

Public Document Pack

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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16 February 2023

NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held **ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS** on **THURSDAY, 23 FEBRUARY 2023** at **10:30 AM**, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST (IF ANY)

3. MINUTES

- (a) Argyll and Bute Council held on 24 November 2022 (Pages 3 - 14)
- (b) Argyll and Bute Council held on 8 December 2022 (Pages 15 - 16)

4. MINUTES OF COMMITTEES

- (a) Environment, Development and Infrastructure Committee held on 1 December 2022 (Pages 17 - 22)
 - * (b) Policy and Resources Committee held on 8 December 2022 (Pages 23 - 30)
 - (c) Community Services Committee held on 15 December 2022 (Pages 31 - 38)
 - (d) Special Policy and Resources Committee held on 19 January 2023 (Pages 39 - 40)
 - * (e) Policy and Resources Committee held on 16 February 2023 (Pages 41 - 48)
- E1 Full decision wording in relation to item 12(b) of the above Minute

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 2023 - 2024

Reports by Section 95 Officer

Please note that the Budget Pack 2023-2024 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 2023-2024 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 (Pages 49 - 104)

Report by Section 95 Officer

7. POLITICAL MANAGEMENT ARRANGEMENTS (Pages 105 - 110)

Report by Executive Director with responsibility for Legal and Regulatory Support

8. COUNCIL GAELIC LANGUAGE PLAN (Pages 111 - 116)

Report by Executive Director with responsibility for Customer Support Services

9. BID4OBAN - OUTCOME OF BALLOT AND NOMINATIONS FOR BID4OBAN BID BOARD (Pages 117 - 122)

Report by Executive Director with responsibility for Development and Economic Growth

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 paragraphs are:-

E1 Paragraph 8 The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

Paragraph 9 Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

Argyll and Bute Council

Contact: Hazel MacInnes Tel:01546 604269

**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held ON A HYBRID BASIS IN THE
COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS
on THURSDAY, 24 NOVEMBER 2022**

Present: Depute Provost Councillor Liz McCabe (Chair)

Councillor John Armour	Councillor Jim Lynch
Councillor Gordon Blair	Councillor Luna Martin
Councillor Jan Brown	Councillor Tommy MacPherson
Councillor Math Campbell-Sturgess	Councillor Ian MacQuire
Councillor Garret Corner	Councillor Liz McCabe
Councillor Robin Currie	Councillor Dougie McFadzean
Councillor Amanda Hampsey	Councillor Yvonne McNeilly
Councillor Daniel Hampsey	Councillor Ross Moreland
Councillor Graham Hardie	Councillor Gary Mulvaney
Councillor Fiona Howard	Councillor Gemma Penfold
Councillor Willie Hume	Councillor Alastair Redman
Councillor Mark Irvine	Councillor William Sinclair
Councillor Andrew Kain	Councillor Peter Wallace
Councillor Paul Donald Kennedy	Councillor Andrew Vennard
Councillor Reeni Kennedy-Boyle	

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
David Logan, Head of Legal and Regulatory Support
Anne Blue, Head of Financial Services
David Gibson, Chief Social Work Officer
Martin Caldwell, Chair of Audit and Scrutiny Committee
Arlene Cullum, Senior Development Officer
Matt Mulderrig, Development Policy and Housing Strategy Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Maurice Corry, Audrey Forrest, Kieron Green, Julie McKenzie, Iain Shonny Paterson and Dougie Philand.

2. DECLARATIONS OF INTEREST

Councillor Ross Moreland advised in relation to item 16 of the agenda (Dunoon Presents - Approval Of Business Improvement District Ballot Submission, Business Proposal And Business Plan - Third Ballot) that he had been appointed to the Dunoon BID 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 in the meeting.

3. MINUTES

The Minutes of the meeting of Argyll and Bute Council held on 29 September 2022 were approved as a correct record.

4. MINUTES OF COMMITTEES

(a) Policy and Resources Committee of 13 October 2022

The Minutes of the meeting of the Policy and Resources Committee held on 13 October 2022 were noted.

Arising from item 4 of this Minute, the Council approved the revenue virements over £0.200m during July and August 2022.

5. BY-ELECTION RESULT: WARD 2 - KINTYRE AND THE ISLANDS

The Council gave consideration to a report advising of the results of the Ward 2 – Kintyre and the Islands By-election held on 29 September 2022.

Decision

The Council noted the election of Alastair John Redman as Councillor in Ward 2 – Kintyre and the Islands at the by-election held on 29 September 2022.

(Reference: Report by Returning Officer dated 30 September 2022, submitted)

6. LEADER'S REPORT

The Council gave consideration to a report providing an update on the activities of the Council Leader, Councillor Robin Currie, for the period 15 September to 11 November 2022. The report also included an update in respect of the Leader's Policy Lead portfolio of Economy and Rural Growth.

Decision

The Council noted –

1. the content of the submitted report; and
2. that any reports, briefings or copy correspondence referred to in the report could be requested as appropriate through the Leadership Support Manager, noting that some confidential reports provided by external organisations such as COSLA could be restricted.

(Reference: Report by Leader of the Council dated 11 November 2022, submitted)

7. POLICY LEADS REPORT

The Council gave consideration to a report providing an update on key areas of activity for each Policy Lead Councillor for the period 29 September to 10 November 2022. The report sought to ensure that all members were informed, up-to-date and able to engage with current issues.

Decision

The Council noted the content of the submitted report.

(Reference: Report by Policy Lead Councillors dated 10 November 2022, submitted)

8. COUNCIL PRIORITIES

The Council gave consideration to a report inviting Members to put in place arrangements to identify the Council priorities for the new 5 year terms, which were articulated in a manner that would allow officers to deliver them on an operational basis.

Decision

The Council –

1. agreed the Priorities for Argyll and Bute Council 2022 to 2027 as set out below;
2. noted that these Priorities would be developed and framed within the context of the Argyll and Bute Outcome Improvement Plan, the Council's Corporate Plan, and in line with the requirements of Best Value; and
3. requested that the Chief Executive develop a Delivery Plan which sets out how the Council would deliver the Priorities on an operational basis.

Priorities for Argyll and Bute Council 2022 to 2027

OUR VISION

We have a vision for a successful, vibrant Argyll and Bute with a growing population and a thriving economy. A place where people want to come to live, to work and to do business as a result of action to combat and reverse decline. We see the potential for thriving local economies that support our rich mix of remote, rural and island communities. Communities which also benefit from services that work - where we make the best use of all of our resources so that our core business as a council is as effective as possible.

We want Argyll and Bute's communities to be on a level playing field with others around the country - that is why we will campaign for equity for our communities on issues like fair funding, coping with challenges like the cost of living, and securing digital access and physical access to other opportunities. We will do our utmost to ensure that local voices and needs are taken into account in national decision-making.

We recognise that the cost of living crisis will affect countless households in Argyll and Bute. We want to play a part in responding to that and mitigating the impact on our communities' overall wellbeing and future success.

We see our council and our communities working together in playing our part and making our contributions to wider priorities like climate change, economic growth, strong local governance and more - using our strong track record in partnership working, at all levels, to secure the best possible outcomes.

Our Priorities for the Council Term 2022 to 2027 are shaped around delivering this vision for Argyll and Bute, our people, our success and our future.

PRIORITIES TO SUPPORT DELIVERY OF OUR VISION

People and Places - our core business as a council

EDUCATION:

Attaining and achieving at all stages:

We will improve outcomes for our children and young people by:

- Improving educational attainment, achievement and outcomes for young people within Argyll and Bute to Scotland's upper-quartile.
- Educational Attainment and Wider Achievement – Developing the use of all the available data and intelligence on each of our educational establishments to focus on and drive improvement, achieving our stretch aims (goals to improve opportunities and outcomes for young people) as agreed with the Scottish Government.
- Developing a broader curriculum offer to augment current opportunities with a range of wider achievement awards and accreditations. This will have a positive impact on leaver destinations through inclusive, skills - based programmes in each secondary school.
- Continuing to promote the teaching and use of Gaelic as set out in the council's emerging Gaelic Plan for 2023.

Learning Estate - now and in the future:

We will ensure our schools are effective, sustainable learning environments by:

- Progressing a bid to the Scottish Government to establish a new campus on Mull.
- Develop the next generation of capital investment plan and priorities for our school estate.

Supporting children and young people with additional needs

Continuing to support all of our children and young people with additional support needs across Argyll and Bute, within our schools and other service areas by:-

- Reducing the number of children and young people who have to travel outwith the area to access services by enhancing provision where gaps currently exist.
- Working to improve and secure equity of specialist provision across Argyll and Bute by addressing gaps where they exist across the education estate.
- Maintaining the current staffing complement who support this work, in line with our nurture stretch aim agreed with Scottish Government.

ROADS, AMENITIES AND INFRASTRUCTURE

Roads and pathways

Connections to, from and within Argyll and Bute will be supported by:

- Reviewing our approach to road repair prioritisation to make the most effective use of resources in the context of budget pressures and to achieve the best possible balance in terms of strategic, operational and member input.
- Creating a plan, by 2025, for further active travel routes across Argyll and Bute and completing the Helensburgh-Dumbarton cycle path by 2027.
- Initiating plans for a 20mph speed limit by working in partnership, and in line with national legislation, on the rollout and delivery of a 20mph limit where that will work best for our communities.
- Completing a review of parking and traffic management/enforcement to reshape arrangements that reflect community needs and ambitions.

Piers and Harbours:

In recognition of the importance of marine connections to and from our island and mainland communities, our role in maintaining these links will include:

- Upgrading the council's harbour infrastructure to ensure it is capable of receiving existing and planned new ferries (including at Craignure, Fionnphort/Ruahaich, Port Askaig, Dunoon, Kilcreggan and Campbeltown).
- Creating a new municipal harbour authority in Oban, ensuring that proposals are submitted to Scottish ministers as soon as possible following consideration by the Harbour Board in December 2022, and putting preparations in place to commence operations upon approval by ministers.
- Seeking funding for the procurement of new council-operated vessels including Islay/Jura, Luing and Easdale.
- Finalising the demand, economic impact and business case assessment for the Helensburgh Pier strategy in 2023.

Waste and recycling services:

Reduce our carbon emissions by:

- Delivering a solution that enables the council to divert its biodegradable waste from landfill, within 2026, while seeking a short term derogation to allow the PPP contract to expire.
- Encouraging households to increase use of recycling services to reach at least the Scottish average (with service exploring options to stretch targets where possible).

Housing:

Argyll and Bute has a good track record in delivering affordable homes but to support our drive to grow the population, we need to do more. We will seek to increase availability of all types of housing, including affordable homes, by:

- Supporting the provision of over 1,000 affordable homes by 2027 (247 in 2022/23 plus at least 750 additional homes over the life of the Strategic Housing Investment Plan).
- Exploring additional options to increase the availability of all tenures of housing - mid market rents, shared equity, affordable by design and other developments - in the area.
- Considering the implementation of short term lets control zones to open up more housing availability.
- Continuing to support households to improve energy efficiency and tackle rising living costs through annual investment through and implementation of the Home Energy Efficiency Programme in Argyll and Bute.

- Developing the opportunity for the council to become a Rural Housing Body - where it would be more directly involved in the delivery of housing or land for housing.

Communities:

We will build up and strengthen our communities as attractive, vibrant places to live, work and do business by:

- Creating area-based plans for all our communities, reflecting investment opportunities and local service prioritisation.
- Seeking ways of securing more community wealth building opportunities across Argyll and Bute and supporting communities to gain maximum benefit from developments in their area.
- Seeking to maximise scope for community involvement and participation, including exploring the role that community transfers can play.

Potential and Growth - turning opportunities into reality

We believe Argyll and Bute has tremendous potential and many opportunities. To turn those into reality, we need to make assets work now while we plan for and invest in the future. We will do this by:

Economic Development - investing in the future:

- Achieving sign-off of the Rural Growth Deal business and cases and begin delivering priority projects like The Marine Industry Training Centre, UAV Drone Hub and Seaweed Academy.
- Securing of Levelling Up funding for projects, including Argyll and Bute Western Seaboard Marine Gateways Initiative, targeting the Royal Hotel in Rothesay and Dunoon's historic pier; and Connected Argyll and Bute – Whisky Islands; and Lorn Economic Growth Zone which targets a package of transport infrastructure improvements.
- Complete site development of Helensburgh Waterfront project securing long-term economic benefit and provision of a public skateboard facility
- Delivering the £15m Campbeltown Flood Prevention Scheme.
- Completing the Ardrishaig Public Realm Project.
- Driving forward additional strategic economic development projects including progression of the Dunbeg housing, commercial and infrastructure projects and the North Lorn Economic Growth Zone through the Lorn Arc TIF scheme.
- Delivering and completing more Conservation Area Regeneration Scheme (CARS) Projects - in Dunoon, Lochgilphead, Tarbert and Helensburgh.
- Maximising community economic and employment opportunities from the Islay Scotwind offshore wind project.
- Preparing an options appraisal for implementation of a transient visitor levy.

Commercial Services - making assets work now:

- Increasing commercial development of business and retail space, including the Kilmory Industrial Park, and identifying other opportunities wherever possible.
- Exploring additional commercial opportunities at Oban Airport.
- Delivering the Modern Workspace Project, rationalising the council estate and facilitating hybrid working solutions.
- Leading the development and creation of Craigendoran Business Park as a business, engineering and innovation hub.

