditure unless it was very limited and targeted on narrow sectors like hospitality. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  Raising Bank Rate as "the active instrument in most circumstances".
  Raising Bank Rate to 0.50% before starting on reducing its holdings.
  Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the

chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime

Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time.
- The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Appendix 5 - Treasury Management Practice (TMP1) Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1.

Treasury risks

All the investment instruments in table 1 are subject to the following risks: -

- **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

- **Liquidity risk:** this is the risk that cash will not be available when needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: -

    a. Cash may not be available until a settlement date up to three days after the sale
    b. There is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

  The column in table 1 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

- **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.

- **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown).

- **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.

- **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.

- **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

Legal and regulatory risk: this authority will not undertake any form of investing until it has ensured that it has all necessary powers and complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in table 1 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

- **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £20m of the total portfolio can be placed with UK banks and £10m in any single non UK bank institution or group at any one time.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

Deposits

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £20m of the total portfolio can be placed with any UK bank and £10m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.

- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for term deposits in the previous section, but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers that this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

- **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

Money Market Funds (MMFs).). MMFs are regulated under The European Money Market Fund Regulation (EU) 2017/1131. The Regulation was implemented in full on 21 March 2019. They typically carry a AAA money fund rating and can be priced using the following methods. Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV). The majority of MMFs are priced using the LVNAV pricing method, which allows for constant pricing in normal market conditions. They are highly diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and competitive rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as they are actively managed giving the opportunity to lock in investments earning higher rates of interest than might be available in the market. MMFs also help an authority to diversify its own portfolio as e.g., a £2m investment placed directly with HSBC is a 100%

- risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still delivering superior rates of return available through the DMADF.

Ultra short dated bond funds. Ultra short dated bond funds. These funds are similar to MMFs and can carry a AAA bond fund rating. Due to the longer dated nature of the assets they invest in the funds use a VNAV pricing method meaning the price will move up and down inline with market movements. They aim to achieve a higher yield and to do this either take longer term credit risk by using floating rate notes or by investing in longer durations, which means their assets are more volatile. Typically, these funds can have weighted average maturities of up to 360 days and weighted average life's beyond 5 years. Their primary objective is to firstly generate a competitive total return, whilst preserving capital. They therefore carry a higher level of risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

- **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

- **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

- **Sovereign bond issues (other than the UK govt) denominated in Sterling**. As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

- **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter-term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

OTHER

Property fund. This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Table 1: permitted investments in house

This table is for use by the in house treasury management team.

1.1 Deposits

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	100	6 months
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	instant	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Term deposits – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	term	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Fixed term deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	50	2 years
Collateralised deposit (see note 1)	UK sovereign rating	term	no	50	1 year

Note 1. As collateralised deposits are backed by e.g. AAA rated local authority LOBOs, this investment instrument is effectively a AAA rated investment

1.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	term	no	100	1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	UK Sovereign Rating or Blue	term	no	100	1 Year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	term	yes	100	1 Year

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
1b. Money Market Funds LVNAV	AAA	Instant to T+5	No see note 1	100	1 Year
1c. Money Market Funds VNAV	AAA	instant to T+5	No see note 1	100	1 Year
2. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
4. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
5. Gilt Funds	UK sovereign rating	T+2 or longer	yes	100	1 Year

Note 1. The objective of MMFs is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Green	Sale T+0	yes	50	2 Years
Commercial paper other	Green	Sale T+0	yes	20	2 Years
Floating rate notes	Green	Sale T+0	yes	20	2 Years
Corporate Bonds other	Green	Sale T+3	yes	20	2 Years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

1.6 Other

	* Minimum Credit Criteria / fund rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	100	5 Years

Appendix 6 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

The following table is for use by the Treasury team and is a list of current counterparties. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparties and may stop using certain counterparties and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operation reasons, limits are breached this will be communicated to management immediately.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Group, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 95 Officer, and if required new counterparties which meet the criteria will be added to the list.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 2 year. Limit of £10m per local Authority or public body	£unlimited, maximum 2 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV**(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£15m per fund	100%
d. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£15m per fund	100%
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor'sDay to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
on period & credit rating)	broken with the agreement of the counterparty, and penalties may apply.			
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£10m per counterparty maximum 1 year.	20% maximum 1 year.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
depending on period & credit rating)	of the counterparty (penalties may apply).	will be further strengthened by the use of additional market intelligence.		
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. . Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m and maximum 1 year.	£20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%.
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	N/A
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	£10m	N/A
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Section 95 Officer up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

Appendix 7 – Creditworthiness policy

Service and Information provided by Link Asset Services

This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit rates, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration of investments.

