Public Document Pack

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

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18 February 2021

NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held **VIA SKYPE** on **THURSDAY, 25 FEBRUARY 2021** at **11:00 AM**, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST (IF ANY)**

3. **MINUTES** (Pages 5 - 22)

   Argyll and Bute Council of 26 November 2020

4. **MINUTES OF COMMITTEES**

   (a) Environment, Development and Infrastructure Committee of 3 December 2020 (Pages 23 - 28)

   (b) Community Services Committee of 8 December 2020 (Pages 29 - 36)

* (c) Policy and Resources Committee of 10 December 2020 (Pages 37 - 46)

   E2 Full decision wording from exempt item 20 of the Minute

* (d) Policy and Resources Committee of 18 February 2021 (to follow)

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

5. **BUDGETING PACK 2021/22**

   1. Introductory Report and Recommendations

   2. Revenue Pack
      a. Budget Consultation – Findings

b. Service Plans
c. Assessing Equality and Socio Economic Impact
d. Revenue Budget Overview (Appendix 9 is marked exempt **E1**)
e. Fees and Charges
f. Financial Risks Analysis
g. Reserves and Balances

3. Capital Plan
   a. Capital Plan Summary Report (Appendix 4 is marked exempt **E2**)
   b. Corporate Asset Management Strategy
   c. Corporate Asset Management Plan including Asset Group Summaries

Please note that the Budget Pack 2021/22 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 2021/22, Members should log onto the Modern.Gov App on their iPad and tap “Committees…”on top of the left hand side of the screen. From there subscribe to the meeting entitled “Budget Pack” by tapping on it and tap done. This should now appear on your list of Committees. The Budget Pack will be 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 47 - 104)

Report by Section 95 Officer

7. POLITICAL MANAGEMENT ARRANGEMENTS (Pages 105 - 108)

Report by Executive Director with responsibility for Legal and Regulatory Support

8. EXTENSION OF CERTAIN TEMPORARY DEPARTURES FROM THE SCHEME FOR THE ESTABLISHMENT OF COMMUNITY COUNCILS IN ARGYLL AND BUTE (Pages 109 - 114)

Report by Executive Director with responsibility for Legal Regulatory Support

9. EDUCATION (SCOTLAND) ACT 2016 - APPOINTMENT OF CHIEF EDUCATION OFFICER (Pages 115 - 116)

Report by Executive Director with responsibility for Education

10. CHIEF OFFICER RECRUITMENT AND ASSOCIATED MATTERS (Pages 117 - 120)

Report by Executive Director with responsibility for Customer Support Services

11. SCOTTISH CROWN ESTATE FUNDING PROPOSALS

(a) Recommendation from Policy and Resources Committee held on 18 February 2021 (to follow)

E1 (b) Report by Executive Director with responsibility for Development and Economic Growth (Pages 121 - 128)

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

E2 **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

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MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held BY SKYPE on THURSDAY, 26 NOVEMBER 2020

Present: Councillor Roderick McCuish (Chair) up to item 5
Councillor David Kinniburgh (Chair) from item 6

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

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director
David Logan, Head of Legal and Regulatory Support
Tricia O'Neill, Governance Manager
Laurence Slavin, Interim Head of Financial Services
Joanna MacDonald, Chief Officer, Health and Social Care Partnership
Fergus Murray, Head of Economic and Development
Fergus Murray, Revenue and Benefits Manager
Jane Fowler, Head of Customer and Support Services
Julie Lusk, Chief Social Work Officer, HSCP
Ross McLaughlin, Head of Commercial Services
Rona Gold, Community Planning Manager
Martin Caldwell, Chair of Audit and Scrutiny Committee
Louisa Yule, Audit Scotland

Following a Eulogy the Depute Provost asked the Council to join him in a minute's silence to mark the passing of a respected colleague and long standing member of this Council, the late Provost Len Scoullar who sadly passed away on Sunday 15 November 2020. He sent the Councils love and sympathy to his family.

The Depute Provost announced that he would be altering the order of business to take Item 15 of the Agenda, Political Management Arrangements after item 4, Minutes of Committees and before The Leader's Report.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence intimated.

NOTICE OF MOTION UNDER STANDING ORDER 14

The following Notice of Motion had been submitted as a matter of urgency under the provisions of Standing Order 14-

A83 Rest and Be Thankful/Old Military Road Diversion – ongoing impact of closures

In the past few weeks, as a result of heavy rainfall, the Old Military Road diversion route has, like the lifeline route it replaces, been closed due to the risk of landslides. This includes closures overnight, from 6pm until first light and, even more concerning, complete closure on a number of occasions and most recently on Monday 23rd November, day and night.

The impact of decades of disruption at the main A83 is already severe enough. For the secondary diversion route to be similarly affected is utterly unacceptable to the remote, rural and islands communities of Argyll and Bute. At a time of unprecedented challenge, Argyll and Bute's recovery, let alone its future, demands urgent action – now.

Last week's meeting of A83 stakeholders heard that putting a permanent solution in place, once agreed, could require five or more years to secure the necessary permissions and wayleaves even before construction could start. Then, construction itself would take a number of years more. This effectively asks Argyll and Bute to sustain another decade of the kind of disruption experienced over the last few weeks. This, again, is unsustainable and unacceptable.

The Council therefore:

- Formally expresses its deep concern, shared by Argyll and Bute's communities and businesses, at the worsening situation where not only is the A83 Rest and Be Thankful currently closed but the vital Old Military Road diversion route is also now increasingly affected by closure due to landslip risk, in writing to the First Minister;
- Agrees that the potential timescale of another decade before a permanent solution is in place is unacceptable, and that a sustainable interim solution must be identified and implemented urgently to support Argyll and Bute's economic recovery and resilience and to prevent serious risks to its future success;
- Calls on the Scottish Government for urgent investigation of any potential interim solutions which can be put in place swiftly, and for use at the very least by emergency services, health transport and haulage traffic as quickly as possible, to allow access to medical services, the movement of goods to continue in and out of Argyll and Bute, maintaining efficient and timely delivery of supplies to local communities and supporting key local economic sectors like aquaculture, timber haulage and agriculture;
- Seeks urgent engagement with the relevant agencies to explore the swift progression of that interim solution as soon as possible;
- Reinforces the need for Argyll and Bute Council to be represented on any steering group or other body involved in the development and oversight of permanent solutions for the A83 as well as any engagement in relation to the interim solution, given its lifeline status and vital importance for the region's future success.

Moved by Councillor Currie, seconded by Councillor Taylor

The Depute Provost ruled that he considered this item to be urgent by reason of the serious issue for Argyll and Bute. The Council agreed to consider the motion and this is dealt with at item 24 of this Minute.

NOTICE OF MOTION UNDER STANDING ORDER 14

The following Notice of Motion had been submitted as a matter of urgency under the provisions of Standing Order 14-

Background

Argyll and Bute Council agrees that should Caledonian MacBrayne move forward with their intention to withdraw the operation of their loose freight carriage service there will be an immediate detrimental impact to both healthcare services and businesses on the Isle of Bute as they will be forced into the business of couriers who may not open small accounts and who may not be able to provide the rapid service of almost door to door transfer of medical samples, urgent medicines and goods to and from the Isle of Bute. The motion is urgent because of Cal Mac only notifying islanders of their intention to end this service on December 28th 2020 by an e mail from their Area Operations Manager (Clyde) on Monday evening 23rd November at 2000 hours. This withdrawal notice was served without any form of consultation with communities nor the Argyll and Bute HSCP who are daily users of this service for medical and health related parcels. There will be no further opportunity for the Council to consider such a motion until the next meeting of the Council in 2021 hence its urgency.

Motion :

Argyll and Bute Council instructs the Chief Executive to write to the Chief Executives of both David MacBrayne and Caledonian MacBrayne expressing the Council's grave concerns over the impacts of the proposed decision to withdraw its loose freight service on the Rothesay to Wemyss Bay return service. There will be impacts on the Bute communities healthcare service , and the communities fragile businesses and economy. The letter should urge David MacBrayne and Caledonian MacBrayne to stop the process of ending this service and cancel this most damaging of decisions. It should further request of David MacBrayne and Caledonian MacBrayne that Island Impact Assessment should be carried out as they should do to fulfil the spirit of the Islands Act so that all are able to understand the potential damage that this withdrawal could cause. The Chief Executive should also write to the First Minister in similar terms and ask her to instruct David MacBrayne and Caledonian MacBrayne to withdraw this very damaging proposal.

Moved by Councillor Findlay, seconded by Councillor Moffat

The Depute Provost ruled that he considered this item to be urgent by reason of the serious issue for Argyll and Bute. The Council agreed to consider the motion and this is dealt with at item 25 of this Minute.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

(a) **Minute of Argyll and Bute Council 24 September 2020**

The Minutes of Argyll and Bute Council held on 24 September 2020 were approved as a correct record.