- Exploring opportunities for sharing services where possible - both to help grow our income through providing our expertise, and enhancing service delivery in communities where we need to source options from elsewhere.
- Driving down further our own carbon emissions, achieving net zero by 2045 and exceeding our target of a 75% reduction by 2030, building on our good track record in relation to combatting climate change, through the delivery of our Decarbonisation Plan
- Securing Carbon Literate Organisation status by the end of 2023, including completion of the rollout of carbon literacy training to all councillors.

Partnership and Action - everyone has a part to play in Argyll and Bute's success

In our Priorities for the Council Term 2022 to 2027, we have set out our areas for action to deliver our vision for Argyll and Bute. There are elements of that vision which require action from other agencies at all levels - from our communities right up to national government. We will commit to working in partnership wherever we need to as well as calling on others, with responsibility, to take the action that is required to safeguard Argyll and Bute's success. This will include:

- Continuing to build up our strong track record in partnership working and seeking new ways of working with communities, other organisations, and the third and private sectors.
- Continuing to work in partnership with further education and higher education providers in Argyll and Bute to ensure young people have access to high quality innovative educational opportunities that support local employers and the Argyll economy.
- Lobbying for support for the higher-than-average energy costs faced by Argyll and Bute communities.
- Pressing the case for retaining delivery of care services locally, where community knowledge, relationships and experience are best placed to identify and meet local needs and local accountability.
- Calling for funding support to tackle challenges in local social care delivery - including recruitment, retention and development of care staff in communities - rather than centralisation of services.
- Continuing to call for planning, construction and opening of the replacement route at the Rest and Be Thankful within the life of the this Scottish Parliament
- Working in partnership with the Rothesay Pavilion Charity Trust to lobby for funding to complete the refurbishment of the Pavilion.
- Seeking additional funding support to address the unprecedented severe weather damage to the sea defences supporting Bute's main island roadway at Ardbeg.
- Working with the Community Planning Partnership to develop a Climate Change Strategy for the region as a whole.
- Adding our voice to those of our local government colleagues across Scotland to call on national government for fair funding settlements which enable councils to deliver the services that matter to communities, and reinforcing the need for recognition of the vital contribution that local government makes to national priorities and Scotland's overall success.

Reference: Report by Chief Executive dated 1 November 2022, submitted; Motion by Councillor Robin Currie, Seconded by Councillor Gary Mulvaney, tabled)

9. POLITICAL MANAGEMENT ARRANGEMENTS

The Council gave consideration to a report noting the result of the Ward 2 – Kintyre and the Islands By-election and the subsequent election of Councillor Alastair Redman on 30 September 2022. The report outlined a number of remaining vacancies within the Council and on its Committees, and invited the Council to consider what action it wished to take in this regard. The report also provided an update on the Council's political composition.

Decision

The Council –

1. appointed Councillor Alastair Redman to the following:
 - a) Policy Lead for Economic Growth, Communities and Corporate Services
 - b) Policy and Resources Committee
 - c) Employee Joint Consultative Committee
 - d) Local Negotiating Committee for Teachers
 - e) Argyll and Bute Community Planning Partnership Management Committee
 - f) Argyll Community Housing Association Board;
2. appointed Councillor Garret Corner as Chair of the Mid Argyll, Kintyre and the Islands Area Committee;
3. appointed Councillor Gary Mulvaney to the Environment, Development and Infrastructure Committee;
4. appointed Councillor Amanda Hampsey to the Argyll and Bute Harbour Board; and
5. noted the updated political composition of the Council.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 11 October 2022, submitted; Motion by Councillor Robin Currie, seconded by Councillor Gary Mulvaney, tabled)

10. 2023 REVIEW OF UK PARLIAMENT CONSTITUENCIES - BOUNDARY COMMISSION FOR SCOTLAND PROPOSALS

The Council gave consideration to a report providing information on the Boundary Commission for Scotland consultation on its proposals relating to the 2023 Review of UK Parliamentary Constituencies. The proposals aligned with the decision of the Council on 25 November 2021 in regard to the geographic extent of the boundary; and that they take into account the comment from the Council in regard to the name of the boundary.

Decision

The Council –

1. noted the publication of the Boundary Commissions revised proposals for UK Parliamentary constituencies which have maintained the proposal for the Argyll and Bute constituency area being spread north to incorporate part of ward 21 (Fort William and Ardnamurchan); and

2. welcomed the change of name of the proposed constituency to Argyll, Bute and South Lochaber.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 9 November 2022, submitted; Motion proposed by Councillor Robin Currie, seconded by Councillor Gary Mulvaney, tabled)

11. DRAFT PROGRAMME OF MEETINGS 2023-24

The Council's Standing Orders for meetings require the Council to approve a Programme of Meetings for the Council and its Committees every year. The Council gave consideration to a draft programme of meetings for the year 2023-24 based on the current committee cycle.

Decision

The Council approved the draft Programme of Meetings for the year 2023-24.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 8 November 2022, submitted)

12. 2021-22 AUDITED ANNUAL ACCOUNTS

The Council gave consideration to a report advising of the conclusion of the audit of the accounts. The audit was completed within the required timescales and minimal adjustments were made to the accounts during the audit process. Audit Scotland had issued their annual audit report for 2021-22 which was predominantly positive.

Decision

The Council –

1. noted that unqualified certificates have been issued for both the Council 2021-22 Accounts and the 2021-22 Charitable Trusts;
2. approved for signature the Council's audited annual accounts for 2021-22; and
3. noted Audit Scotland's Annual Audit Report for 2021-22.

(Reference: Report by Section 95 Officer dated 17 November 2022; and briefing note dated 22 November 2022, submitted)

13. AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2021-22

The Council gave consideration to a report providing the Chair of the Audit and Scrutiny Committee's annual overview of the Committee's activity during the financial year 2021-22 and a summary of the key developments since the commencement of 2022-23. The report set out how the Committee had fulfilled its remit and provided assurance to the Council.

Decision

The Council endorsed the Chair of the Audit and Scrutiny Committee's Annual Report 2021-22.

(Reference: Report by Chair of the Audit and Scrutiny Committee dated 23 November 2022, submitted)

The Depute Provost thanked the Chair of the Audit and Scrutiny Committee for his informative presentation. She noted that this was the last meeting of the Council where he would be in attendance as he would be retiring as Chair of the Committee in March 2023. The Depute Provost noted that Mr Caldwell had worked with the Council as a lay member firstly on the Audit Committee and latterly on the Audit and Scrutiny Committee; and had been Chair of the Audit and Scrutiny Committee for the past 6 years. She noted the impressive commitment he had given to the roles he had undertaken and that he had worked closely with elected Members in his role as Chair. The Depute Provost presented Mr Caldwell with a Quaich as a token of the Council's appreciation and wished him well for the future.

14. CHIEF SOCIAL WORK OFFICER REPORT 2021 - 2022

The Chief Social Work Officer is required to provide an annual report for Scottish Government in the autumn. The Council gave consideration to the Chief Social Work Officer Report for the financial year 2021/22.

Decision

The Council –

1. noted the key activities outlined in the Chief Social Work Officer Report 2021/ 2022;
2. acknowledged the commitment of social work and social care staff in the delivery of services throughout the period of the pandemic; and
3. noted that the report would be submitted to the Office of the Child Social Work Adviser to the Scottish Government.

(Reference: Report by Chief Social Work Officer dated 24 October 2022, submitted)

15. GIGHA AFFORDABLE HOUSING UPDATE

The Council gave consideration to a report providing an update on the options on how to enable the development of five new build affordable houses at Ardmish on the island of Gigha. The report confirmed the high level of housing need and demand on Gigha.

Decision

The Council authorised an additional payment to the Isle of Gigha Heritage Trust of £99,724 from the Strategic Housing Fund (SHF) to enable the development of 5 affordable houses at Ardmish on Gigha.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated October 2022, submitted)

16. DUNOON PRESENTS - APPROVAL OF BUSINESS IMPROVEMENT DISTRICT BALLOT SUBMISSION AND BUSINESS PROPOSAL - THIRD BALLOT'

The Council gave consideration to a report seeking endorsement of the Dunoon Business Improvement District (BID) ballot submission; Business Proposal, Term Three; and Business Plan. The proposed ballot was due to take place on 2 March 2023 by postal ballot.

Decision

The Council -

1. agreed the ballot request and the Dunoon Presents Business Proposal, Term Three and the Dunoon Presents Business Plan, Term Three;
2. agreed to instruct the Returning Officer to conduct a ballot over 42 days in 2023 from Thursday 19th January to Thursday 2nd March ('the ballot day');
3. authorised the Executive Director with the responsibility for Development and Economic Growth to cast the votes on behalf of the council in favour of the BID;
4. agreed that the Council would charge £7,903 (exc VAT) per annum, to Dunoon Presents for administering the levy charge to businesses in Dunoon, with charges thereafter increased annually. The first increase would apply on 31st October 2023 and annually thereafter for the subsequent term of the BID;
5. agreed that, if Dunoon Presents were successful in the ballot, the Council would pay an estimated £6,120 per annum in levy contributions for Council properties in Dunoon; and
6. noted that if the BID group were successful in the ballot, an Elected Member from the Council would be requested to sit on the Dunoon Presents Board.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 20 October 2022, submitted)

17. NOTICE OF MOTION UNDER STANDING ORDER 13

The Council gave consideration to the following Notice of Motion under Standing Order 13 that had been submitted by Councillor Tommy MacPherson, and seconded by Councillor Amanda Hampsey –

Campbeltown Brass - one of the most isolated bands in the country - are now the British National Champions, having become Scottish Champions earlier this year. These are incredible achievements for a band where the majority of its musicians are in primary or secondary education, and who, on top of the demands of practice, must also travel for very many hours each time they take part in a competition.

The band are well known across the Kintyre community and further afield. They are very active locally, playing at local functions as well as hosting their own events. They also play at events around Argyll and Bute and have even played for international crowds at a number of Six Nations rugby tournaments. Some of their members are involved in the

National Youth Brass Band of Scotland, spreading the word about Argyll's musical talent to a much wider audience.

Despite their championship status, Campbeltown Brass see themselves first and foremost as a band for the community - a community which is delighted to have champions in its midst.

In light of the very considerable achievements and success of Campbeltown Brass, the Council:

- 1) Congratulates Campbeltown Brass on their latest successes and for securing national champion status.
- 2) Acknowledges the dedication, commitment and talent of everyone involved with Campbeltown Brass, including the musicians themselves, their instructors and conductors, the families and friends of the band who volunteer their time and resources to support their endeavours, and the local community who provide such tremendous encouragement and support.
- 3) Notes that the Provost will send a letter of congratulations to Campbeltown Brass in recognition of their very considerable successes over the course of 2022.

Decision

The Council agreed the terms of the Motion.

(Reference: Notice of Motion under Standing Order 13 by Councillor Tommy MacPherson, seconded by Councillor Amanda Hampsey, submitted)

The Council 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 Paragraph 1 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

18. COUNCIL CONSIDERATION OF ABSENCE

The Council gave consideration to a report seeking approval of an ongoing absence from Council business of an elected member for a period up to 30 June 2023.

Decision

The Council approved the absence from Council business of an elected member until 30 June 2023, or until their return to business, whichever is the earlier.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory support dated 7 November 2022, submitted)

**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held ON A HYBRID BASIS IN THE
COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS
on THURSDAY, 8 DECEMBER 2022**

Present: Councillor Maurice Corry (Chair)

Councillor John Armour	Councillor Andrew Kain
Councillor Jan Brown	Councillor Jim Lynch
Councillor Garret Corner	Councillor Luna Martin
Councillor Robin Currie	Councillor Ian MacQuire
Councillor Kieron Green	Councillor Liz McCabe
Councillor Graham Hardie	Councillor Douglas Philand
Councillor Fiona Howard	Councillor Alastair Redman
Councillor Mark Irvine	Councillor William Sinclair

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
David Logan, Head of Legal and Regulatory Support
Donald MacMillan, BEM

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Audrey Forrest, Donald Kelly, Paul Kennedy, Yvonne McNeilly and Ross Moreland.

2. FREEDOM OF ARGYLL AND BUTE

The Council, at its meeting on Thursday 29 September 2022 unanimously resolved in terms of Section 206 of the Local Government (Scotland) Act 1973, to admit as Honorary Freeman of Argyll and Bute, Donald MacMillan, BEM in recognition of his many years of eminent service to Argyll and Bute as an Elected Member, over four decades, and his outstanding contribution and commitment to public service for the benefit of the people and communities of Argyll and Bute.

In fulfilment of that resolution, the Council now granted the Freedom of Argyll and Bute which was conveyed by the Provost in the following terms:-

To Donald MacMillan, BEM

We, the Provost and Members of Argyll and Bute Council in recognition of your many years of eminent service to Argyll and Bute as an Elected Member, over four decades, and outstanding contribution to public service for the benefit of the people and communities of Argyll and Bute do hereby, grant you the Freedom of Argyll and Bute. Given under the seal of the Council this eighth day of December, Two Thousand and Twenty-two.

Donald MacMillan, BEM having accepted the scroll conveying the Freedom grant, the Provost on behalf of the Council, granted permission for Donald MacMillan, BEM to exercise the Freedom.

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**MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE
COMMITTEE held ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD AND BY MICROSOFT TEAMS
on THURSDAY, 1 DECEMBER 2022**

Present: Councillor Robin Currie (Chair)

Councillor John Armour	Councillor Ian MacQuire
Councillor Jan Brown	Councillor Luna Martin
Councillor Garret Corner	Councillor Ross Moreland
Councillor Mark Irvine	Councillor William Sinclair
Councillor Andrew Kain	Councillor Andrew Vennard
Councillor Donald Kelly	Councillor Peter Wallace
Councillor Jim Lynch	

Attending: Kirsty Flanagan, Executive Director
Jim Smith, Head of Roads and Infrastructure Services
Fergus Murray, Head of Development and Economic Growth
Stuart McLean, Committee Manager
Hugh O'Neill, Network and Standards Manager
Victoria Weir, Project Officer

1. APOLOGIES FOR ABSENCE

There were none intimated.