Based on the Link Group approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years*
Dark pink	5 years for Ultra short dated bond funds with a credit score of 1.25
Light pink	5 years for Ultra short dated bond funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

**The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored at least weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

No more than £20m can be invested with each UK bank and £10m with any single other counterparty. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing deposits with the Council's bankers is currently £5m.

Deposits can be placed with Local Authorities and other public sector bodies for a period up to 2 years.

The Council can invest an unlimited amount of money with the Debt Management Agency Deposit Facility (operated by the Debt Management Office which is part of HM Treasury). The longest period for a term deposit with the DMADF is 6 months.

Creditworthiness.

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Appendix 8 – Approved Countries for Investments (22-12-21)

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

Appendix 9 – Treasury Management Scheme of Delegation

The Council

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

The Policy and Resources Committee

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

The Audit and Scrutiny Committee

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 10 – The Treasury Management Role of the Section 95 Officer

Section 95 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Suubmitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Reviewing and considering risk management in terms of treasury activities.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that*

appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

The nominated Elected Member (Policy Lead for Financial Services and Major Projects):

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

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ARGYLL AND BUTE COUNCIL
ELECTION OF COUNCILLOR
WARD 9 – LOMOND NORTH
16 DECEMBER 2021

The name and address of the person who has been elected as a Councillor in Ward 9 – Lomond North at the by-election held on 16 December 2021 is as follows:-

ELECTORAL WARD	NAME	ADDRESS	DESCRIPTION
Ward 9 – Lomond North	Paul Collins	(Address in the Argyll and Bute Council Area)	Scottish Conservative and Unionist

Pippa Milne
Returning Officer
17 December 2021

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 Agenda Item 8

ARGYLL AND BUTE COUNCIL **COUNCIL**

LEGAL AND REGULATORY SUPPORT **24 February 2022**

POLITICAL MANAGEMENT ARRANGEMENTS

1. INTRODUCTION

1.1 The purpose of this report is to update Council on changes to the political composition of Argyll and Bute Council, following the election of Councillor Paul Collins to the Lomond North Ward.

1.2 The report also asks Council to consider making appointments to the vacant position on the Community Services Committee and to the vacant substitute position on the Valuation Joint Board.

2. RECOMMENDATIONS

2.1 The Council is invited to:

a) note the updated Political Composition of Argyll and Bute Council which is attached at Appendix 1;
b) make an appointment to the vacant position on the Community Services Committee; and
c) Nominate a substitute member to the Dunbartonshire & Argyll and Bute Valuation Board.

3. DETAIL

3.1 Councillor Paul Collins was elected to represent the Lomond North Ward following the by-election which was held on 16th December 2021. Councillor Collins has advised that as a Conservative Councillor he will be joining the Council Administration Group. Accordingly, the Political Composition of the Council has been updated and is attached at Appendix 1.

3.2 At the Council meeting held on 25th November 2021, Members considered the appointments to the vacant Committee and Outside Body positions which arose following the resignation of Councillor Barbara Morgan. Council agreed to continue consideration of these appointments until the outcome of the Lomond North by-election. The vacancies are as follows:-

3.3 Community Services Committee

The Community Services Committee, in addition to its responsibilities with regards to the Community Services Department and related functions, discharges the powers and duties of the Council as Education Authority. It has 16 members and the current membership is:

- Councillor Jim Anderson
- Councillor Gordon Blair
- Councillor Mary-Jean Devon
- Councillor Lorna Douglas
- Councillor Audrey Forrest
- Councillor Kieron Green (Vice Chair)
- Councillor Graham Archibald Hardie
- Councillor Donald MacMillan
- Councillor Julie McKenzie
- Councillor Yvonne McNeilly (Chair)
- Councillor Iain Paterson
- Councillor Alan Reid
- Councillor Elaine Robertson
- Councillor Gemma Penfold
- Councillor Liz McCabe
- Vacancy