(b) **Minute of Special Argyll and Bute Council 22 October 2020**

The Minutes of the Special Argyll and Bute Council held on 22 October were approved as a correct record.

4. MINUTES OF COMMITTEES

(a) **Policy and Resources Committee held on 15 October 2020**

The Minutes of the Policy and Resources Committee held on 15 October were noted.

Arising from Item 4 **(Financial Reports Monitoring Pack – 31 August 2020)** the Council approved the revenue virements over £0.200m during July and August.

Arising from Item 7 **(Implementation of Domestic Abuse Policy)** the Council approved the new Domestic Abuse Policy.

5. POLITICAL MANAGEMENT ARRANGEMENTS

The Council considered a report which noted the sad passing of Provost Len Scoullar and also to a number of changes in its political management arrangements.

Motion

The Council:

1. Acknowledges with gratitude the 21 years of dedicated service to Argyll and Bute given by Provost Len Scoullar, also Councillor for Ward 8, Isle of Bute, who sadly passed away on 15th November 2020;
2. Notes that Provost Scoullar's passing gives rise to a number of vacancies, including the role of Provost and a place on the Policy and Resources Committee;
3. Appoints Cllr David Kinniburgh to the role of Provost of Argyll and Bute Council;
4. Appoints Cllr David Kinniburgh to the vacancy on the Policy and Resources Committee;
5. Appoints Cllr Andrew Vennard as Vice-Chair of the Argyll and Bute Harbour Board;
6. Agrees the revisions to committee membership as set out at paragraph 3.3 of the officer report on Political Management Arrangements;
7. Notes the Shadow Policy Lead roles and recognises the Spokesperson roles notified by the Leader of the largest Opposition Group, as set out on the officer report on Political Management Arrangements;
8. Notes that future consideration will be given to addressing the remaining vacancies arising from Provost Scoullar's passing. (Employee Joint Consultative Committee; Argyll Islands Sounding Board; Clyde, Kintyre and the Islands Ferry Stakeholder Group; and Fyne Homes Group).

Moved by Councillor Currie, seconded by Councillor Mulvaney.

Amendment

Agree to the Motion but with the following changes:-

Appoint Councillor Audrey Forrest to the role of Provost within Argyll and Bute Council;

Appoint Councillor Audrey Forrest to the vacancy on the Policy and Resources Committee; and

Appoint Councillor Jim Lynch as Vice-Chair of the Argyll and Bute Harbour Board.

Moved by Councillor Taylor, seconded by Councillor Douglas.

The vote was taken by calling the role and Members voted as follows:-

Motion	**Amendment**	**No Vote**
Cllr Colville	Cllr Anderson	Cllr Freeman
Cllr Currie	Cllr Armour	Cllr Kelly
Cllr Devon	Cllr Blair	Cllr McKenzie
Cllr Good	Cllr Douglas	Cllr Moffat
Cllr Green	Cllr Findlay	
Cllr Hardie	Cllr Forrest	
Cllr Kinniburgh	Cllr Horn	
Cllr MacMillan BEM	Cllr Lynch	
Cllr McCuish	Cllr Paterson	
Cllr Sir McGrigor	Cllr Philand	
Cllr McNeilly	Cllr Taylor	
Cllr Morgan	Cllr Trail	
Cllr Morton		
Cllr Mulvaney		
Cllr Redman		
Cllr Reid		
Cllr Robertson		
Cllr Vennard		

Decision

18 votes were received for the Motion, 12 for the Amendment and with 4 no votes, the Motion was carried and the Council resolved accordingly.

(Ref: Report by Executive Director for Legal and Regulatory Support dated November 2020, submitted)

The Depute Provost vacated the Chair and Provost David Kinniburgh chaired the meeting for the remainder of the meeting.

6. LEADER'S REPORT

The Council considered a report which outlined the key activities undertaken by the Leader of the Council since his appointment on 24 September 2020 together with an update on the Policy Lead for Economy and Rural Growth.

Decision

The Council:-

1. Considered and noted the report and any further verbal updates from the Leader, and

2. Noted that the full Leader's Report Pack was available in the Leader's Office which included COSLA and other papers and briefings as referenced in the report.

(Ref: Report by Leader of the Council dated 12 November 2020, submitted)

7. POLICY LEADS REPORT

The Council considered a report which provided an update on key areas of activity of Policy Lead Councillors, including updates since the last Council meeting on 22 October 2020.

Decision

The Council considered and noted the report and any further updates from Policy Leads.

(Ref: Report by Policy Leads dated 12 November 2020, submitted)

(a) AUDITED ACCOUNTS 2019-2020

Consideration was given to a recommendation by the Audit and Scrutiny Committee and the report presenting the Audited Annual Accounts of the Council and Charitable Trusts for the year to 31 March 2020. The report highlighted the extension of the administrative deadlines for local government accounts by two months due to the Covid-19 pandemic.

Decision

1. The Council noted the changes to the Council's annual accounts and the Charitable Trust accounts and that they do not alter the reader's understanding of the Council or Charitable trusts financial position.

2. The Council approved the Audited Annual Accounts of the Council and Charitable Trusts for the year to 31 March 2020.

3. The Council recognised the commendable efforts of the Finance Team in the quality and timeliness of the preparation of the accounts despite the challenging circumstances they faced.

(Ref: Report by Section 95 Officer dated 17 November and updated report dated 25 November, submitted)

(b) AUDIT SCOTLAND ANNUAL AUDIT REPORT 2019-20

The Council gave consideration to a recommendation by the Audit and Scrutiny Committee and to a report summarising the findings arising from an audit of the annual accounts and the consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 - financial sustainability; financial management; governance and transparency and value for money. Consideration was also given to the ISA 260/580 letters.

Decision

The Council approved the ISA 580 letter of representation for signing.

(Ref: Report and ISA 260 Letter by Audit Scotland, and ISA 580 Letter by Section 95 officer dated 17 November 2020, submitted)

9. AUDIT AND SCRUTINY ANNUAL REPORT 2019-20

The Council considered the annual overview of the Audit and Scrutiny's activities during financial year 2019/20 and a summary of key developments since the commencement of 2020/21. The report set out how the Committee has fulfilled its remit and provided assurances to the Council.

Decision

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

(Ref: Report by Chair of the Audit and Scrutiny Committee dated 26 November 2020, submitted)

10. COUNCIL TAX ON EMPTY PROPERTIES - EXTENSION TO TEMPORARY AMENDMENT DUE TO COVID 19

The Council considered a report which outlined a temporary policy amendment for the rate of Council Tax for long term empty properties.

Decision

The Council:-

1. Approved a temporary policy amendment to allow management the discretion to remove the double charge of Council Tax for a maximum of 6 months between 1 October 2020 and 31 March 2021 where there is conclusive evidence that efforts have been made, or are being made to, bring the empty properties back into use and that the homeowners' ability to bring the home back into use is affected by Covid-19.

2. Approved a temporary policy amendment to allow management the discretion to remove the double charge of Council Tax for a maximum of 6 months between 1 October 2020 and 31 March 2021 in exceptional circumstances where there is conclusive evidence of financial hardship of the taxpayer caused by Covid-19.

(Ref: Report by Section 95 Officer dated 9 November 2020, submitted)

11. CHIEF SOCIAL WORK OFFICER ANNUAL REPORT 2019-2020

The Council considered a report which presented the Argyll and Bute Chief Social Work Officer report for the period 1 April 2019 to 31 March 2020 which provided an oversight and accountability within the local authority for all social work and social care services delegated to the Integrated Joint Board.

Decision

The Council:-

1. Noted and approved the contents of the Chief Social Work Officer Annual Report for 2019 to 2020.
2. Acknowledge the efforts of social work and social care staff across all sectors, as well as unpaid carers in continuing to support the people of Argyll and Bute.

3. Approve the publication of this report.

4. Note that once approved, the report will be forwarded to the Scottish Government.

(Ref: Report by Chief Social Work Officer dated 26 November 2020, submitted)

12. CHILDREN AND YOUNG PEOPLES SERVICE PLAN 2020-23

The Council considered a report which presented the Children and Young People's Service Plan for 2020 – 2023 which outlined the local priorities for achieving Argyll and Bute's vision for all children and young people and made clear what services and partners need to do together to achieve them.

Decision

The Council:

1. Noted that both NHS Highland and Argyll and Bute Council are jointly and equally responsible for children's services planning.

2. Approve Argyll and Bute's Children and Young People's Services Plan which covers the period 2020-23 on behalf of Argyll and Bute Council subject to further scrutiny by the Community Services Committee.

3. Agreed to delegate any amendments that are required to the Executive Director with responsibility for Education in consultation with the Leader, Leader of the largest Opposition Group and the Chair of the Community Services Committee.

4. Once approved by Council and the Integrated Joint Board approve the publishing of the Children and Young People's Services Plan to Scottish Government, and

5. Note that Argyll and Bute's Children's Strategic Group will oversee the delivery of the outcomes and actions identified in the plan with annual performance and progress reports to be presented to future meetings of the Community Services Committee and the Integration Joint Board.