2. DECLARATIONS OF INTEREST

Councillor Jim Lynch advised in relation to item 9 of the agenda (Latest Update on Staycation Proposals) that he had been appointed to the Board of the GRAB Trust 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 in the meeting.

3. MINUTES

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 1 September 2022 were approved as a correct record.

4. LOCAL FLOOD RISK MANAGEMENT PLANS – CYCLE 2 2022-28

The Committee gave consideration to a report which sought approval of the draft Highland and Argyll Local Flood Risk Management Plan Cycle 2 and endorsement of the summary of actions identified to be taken forward by the Council, noting the status of the funding arrangements.

Decision

The Environment, Development and Infrastructure Committee –

1. approved the content of the Highland and Argyll Local Flood Risk Management Plan which would allow publication by the Lead Local Authorities (LLA) (The Highland Council) to take place by 31 December 2022;
2. noted that the approval of the Clyde and Loch Lomond Local Flood Risk Management Plans (LFRMP) would be agreed at the Clyde and Loch Lomond Local Plan District (LPD) Joint Committee; and
3. noted that progression of the schemes and studies were subject to appropriate funding being in place from the Scottish Government and the Council.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated December 2022, submitted)

The Chair ruled, and the Committee agreed, to adjourn the meeting for five minutes during the consideration of the following item of business to allow officers, who had joined the meeting remotely, to join the meeting in person.

5. CEMETERY ASSET UPDATE

The Committee gave consideration to a report providing an update on the current Argyll and Bute cemetery provision and highlighting interventions within the asset group since it was last reported to committee in 2019. The report provided a revised list of at risk assets based on current figures and a revised projection model. Overall the number of high risk assets had reduced since 2019.

Decision

The Environment, Development and Infrastructure Committee –

1. endorsed the works done to date to reduce the number of high risk cemetery assets;
2. endorsed and approved the temporary local arrangement to restrict the pre-sale of lairs to protect the cemetery capacity;
3. noted the future capital investment required in this asset group; and
4. noted that a further report on cemetery assets would be brought forward to the March Environment, Development and Infrastructure Committee meeting, which would present options for reviewing the current policy as well as management of cemetery assets in the context of current needs and future demands.

Councillor Donald Kelly having moved an amendment which failed to find a seconder, requested that his dissent be recorded from the foregoing decision.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2022, submitted)

6. ELECTRIC VEHICLE CHARGING STRATEGY UPDATE

The Committee gave consideration to a report providing an update on the work over the past year to continue the development of the Council's Electric Vehicle Charging (EVC)

Strategy, including public consultation, and developing future options for maintenance, funding and procurement.

Decision

The Environment, Development and Infrastructure Committee –

1. agreed the development and prioritisation methodology at Appendix 1 to the submitted report, and the 55 site electric vehicle charging expansion list at Appendix 2 of the submitted report, noting that the expansion plan was supported by three-quarters of respondents to the electric vehicle charging public consultation; and
2. noted that Officers would continue to engage with Transport Scotland on future funding options through the new Electric Vehicle Infrastructure Fund and that a specific Member Seminar would be arranged on electric vehicle charging when there was clarity on how that fund would operate.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated October 2022, submitted)

Councillor Luna Martin joined the meeting during the consideration of the following item of business.

7. PLAY PARK FUNDING

The Committee gave consideration to a report providing an update on the 5 year budget for play park equipment allocated to Argyll and Bute Council by Scottish Government from 2021/22. The report outlined the engagement officers had had locally through Youth Forums and proposed a further consultation approach.

Decision

The Environment, Development and Infrastructure Committee –

1. noted the available funding for play park equipment as detailed in the submitted report;
2. agreed the budget split for each of the 4 administration areas as outlined in Appendix 1 to the submitted report; and
3. noted the proposed further proposed further engagement with other groups, including Youth Forums and relevant Community Councils, and that a report outlining the process and timelines would be brought to the Environment, Development and Infrastructure Committee in March 2023.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2022, submitted)

8. BIN AND SIGNAGE REPLACEMENT PROGRAMMES

The Committee gave consideration to a report providing a short update on the bin and signage replacement programme following the allocation of £100k at the Council's budget meeting on 24 February 2022.

Decision

The Environment, Development and Infrastructure Committee noted the content of the submitted report.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated November 2022, submitted)

9. LATEST UPDATE ON STAYCATION PROPOSALS

The Committee gave consideration to a report providing an update on the delivery of a range of facilities across Argyll and Bute to support camping and motorhome staycations.

Decision

The Environment, Development and Infrastructure Committee approved -

1. funding for Gateway and passing place signage;
2. that funds were set aside for Portaloos in hot spots for 2023 as with 2021 and 2022;
3. that the Staycation Officer contract be extended by 6 months (to end of September 2023) to allow for the development and completion of projects;
4. a review be undertaken concerning Public Toilet upgrades with Visit Scotland funding;
5. completion of the Motor Caravan Overnight Parking Project with an additional £30,000 allocated from the staycation budget; and
6. completion of the Glenmorag project.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 1 December 2022, submitted)

10. CLEANING AND DRAINAGE IMPROVEMENTS IN RESPONSE TO CLIMATE CHANGE

A report providing an update on the procurement of two multi-purpose vehicles to help mitigate the impacts of weather related damage and climate change, specifically gully cleaning and drainage improvements, was before the Committee for noting.

Decision

The Environment, Development and Infrastructure Committee noted the content of the submitted report.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated 1 December 2022, submitted)

11. ARGYLL AIR SERVICES - PUBLIC SERVICE OBLIGATION CONSULTATION

A report providing a summary of a recent online Argyll Air Services Public Service Obligation Consultation was before the Committee for noting.

Decision

The Environment, Development and Infrastructure Committee noted the content of the submitted report.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

12. ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE WORKPLAN

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

Decision

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

(Reference: Environment, Development and Infrastructure Committee Workplan dated December 2022, 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 & 9 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

13. WASTE PPP OPTIONS APPRAISAL

The Committee gave consideration to a report providing an update on the options available to Argyll and Bute Council in relation to the Waste PPP contract.

Decision

The Environment, Development and Infrastructure Committee agreed the recommendations within the submitted report.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated 1 December 2022, submitted)

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MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS on THURSDAY, 8 DECEMBER 2022

Present: Councillor Robin Currie (Chair)

Councillor Gordon Blair	Councillor Jim Lynch
Councillor Kieron Green	Councillor Liz McCabe
Councillor Amanda Hampsey	Councillor Yvonne McNeilly
Councillor Fiona Howard	Councillor Ross Moreland
Councillor Andrew Kain	Councillor Douglas Philand
Councillor Reeni Kennedy-Boyle	Councillor Alastair Redman

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Shona Barton, Governance Manager
Fergus Murray, Head of Development and Economic Growth
Ross McLaughlin, Head of Commercial Services
Jane Fowler, Head of Customer Support Services

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Audrey Forrest and Gary Mulvaney.

2. DECLARATIONS OF INTEREST

Councillor Dougie Philand declared a non-financial interest in item 12 of the agenda (Conservation Area Regeneration Scheme (CARS) Project: 3-17 Colchester Square, Lochgilphead) as a family member had submitted a tender for the contract. He advised that he would leave the room during the consideration of this item of business.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 13 October 2022 were approved as a correct record.

* **4. FINANCIAL REPORTS MONITORING PACK - 31 OCTOBER 2022**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2022. There were five detailed reports, setting out the position as at 31 October 2022, which were summarised in the executive summary.

Decision

The Policy and Resources Committee –

1. noted the revenue budget monitoring report as at 31 October 2022;
2. noted the financial risks for 2022-23;

3. noted the capital plan monitoring report as at 31 October 2022 and approved the proposed changes to the capital plan outlined in Appendix 4 of that report;
4. noted the treasury monitoring report as at 31 October 2022;
5. noted the reserves and balances report as at 31 October 2022;
6. agreed to recommend to Council that the revenue virements over £0.200m during September and October 2022 were approved; and
7. agreed that £0.490m Revenue funding and £0.422m Capital funding relating to the pay award should be passed to the HSCP in 2022-23.

(Reference: Report by Section 95 Officer dated 4 November 2022, submitted)

Councillors Amanda Hampsey and Andrew Kain joined the meeting during the consideration of the following item of business.

5. BUDGET OUTLOOK 2023-24 TO 2027-28

The Committee gave consideration to a report providing an update to the budget outlook 2023-24 to 2027-28, last reported to the Policy and Resources Committee on 13 October 2022.

Decision

The Policy and Resources Committee noted the current estimated budget outlook position for the period 2023-24 to 2027-28.

(Reference: Report by Section 95 Officer dated 29 November 2022, submitted)

6. ISLANDS COST CRISIS EMERGENCY FUND

The Committee gave consideration to a report in relation to the allocation of Scottish Government Island Cost of Crisis Emergency Funding which aims to help island authorities take urgent action to support households through the cost of living crisis. The report recommended that the Committee delegate the arrangements for Argyll and Bute's allocation of this funding to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader, Depute Leader, Leader of the Largest Opposition Group and the Policy Lead for Islands.

Decision

The Policy and Resources Committee –

1. noted the funding announced by the Scottish Government as part of its Emergency Budget Review for 2022/23 financial year for Local Authorities with responsibility for islands; and
2. agreed that arrangements for the fund be delegated to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader,

Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that the support reached communities as quickly as possible.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 1 December 2022, submitted)

7. LOCAL AUTHORITY COVID ECONOMIC RECOVERY FUND UPDATE

The Committee gave consideration to a report providing an update with detail of options agreed and progress made in relation to the Local Authority COVID Economic Recovery (LACER) Fund.

Decision

The Policy and Resources Committee –

1. noted the progress to date with the suite of previously agreed options for the LACER funding;
2. approved the refocus of £35k of funding from sector support to provide additional regional support to businesses in the hardest hit areas - Campbeltown, Lochgilphead, Isle of Bute and Dunoon; and
3. agreed that the overspend of up to £36,713 in relation to the issue of Scotland Loves Local Cards was met from the Recovery and Renewal Fund.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

*** 8. 2023/2024 ANNUAL REVIEW - PROCUREMENT STRATEGY 2022/25 AND SUSTAINABLE PROCUREMENT POLICY 2022/25**

The Committee gave consideration to a report seeking approval for the 2023/2024 Annual Review of the 2022/2025 Procurement Strategy and 2022/2025 Sustainable Procurement Policy. The report outlined the annual updates and the key changes that had been made to both the Procurement Strategy and the Sustainable Procurement Policy.

Decision

The Policy and Resources Committee –

1. noted the minor changes to the Procurement Strategy 2022/2025 and Sustainable Procurement Policy 2022/2025; and
2. approved the final revised Procurement Strategy 2022/25 and Sustainable Procurement Policy 2022/25, to go on to the Full Council in February 2023; subject to the following amendment to paragraph 1.3 of the Sustainable Procurement Policy 2022/25 as follows –

Amended paragraph 1.3 - Argyll & Bute Council is one of the region's major public money spenders with £158.8 million spent in 2021/22 and resolves to embed progressive procurement practices by developing local supply chains of businesses likely to support local employment and keep wealth within communities. Further Argyll

& Bute Council will make its financial power work for local places, working collaboratively to increase flows of investment within local economies by harnessing and recirculating the wealth that exists.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 7 November 2022, submitted)

9. CLIMATE CHANGE BOARD UPDATE & DE-CARBONISATION TRACKER

The Committee gave consideration to a report highlighting recent activity of the Climate Change Board.

Decision

The Policy and Resources Committee noted the updates contained at Section 5 of the report and the full De-carbonisation Tracker update contained within Appendix A.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 13 November 2022, submitted)

10. RURAL GROWTH DEAL - UPDATE PAPER

The Committee gave consideration to a report providing an update on the Rural Growth Deal (RGD) Programme and the progress towards the signing of the Full Deal Agreement which represented the next key milestone in the Rural Growth Deal process.

Decision

The Policy and Resources Committee –

1. approved a further drawdown of funding from the Inward Investment Fund (up to £150k);
2. noted that similar to previous arrangements, funds would only be drawn down subject to the Chief Executive and two Executive Directors of the Council being satisfied that the monies were for the purpose of delivering the Rural Growth Deal. Any further funding required in excess of the approved value would require further approval from the Policy and Resources Committee; and
3. noted the process and anticipated timescales for signing the Full Deal Agreement with the Scottish and UK Governments.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

11. LORN ARC TAX INCREMENTAL FINANCE PROGRAMME - UPDATE REPORT

The Committee gave consideration to a report providing an update on the wider Lorn Arc Programme and the current live Lorn Arc projects at Dunbeg and Oban Airport.

Decision

The Policy and Resources Committee noted the progress with the Lorn Arc Project, particularly –

1. ongoing discussions with Scottish Government to amend the TIF agreement;
2. anticipated submissions of full planning applications for Dunbeg Corridor in early 2023; and
3. ongoing work to prepare a Business Case for investment in a Headquarters building at Oban Airport.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 2 November 2022, submitted)

Councillor Dougie Philand, having declared an interest in the following item of business left the meeting and took no part in the consideration of this item.