3.4 Dunbartonshire & Argyll and Bute Valuation Joint Board (DABJV)

A vacancy exists for a substitute member on the DABVJB and the Council is invited to make an appointment to the vacancy. The current membership is:

Substantive Reps
Cllr D MacMillan
Cllr GA Hardie
Cllr A Redman
Cllr I Paterson
Cllr R Trail

Subs
Cllr J Anderson
Cllr J McGrigor
Cllr L Douglas
Cllr G Blair
Vacancy

4. CONCLUSION

4.1 This report notifies the Council of updates to the political composition of the Council. It further invites Council to consider appointments to Committees and outside bodies.

5. IMPLICATIONS

5.1 **Policy:** This is in keeping with the Council's commitment to working in partnership with other agencies to benefit the people and communities of Argyll and Bute and to ensuring appropriate arrangements for strategic direction and oversight by elected members.
5.2 **Financial:** Travel and Subsistence costs for attending meetings if required.
5.3 **Legal:** None
5.4 **HR:** None
5.5 **Fairer Scotland Duty:** None
5.5.1 **Equalities – protected characteristics:** None
5.5.2 **Socio-economic Duty:** None
5.5.3 **Islands:** None
5.5.4 **Climate Change:** None
5.6 **Risk:** addresses risk of underrepresentation in outside bodies.
5.7 **Customer Service:** None

Douglas Hendry
Executive Director with Responsibility for Legal and Regulatory Support

1st February 2022

Policy Lead: Councillor Mary Jean Devon

For further information please contact Patricia O'Neill, Governance Manager, telephone 01546 604384 or email patricia.oneill@argyll-bute.gov.uk

Appendix 1 – Updated Political Composition of Argyll and Bute Council

ARGYLL AND BUTE COUNCIL POLITICAL COMPOSITION OF THE COUNCIL February 2022
ARGYLL AND BUTE FIRST GROUP(3) Cllr George Freeman (Ind) Cllr Donald Kelly (Con) **Cllr Douglas Philand (Ind) – Leader, Argyll and Bute First Group**
ARGYLL AND BUTE SCOTTISH NATIONAL PARTY GROUP (11) Cllr John Armour Cllr Gordon Blair Cllr Lorna Douglas Cllr Jim Findlay Cllr Audrey E Forrest - **Depute Leader, SNP Group** Cllr Anne Horn **Cllr Jim Lynch- Leader, SNP Group** Cllr Julie McKenzie Cllr Iain Shonny Paterson Cllr Sandy Taylor Cllr Richard Trail
THE ARGYLL, LOMOND AND THE ISLANDS GROUP (19) Cllr Paul Collins (Con) Cllr Rory Colville (LD) **Cllr Robin Currie (LD) – Leader, The Argyll, Lomond and the Islands Group** Cllr Mary Jean Devon (Ind) Cllr Bobby Good (Ind Con) Cllr Kieron Green (Ind) Cllr Graham Hardie (LD) Cllr David Kinniburgh (Con) Cllr Liz McCabe (Ind) Cllr Roderick McCuish (ISP) Cllr Sir Jamie McGrigor (Con) Cllr Donald MacMillan BEM (Ind) Cllr Yvonne McNeilly (Con) Cllr Aileen Morton (LD) Cllr Gary Mulvaney (Con) – **Depute Leader, The Argyll, Lomond and the Islands Group** Cllr Gemma Penfold (Con)

Cllr Alan Reid (LD) Cllr Elaine Robertson (Ind) Cllr Andrew Vennard (Con)
COUNCILLORS NOT POLITICALLY ALIGNED (3) Cllr Jim Anderson (Ind) Cllr Jean Murray Moffat (Ind) Cllr Alastair Redman (Ind)
NOTE Con – Scottish Conservative and Unionist Party ISP – Independence for Scotland Party Ind – Independent* LD – Scottish Liberal Democrat SNP – Scottish National Party *Ind prefix + political party name indicates not a member of local political party group There are 36 seats on Argyll and Bute Council.