(Ref: Report by Chief Officer, Argyll and Bute HSCP, dated 7 October 2020, submitted)

13. CONSULTATIONS - COUNCILLORS' CODE OF CONDUCT AND MODEL CODE OF CONDUCT FOR BOARD MEMBERS OF DEVOLVED PUBLIC BODIES

The Council considered a report which advised of a consultation which had been launched by the Scottish Government on a review of the Councillors' Code of Conduct during the period from 19 October to 8 February 2021.

Decision

The Council:-

1. Noted the arrangements that are in place for a SG led consultation on a review of the Councillors' Code of Conduct, running from 19 October 2020 until 8 February 2021.

2. Agreed that delegation is given to the Executive Director, as Monitoring Officer, to prepare and submit a response, after consultation with the Leader and Depute Leader of the Council and the Leader of the largest Opposition Group within the designated timescales.

(Ref: Report by Executive Director for Legal and Regulatory Support dated 29 October 2020, submitted)

14. REVIEW OF THE HEALTH AND SOCIAL CARE INTEGRATION SCHEME

The Council considered a report which presented the revised HSCP Scheme which contained details of the changes proposed by the Scottish Government.

Decision

1. Agreed the revised Integration Scheme (Appendix 1), which has been further updated to take account of feedback received from the SG as part of their review.

2. Noted that a similar report is being tabled at the NHS Highland Board on 24 November for their approval.

3. Agreed that the Chief Executives of the two parent bodies jointly submit the revised Scheme to the Scottish Government for final approval.

(Ref: Report by Executive Director for Legal and Regulatory Support dated 3 November 2020, submitted)

15. DRAFT PROGRAMME OF MEETINGS 2021-22

The Council considered a report which outlined a draft programme of meetings for the year 2021-22 based on the current committee cycle.

Decision

The Council considered and approve the draft Programme of Meetings for the year 2021-22.

(Ref: Report by Executive Director with responsibility for Legal and Regulatory Support dated 26 October 2020, submitted)

16. SUPPORTING COMMUNITIES FUND REVIEW

The Council considered a report which highlighted changes to the Council's Supporting Communities Fund to improve the process for communities which included clearer criteria for applications and an extension to the period to time awarded funds are able to be use by groups.

Decision

1. The Council agreed the four main criteria for applications, as set out in 4.2 of the report, being:
   - Fairer Communities – tackling poverty by sharing opportunities.
   - Resilient Communities – rebuilding and repairing from a pandemic; noting that this is only in the case of the group being unable to access other specific funds for this, e.g. Scottish Government funding.
   - Greener, cleaner communities – climate change mitigation
   - Creative Communities - Creativity for Health and Wellbeing

2. Agreed that all applicants awarded funding have 18 months to complete their project.

3. Agree that all applicants awarded funding are to display the Council logo in communications and promotions of their funded project.

4. Agree that improvements are made to the application and end of monitoring report to support the evaluation of the fund's impact on reducing inequalities.

5. Agree a fast track application process, as outlined in 4.6, be explored for financial year 2022-23.

6. Agree that the fund for 2021/22 opens for applications on 11 January 2021 and closes on 20 March 2021.

(Ref: Report by Chief Executive dated 3 November 2020, submitted)

17. DANGEROUS BUILDING: 5-7 EAST CLYDE STREET, HELENSBURGH

The Council considered a report which advised of the action taken by building standards at a private property on East Clyde Street, Helensburgh.

Decision

The Council:

1. Noted that officers had no option but to instruct emergency works to the property to remove the immediate danger to the public or adjacent buildings, using our statutory powers under the Building (Scotland) Act 2003. These works were to stabilise the building and provide a short-term solution with a potential that further interventions will be necessary.

2. Agreed that the best course of action at this stage was to stabilise the building, rather than demolish the property at considerable costs to the Council. Council further instructed officers to continue to work with owners and other interested parties to

identify a permanent solution. This will be the subject of a future report to the appropriate Committee.

(Ref: Report by Executive Director for Development and Economic Growth dated 9 November 2020, submitted)

18. STRATEGIC HOUSING INVESTMENT PLAN (SHIP) 2021/22 - 2025/26

The Council considered a report which summarised the proposals for the revised Strategic Housing Investment Plan (SHIP) in line with statutory requirements and the latest guidance.

Decision

The Council approved the SHIP proposals summarised in this report which will then be submitted to the Scottish Government in December 2020.

(Ref: Report by Executive Director for Development and Economic Growth dated November 2020, submitted)

Councillor Mulvaney left the meeting at this point.

19. HOUSING ANNUAL ASSURANCE STATEMENT 2020

The Council considered a report which presented the Annual Assurance Statement for approval.

Decision

The Council approved the Annual Assurance Statement contained in **Appendix 1** of the report.

(Ref: Report by Executive Director for Development and Economic Growth dated November 2020, submitted)

20. TEMPORARY SUSPENSION OF OFF STREET PARKING CHARGES FOR FESTIVE SEASON 2020

The Council considered a report which sought approval for the suspension of off-street parking charges across all areas of Argyll and Bute for the 2 week period 11 December 2020 to 24 December 2020.

Councillors Freeman and Morgan left the meeting at this point.

Motion

The Council:-

1. Agrees to suspend all off-street car parking charges across all areas of Argyll and Bute between 11 December 2020 and 24 December 2020.

2. Note the proposal from Oban BIDS and agrees to the principle that an organisation or community group can pay the Council for additional days suspension of charging and

this will be dealt with by the Executive Director with responsibility for Roads and Infrastructure Services.

Moved by Councillor Currie, seconded by Councillor Colville.

Amendment

Agree to the Motion but with the change to the date in recommendation 1 from 24 December 2020 to 3 January 2021.

Moved by Councillor Armour, seconded by Councillor Blair.

The vote was taken by calling the role and Members voted as follows:-

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

Decision

The Motion received 16 votes and the Amendment 15, the Motion was carried and the Council resolved accordingly.

(Ref: Report by Executive Director for Roads and Infrastructure Services dated 10 November, submitted)

21. CLIMATE CHANGE & ENVIRONMENT ACTION GROUP

(a) RECOMMENDATIONS FROM SHORT LIFE WORKING GROUP OF 9 NOVEMBER 2020

The Council considered the recommendations from the Climate Change and Environmental Action Group which were presented to the Council for approval.

Decision

The Council:

1. Recognised the importance of reducing its carbon emissions and reaching net zero by 2045 as part of the global approach to climate change;
2. Acknowledged that reaching net zero is a partnership approach, involving partners from all sectors as well as all aspects of council business, and that while strategic oversight of the council's climate change activity will be led by the council Leader, Policy Leads will also play a part in reinforcing the importance of climate change within their own service portfolios;
3. Welcomed the inclusion of Argyll and Bute's low carbon status as a driver for seeking investment in green infrastructure as a key theme in the council's Covid-19 Recovery Plan, reinforcing the council's commitment to embedding climate change activity within its overall business;
4. Acknowledged the work of the Climate Change Environmental Action Group to date and agrees the recommendations it sets out in its report; (also noted below for reference).

Recommendations from the Climate Change and Environmental Action Group agreed by Council:

1. Noted the update to the Climate Change and Environmental Action Group activity plan as detailed in Appendix1.

2. to deliver net zero emissions target by 2045, as outlined in the Decarbonisation Plan 2021;

3. to review the ambition and 2045 target date within 12 months based on national direction of performance monitoring and performance of the plan;

4. Agreed that a business case approach to climate change investment is adopted through the Council's Asset Management Board;

5. Agreed that the Climate Change Environmental Action Group is disbanded from November 2020 and replaced with quarterly updates from the Climate Change Board being presented to Policy and Resources Committee;

6. Noted specifically the commitments outlined in the Decarbonisation Plan relating to engagement with our communities and businesses through our communications and Community Planning teams:-

- 'Comm1' – Develop and Deliver a Communication Plan to support the Decarbonisation Plan
- 'Comm2' – Engage with community and partners and deliver Climate Change Directory for our region.

(Ref: Report by Executive Director for Commercial Services dated November 2020, submitted)

Councillor Aileen Morton left the meeting at this point.

(b) **DE-CARBONISATION PLAN**

The Council considered a recommendation from the Climate Change Environmental Action Group which presented the Council's Decarbonisation Plan for approval.

Decision

The Council:

1. Welcomed the acceleration of the council's Decarbonisation Plan in recognition of the need for action;
2. Adopted the *Climate Commitments: Argyll and Bute Council's Decarbonisation Plan 2021* as the foundation for the council's work towards achieving net zero by 2045;
3. Noted that the activity and actions around the Plan will be driven by the council's Climate Change Board, and that the Board will bring reports on progress on a quarterly basis to the Policy and Resources Committee.