12. CONSERVATION AREA REGENERATION SCHEME (CARS) PROJECT: 3-17 COLCHESTER SQUARE, LOCHGILPHEAD

The Committee gave consideration to a report outlining the gap funding that existed in the second priority building of the Lochgilphead Conservation Area Regeneration Scheme (CARS). The Scheme was jointly funded by Historic Environment Scotland and Argyll and Bute Council. The report requested utilisation of an additional £40,642.24 grant funding from the Private Sector Housing Grant to cover that gap and facilitate the key project.

Decision

The Policy and Resources Committee approved the utilisation of the Private Sector Housing Grant (PSHG) to award an additional £40,642.24 grant to the 3-17 Colchester Square, Lochgilphead CARS project, thus providing essential gap funding to facilitate the restoration of the building.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 24 November 2022, submitted)

Councillor Dougie Philand re-joined the meeting at this point.

13. SCOTTISH GOVERNMENT GAELIC AND SCOTS AND A SCOTTISH LANGUAGES BILL: CONSULTATION

The Committee gave consideration to a report proposing a response to the consultation on the Scottish Government Commitment to Gaelic and Scots and a Scottish Languages Bill.

Decision

The Policy and Resources Committee agreed the proposed response to the Scottish Government Commitment to Gaelic and Scots and a Scottish Languages Bill consultation and mandated the Head of Customer Support Services to submit it on behalf of the Council to Scottish Government.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 17 November 2022, submitted)

14. POLICY AND RESOURCES COMMITTEE WORK PLAN

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

Decision

The Policy and Resources Committee noted the content of the submitted work plan.

(Reference: Policy and Resources Committee Work Plan dated 8 December 2022, submitted)

The Chair advised that in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, Appendix 1 relating to the following item of business would require the exclusion of the press and public should any Member wish to discuss the content of this appendix on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 8 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

15. OUR MODERN WORKSPACE (OMW) - PLACE DEMONSTRATOR FUNDING FOR ROTHESAY

The Committee gave consideration to a report providing an overview of the funding application submitted to the Scottish Government Place Demonstrator Fund in respect of redesign proposals in the Victoria Street and Union Street offices in Rothesay.

Decision

The Policy and Resources Committee –

1. noted the opportunity to access substantial Scottish Government capital funding as noted in Appendix 1 to the submitted report;
2. agreed that the Place Demonstrator Funding would only be used to complete the Our Modern Workspace programme in Rothesay to demonstrate the context of Place as a direct outcome of the Place Based Review;
3. agreed that the Council should accept the opportunity to work with the Scottish Government and Scottish Futures Trust to accelerate the Rothesay Phase of the Our Modern Workspace through the Place demonstrator Funding by committing to the following requests:-
 - demonstrate the place context, in discussion with other key partners
 - note the additionality this funding can provide – what this funding can unlock in the context of the wider Place Narrative, and
 - Confirm the project and Council commitment by 31 March 2023.

(Reference: Report by Executive Director with responsibility for Commercial Services dated 8 December 2022, 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 Paragraph 6 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

16. PROGRESS REPORT: DANGEROUS BUILDING: 5-7 EAST CLYDE STREET, HELENSBURGH

The Committee gave consideration to a report in respect of a dangerous building at 5-7 East Clyde Street, Helensburgh.

Decision

The Policy and Resources Committee –

1. noted the content of the report and the ongoing works to secure a permanent solution; and
2. agreed to option (B) as detailed within the submitted report.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated November 2022, submitted)

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MINUTES of MEETING of COMMUNITY SERVICES COMMITTEE held ON A HYBRID BASIS BY ATTENDANCE IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD OR REMOTELY BY MICROSOFT TEAMS on THURSDAY, 15 DECEMBER 2022

Present: Councillor Yvonne McNeilly (Chair)

Councillor Gordon Blair	Councillor Liz McCabe
Councillor Math Campbell-Sturgess	Councillor Dougie McFadzean
Councillor Garret Corner	Councillor Julie McKenzie
Councillor Amanda Hampsey	Councillor Gemma Penfold
Councillor Daniel Hampsey	Councillor Douglas Philand
Councillor Graham Hardie	Margaret Anderson, Church Rep
Councillor Andrew Kain	Alison Palmer, Teacher Rep
Councillor Paul Donald Kennedy	

Attending: Douglas Hendry, Executive Director
 Jennifer Crocket, Head of Education: Wellbeing, Inclusion and Achievement
 Wendy Brownlie, Head of Education: Performance and Improvement
 Stuart McLean, Committee Manager
 Gary Clark, Digital Lead, Education
 Shirley Johnstone, Change Manager, Commercial Services
 Chief Superintendent Lynn Ratcliff, Police Scotland
 Chief Inspector Simon Shanks, Police Scotland
 Chief Inspector Samantha Glasgow, Police Scotland
 Police Constable Laura Evans, Police Scotland
 Group Commander Grant Fraser, Scottish Fire and Rescue Service
 Fiona Davies, Chief Officer, Argyll & Bute HSCP
 Stephen Whiston, Head of Strategic Planning, Performance & Technology, Argyll & Bute HSCP

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Audrey Forrest, Councillor Iain Shonny Paterson, Reverend Sandy MacPherson (Church Representative) and Lorna Stewart (Teacher Representative).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTE

The Minute of the Community Services Committee held on 25 August 2022 was approved as a correct record.

4. ARGYLL & BUTE LOCAL POLICING PLAN (2020 - 2023) - QUARTERLY REPORT (QTR2 - 2022/23)

Chief Superintendent Lynn Ratcliff presented the Quarter 2 – 2022/23 update in relation to the Argyll and Bute Local Policing Plan 2020 – 2023.

In addition she advised of Police Scotland's Festive Safety Campaign which commenced on 1 December and would run until 2 January 2023; L Division's Road Safety social media Question and Answer Session aimed at Road Safety on 14 December 2022 with Sergeant Archie Maguire from Road Policing; and Operation Balaton which ran over the summer in Loch Lomond National Park and focused on water safety and anti-social behaviour.

Chief Superintendent Ratcliff then advised of the exceptional achievements of a couple of dedicated Police Scotland Officers who live and work in Argyll and Bute - Police Constable Laura Evans based at Dunoon, who was runner up for the Police Officer of the Year and Police Constable Eilidh Ann Dewar from Oban, who won the Excellence in Policing Award at the Scottish Women's Development Awards.

Thereafter, she, along with Chief Inspector Simon Shanks, Area Commander for Oban, Lorn, the Isles, Mid Argyll and Kintyre and Chief Inspector Samantha Glasgow, Area Commander for Bute, Cowal and Helensburgh, responded to a number of questions asked.

Decision

The Committee noted the contents of the report.

(Reference: Report for Quarter 2 2022/23 by Divisional Commander for Argyll and West Dunbartonshire Division, Police Scotland, submitted)

Councillor Gemma Penfold joined the meeting during consideration of the foregoing item.

5. LOCAL POLICE PLAN - POLICE SCOTLAND - CONSULTATION

Police Scotland are consulting on local police priorities set out within the Local Police Plan – Argyll and Bute 2023-2026 and have requested input 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 Police Scotland's consultation on the 'Local Police Plans – Argyll and Bute' set out in Appendix 2 of the report.

(Reference: Report by Executive Director with responsibility for Legal & Regulatory Support dated November 2022, submitted)

6. SCOTTISH FIRE AND RESCUE SERVICE - ARGYLL & BUTE PERFORMANCE REPORT Q2 - 1 JULY - 30 SEPTEMBER 2022

With the aid of power point slides, Group Commander Grant Fraser presented a report highlighting Scottish Fire and Rescue Service's review of local performance within Argyll and Bute for Q2 2022-2023 and responded to a number of questions asked.

Decision

The Committee reviewed and noted the contents of the report.

(Reference: Q2 2022-2023 Report by Local Senior Officer, Scottish Fire and Rescue Service, submitted)

7. ARGYLL & BUTE HSCP - PERFORMANCE REPORT NOVEMBER 2022

Consideration was given to a report which had been presented to the Argyll and Bute Integrated Joint Board (IJB) in November 2022.

The report advised of new Key Performance Indicators established in relation to long waiting times across both inpatient and outpatient specialities for 2022, 2023 and 2024 and detailed current performance against the new targets building on previous remobilisation performance. In addition the report also focused on performance with regards to Treatment Time Guarantee, Delayed Discharge and Children and Adolescent Mental Health Services (CAMHS)/Psychological Therapies 18 Week Local Delivery Plan Standards with an update on the Integrated Performance Management Framework.

Decision

The Committee considered and noted the IJB Health and Social Care Partnership report which was presented and approved by the IJB at its November 2022 meeting following scrutiny by its Clinical and Care Governance Committee.

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

8. ARGYLL & BUTE HSCP ANNUAL PERFORMANCE REPORT 2021/22

Consideration was given to the Argyll & Bute Health and Social Care Partnership Annual Performance Report for 2021/22.

Decision

The Committee considered and noted the Argyll & Bute Health and Social Care Partnership Annual Performance Report for 2021/22.

(Reference: Argyll & Bute HSCP Annual Performance Report 2021/22, submitted)

9. EDUCATION PERFORMANCE DATA ANALYSIS 2021-22

A report providing an overview of key performance data and outcomes for all pupils across Argyll and Bute's ten secondary schools for session 2021-2022, using local authority data on attainment, and data as supplied by the Scottish Government's Insight tool, was considered.

Decision

The Committee agreed to:

1. note that, for the first time since session 2018/19, pupil performance and outcomes were based on examination performance;
2. consider the information contained in this report; and

3. note that a further report would come to a future meeting of the Committee once Insight final outcomes were available.

(Reference: Report by Executive Director with responsibility for Education dated 15 December 2022, submitted)

10. ANNUAL PARTICIPATION MEASURE 2021-22

A report providing Members with information on the most recent Annual Participation Measure published in August 2022, covering the period April 2021 – March 2022, was considered.

The Annual Participation Measure reports nationally on the economic and employment activity of the wider 16-19 year old cohort including those at school. The measure is used to inform policy, planning and service delivery and to determine the impact of the Opportunities for All commitment.

Decision

The Committee agreed to:

1. note the publication of the 2021-2022 Annual Participation Measure, and the strong performance of Argyll and Bute as a council area in facilitating the participation of 16-19 year olds; and
2. recognise the good progress which had been made by the Education Service and schools in relation to pupil progress in this area.

(Reference: Report by Executive Director with responsibility for Education dated 15 December 2022, submitted)

11. SUPPORT FOR PUPILS AND FAMILIES FROM ARMED FORCES SERVICE BACKGROUNDS

A report detailing the range of initiatives in Argyll and Bute to support children and young people and families from Armed Forces service backgrounds was considered.

The report details the funding sources on which such support relies, the ways in which such funding is directed within Argyll and Bute, and describes the variety of approaches employed to ensure the welfare of pupils from service backgrounds and their families.

Decision

The Committee agreed to:

1. consider the support in place for young people and their families from a service family background; and
2. note the change to the Education Support Fund for session 2023-24 and that feedback would be received on the current bid in January 2023.

(Reference: Report by Executive Director with responsibility for Education dated 15 December 2022, submitted)

12. CREATION OF HIGH QUALITY STEM CURRICULUM MATERIALS

Argyll and Bute Council's Digital Learning Team was awarded £100,000 through the UK Government Community Renewal Fund (UK CRF). The funding was used to commission the creation of high quality Science, Technology, Engineering and Maths (STEM) materials.

A report presenting the details of the high quality STEM materials that have been created as a result of the UK CRF grant was considered.

Decision

The Committee agreed to recognise the benefits the STEM materials, which have been created, would provide pupils and employers in this area.

(Reference: Report by Executive Director with responsibility for Education dated 26 October 2022, submitted)

Councillor Paul Kennedy left the meeting during consideration of the foregoing item.

13. MULL CAMPUS - DRAFT ENGAGEMENT STRATEGY

A submission has been made to the Scottish Government to bid for funding for a new campus on Mull from the Learning Estate Investment Programme (LEIP). The announcement for successful projects awarded the funding is expected by the end of the year.

A report outlining the details of a draft Engagement Strategy prepared in anticipation of a positive announcement for the Mull Campus Project was considered. The Strategy has been prepared to provide reassurance to the communities affected by the project that the engagement will be wide ranging and fully inclusive.

Decision

The Committee agreed to approve the draft Strategy.

(Reference: Report by Executive Director with responsibility for Commercial Services and Education dated 21 November 2022 and Mull Campus Engagement Strategy, submitted)

14. EXTERNAL EDUCATION ESTABLISHMENT INSPECTION REPORT

A report providing details of all external establishment inspection reports received across Argyll and Bute Education Service during the period September to November 2022 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 15 November 2022, submitted)

15. NORTHERN ALLIANCE REGIONAL IMPROVEMENT COLLABORATIVE - PROGRESS AND IMPACT REPORT AND PHASE 4 REGIONAL IMPROVEMENT PLAN

A report sharing the progress and impact report for the Northern Alliance Regional Improvement Collaborative and setting out the Phase 4 Regional Improvement Plan for the Northern Alliance Regional Improvement Collaborative 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 8 November 2022, submitted)

16. UPDATES TO EDUCATION MANAGEMENT CIRCULARS AND GUIDANCE ON MANAGING DISTRESSED BEHAVIOUR, MANAGING VIOLENCE AND AGGRESSION AND EXCLUSIONS

A report providing an update on the refreshing of the Managing Distressed Behaviour Guidance and the Education Management Circulars 3.08 on Exclusions and 2.26 Managing Violence and Aggression towards Staff, 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 28 November 2022, submitted)

17. 2021/22 ANNUAL REVIEW OF THE CHILDREN AND YOUNG PEOPLE'S SERVICES PLAN 2020 - 23

A report providing an update on the Argyll and Bute's Children and Young People's Services Plan 2020-2023 Year 2 review for the period 2021/22 was before the Committee for information.