ARGYLL AND BUTE COUNCIL **COUNCIL**

LEGAL AND REGULATORY SUPPORT **24 February 2022**

FREEDOM OF ARGYLL AND BUTE AWARD CEREMONY

1. INTRODUCTION

1.1 In November 2021 the Council agreed to confer the Freedom of Argyll and Bute to Patrick Stewart CVO, MBE. The ceremony will take place at a Special Meeting of the Council and will be the only item on the Agenda. This would normally be followed by a small civic reception hosted by the Provost. This report sets out matters for consideration by Council in order to progress the arrangements for the award ceremony in light of ongoing public health guidance.

2. RECOMMENDATIONS

2.1 The Council is invited to:

a) Instruct the Executive Director with responsibility for Legal and Regulatory Services, to make arrangements in conjunction with the Provost for a special meeting of the Council for the formal admission ceremony;
b) Note that this will be the only item on the agenda for that special meeting of the Council, which will take place at a date, time and place to be determined as soon as possible.
c) Agree that the Special Meeting of the Council be conducted on a hybrid meeting basis

3. DETAIL

3.1 In November 2021 the Council agreed to confer the Freedom of Argyll and Bute to Patrick Stewart CVO, MBE. Ceremonies of this nature are scheduled for a Special Meeting of the Council with this being the only item on the Agenda and would normally be followed by a small civic reception hosted by the Provost. This report sets out matters for consideration by Council in order to progress the arrangements for the award ceremony in light of ongoing public health guidance.

3.2 All meetings of the Council and Committees have been held virtually since March 2020 in light of Public Health and Scottish Government guidance in respect of Covid19. These meetings are currently conducted via a Microsoft Teams platform and following the delivery of a project to facilitate the further rollout of teams the equipment is now in place to facilitate hybrid meetings in the Council Chamber. Hybrid meetings allow for in-person as well as virtual attendance at meetings. The technology also enables live-streaming of meetings.

3.3 In order to take forward the arrangements for a Special Meeting of the Council to confer award of Freedom of Argyll and taking into account on-going guidance with respect to the workplace and public gatherings the preferred format to facilitate such a meeting is on a hybrid basis, which would be livestreamed. A hybrid meeting would allow as a minimum for the Provost, Leaders of the Political Groups, the recipient and invited guests to be present in the Chambers with the facility for other members to attend on a virtual basis. A hybrid meeting would enable the facilitation of a meeting of this nature while being able to manage numbers and maximising the opportunity for invited guests and Elected Members to attend to mark the occasion.

3.4 While the arrangements for the calling of the Special Meeting are a matter for the Provost, Council approval is necessary to enable this to be held on a hybrid basis.

4. CONCLUSION

4.1 This report sets out matters for consideration by Council in order to progress the arrangements for a Special Meeting to confer the Freedom of Argyll and Bute in light of ongoing public health guidance. It seeks Council approval to convene this on a hybrid basis as part of the consideration to be taken into account by the Provost and instructs the Executive Director with responsibility for Legal and Regulatory Support to make arrangements in conjunction with the Provost for a special meeting of the Council for the formal admission ceremony.

5. IMPLICATIONS

5.1 **Policy:** This is in keeping with the Council's decision to award the Freedom of Argyll and Bute.

5.2 **Financial:** Any costs associated with the Ceremony will be met from the Provosts Civic Budget.

5.3 **Legal:** None

5.4 **HR:** None

5.5 **Fairer Scotland Duty:** None
5.5.1 **Equalities – protected characteristics:** None
5.5.2 **Socio-economic Duty:** None
5.5.3 **Islands:** None
5.5.4 **Climate Change:** None
5.6 **Risk:** None.
5.7 **Customer Service:** None

Douglas Hendry
Executive Director with Responsibility for Legal and Regulatory Support

7th February 2022

Policy Lead: Provost David Kinniburgh

For further information please contact Patricia O'Neill, Governance Manager, telephone 01546 604384 or email patricia.oneill@argyll-bute.gov.uk

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