(Ref: Report by Executive Director for Commercial Services dated November 2020, submitted)

22. DECISIONS FROM COVID LEADERSHIP GROUP

(a) **EXTENSION OF RELAXATION OF PLANNING ENFORCEMENT IN TOWN CENTRES**

A recommendation from the Covid Leadership Group was before the Council for noting.

Decision

The Council noted the extension of the existing measures for relaxation of planning enforcement in relation to recovery of town centre business activity being extended until 31 March 2021, subject to periodic review in the event of updated guidance being provided by the Scottish Government.

(Ref: Report by Executive Director for Development and Economic Growth dated 25 October 2020, submitted)

(b) **EMERGENCY POWERS TO WAIVE FEES FOR USE OF PUBLIC SPACES BY BUSINESSES**

A recommendation from the Covid Leadership Group was before the Council for noting.

Decision

The Council noted the recommendation to extend until 31 March 2021, a waive of fees for use of public spaces for business space in relation to Covid-19.

(Ref: Report by Executive Director for Development and Economic Growth dated 25 October 2020, submitted)

23. YEAR 5 EVALUATION OF THE ARGYLL AND BUTE REFUGEE RESETTLEMENT PROGRAMME

A report providing an update on the refugee resettlement programme was before the Council for noting.

Decision

The Council:-

1. Noted the continued good work of the Refugee Resettlement Group and the local community in resettling Syrian refugees on the Island of Bute.

2. Noted that the Council continues to resettle refugees on the Island of Bute through the Home Office's rebranded refugee resettlement scheme.

(Ref: Report by Executive Director for refugee resettlement programme, dated October 2020, submitted)

24. NOTICE OF MOTION UNDER STANDING ORDER 14

The following Notice of Motion had been submitted under Standing Order 14 as a matter of urgency:-

Motion

<u>A83 Rest and Be Thankful/Old Military Road Diversion – ongoing impact of closures</u>

In the past few weeks, as a result of heavy rainfall, the Old Military Road diversion route has, like the lifeline route it replaces, been closed due to the risk of landslides. This includes closures overnight, from 6pm until first light and, even more concerning, complete closure on a number of occasions and most recently on Monday 23rd November, day and night.

The impact of decades of disruption at the main A83 is already severe enough. For the secondary diversion route to be similarly affected is utterly unacceptable to the remote, rural and islands communities of Argyll and Bute. At a time of unprecedented challenge, Argyll and Bute's recovery, let alone its future, demands urgent action – now.

Last week's meeting of A83 stakeholders heard that putting a permanent solution in place, once agreed, could require five or more years to secure the necessary permissions and wayleaves even before construction could start. Then, construction itself would take a number of years more. This effectively asks Argyll and Bute to sustain another decade of the kind of disruption experienced over the last few weeks. This, again, is unsustainable and unacceptable.

The council therefore:

- Formally expresses its deep concern, shared by Argyll and Bute's communities and businesses, at the worsening situation where not only is the A83 Rest and Be

Thankful currently closed but the vital Old Military Road diversion route is also now increasingly affected by closure due to landslip risk, in writing to the First Minister;

- Agrees that the potential timescale of another decade before a permanent solution is in place is unacceptable, and that a sustainable interim solution must be identified and implemented urgently to support Argyll and Bute's economic recovery and resilience and to prevent serious risks to its future success;
- Calls on the Scottish Government for urgent investigation of any potential interim solutions which can be put in place swiftly, and for use at the very least by emergency services, health transport and haulage traffic as quickly as possible, to allow access to medical services, the movement of goods to continue in and out of Argyll and Bute, maintaining efficient and timely delivery of supplies to local communities and supporting key local economic sectors like aquaculture, timber haulage and agriculture;
- Seeks urgent engagement with the relevant agencies to explore the swift progression of that interim solution as soon as possible;
- Reinforces the need for Argyll and Bute Council to be represented on any steering group or other body involved in the development and oversight of permanent solutions for the A83 as well as any engagement in relation to the interim solution, given its lifeline status and vital importance for the region's future success.

Moved by Councillor Currie, seconded by Councillor Taylor.

Decision

The Council unanimously agreed the terms of the Motion.

25. NOTICE OF MOTION UNDER STANDING ORDER 14

The following Notice of Motion had been submitted under Standing Order 14 as a matter of urgency:-

Motion

Background

Argyll and Bute Council agrees that should Caledonian MacBrayne move forward with their intention to withdraw the operation of their loose freight carriage service there will be an immediate detrimental impact to both healthcare services and businesses on the Isle of Bute as they will be forced into the business of couriers who may not open small accounts and who may not be able to provide the rapid service of almost door to door transfer of medical samples, urgent medicines and goods to and from the Isle of Bute. The motion is urgent because of Cal Mac only notifying islanders of their intention to end this service on December 28th 2020 by an e mail from their Area Operations Manager (Clyde) on Monday evening 23rd November at 2000 hours. This withdrawal notice was served without any form of consultation with communities nor the Argyll and Bute HSCP who are daily users of this service for medical and health related parcels. There will be no further opportunity for the Council to consider such a motion until the next meeting of the Council in 2021 hence its urgency.

Motion :

Argyll and Bute Council instructs the Chief Executive to write to the Chief Executives of both David MacBrayne and Caledonian MacBrayne expressing the Council's grave concerns over the impacts of the proposed decision to withdraw its loose freight service on the Rothesay to Wemyss Bay return service. There will be impacts on the Bute communities healthcare service, and the communities fragile businesses and economy. The letter should urge David MacBrayne and Caledonian MacBrayne to stop the process of ending this service and cancel this most damaging of decisions. It should further request of David MacBrayne and Caledonian MacBrayne that Island Impact Assessment should be carried out as they should do to fulfil the spirit of the Islands Act so that all are able to understand the potential damage that this withdrawal could cause. The Chief Executive should also write to the First Minister in similar terms and ask her to instruct David MacBrayne and Caledonian MacBrayne to withdraw this very damaging proposal.

Moved by Councillor Findlay, seconded by Councillor Moffat.

Decision

The Council unanimously agreed the terms of the Motion.

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MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE held VIA SKYPE on THURSDAY, 3 DECEMBER 2020

Present: Councillor Robin Currie (Chair)

Councillor John Armour
Councillor Rory Colville
Councillor Bobby Good
Councillor Anne Horn
Councillor Donald Kelly
Councillor David Kinniburgh
Councillor Jim Lynch
Councillor Roderick McCuish
Councillor Sir Jamie McGrigor
Councillor Jean Moffat
Councillor Aileen Morton
Councillor Gary Mulvaney
Councillor Alastair Redman
Councillor Alan Reid
Councillor Andrew Vennard

Also Present: Councillor Jim Anderson
Councillor Elaine Robertson
Councillor Jim Findlay

Attending: Kirsty Flanagan, Executive Director
Jim Smith, Head of Roads and Infrastructure Services
Stuart McLean, Committee Manager
Mark Calder, Project Manager, Transformation

The Chair advised that he had received a request from Councillor Jim Findlay, who was not a member of the Committee, to speak at the meeting. The Chair advised that he was agreeable to this request.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 10 September 2020 were approved as a correct record.

Councillor Sir Jamie McGrigor joined the meeting during consideration of the following item of business.

4. FINANCIAL QUARTER 2 PERFORMANCE REPORT 2020/21

The Committee gave consideration to a report presenting the performance report and associated scorecard for performance in FQ2 2020-21 (July 2020 to September 2020) for the Development and Economic Growth and Roads and Infrastructure Services.

Decision

The Environment, Development and Infrastructure Committee noted the FQ2 2020/21 performance report as presented.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 10 November 2020, submitted)

5. DRAFT SERVICE PLANS 2021/22

The Committee gave consideration to a report presenting the Draft Service Plans 2021-22 for the Roads and Infrastructure and Development and Economic Growth Services.

Decision

The Environment, Development and Infrastructure Committee agreed the Draft Service Plans 2021-22 (no finance) as presented prior to consideration by the Policy and Resources Committee on 18 February 2021 and Council on 25 February 2021, for budget allocation.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth and Roads and Infrastructure dated 10 November 2020, submitted)

6. ANNUAL STATUS AND OPTIONS REPORT 2020

The Committee gave consideration to a report that presented a summary of the Council road assets as at April 2020. The report presented an analytical assessment of the condition of the Council's road network and associated infrastructure as well as setting out projected conditions based on varying levels of investment.

Decision

The Environment, Development and Infrastructure Committee -

1. Endorsed the Annual Status and Options Report and the positive analytical feedback it provided.

2. Noted that the Annual Status and Options Report informs key elements of the Development and Infrastructure Asset Management Plan.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated 4 November 2020, submitted)

Councillor Elaine Robertson, who was in attendance, but was not a Member of the Committee, requested to speak during the consideration of the following item of business. This request was agreed by the Chair.

7. WINTER MAINTENANCE COMMUNITY ENGAGEMENT

The Committee gave consideration to a report providing an update on the development of the winter community engagement programme.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted that the scheme had been delayed as a result of Covid-19.