Decision

The Committee agreed to refer this item to the next meeting of the Community Services Committee as a substantive item.

(Reference: Report by Chief Social Work Officer, Argyll & Bute Health & Social Care Partnership dated 30 August 2022, submitted)

18. COMMUNITY SERVICES COMMITTEE WORK PLAN 2022/2023

The Community Services Committee work plan for 2022/23 was before the Committee for information.

Decision

The Committee noted the contents of the work plan.

(Reference: Community Services Committee Work Plan 2022/23, submitted)

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**MINUTES of SPECIAL MEETING of POLICY AND RESOURCES COMMITTEE held
BY MICROSOFT TEAMS
on THURSDAY, 19 JANUARY 2023**

Present: Councillor Robin Currie (Chair)

Councillor Gordon Blair	Councillor Yvonne McNeilly
Councillor Kieron Green	Councillor Ross Moreland
Councillor Fiona Howard	Councillor Gary Mulvaney
Councillor Reeni Kennedy-Boyle	Councillor Douglas Philand
Councillor Jim Lynch	Councillor Alastair Redman
Councillor Liz McCabe	

Also Present: Councillor Jan Brown

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director / Section 95 Officer
Anne Blue, Head of Financial Services
Jane Fowler, Head of Customer Support Services
Shona Barton, Governance Manager

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Audrey Forrest and Amanda Hampsey.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. BUDGET SAVINGS 2023-24

The Committee gave consideration to a report providing information on savings options identified by officers for consideration for financial year 2023-24 and beyond.

Decision

The Policy and Resources Committee –

1. agreed that the new policy savings options (as outlined in Appendix 1 to the submitted report) would be presented to the next meeting of the Policy and Resources Committee where the budget pack would be considered;
2. 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; and
3. noted that officers would continue to monitor the budget outlook position and report any changes to Members as part of the budget pack.

(Reference: Report by Section 95 Officer dated 10 January 2023, submitted)

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MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS on THURSDAY, 16 FEBRUARY 2023

Present: Councillor Robin Currie (Chair)

Councillor Gordon Blair	Councillor Jim Lynch
Councillor Audrey Forrest	Councillor Liz McCabe
Councillor Kieron Green	Councillor Yvonne McNeilly
Councillor Amanda Hampsey	Councillor Ross Moreland
Councillor Fiona Howard	Councillor Gary Mulvaney
Councillor Willie Hume	Councillor Douglas Philand
Councillor Andrew Kain	Councillor Alastair Redman
Councillor Reeni Kennedy-Boyle	

Also Present: Councillor Jan Brown Councillor Peter Wallace
Councillor Paul Kennedy

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director / Section 95 Officer
Anne Blue, Head of Financial Services
Jane Fowler, Head of Customer Support Services
Ross McLaughlin, Head of Commercial Services
Fergus Murray, Head of Development and Economic Growth
Shona Barton, Governance Manager

1. APOLOGIES FOR ABSENCE

There were no apologies for absence intimated.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

(a) Policy and Resources Committee held on 8 December 2022

The Minutes of the meeting of the Policy and Resources Committee held on 8 December 2022 were approved as a correct record.

(b) Special Policy and Resources Committee held on 19 January 2023

The Minutes of the meeting of the Special Policy and Resources Committee held on 19 January 2023 were approved as a correct record.

* **4. FINANCIAL REPORTS MONITORING PACK - 31 DECEMBER 2022**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of December 2022. There were five detailed reports setting out the position as at 31 December 2022 which were summarised in the executive summary.

Decision

The Policy and Resources Committee –

1. noted the revenue budget monitoring report as at 31 December 2022;
2. noted the financial risks for 2022-23;
3. noted the capital plan monitoring report as at 31 December 2022 and approved the proposed changes to the capital plan as outlined in Appendix 4 of that report;
4. noted the treasury monitoring report as at 31 December 2022;
5. noted the reserves and balances report as at 31 December 2022; and
6. agreed to recommend to Council that the revenue virements over £0.200m during November and December 2022 are approved.

(Reference: Report by Section 95 Officer dated 13 January 2023, submitted)

Councillors Amanda Hampsey and Yvonne McNeilly joined the meeting during consideration of the following item of business.

* **5. BUDGETING PACK 2023 - 2024**

The Committee gave consideration to the full package of papers included in the Budgeting Pack 2023-24 in relation to the Revenue and Capital Budgets for 2023-24.

Decision

The Policy and Resources Committee agreed to refer consideration of the Budgeting Pack 2023-24 to the Council meeting on 23 February 2023, without recommendation.

(Reference: Budgeting Pack 2023-24 dated 9 February 2023, submitted)

* **6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

The Committee gave consideration to a report seeking approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also set out the Policy for the repayment of loans fund advances for 2023-24.

Decision

The Policy and Resources Committee agreed to recommend to Council approval of –

- a) the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within; noting that the figures within the Strategy would be updated to reflect the budget decisions agreed at Council;
- b) 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) the proposed asset repayment periods as detailed within section 2.7 of the Treasury Management Strategy Statement; and
- d) 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.

(Reference: Report by Section 95 Officer dated 9 February 2023, submitted)

7. CORONATION HOLIDAY - 8 MAY 2023

The Committee gave consideration to a report seeking approval of an additional day's annual leave for staff scheduled to work on 8 May 2023 which had been announced by the UK and Scottish Governments as an additional bank holiday to commemorate the coronation of King Charles. The additional day's leave would allow staff and their families to participate in the planned long weekend of commemorative events.

Decision

The Policy and Resources Committee agreed to authorise an additional day's annual leave on 8 May 2023 to allow staff to participate in celebrations related to the coronation of King Charles.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 23 December 2022, submitted)

*** 8. STRATEGIC EVENTS AND FESTIVALS FUND - ROUND 5 2023/2024**

The Committee gave consideration to a report providing an update on Round 5 – 2023-24 of the Council's Strategic Events and Festivals Fund (SEF). The report provided details of the applications submitted and recommendations regarding all eligible applications put forward to receive grant funding. The report also sought agreement to allocate any underspend from this round to a future SEF round (Round 5.2); and agreement to allocate funding to allow a future round (Round 6) for 2024-25.

Decision

The Policy and Resources Committee –

- a) agreed to the award of eligible SEF Round 5 grants amounting to £78,975 as detailed in Table 1 of Appendix 1 to the submitted report;
- b) agreed to award £3,600 to West Highland Yachting Week on the basis declared in the body of the report as detailed in Table 2 of Appendix 1 to the submitted report;
- c) agreed that any SEF grant offer only be formally issued upon confirmation from the

individual event organisation that the event is formally confirmed, is definitely going ahead and still meets the SEF Round 5 criteria. These grants are detailed in Appendix 1, Tables 1 & 2, to the submitted report;

- d) agreed to continue delegation of powers to the Executive Director with responsibility for Development and Economic Growth to allow any subsequent amendment to existing grant requests to be made brought about as a consequence of changes to the event/event budget. Any amendment to a current grant request/offer would only be considered if the amendment related to either the same level or a reduction in the request from and constitute up to 75% of legitimate and eligible expenditure;
- e) agreed to continue to assist with the economic recovery of the fragile events and festivals sector within Argyll and Bute and agree that any underspend from SEF Round 5 is made available to a second call for applications (SEF 5.2) with a deadline of April 2023; and
- f) agreed to recommend to the Council that as part of the budget in February 2023, that they agree £90,000 base funding for Strategic Events and Festivals in order that the application process can commence during 2024/25 and that this fund be augmented by any underspend remaining from the current financial year.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 23 December 2023, submitted

Councillor Reeni Kennedy-Boyle left the meeting during consideration of the following item of business.

9. PLACE BASED INVESTMENT AND CROWN ESTATE UPDATE

The Committee gave consideration to a report providing an update in respect of the allocation of both Place Based Investment (PBI) and Crown Estate (CE) funding for 2022/23. The report also sought approval of a number of changes in regard to specific allocations of funding as already agreed in regard to both PBI and CE funding against respective projects.

Decision

The Policy and Resources Committee –

- a) noted the update in regard to PBI and CE funding allocations for 2022/23;
- b) noted that following the announcement of the final allocation of funding, the Cemetery Maintenance and Roads Access Fund and the Public Conveniences project could now proceed, as agreed in principle at the Policy and Resources Committee in October 2022;
- c) agreed to switch the allocation of £100,000 PBI funding 2022/23 against the Glenmorag Campsite, Dunoon project to £100,000 CE funding allocation 2022/23 and to then in turn allocate the PBI funding to those projects as detailed in Table 1 that previously had the CE funding allocated against them thereby simply changing the funding source;

- d) agreed to use the allocation of £400,000 CE funding currently allocated against the delivery of the Tobermory Car Park project to instead deliver the extension to the cemetery at Tobermory;
- e) agreed that delegated authority be given to the Executive Director with responsibility for Development and Economic Growth, in consultation with the Leader, Depute Leader, and the Leader of the largest Opposition Group in regard to any necessary future changes required to be made between specific CE and PBI funding allocations already agreed by members to individual projects. This delegation would ensure that funding timelines could be met and funding does not require to be paid back. This would not impact the projects that had been agreed but simply change the source of funding that would support their delivery and officers would report any updates to Elected Members.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated January 2023, submitted)

10. ISLANDS PROGRAMME 2023-24

The Committee gave consideration to a report providing an update on the Scottish Government 2023/24 Islands Programme and how it would be delivered. The report also sought agreement to put in place a delegation to ensure that the Council could adhere to the tight timescales set by the Scottish Government in bidding for funding for the 2023/24 Islands Programme.

Decision

The Policy and Resources Committee –

1. noted that the next round of funding would likely be a one stage process;
2. agreed that arrangements for the fund be delegated to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and the Policy Lead for Islands to ensure that the Council could submit a bid(s) within the short timescales proposed by the Scottish Government for round 2023/24; and
3. noted that the delegation would also engage with the Argyll Islands Sounding Board in relation to any potential bids for funding for the round in 2023/24.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated January 2023, submitted)

11. POLICY AND RESOURCES COMMITTEE WORK PLAN

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

Decision

The Policy and Resources Committee noted the content of the workplan.

(Reference: Policy and Resources Committee Workplan dated February 2023, submitted)

12. ROTHESAY PAVILION

(a) **Rothesay Pavilion Update**

The Committee gave consideration to a report providing an update on the current situation facing the Rothesay Pavilion project including a summary of the work undertaken by the Rothesay Pavilion Lobbying Group. The report contained an accompanying Action Plan that had been taken forward by the Lobbying Group and a number of recommendations in relation to the delivery of the associated Action Plan and the continuation of the project for completion.

Decision

The Policy and Resources Committee –

1. noted the content of the report and the progress made to date as contained within the report and Action Plan at Appendix B of the submitted report;
2. agreed the continuation of the Rothesay Pavilion project as detailed in the accompanying report entitled Rothesay Pavilion – Financial and Contractual Issues.

(Reference: Report by Executive Director with responsibility for Commercial Services and Executive Director with responsibility for Development and Economic Growth dated 2 February 2023, 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 & 9 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

(b) **Rothesay Pavilion - Financial and Contractual Issues**

The Committee gave consideration to a report seeking approval of a package of interim works to the Rothesay Pavilion.

Decision

The Policy and Resources Committee approved the recommendations contained within the submitted report.

(Reference: Report by Executive Director with responsibility for Commercial Services and Executive Director with responsibility for Development and Economic Growth dated 2 February 2023, submitted)

NOT FOR PUBLICATION by virtue of paragraph(s) 8, 9
of Schedule 7A of the Local Government(Scotland) Act 1973

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ARGYLL AND BUTE COUNCIL**COUNCIL****FINANCIAL SERVICES****23 FEBRUARY 2023**

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 2023-24.
- 1.2 The draft Treasury Management Strategy Statement and Annual Investment Strategy will be presented to the:
- Policy and Resources Committee on 16 February 2023
 - Council on 23 February 2023
 - Audit and Scrutiny Committee on 16 March 2023
 - If required, Council on 27 April 2023, following recommendations from the Audit and Scrutiny Committee that need approval from Council.
- 1.3 The Council uses Link Treasury Services 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 2.6 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 During 2022-23 a decision was taken to repay three of our loans early to take advantage of a discount which was on offer. This has provided the Council with a one-off gain of £5.397m which will be transferred to the General Fund and can assist with budget pressures.

- 1.9 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.

- 1.10 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 Treasury Services in this respect as well as the Country and Sector limits.

- 1.11 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 2.7 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.

Kirsty Flanagan
Executive Director/Section 95 Officer
9 February 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

APPENDICES

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2023-24

For further information please contact: Anne Blue, Head of Financial Services
anne.blue@argyll-bute.gov.uk



**Treasury Management Strategy Statement
and Annual Investment Strategy 2023-2024**

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1 INTRODUCTION (Key Considerations)

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 revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, 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 Treasury Management Code requires all investments and investment income to 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 an authority'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.

The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly**. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations

from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that 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 should be addressed 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 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).

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.

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
- An Annual Investment strategy (the parameters on how investments are to be managed).

A mid-year Treasury Management Review Report - this will update Members with the progress on the capital position, amending prudential indicators as necessary 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 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital 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 initially 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. During 2022 elected members were asked to set their priorities for the capital programme and an amended capital strategy has been prepared and will now go forward to full Council for approval.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.
- the policy for statutory repayment of loans fund advances

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, particularly Finance Circulars 5/2010 and 7/2016.

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).

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

1.5 Treasury management consultants

The Council uses Link Treasury Services 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 2023/24 – 2025/26

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 2023/24 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2023-26.

Capital Expenditure £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Executive Director - Douglas Hendry					
Education	7,798	7,155	6,970	2,226	2,219
Facility Services - Shared Offices	819	2,929	2,492	428	427
Major Projects/CHORD	11,598	4,558	1,351	0	0
Executive Director - Kirsty Flanagan					
ICT	1,538	1,289	1,258	771	768
Roads and Infrastructure	18,209	25,436	46,349	33,028	34,514
Development and Economic Growth	2,690	4,282	1,274	0	0
Live Argyll	324	560	1,106	428	427
Health and Social Care Partnership	0	628	1,920	428	427
Total	42,976	46,837	62,720	37,309	38,782

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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total Capital Expenditure	42,976	46,837	62,720	37,309	38,782
Financed by:					
Capital Receipts	835	500	1,195	350	400
Capital Grants	21,700	17,180	16,822	9,277	9,129
Capital Reserves	0	0	0	0	0
Revenue	735	21,402	1,593	1,331	0
Net Financing need for the year	19,706	7,755	43,110	26,351	29,253

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 £116.7m of such schemes within the CFR.

The CFR projections are noted in the following table.

	2021/22	2022/23	2023/24	2024/25	2025/26
£'000	Actual	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement					
Opening CFR	294,752	307,100	304,498	372,359	386,984
Closing CFR	307,100	304,498	372,359	386,984	403,919
Movement in CFR	12,348	(2,602)	67,861	14,625	16,935
Movement in CFR represented by					
	2021/22	2022/23	2023/24	2024/25	2025/26
£'000	Actual	Estimate	Estimate	Estimate	Estimate
Net financing need for the year (above)	19,706	7,755	43,110	26,351	29,253
Service Concessions Adjustment			36,038	0	0
Less scheduled debt Amortisation	7,358	10,357	11,287	11,726	12,318
Movement in CFR	12,348	(2,602)	67,861	14,625	16,935

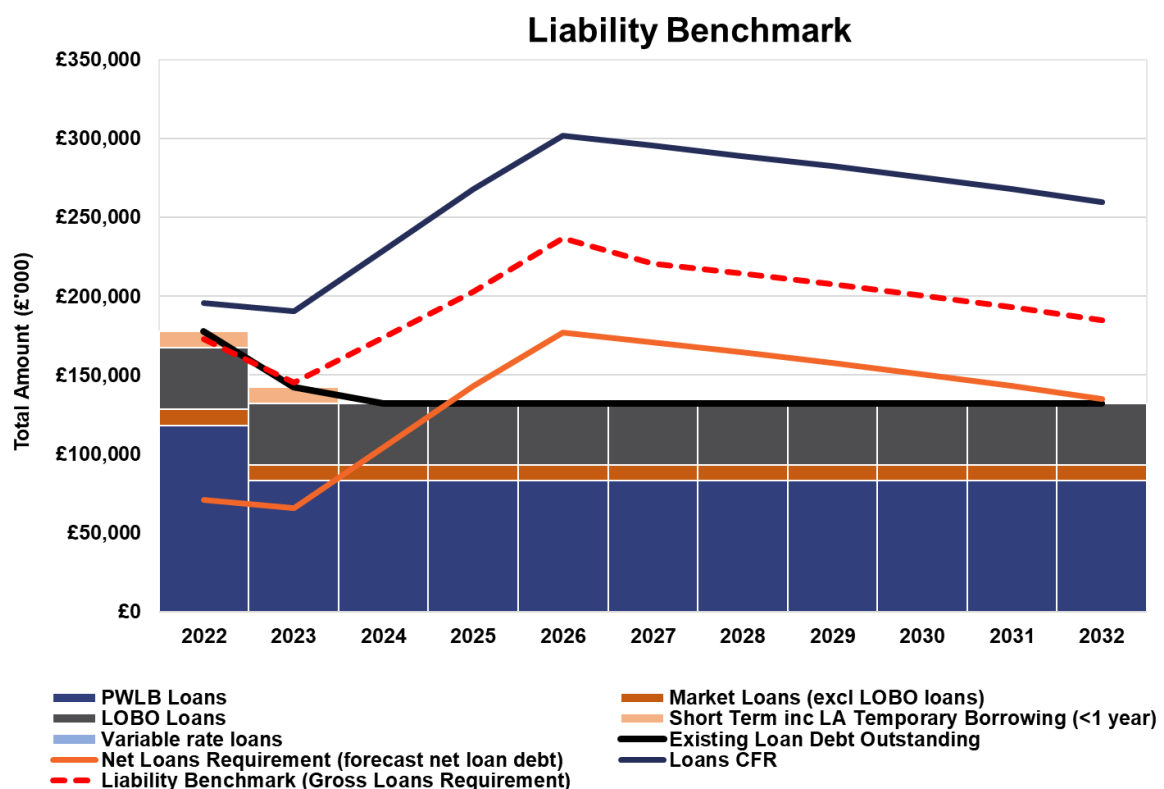
2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- 1 **Existing loan debt outstanding:** the Authority’s existing loans that are still outstanding in future years.
- 2 **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
- 3 **Net loans requirement:** this will show the Authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
- 4 **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The graph below shows the four components for the Council:



2.4 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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Expected Investments	102,228	80,000	70,000	50,000	50,000

2.5 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	2021/22 Actual	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	188	190	263	278	300
Other long term liabilities	119	115	109	110	105
Total	307	305	372	388	405

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	2021/22 Actual	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	193	195	268	283	305
Other long term liabilities	122	118	112	113	108
Total	315	313	380	396	413

2.6 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.

2.7 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 appropriate 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 2022 and at 31 December 2022 are shown below for both borrowing and investments.

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

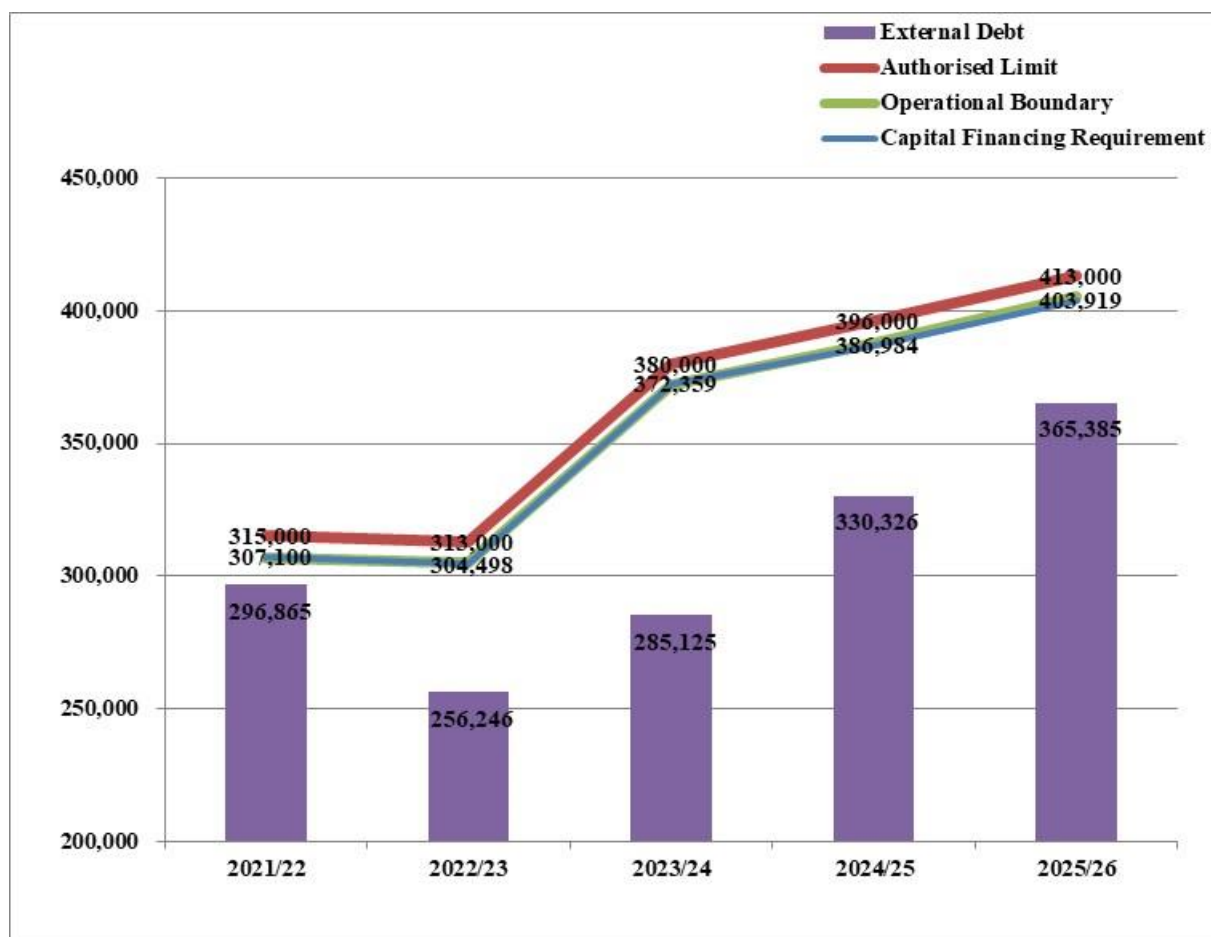
TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.22	31.3.22	31.12.22	31.12.22
	£000	%	£000	%
Treasury investments				
Banks	70,117	63%	51,921	50%
Building Societies - rated	0	0%	0	0%
Local Authorities	17,500	16%	42,500	41%
Money Market Funds	19,600	18%	4,700	5%
Certificates of Deposit	0	0%	0	0%
Third Party Loans	3,789	3%	3,694	4%
Total managed in house	111,006	100%	102,815	100%
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	0	0%	0	0%
Total Treasury Investments	111,006	100%	102,815	100%
Treasury external borrowing				
PWLB	118,145	66%	84,273	58%
LOBOs	39,255	22%	39,255	27%
Market	10,000	6%	10,000	7%
Special	10	0%	8	0%
Temporary Borrowing	10,500	6%	10,540	7%
Local Bonds	24	0%	18	0%
Total External Borrowing	177,934	100%	144,094	100%
Net Treasury Investments / (Borrowing)	(66,928)		(41,279)	

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	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt as 1st April	168,805	177,934	142,158	176,154	221,135
Change in Debt (In Year)	9,129	(35,776)	33,996	44,981	39,997
Other long-term liabilities (OLTL) at 1st April	121,524	118,931	114,088	108,971	109,191
Change in OLTL (In Year)	(2,593)	(4,843)	(5,117)	220	(4,938)
Actual gross debt at 31st March	296,865	256,246	285,125	330,326	365,385
The Capital Financing Requirement	307,100	304,498	372,359	386,984	403,919
Under / (Over) borrowing	10,235	48,252	87,234	56,658	38,534

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 24/25 financial year, having been deferred in December 2021. 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 2022/23 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 Treasury Services 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 8th December 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

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

3.3 Investment and borrowing rates

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

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 stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

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

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 medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, 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,

In 2022, there was a window of opportunity, due to the volatility of interest rates, to repay some of its borrowing early to take advantage of a discount on repayment. Rescheduling of remaining borrowing in our debt portfolio is not currently planned for in 2023/24. However, the Council may consider rescheduling debt if an opportunity arises and it is prudent to do so in terms of cash balances held and anticipated future interest rates. 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 2021, ("the Code") and CIPFA Treasury Management Guidance Notes 2021.

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 financial 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 the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
5. Transaction limits are set for each type of investment in Appendix 5.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
8. All investments will be denominated in **sterling**.
9. 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 Link Treasury Services. 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 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 Treasury Services 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. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in.

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 Appendix 3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows.:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	20	20	20
Current investments as at 31-12-22 in excess of 1 year maturing each year	5	5	0

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.

4.7 Policy on environmental, social and governance (E.S.G.)

The Council's policy on environmental, social and governance (E.S.G) can be found in appendix 11.

5 APPENDICES

Appendix 1 – Capital Prudential and Treasury Indicators 2023/24 – 2025/26

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.

	2021/22	2022/23	2023/24	2024/25	2025/26
%	Actual	Estimate	Estimate	Estimate	Estimate
Ratio	5.24%	4.91%	4.37%	4.40%	4.43%

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 2023/24		
	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%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%
50 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.