2. Agreed that the outline scheme criteria for the pilot project and public consultation as set out at paragraph 3.6 of the submitted report.

3. Agreed that Officers should explore the possibility of running a pilot scheme based on the criteria as set out at paragraph 3.5 of the submitted report.

4. Noted that a further report would come back to Committee at the end of the winter season.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure dated October 2020, submitted)

8. ELECTRIC VEHICLE CHARGING STRATEGY

The Committee gave consideration to a report providing members with an update on the development of a medium to long term future strategy for electric vehicle charging infrastructure across Argyll and Bute.

Decision

The Environment, Development and Infrastructure Committee –

1. Agreed that the long term charging approach should be developed as outlined in the submitted report.

2. Noted the intention to have fees included in the annual scheme of fees and charges for 2021/22.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure dated 21 October 2020, submitted)

9. PUBLIC CONVENIENCES REMOBILISATION UPDATE

The Committee gave consideration to a report providing an update on the remobilisation of public conveniences across Argyll and Bute and advising of the position as regards a core set remaining open and available over the winter season.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted the current position.

2. Welcomed the interest of community partners in running public conveniences.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure dated November 2020, submitted)

10. WASTE STRATEGY - HOUSEHOLD WASTE CHARTER

The Committee gave consideration to a report providing an outline of the Household Recycling Charter and its Code of Practice; advising of the renewed importance of the Charter and the potential future challenges it poses. The report sought endorsement of the Charter and Code of Practice.

Decision

The Environment, Development and Infrastructure Committee –

1. Noted the information contained within the submitted report regarding the Household Recycling Charter and its associated Code of Practice.

2. Agreed to endorse the Household Recycling Charter in order to enable the Council to apply for additional funding and resources to support ongoing investment in Recycling and Waste Recovery.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated October 2020, submitted)

11. ARGYLL AND BUTE CEMETERY CONSULTATION SURVEY UPDATE

A report advising of a delay to the community cemetery consultation due to Covid-19 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 dated November 2020, submitted)

12. CUSTOMER SERVICE/CORRESPONDENCE UPDATE

A report providing an update on the ongoing work in Roads and Infrastructure Services to make improvements to customer service 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 dated October 2020, submitted)

13. TRAFFIC REGULATION ORDER (TRO) UPDATE

A report providing an update on the progress of the Traffic Regulation Order process, background on the current backlog of Traffic Regulation Orders, impact of the statutory temporary Orders in progression of permanent Traffic Regulation Orders and the setting of pay and display charges 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 dated October 2020, submitted)

14. 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 2020, 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.

15. WASTE STRATEGY- LANDFILL BAN

The Committee gave consideration to a report providing options open to the Council, to meet obligations introduced under the Waste Regulations (Scotland) 2012. The report also provided an update on recent Officer engagement with the Scottish Government seeking support to enable Landfill Ban compliance.

Decision

The Committee agreed the recommendations as contained within the submitted report.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure dated October 2020, submitted)

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MINUTES of MEETING of COMMUNITY SERVICES COMMITTEE held BY SKYPE on TUESDAY, 8 DECEMBER 2020

Present: Councillor Yvonne McNeilly (Chair)

Councillor Jim Anderson
Councillor Gordon Blair
Councillor Mary-Jean Devon
Councillor Lorna Douglas
Councillor Audrey Forrest
Councillor Kieron Green
Councillor Graham Hardie
Councillor Donald MacMillan BEM
Councillor Iain Paterson
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Andrew Vennard
Margaret Anderson
William Hamilton
Alison Palmer

Attending: Anne Paterson, Head of Education: Lifelong Learning and Support
Louise Connor, Head of Education: Learning and Teaching
Simon Easton, Acting Head of Education: Lifelong Learning and Support
Wendy Brownlie, Acting Head of Education: Learning and Teaching
Stuart McLean, Committee Manager
Mike Nicol, Solicitor
Jayne Jones, Commercial Manager
Chief Superintendent John Paterson, Police Scotland
Joe McKay, Area Commander, Scottish Fire and Rescue Service
Joanne MacDonald, Chief Officer, Argyll & Bute HSCP
Douglas Hunter, Senior Performance & Improvement Manager, Argyll & Bute HSCP
Kevin Anderson, General Manager, Live Argyll

The Chair paid tribute to the Council's Chief Education Officer, Anne Paterson, who would be retiring from the Council at the end of December 2020. She outlined Anne's achievements over the years and thanked her for her commitment to the children and young people of Argyll and Bute and wider afield. On behalf of the Council, she wished Anne all the very best in her retirement.

Anne thanked the Chair for her kind words and lovely flowers. She advised that Argyll and Bute was always at the heart of everything she did and that it had been a pleasure to have had an influence in the lives of the children and young people. She expressed her enjoyment of working in a multi-agency forum and stressed the importance of this approach and to not work in isolation.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Julie McKenzie and Alastair Redman.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTE

The Minutes of the Community Services Committee held on 27 August 2020 were approved as a correct record.

4. ARGYLL & BUTE LOCAL POLICING PLAN (2020 - 2023) - QUARTERLY REPORT (QTR2 2020/21)

Before presenting his report Chief Superintendent Paterson echoed the sentiments of the Chair to Anne Paterson. He advised that over the last 18 months in post, he had found the work of Anne and the rest of Argyll and Bute Council's Senior Management Team to be outstanding in respect of everything they did for children and young people.

He then presented the FQ2 – 2020/21 update in relation to the Argyll and Bute Local Policing Plan 2020-2023 and drew out some key points in relation to road safety and road crime; anti-social behaviour and disorder; concerns around the use of mobile devices by young people in terms of indecent images in communications; Cyber Strategy; online and banking fraud; domestic abuse; and that a feasibility study was underway to identify the best way forward for building new Police offices in the Oban area.

Chief Superintendent then paid tribute to his Operational Partner Superintendent Brian Gibson who would be retiring from the Police Force at the end of January 2021.

Decision

The Committee reviewed and noted the content of the report.

(Reference: Report for FQ2 2020/21 by Divisional Commander for Argyll and Bute West Dunbartonshire Division, Police Scotland, submitted)

5. SCOTTISH FIRE AND RESCUE SERVICE - ARGYLL & BUTE PERFORMANCE REPORT Q2 - 1 JULY - 30 SEPTEMBER 2020

The Area Commander, Joe McKay for Scottish Fire and Rescue presented a report highlighting Scottish Fire and Rescue Service's review of local performance within Argyll and Bute for FQ2 2020-2021.

Decision

The Committee reviewed and noted the content of the report.

(Reference: Q2 2020/23 Report by Local Senior Officer, Scottish Fire and Rescue Service, submitted)

6. ARGYLL & BUTE HSCP ANNUAL PERFORMANCE REPORT 2019/2020

Consideration was given to the Argyll & Bute Health and Social Care Partnership (HSCP) Performance Report for 2019/20.

Decision

The Committee considered and noted the Argyll & Bute HSCP Annual Report for 2019/20.

(Reference: Argyll & Bute HSCP Annual Performance Report 2019/20, submitted)

7. CHILDREN AND YOUNG PEOPLE'S SERVICES PLAN 2020 - 2023

Part 3 of the Children and Young People (Scotland) Act 2014 introduced the requirement for Argyll and Bute Council and NHS Highland to prepare a Children and Young People's Services Plan to cover the period 2020 – 2023. This Plan replaces the 2017-20 Plan and was before the Committee for consideration.

Decision

The Committee agreed to:

1. note that both NHS Highland and Argyll and Bute Council were jointly and equally responsible for children's services planning;

2. note the Argyll and Bute Children and Young People's Services Plan 2020-23 was considered and approved at the Full Council meeting on 26 November 2020, subject to further scrutiny by the Community Services Committee;

3. undertake further scrutiny of the Argyll and Bute Children and Young People's Services Plan 2020-23;

4. note that the Full Council agreed to delegate any amendments that were required to the Executive Director with responsibility for Education in consultation with the Leader, Leader of the largest Opposition Group and the Chair of the Community Services Committee;

5. note that the Council and the Integration Joint Board approved that the Children and Young People's Services Plan be submitted to the Scottish Government; and

6. note that Argyll and Bute's Children's Strategic Group would oversee the delivery of the outcomes and actions identified in the Plan with annual performance and progress reports to be presented to future meetings of the Community Services Committee and the Integration Joint Board.

(Reference: Report by Chief Officer, Argyll & Bute HSCP dated 7 October 2020, submitted)

8. LIVE ARGYLL

(a) Live Argyll - Monitoring and Performance Reporting - Update

A report providing the Committee with an update on the performance and monitoring arrangements between Live Argyll and the Council as set out in the various agreements between the Council and the Trust was considered.

Decision

The Committee considered and noted the contents of the report.