%	2022/23	2023/24	2024/25	2025/26
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
		31.3.22	31.3.22	31.12.22	31.12.22
Treasury investments		£000	%	£000	%
Banks	Clydesdale Bank	5,117	5%	6,921	7%
	Bank of Scotland	0	0%	0	0%
	Goldman Sachs	10,000	9%	0	0%
	Qatar National Bank	5,000	5%	0	0%
	Commonwealth Bank of Australia	0	0%	0	0%
	Santander	5,000	5%	0	0%
	ANZ Banking Group/London	0	0%	10,000	10%
	Close Brothers	15,000	14%	2,500	2%
	First Abu Dhabi Bank	10,000	9%	15,000	15%
	AL Rayan Bank	10,000	9%	5,000	5%
	Toronto Dominion Bank	5,000	5%	5,000	5%
	National Bank of Kuwait	5,000	5%	7,500	7%
		70,117	63%	51,921	50%
Local Authorities	London Borough of Croydon	7,500	7%	5,000	5%
	Rotherham Metropolitan Borough Council	7,500	7%	0	0%
	Thurrock Borough Council	0	0%	10,000	10%
	Cheshire West & Chester Council	2,500	2%	2,500	2%
	Cambridgeshire County Council	0	0%	5,000	5%
	Spelthorn Borough Council	0	0%	5,000	5%
	Slough Borough Council	0	0%	10,000	10%
	Barnsley Metropolitan Borough Council	0	0%	5,000	5%
		17,500	16%	42,500	41%
DMADF (H.M.Treasury)		0	0%	0	0%
Money Market Funds	BNP Paribas Inticast Fund	10,000	9%	4,700	5%
	Federated	0	0%	0	0%
	CCLA	9,600	9%	0	0%
	AVIVA	0	0%	0	0%
		19,600	18%	4,700	5%
Third Party Loans	Argyll Community Housing Association	2,410	2%	2,344	2%
	Fyne Homes	0	0%	0	0%
	West Highland Housing Association Ltd	837	1%	814	1%
	The Port Ellen Station	50	0%	44	0%
	Hubco Sub Debt	492	0%	492	0%
		3,789	3%	3,694	4%
Total Treasury Investments		111,006	100%	102,815	100%

		Actual	Actual	Current	Current
		31.3.22	31.3.22	31.12.22	31.12.22
Treasury external borrowing					
Local Authorities		0	0%	0	0%
PWLB		118,145	66%	84,273	58%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	9%
	FMS Wertmanagement	5,255	3%	5,255	4%
	Bayerische Landesbank	21,000	12%	21,000	15%
		39,255	22%	39,255	27%
Market	Barclays (formerly LOBO)	10,000	6%	10,000	7%
		10,000	6%	10,000	7%
Special	Prudential assurance co	10	0%	8	0%
		10	0%	8	0%
Temporary Borrowing		10,500	6%	10,540	7%
Local Bonds		24	0%	18	0%
Total External Borrowing		177,934	100%	144,094	100%
Net Treasury Investments / (Borrowing)		(66,928)		(41,279)	

Appendix 3 – Interest Rate Forecasts 2023 - 2025 and Commentary Provided by Link Treasury Services (08.12.22)

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

Appendix 4 – Economic Background Provided by Link Treasury Services (at 08.12.22)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

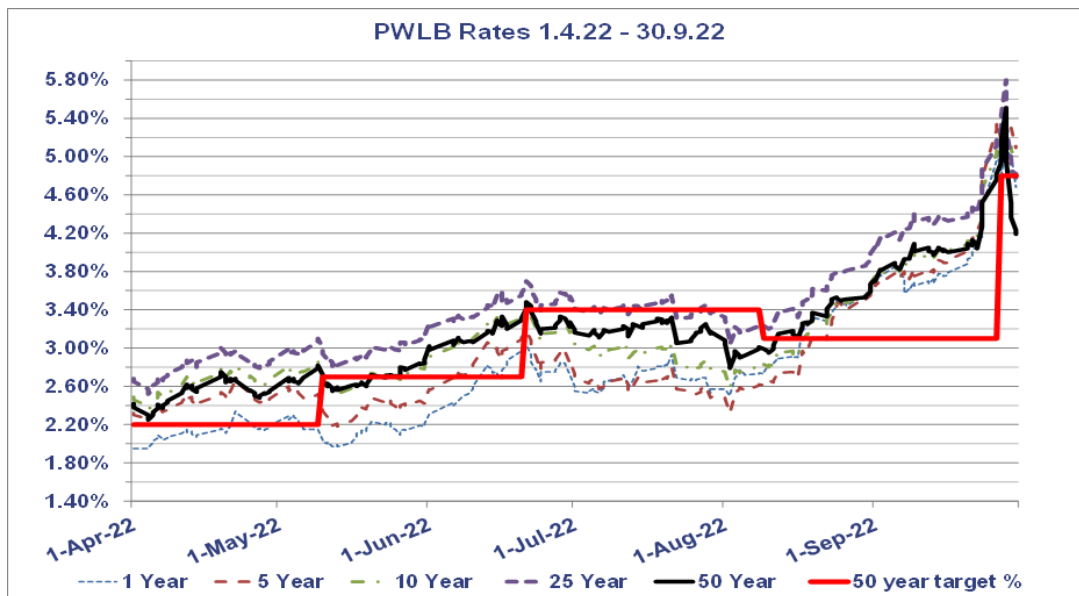
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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 £15m 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 £15m 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 Treasury Services, 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 they 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’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.
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 rationale 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 rationale 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 Treasury Services

This Council applies the creditworthiness service provided by Link Treasury Services. 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 Treasury Services 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 Senior 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 £15m each with any non UK bank. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The Council's Bankers currently have a credit rating which allows deposits of up to £20m to be placed with them for up to 100 days.

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, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, 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 Authority has access to this information via its Link-provided Passport portal.

Appendix 8 – Approved Countries for Investments (08-12-22)

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 credit worthiness service.

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- 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 Finance and Commercial Services)

- 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.

Appendix 11 – Policy on environmental, social and governance (E.S.G.)

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision to **enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.**"*

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

ARGYLL AND BUTE COUNCIL**COUNCIL****LEGAL AND REGULATORY SUPPORT****23 FEBRUARY 2023**

POLITICAL MANAGEMENT ARRANGEMENTS

1. INTRODUCTION

- 1.1 Since the last meeting of Argyll and Bute Council, on 24th November 2022, a number of changes to political management arrangements have arisen.
- 1.2 The Leader of the Opposition, Cllr Jim Lynch, has notified the Executive Director with responsibility for Legal and Regulatory Support that opposition councillors have joined together as the Argyll and Bute Strategic Opposition Partnership and have identified a number of Shadow Policy Leads which are duly notified to Council.
- 1.3 On 14th December 2022, Cllr Tommy Macpherson indicated his resignation from The Argyll, Lomond and the Isles Group (TALIG) and from the role of Depute Policy Lead for Roads and Transport. The latter role is connected to an appointment to the outside body, the Northern Roads Collaboration, and a vacancy therefore arises on that body as a result.
- 1.4 Cllr Andrew Vennard advised on 16th December 2022 that he would require to step down from his position as a Council representative on the Argyll Community Housing Association (ACHA) board with immediate effect.
- 1.5 Cllr Liz McCabe advised on 2nd February 2023 that she would be stepping down from her position as a Council representative on the Fyne Homes Management Committee with immediate effect.
- 1.6 The Council is invited to consider what action it wishes to take in light of the vacancies and appointments detailed in the recommendations and report below.
- 1.7 The Council is asked to note the updated political composition of the Council as set out at Appendix 1.

2. RECOMMENDATIONS

- 2.1 The Council is invited to consider what action it wishes to take in light of the vacancies on the Northern Roads Collaboration and the appointment to the Fyne Homes Management Committee.

- 2.2** The Council is asked to note the updated political composition of the Council as set out in Appendix 1, and to note the identification of Shadow Policy Leads by the Argyll and Bute Strategic Opposition Partnership.

3. DETAIL

3.1 Argyll and Bute Strategic Opposition Partnership

Cllr Jim Lynch, Leader of the Opposition, has notified the Executive Director with responsibility for Legal and Regulatory Support that opposition councillors have joined together as the Argyll and Bute Strategic Opposition Partnership.

The Partnership has identified a number of Shadow Policy Leads who are listed below:

Portfolio		
Finance, Economy and Rural Growth	Cllr Jim Lynch	Cllr Mark Irvine
Climate Change and Renewables	Cllr Luna Martin	Cllr Reeni Kennedy-Boyle
Roads, Transport and Amenities	Cllr John Armour	Cllr Willie Hume
Community Planning and Corporate	Cllr Gordon Blair	
Planning and Regulatory Services	Cllr Jan Brown	
Education	Cllr Audrey Forrest (Cllr Blair currently deputising)	Cllr Math Campbell-Sturgess
Health and Care Services	Cllr Dougie Philand	Cllr Iain Shonny Paterson
Housing, Communities, Culture and Sport	Cllr Dougie McFadzean	Cllr Iain MacQuire

3.2 Cllr Tommy Macpherson

Cllr Tommy Macpherson indicated his resignation from The Argyll, Lomond and the Isles Group (TALIG) on 14th December 2022, and also from the role of Depute Policy Lead for Roads and Transport. The Council's Political Composition has been updated to reflect this change.

At the Council meeting on 19th May 2022, Cllr Macpherson was appointed to the Northern Roads Collaboration as a result of his Depute Policy Lead role. There now, therefore, arises a vacancy for one representative on the Northern Roads Collaboration.

3.3 Appointment to Argyll Community Housing Association Board

Cllr Andrew Vennard was appointed as one of the Council's three representatives on the Argyll Community Housing Association (ACHA) Board at the Council meeting on 19th May 2022. He has now resigned from that position. Further to that, ACHA have advised the Council that in terms of the Regulation of Social Housing (Influence of Local Authorities) (Scotland) Regulations 2018, the percentage of officers of a registered social landlord who are local authority officers may not now exceed 24% of the total number of officers. The consequence of this is that the Council are entitled to 2 representatives on the Board. The Council has nominated Councillors Alastair Redman and Jan Brown to the Board and is not, currently, entitled to any further representation on the Board beyond that number.

3.4 Appointment to Fyne Homes Management Committee

Cllr Liz McCabe was appointed as the Council representative on the Fyne Homes Management Committee at the Council meeting on 19th May 2022. She has now resigned from that position. Fyne Homes have advised that as they have housing stock in the Bute, Cowal, Mid Argyll and Kintyre areas they would seek a replacement appointment from a Member representing one of those areas.

3.5 Political Composition of the Council

The Political Composition of the Council has been updated to reflect the changes to The Argyll, Lomond and the Isles Group (TALIG) and to include the Argyll and Bute Strategic Opposition Partnership.

4. CONCLUSION

4.1 This report advises Council of a number of changes relating to political management arrangements which have arisen since the last Council meeting. It sets out detail of the vacancies which arise as a result of these changes and invites Council to consider what action it wishes to take in this regard. An update on the Council's political composition is also provided for noting.

5. IMPLICATIONS

- 5.1 **Policy** – none
- 5.2 **Financial** – The Council will incur costs arising from Elected Members' participation in some meetings, except where the body has its own allowances scheme.
- 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
- 5.6 **Climate Change** - None
- 5.7 **Risk** – None
- 5.8 **Customer Service** – None

Douglas Hendry

Executive Director with responsibility for Legal and Regulatory Support

16th January 2023

For further information please contact Aileen McNicol on 01546 604014 or by email on aileen.mcnicol@argyll-bute.gov.uk

Appendix 1 - Political Composition of Argyll and Bute Council, 23rd February 2022

Argyll and Bute Council - Political Composition

ARGYLL AND BUTE STRATEGIC OPPOSITION PARTNERSHIP (17)

ARGYLL FIRST (2)

Donald Kelly (Ind) (Depute Leader of Argyll First)
Douglas Philand (Ind) (Leader of Argyll First)

INDEPENDENT (1)

Mark Irvine

SCOTTISH GREEN PARTY (1)

Luna Martin

SCOTTISH LABOUR PARTY (1)

Fiona Howard

SCOTTISH NATIONAL PARTY (12)

John Armour
Gordon Blair
Jan Brown
Math Campbell-Sturgess
Audrey E Forrest (Depute Leader, SNP Group)
Willie Hume
Reeni Kennedy Boyle
Jim Lynch (Leader of the Opposition)
Ian James MacQuire
Dougie McFadzean
Julie McKenzie
Iain Shonny Paterson

THE ARGYLL, LOMOND AND THE ISLES GROUP (18)

Garret Corner (Con)
Maurice Corry (Con)
Robin Currie (LibDem)
Kieron Green (Ind)
Amanda Hampsey (Con)
Daniel Hampsey (Con)
Graham Hardie (LibDem)
Andrew Kain (Ind)
Paul Donald Kennedy (LibDem)
Liz McCabe (Ind)

Yvonne McNeilly (Con) (Leader, TALIG)

Ross Moreland (LibDem)
Gary Mulvaney (Con)
Gemma Penfold (Con)
Alastair Redman (Ind)
William Sinclair (LibDem)
Andrew Vennard (Con)
Peter Wallace (Con)

NOT AFFILIATED

Tommy Macpherson (Ind Conservative and Unionist)

Note:

Con - Scottish Conservative and Unionist Party

Ind - Independent

LibDem - Scottish Liberal Democrat Party

ARGYLL AND BUTE COUNCIL
CUSTOMER SUPPORT SERVICES

COUNCIL
23RD FEBRUARY 2023

COUNCIL GAELIC LANGUAGE PLAN

1.0 EXECUTIVE SUMMARY

This report updates members on the Council's Gaelic Language Plan, as previously considered on 30th June 2022.

The recommendations are that Council:

- Note that this matter was referred to Scottish Ministers in June 2022 under section 5(8) of the Gaelic Language (Scotland) Act 2005, as there was no agreement between the Council and Bòrd na Gàidhlig on the proposed amendment regarding the establishment of an all-Gaelic School;
- Note that engagement between officers from the Council and from Scottish Government took place to inform the Scottish Ministers of the Council's position and subsequently a decision by Scottish Ministers was sent to the Council on 16th December 2022. This decision states that Ministers would approve the Plan subject to the modification already agreed by Council regarding L2 or L3 and the following alternative approach to the matter of a Gaelic School:

“Action 2.11 Argyll and Bute Council will engage fully and constructively with Bòrd na Gàidhlig, as adviser on Gaelic education, and other stakeholders (including parents and parent representatives) with a view to bringing forward, within the next 2 years, a consultation to ascertain the demand for an all-Gaelic School within the local authority area.”

- Note and consider the position that the decision of the Scottish Ministers is one that, subject to any considerations in relation to judicial challenge is one that is binding on the Council and Bòrd na Gàidhlig.