(Reference: Report by Executive Director with responsibility for Commercial Services and Legal and Regulatory Support dated November 2020, submitted)

(b) **Live Argyll Annual Report 2019/2020**

Consideration was given to Live Argyll's Annual Report for 2019/2020.

Decision

The Committee considered and noted the contents of the report.

(Reference: Live Argyll Annual Report 2019/2020, submitted)

During consideration of the foregoing item, Councillor Jim Anderson advised that he had omitted to declare a non-financial interest in the Live Argyll reports as he represented the Council on the Live Argyll Board.

The Committee Manager advised Councillor Anderson that he would not have been required to leave the meeting during consideration of these reports as this was a Council appointment.

9. EDUCATION SERVICE PERFORMANCE REPORT FQ2 2020/21

A paper presenting the Committee with the FQ2 2020/21 performance report for the Education Service was considered.

Decision

The Committee reviewed and scrutinised the FQ2 2020/21 performance report as presented.

(Reference: Report by Executive Director with responsibility for Education dated 9 November 2020, submitted)

10. DRAFT EDUCATION SERVICE PLAN 2021-22

A report presenting the Draft Education Service Plan 2021-22 prior to budget allocation was considered.

Decision

The Committee approved the Draft Education Service Plan 2021-22 (no finance) as presented prior to referral to the Policy and Resources Committee on 18 February 2021 and full Council on 25 February 2021 for the budget allocation.

(Reference: Report by Executive Director with responsibility for Education dated 10 November 2020, submitted)

William Hamilton, Teacher Representative, joined the meeting during consideration of the foregoing item.

11. EDUCATION PERFORMANCE DATA ANAYLSIS 2020

A report providing an overview of key performance data and outcomes for all pupils across each of the ten secondary schools for session 2019-2020 using the local authority data available was considered.

Due to a delay in the release of Insight data this report does not include statistical analysis usually available at this time of year which would normally provide an overview of authority data and allow further comparison with virtual comparator and national data.

Decision

The Committee agreed:

1. to note the contents of the report and appendices attached;

2. to note that pupil performance and outcomes were based on teacher estimates and not through examination performance as in previous years; and

3. that local authority and school performance would be considered further when the data from Insight was made available and that this tool continues to be used by all secondary schools and teaching staff in Argyll and Bute to support improvement in educational outcomes for our young people.

(Reference: Report by Executive Director with responsibility for Education dated 5 November 2020, submitted)

12. ANNUAL PARTICIPATION MEASURE 2020

The Annual Participation Measure (APM) is published in September each year and used to inform policy, planning and service delivery, and also to assess progress in the delivery of Opportunities for All, the Scottish Government's commitment to offer a place in learning or training to every 16 to 19 year old in Scotland not already in employment, education or training.

A report providing the Committee with information on the most recent Annual Participation Measure was considered.

Decision

The Committee considered and noted the publication of the 2020 Annual Participation Measure.

(Reference: Report by Executive Director with responsibility for Education dated 8 December 2020, submitted)

13. SCHOOLS (CONSULTATION) (SCOTLAND) ACT 2010

(a) **Skipness Primary School**

In response to the current Coronavirus (Covid-19) pandemic a report setting out proposals to further extend the statutory consultation exercise with regard to the proposal to close Skipness Primary School was considered.

Decision

The Committee agreed:

1. to a further extension of the current consultation period, due to end on 18 December 2002, to 31 May 2021; and

2. that a new date for the public meeting is established once the UK/Scottish Government restrictions on public assemblies allow it to proceed.

(Reference: Report by Executive Director with responsibility for Education dated 2 November 2020, submitted)

(b) **Minard Primary School**

In response to the current Coronavirus (Covid-19) pandemic a report setting out proposals to further extend the mothballing of Minard Primary school and to reschedule the community pre consultation meeting was considered.

Decision

The Committee agreed that:

1. the mothballing of Minard Primary School be continued on a temporary basis until May 2021, and that the School premises be retained during this time on a care and maintenance basis; and

2. in the intervening period, Education Services would undertake a pre consultation meeting as part of the preliminary work and options appraisal process when it is permissible under the Regulations relating to public gatherings.

(Reference: Report by Executive Director with responsibility for Education dated 4 November 2020, submitted)

(c) **Luing Primary School**

A report updating the Committee on the current situation of Luing Primary School was considered.

Decision

The Committee agreed that:

1. Luing Primary School be mothballed on a temporary basis until June 2022, and that the School premises be retained during this time on a care and maintenance basis;

2. in the intervening period, Education Service would gather the necessary information, identify all reasonable options and assess those options in order to consider the future of Luing Primary School in accordance with the preliminary requirements of the Schools (Consultation) (Scotland) Act 2010, and present these findings to the Committee in the form of an Options Appraisal at the June 2022 meeting; and

3. the community would have pre-arranged access to the building to promote community functions.

(Reference: Report by Executive Director with responsibility for Education dated 2 November 2020, submitted)

14. COMMUNITY LEARNING AND DEVELOPMENT PLAN 2021 - 2024

The Requirements for Community Learning and Development (Scotland) Regulations were introduced in 2013. They place a duty on local authorities in partnership with Community Planning Partnerships, other Community Learning and Development (CLD) providers and communities to secure the delivery of CLD through the production and implementation of a three year CLD plan.

A report updating the Committee on proposals to produce a new Argyll and Bute Community Learning and Development Plan for 2021-2024 was considered.

Decision

The Committee agreed to:

1. note the legal requirement to produce an Argyll and Bute CLD Plan for 2021-2024; and

2. endorse the actions and timeline suggested for the production of the Argyll and Bute CLD Plan for 2021-2024.

(Reference: Report by Executive Director with responsibility for Education dated 8 December 2020, submitted)

15. CHANGES TO THE NUTRITIONAL REQUIREMENTS FOR FOOD AND DRINK IN SCHOOLS

The Scottish Government has reviewed the regulations that govern food and drinks currently provided in schools. Following consultation, the outcome of this and the proposed changes to the current food and drink standards were published by the Scottish Government in June 2019, with an implementation date of 8 April 2021.

A report was presented to the Community Services Committee in December 2019 which outlined the wide ranging impact of these changes and mitigation measures being explored by both the Catering Service and Education Service. Officers were asked to bring forward another report to update on progress with mitigation measures, outline options around secondary pupils leaving school grounds, and outline options for the provision of soft drinks to pupils in secondary schools.

This report was before the Committee for consideration.

Decision

The Committee agreed:

1. to note the proposed changes to the food and drink in schools developed by the Scottish Government;

2. to note the potential impacts that these proposals were likely to have;

3. to pursue the mitigating actions further with colleagues both locally and nationally;

4. to selling flavoured water in Secondary Schools from April 2021 but not selling well known branded soft drinks, with the detail outlined at section 3.2.8 of the Executive Director's report; and

5. that the model in Dunoon Grammar which focusses on working with parents to encourage pupils to remain on site at lunch time be promoted across Secondary schools as good practice.

(Reference: Report by Executive Director with responsibility for Commercial Services and Legal and Regulatory Support dated 5 October 2020, submitted)

16. COMMUNITY SERVICES COMMITTEE WORK PLAN 2020 - 2021

The Community Services Committee work plan for 2020 – 2021 was before the Committee for information.

Decision

The Committee noted the contents of the work plan.

(Reference: Community Services Committee Work Plan 2020 – 2021, submitted)

MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held VIA SKYPE on THURSDAY, 10 DECEMBER 2020

Present: Councillor Robin Currie (Chair)

Councillor Rory Colville	Councillor Gary Mulvaney
Councillor Mary-Jean Devon	Councillor Douglas Philand
Councillor Lorna Douglas	Councillor Alastair Redman
Councillor Jim Findlay	Councillor Elaine Robertson
Councillor Kieron Green	Councillor Sandy Taylor
Councillor David Kinniburgh	Councillor Richard Trail
Councillor Yvonne McNeilly	

Also Present: Councillor John Armour

Attending: Pippa Milne, Chief Executive
Douglas Hendry, Executive Director
Kirsty Flanagan, Executive Director
Patricia O'Neill, Governance Manager
Laurence Slavin, Interim Head of Financial Services
Fergus Murray, Head of Economic and Development
Jane Fowler, Head of Customer and Support Services

The Chair, on behalf of the Committee, welcomed Councillors Jim Findlay and David Kinniburgh to the Policy and Resources Committee.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Aileen Morton.

2. DECLARATIONS OF INTEREST

Councillor Gary Mulvaney declared a financial interest in Item 13 (Scottish Government £30m Discretionary Fund to Support Businesses) of the Agenda due to his ownership of a business that could benefit from the funding, he left the meeting and took no part in the discussion of this item of business.

Councillor Jim Findlay declared a non-financial interest in Item 13 (Scottish Government £30m Discretionary Fund to Support Businesses) of the Agenda due to his membership of the Rothesay Pavilion board. He claimed the benefit of the dispensation contained at Section 5.16 of the Standard's Commission's Guidance and Dispensation Note to enable him to speak and vote.

3. MINUTES

The Minutes of the meeting of the Policy and Resources Committee held on 15 October 2020 were approved as a correct record.

*** 4. FINANCIAL REPORTS MONITORING PACK – 31 OCTOBER 2020**

The Committee gave consideration to a report providing a summary of the financial monitoring reports as at the end of October 2020. There were six detailed reports summarised within the executive summary including the Revenue Budget Monitoring

Report as at 31 October 2020; Monitoring of Policy Savings Options as at 31 October 2020; Monitoring of Financial Risks as at 31 October 2020; Capital Plan Monitoring Report as at 31 October 2020; Treasury Monitoring Report as at 31 October 2020 and Reserves and Balances as at 31 October 2020.

Decision

The Policy and Resources Committee –

1. Noted the revenue budget monitoring report as at 31 October 2020 and noted the comments in respect of the Health and Social Care Partnership.

2. Noted the progress with the policy savings options as at 31 October 2020

3. Noted the financial risks for 2020-21.

4. Noted the capital plan monitoring report as at 31 October 2020.

5. Noted the treasury monitoring report as at 31 October 2020.

6. Noted the reserves and balances report as at 31 October 2020.

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

(Reference: Report by Section 95 Officer dated 27 November 2020, submitted)

5. BUDGET OUTLOOK 2021-22 TO 2025-26

The Committee gave consideration to a report providing an update to the budget outlook 2021-22 to 2025-26 which had been reported to the Policy and Resources Committee on 15 October 2020. The estimates within the report were based on the mid-range scenario with best and worst case scenarios noted in Appendix 1 to the submitted report.

Decision

The Policy and Resources Committee –

1. Noted the current estimated budget outlook position for the period 2021-22 to 2025-26.

2. Noted that the Scottish Government budget would be announced on 28 January 2020 and that once officers were aware of the Council's settlement a briefing note would be issued to Members to advise on the impact of the settlement on the Council's estimated budget gap.

(Reference: Report by Section 95 Officer dated 23 November 2020, submitted)

6. BUDGET PLANNING 2021/22

The Committee gave consideration to a report providing information on savings options identified by officers for consideration for financial year 2021/22 and beyond.

Decision

The Policy and Resources Committee –

1. Noted the savings options identified by Officers and agreed by the Budget Working Group to be moved forward to the 2021/22 budget process and noted that further information on the options would be brought forward to Council as part of the 2021/22 budget papers.

2. Noted that the savings options developed were aimed at addressing the 2021/22 budget gap but significant savings would be required in future years to address continued significant funding gaps. This would be considered as part of the revision of the medium to long term financial strategy.

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

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

(Reference: Report by Section 95 Officer dated 2 December 2020, submitted)

Councillor Lorna Douglas joined the Meeting at this point.

7. FINANCIAL QUARTER 2 PERFORMANCE REPORT

The Committee gave consideration to a report presenting the Financial Quarter 2 2020/21 Performance Report for Financial Services, Commercial Services, Legal and Regulatory Support and Customer Support Services in a revised simplified format commensurate with the Covid-19 situation.

Decision

The Policy and Resources Committee noted the Financial Quarter 2 2020/21 Performance reports as presented.

(Reference: Report by Executive Director with responsibility for Commercial Services and Legal and Regulatory Support and Executive Director with responsibility for Customer Support Services dated 9 November 2020, submitted)

*** 8. DRAFT SERVICE PLANS 2021/22**

The Committee gave consideration to a report presenting the Draft Service Plans 2021-22 prior to budget allocation.

Decision

The Policy and Resources Committee endorsed the Draft Service Plans 2021-22 (no finance) as presented prior to referral to the Policy and Resources Committee and Full Council for budget allocation as part of the 2021/22 Budget pack.

(Reference: Report by Chief Executive and Executive Directors with responsibility for Financial Services, Community Planning and Development, Customer Support

Services, Legal and Regulatory Support and Commercial Services dated 10 November 2020, submitted)

* 9. PROCUREMENT STRATEGY 2021/22 AND SUSTAINABLE PROCUREMENT POLICY 2021/22 - FINAL DOCUMENTS AND CONSULTATION

The Committee gave consideration to a report that sought approval of the final revised Procurement Strategy 2021/22 and Sustainable Procurement Policy 2021/22.

Decision

1. Noted the key changes, as detailed at Section 4.4 of the submitted report, to the Procurement Strategy 2021/22 and Section 4.6 of the submitted report, to the Sustainable Procurement Policy 2021/22; and the outcome of the consultation.

2. Agreed to recommend to Council, the revised final Procurement Strategy 2021/22 and Sustainable Procurement Policy 2021/22 to be published on the Council's website in April 2021.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support dated 1 December 2020, submitted)

Councillor Dougie Philand joined the meeting at this point.

* 10. ICT AND DIGITAL STRATEGY 2021-2024

The Committee gave consideration to a report that sought approval of the ICT and Digital Strategy for 2021-24.

Decision

The Policy and Resources Committee agreed to recommend to Council, approval of the ICT and Digital Strategy for 2021-24 attached at Appendix 1 to the submitted report.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 16 November 2020, submitted)

* 11. PENSION DISCRETIONS POLICY UNDER THE LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) REGULATIONS 2018

The Committee gave consideration to a report that sought agreement to amendments to the Pensions Discretions Policy to ensure compliance with the Local Government Pension Scheme (Scotland) Regulations 2018.

Decision

The Policy and Resources Committee agreed to recommend to the Council approval of the proposed amendments to the Pensions Discretions Policy.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 21 September 2020, submitted)

* **12. PROPOSED SPACE FLIGHT TRIALS COMPETITION AT MACHRIHANISH AIRBASE COMMUNITY COMPANY - REQUEST FOR FUNDING**

The Committee gave consideration to a report advising of a request for funding made by the Machrihanish Airbase Community Company Ltd (MACC) to support a new initiative "Mach-21; National Spaceflight Education Conference and CanSat Competition".

Decision

The Policy and Resources Committee –

1. Noted the content of the report and the future economic possibilities for the Kintyre area.
2. Agreed to recommend to the Council approval of the funding request for £26,985 from the Rural Resettlement Fund as its contribution to this event.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated October 2020, submitted)

13. SCOTTISH GOVERNMENT £30M DISCRETIONARY FUND TO SUPPORT BUSINESSES

The Committee gave consideration to a report providing information on the new £30 million discretionary fund, setting out proposed key principles which would be applied when determining how the fund would be managed and a recommended approach to progress the determination of an eligibility criteria.

Decision

The Policy and Resources Committee –

1. Approved the key principles, as outlined in paragraphs 3.11 – 3.14 of the submitted report which would guide the creation of eligibility criteria to be applied when assessing fund applications.
2. Approved the creation of the eligibility criteria be delegated to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leadership Group with the exception of the Depute Leader.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 4 December 2020, submitted)

14. RURAL GROWTH DEAL - RESOURCING OF OUTLINE BUSINESS CASES

The Committee gave consideration to a report seeking approval to commit financial resources for the development of Outline Business Cases and project feasibility, design and work required to secure consents as part of the Rural Growth Deal process.

Decision

The Policy and Resources Committee agreed -

1. That authority for approving the drawdown of money from the Inward Investment Fund is delegated to the Chief Executive and 2 Executive Directors of the Council up to a maximum value of £150k and subject to them being satisfied that the monies are for the purpose of delivering the Rural Growth Deal.

2. That any funding required in excess of £150k from the Inward Investment Fund would require further approval of the Policy and Resources Committee.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 2 November 2020, submitted)

*** 15. EU EXIT: CHARGING REGIME FOR EXPORT HEALTH CERTIFICATES**

The Committee gave consideration to a report which sought agreement of a charging regime for export health certificates.

Decision

The Policy and Resources Committee agreed to recommend that Council –

1. Note that the existing charging model for export health certificates in 4.5 of the submitted report would be applied to EU certification as of the 1st January 2021.

2. Approve a new fee for attestations either based on the national fee, or in its absence, a local charge of £100 per attestation, plus the full costs recovery for additional interventions or inspections.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 30 November 2020, submitted)

16. COVID-19 RECOVERY ACTION PLAN

The Committee gave consideration to a report that sought approval of the Argyll and Bute Recovery Plan that had been prepared in response to the Covid-19 pandemic.

Decision

The Policy and Resources Committee approved the Argyll and Bute Recovery Action Plan which was critical in providing a strong foundation for the future economic and social recovery of Argyll and Bute.

(Reference: Report by Executive Director with responsibility for Development and Economic Growth dated 9 November 2020, submitted)

17. COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL EMPLOYMENT FOR YEAR 2019/20

A report outlining the costs and savings associated with early retirements/redundancies that had taken place between 1 April 2019 and 30 June 2020 was before the Committee for noting.

Decision

The Policy and Resources Committee noted the content of the submitted report.