ARGYLL AND BUTE COUNCIL

COUNCIL

CUSTOMER SUPPORT SERVICES

23RD FEBRUARY 2023

COUNCIL GAELIC LANGUAGE PLAN

2.0 INTRODUCTION

2.1 At its meeting on 30th June 2022, Council considered proposals recommended by Bòrd na Gaidhlig to amend the Council's Gaelic Language Plan. Council agreed the following:

1 - Notes the current status of the Council's Gaelic Language Plan.

2 - Notes that the majority of actions in the plan continue to be delivered.

3 - Agrees the amended Target recommended by Bòrd na Gaidhlig: Up to 90% of all primary schools in the Council area will offer Gaelic at L2 or L3.

4 - In respect of the proposed amendment to the Plan by Bòrd na Gaidhlig to establish a Gaelic School, agrees no further change to the Council's draft Plan as previously approved by the Community Services Committee.

2.2 This report updates members on progress with Scottish Ministers, to whom this matter was referred under section 5(8) of the Gaelic Language (Scotland) Act 2005 in June 2022 and makes further recommendations to Council, which, if accepted, would enable final approval of an amended Gaelic Language Plan.

3.0 RECOMMENDATIONS

It is recommended that Council:

3.1 Note that this matter was referred to Scottish Ministers in June 2022 under section 5(5)(c) of the Gaelic Language (Scotland) Act 2005, as there was no

agreement between the Council and Bòrd na Gaidhlig on the proposed amendment regarding the establishment of an all-Gaelic School;

- 3.2 Note that engagement between officers from the Council and from Scottish Government took place to inform the Scottish Ministers of the Council's position and subsequently a decision by Scottish Ministers was sent to the Council on 16th December 2022. This decision states that Ministers would approve the Plan subject to the modification already agreed by Council regarding L2 or L3 and the following alternative approach to the matter of a Gaelic School:

“Action 2.11 Argyll and Bute Council will engage fully and constructively with Bòrd na Gàidhlig, as adviser on Gaelic education, and other stakeholders (including parents and parent representatives) with a view to bringing forward, within the next 2 years, a consultation to ascertain the demand for an all-Gaelic School within the local authority area.”

- 3.3 Note and consider the position that the decision of the Scottish Ministers is one that, subject to any considerations in relation to judicial challenge is one that is binding on the Council and Bòrd na Gaidhlig.

4.0 DETAIL

- 4.1 The Council has been engaged in protracted negotiations and discussions with Bòrd na Gaidhlig on the final version of the Gaelic Language Plan and proposed amendments. The majority of actions had been agreed and progress has been ongoing to deliver these, as has been reported to the Community Services Committee. The one area of contention in the Plan remained the establishment of an all-Gaelic School. The current National Gaelic Language Plan has a target to increase the number of Gaelic Schools, but it was not identified as a priority for Argyll and Bute Council and was therefore not included in our Gaelic Language Plan.
- 4.2 Significant officer time has been expended meeting with Bòrd na Gaidhlig to represent the Council's position and explain the reasons for investing in Gaelic Language delivery through Gaelic Medium Education across the wider area rather than developing a standalone Gaelic school in a single community. Bòrd na Gàidhlig's position remained that *‘a clear commitment should be made in t the Gaelic Language Plan to plan for and establish a Gaelic Medium School in Argyll.’*
- 4.3 Ultimately agreement could not be reached, and the Council took a decision in June 2022 to make the proposed amendment to Action 2.5 in the Plan *‘Up to 90% of all primary schools in the Council area will offer Gaelic at L2 or L3’* but: *‘In respect of the proposed amendment to the Plan by Bòrd na Gaidhlig to establish a Gaelic School, agrees no further change to the Council's draft Plan as previously approved by the Community Services Committee.’*
- 4.4 As an agreement on the latter proposed modification was not reached between the Council and the Bòrd a referral was made to Scottish Ministers, under

section 5(5)(c) of the Act, with a 6 month timeline for decision making. Officers met with representatives of Scottish Ministers to provide detail on the Council's position. Bòrd na Gaidhlig did the same.

- 4.5 The decision letter from Scottish Ministers under Section (5)(8) of the Act was issued to the Council on 16th December 2022. This imposes an alternative approach to the issue of a Gaelic School by way of modification to the Plan. This is '*to undertake a consultation within 2 years to ascertain the demand for an all-Gaelic school in the area.*' This is to be carried out by engaging fully and constructively with Bòrd na Gaidhlig.
- 4.6 Officers have taken all relevant matters into account following the Scottish Minister's decision, and consider that this compromise position allows the Council to ascertain the views of communities on this issue, without making an unbudgeted commitment to the establishment of a Gaelic school, which was the nature of the Bòrd na Gaidhlig proposal. The decision of the Scottish Ministers is one that, subject to any considerations in relation to judicial challenge is one that the Council is binding on the Council and BnG. It is not considered that there are arguable grounds for judicial challenge of the decision of Scottish Ministers.

5.0 CONCLUSION

- 5.1 Members decided on 30th June 2022 not to agree an amendment to the Council's Gaelic Language Plan by Bòrd na Gaidhlig which would commit the Council to establishing a Gaelic School. The Plan was therefore referred to Ministers for a final decision and officers engaged with representatives of Scottish Ministers to present the Council's position and underlying rationale. A final decision letter was received from Scottish Ministers on 16th December 2022 with an alternative approach imposed on the Plan by way of a modification to it. This alternative approach offers a compromise position.

6.0 IMPLICATIONS

- 6.1 Policy – None from this report
- 6.2 Financial – None from this report
- 6.3 Legal – Scottish Ministers have power under the Gaelic Language (Scotland) Act 2005 to approve the Council's Gaelic Language Plan. If the modification made by Scottish Ministers is not accepted, and the finalised Plan is not published and implemented by the Council, the Council may be at risk of breaching its statutory duty to have a Gaelic Language Plan under the Act
- 6.4 HR – None from this report
- 6.5 Fairer Scotland Duty:
- 6.5.1 Equalities - protected characteristics – None from this report
- 6.5.2 Socio-economic Duty – None from this report
- 6.5.3 Islands – None from this report
- 6.6 Climate Change – None from this Report

- 6.7 Risk – If the proposed modification made by Scottish Ministers is not accepted, and the finalised plan is not published and implemented by the Council, the Council may be at risk of breaching its statutory duty to have a Gaelic Language Plan under the Act.
- 6.8 Customer Service – None from this report

Executive Director with responsibility for Customer Support Services

Policy Lead Robin Currie

18.01.2023

For further information contact: Jane Fowler, Head of Customer Support Services

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ARGYLL AND BUTE COUNCIL**COUNCIL****DEVELOPMENT AND
ECONOMIC GROWTH****23rd FEBRUARY 2023**

BID4OBAN – OUTCOME OF BALLOT AND NOMINATIONS FOR BID4OBAN BID BOARD

1.0 EXECUTIVE SUMMARY

- 1.1 At the Council meeting on 29th September 2022 Elected Members considered a report which asked members to endorse the Oban Business Improvement District (BID4Oban) ballot submission and to approve the Business Plan, Term Three, in support of the ballot. It was also agreed that the Council would charge £7,956 (incl VAT) per annum to the BID company for administering the levy charge and to pay an estimated £6,120 per annum in levy contributions for Council properties in Oban.
- 1.2 The purpose of this report is to update members on the outcome of the BID4Oban Ballot held on 8th December 2022, to note that one Elected Member has been appointed to the Oban BID Board and to seek nomination of one Council Officer to sit on the Board of the Oban Business Improvement District (BID) company.

RECOMMENDATIONS

It is recommended that the Council:-

- a. Note the outcome in regard to the BID4Oban BID ballot.
- b. Note that Oban Lorn and the Isles Area Committee appointed an Elected Member to the BID4Oban BID Board meetings for the third term of the BID, 2023-2028 on 15th June 2022.
- c. Delegate authority to the Executive Director with responsibility for Development and Economic Growth to nominate a Council Officer to attend the BID4Oban BID Board meetings for the third term of the BID, 2023- 2028.

ARGYLL AND BUTE COUNCIL

COUNCIL

**DEVELOPMENT AND
ECONOMIC GROWTH**

23rd FEBRUARY 2023

BID4OBAN – OUTCOME OF BALLOT AND NOMINATIONS FOR BID4OBAN BID BOARD

2.0 INTRODUCTION

- 2.1 At Full Council on 29th September 2022, Councillors agreed to approve the ballot request, approve the Oban BID Business Proposal and agreed to instruct the Returning Officer to conduct a ballot over 42 days in 2022, from Thursday 27th October to Thursday 8th December.
- 2.2 The Council agreed to authorise the Executive Director with the responsibility for Development and Economic Growth to cast the votes on behalf of the Council in favour of the BID.
- 2.3 The Council also agreed that, if the BID company was successful in gaining a third term of operations, the Council would charge £7,956 (inc VAT) per annum to the BID company for administering the levy charge to businesses in Oban and to pay an estimated £6,120 per annum in levy contributions for Council properties in Oban.
- 2.4 Following approval by Full Council, the ballot was then set up and the ballot took place on Thursday 8th December 2022. The Business Community voted in favour of the Oban BID.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council:-
- a. Note the outcome in regard to the BID4Oban BID ballot.
 - b. Note that Oban Lorn and the Isles Area Committee appointed an Elected Member to the BID4Oban BID Board meetings for the third term of the BID, 2023-2028 on 15th June 2022.
 - c. Delegate authority to the Executive Director with responsibility for Development and Economic Growth to nominate a Council Officer to attend the BID4Oban BID Board meetings for the third term of the BID, 2023- 2028.

4.0 DETAIL

- 4.1 The Oban BID was dependent on a successful outcome in the ballot. For the ballot to count, a minimum 25% turnout of all businesses had to be realised, and of those business representatives that voted, 50% must vote in favour of the BID for a third term.
- 4.2 The ballot was held on Thursday 8th December and the Oban Business community has voted in favour of the Oban BID. The results were as follows:

No. of Ballot Papers Issues	No. of Returns	Yes Votes	No Votes	Rejected Votes
548	205	156	46	3

The BID ballot has therefore secured a minimum turnout in respect of all businesses, and of those business representatives that vote, over 50% by number. The result has also met the 25% figure by combined rateable value vote in favor of the BID. Given the many economic challenges placed before Oban in the previous term it is welcomed that there was a very positive result which allows the local business community to implement their new business plan which contains a number of ambitious projects and initiatives.

- 4.3 Following a successful yes vote, as laid out in the BID4Oban Business Proposal, the management and operation of the BID will continue under the existing company structure and name, BID4Oban Ltd, company number 435469, which will operate from 09/12/2022.
- 4.4 The Board will continue to be representative of the businesses and stakeholders in the area and will act in the best interests of the BID company. The Chair, Vice Chair, Company Secretary and Treasurer will be elected from the business members of the Board. The Board will include two representatives from Argyll and Bute Council, one Elected Member and one Council Officer. Oban Lorn and the Isles Area Committee appointed an Elected Member to the BID4Oban BID Board meetings for the third term of the BID, 2023-2028 on 15th June 2022. Other non-voting members may be coopted onto the Board at the Board's discretion. The Company will operate in a transparent way, answerable to the levy payers in the area. There will be a detailed set of protocols, which will cover the management of the BID and billing, collection and transfer of the levy.
- 4.5 In light of the successful "yes" vote the Council is asked to note that an Elected Member has been appointed to the Oban BID Board and to delegate authority to the Executive Director with responsibility for Development and Economic Growth to nominate a Council Officer to attend the BID4Oban Board meetings for the third term of the BID, 2023-2028.

- 4.6 The nominated Elected Member and Officer will, along with the rest of the Directors, act in the best interests of the BID company and add their support to the work of the BID.

5.0 CONCLUSION

- 5.1 BID4Oban has secured a “yes” vote from the business community in Oban. This is considered to be good news for Oban and the future of the town. An Elected Member has been appointed to the Oban BID Board and the Council is, therefore, asked to nominate a Council Officer to sit on the newly formed BID Board. The principle aim of BID4Oban is to continue to deliver projects and events that improve the trading environment of the area.

6.0 IMPLICATIONS

- 6.1 Policy – Supports the delivery of the Local Outcome Improvement Plan and the Council’s Economic Strategy and Economic Recovery Plan.
- 6.2 Financial - The estimated Council levy payment will be £6,120 per annum for a period of 5 years as a budget pressure from the general unallocated fund. The Council will charge £7,956 (incl VAT) per annum to the BID4Oban for the collection and administration of the levy, with charges increasing on an annual basis.
- 6.3 Legal - Facilitation of ballot.
- 6.4 HR - Council officers are supporting the Oban BID. Two Council representatives, one Elected Member has been appointed and one Officer will be requested to attend BID4Oban Board meetings.
- 6.5 Fairer Scotland Duty
- 6.5.1 Equalities –protected characteristics – None.
- 6.5.2 Socio-economic Duty - The BID aims to reduce inequalities of outcome caused by socio-economic disadvantage in Oban and represents the collective responsibility to grow the Oban economy.
- 6.5.3 Islands – None
- 6.6 Climate Change - The business plan will take environmental impact into consideration in the delivery of projects.
- 6.7 Risk – The BID company may not deliver what was laid out in their Business Proposal and Business Plan.
- 6.8 Customer Service – None.

Executive Director with the responsibility for Development & Economic Growth
– Kirsty Flanagan

Policy Lead for Strategic Development – Councillor Robin Currie

December 2022

For further information contact:

Fergus Murray, Head of Development and Economic Growth

Fergus.Murray@argyll-bute.gov.uk

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