(Reference: Report by Executive Director with responsibility for Customer Support Services dated 14 September 2020, submitted)

18. POLICY AND RESOURCES COMMITTEE WORKPLAN

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

Decision

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

(Reference: Policy and Resources Committee Workplan dated December 2020, submitted)

The Chair advised the Committee that the Appendix relating to the following item of business contained exempt information and that if Members wished to discuss the content of that Appendix they would be required to resolve in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following item of business 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.

19. TARBERT AND LOCHGILPHEAD REGENERATION FUND - PROJECTS UPDATE

The Committee gave consideration to a recommendation from the Mid Argyll, Kintyre and Islands Area Committee in respect of the Tarbert and Lochgilphead Regeneration Fund.

Decision

The Policy and Resources Committee agreed that Tarbert and Lochgilphead Regeneration Funding of £365,000 is reallocated to the Lochgilphead Front Green project (comprising £110,000 currently allocated to the Argyll Street project which is proposed to be delivered through another funding route and £255,000 underspend in relation to the Barmore Road junction improvement).

(Reference: Recommendation from the Mid Argyll, Kintyre and Islands Area Committee held on 2 December 2020 and report by Executive Director with responsibility for Development and Economic Growth dated 24 November 2020, 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.

*** 20. THIRD SECTOR RECYCLING**

The Committee gave consideration to a report in relation to the Council's contract for the provision of kerbside recycling services in Kintyre. The Executive Director with responsibility for Roads and Infrastructure Services provided an update on the report in respect of the financial position.

Decision

The Policy and Resources Committee agreed to recommend to Council, the recommendations contained within the tabled Motion.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services dated December 2020, submitted)

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ARGYLL AND BUTE COUNCIL **COUNCIL**

FINANCIAL SERVICES **25 FEBRUARY 2021**

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 2021-22.

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

- Policy and Resources Committee on 18 February 2021
- Council on 25 February 2021
- Audit and Scrutiny Committee on 16 March 2021
- If required, Council on 15 April 2021, following recommendations from the Audit and Scrutiny Committee that need approval from Council.

1.3 The Council uses Link Asset 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 2.5 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our Treasury Advisors, Link Asset Services. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

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

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

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

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

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

1.10 There are a number of appendices in Section 5. Some of this information has been provided by our Treasury advisors, Link Asset Services.

2. RECOMMENDATIONS

2.1 It is recommended that the Council:

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

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

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

d) Approve the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

3. IMPLICATIONS

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

3.2 Financial – Revised methodology gives rise to a revenue saving in addition to a one-off re-profiling gain in relation to prior year repayments. 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 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.

3.7 Customer Service - None.

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

Kirsty Flanagan
Section 95 Officer
8 February 2021

For further information please contact:
Anne Macdougall, Finance Manager 01586-555269

APPENDICES
Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2021-22

Treasury Management Strategy Statement

and Annual Investment Strategy 2021-2022

INDEX

1 INTRODUCTION

1.1 Background

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

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

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

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

CIPFA defines treasury management as:

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

Revised reporting is required for the 2021/22 reporting cycle due to revisions of the the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity if that is going to be undertaken. The capital strategy is being reported separately.

1.2 Reporting requirements

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

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

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

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

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

Capital Strategy

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

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

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

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

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management advisors

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

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 2021/22 – 2023/24

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 2021/22 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2021-24.

Capital Expenditure £'000	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Executive Director - Douglas Hendry					
Education	7,707	3,332	12,143	2,562	2,243
Facility Services - Shared Offices	1,231	721	2,954	571	431
Major Projects/CHORD	5,802	7,712	13,393	2,975	285
Executive Director - Kirsty Flanagan					
ICT	1,468	775	1,419	1,209	919
Roads and Infrastructure	18,086	9,776	27,222	21,163	11,995
Development and Economic Growth	901	1,468	1,569	0	0
Live Argyll	1,047	294	828	563	431
Health and Social Care Partnership	530	236	1,450	576	431
Total	**36,772**	**24,314**	**60,978**	**29,619**	**16,735**

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	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Total Capital Expenditure	36,772	24,314	60,978	29,619	16,735
Financed by:					
Capital Receipts	1,883	740	855	855	855
Capital Grants	31,136	10,823	9,219	8,718	8,718
Capital Reserves	0	0	0	0	0
Revenue	812	12,978	17,972	0	0
Net Financing need for the year	**2,941**	**(227)**	**32,932**	**20,046**	**7,162**

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 £124m of such schemes within the CFR.

The CFR projections are noted in the following table.

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement					
Opening CFR	309,994	296,187	285,516	308,780	318,656
Closing CFR	296,187	285,516	308,780	318,656	315,093
Movement in CFR	**(13,807)**	**(10,671)**	**23,264**	**9,876**	**(3,563)**
Movement in CFR represented by					
Net financing need for the year (above)	2,941	(227)	32,932	20,046	7,162
Less scheduled debt Amortisation	16,748	10,444	9,668	10,170	10,725
Movement in CFR	**(13,807)**	**(10,671)**	**23,264**	**9,876**	**(3,563)**

2.3 Core funds and expected investment balances

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

Year End Resources £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Expected Investments	**68,100**	**72,500**	**60,000**	**50,000**	**40,000**

2.4 Limits to Borrowing Activity

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

Operational Boundary £'m	2019/20 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	200	200	196	210	214
Other long term liabilities	124	124	120	115	110
Total	**324**	**324**	**316**	**325**	**324**

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	2019/20 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	205	205	201	215	219
Other long term liabilities	127	127	123	118	113
Total	**332**	**332**	**324**	**333**	**332**

2.5 Statutory repayment of loans fund advances

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

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

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

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

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

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 3.57%, however it is still considered prudent to use the average historic rate at this time.

2.6 Asset Repayment Periods

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

During the year it was identified that Piers and Harbours have three main types of work undertaken which have differing asset lives. This amendment has been included within the table below which details the repayment period to be used for each asset type.

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

3 TREASURY MANAGEMENT STRATEGY

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

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2020 and at 31 December 2020 are shown below for both borrowing and investments.

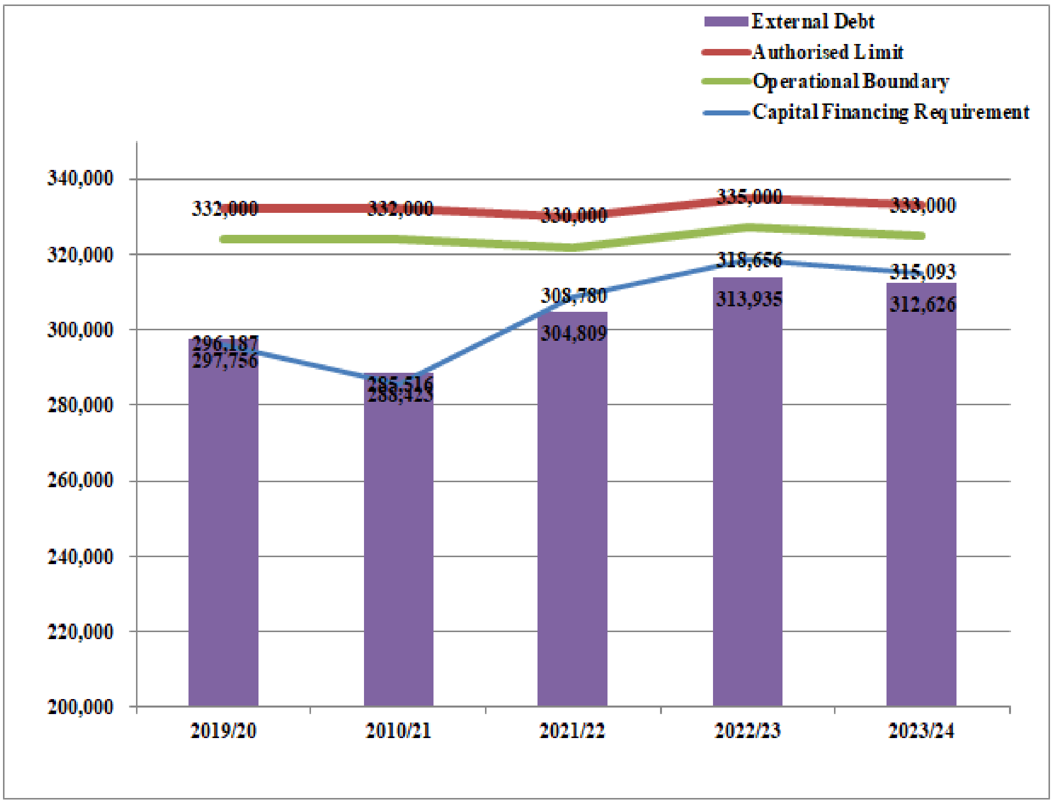
TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.20	**31.3.20**	**31.12.20**	**31.12.20**
Treasury investments	£000	%	£000	%
Banks	32,742	41%	47,004	42%
Building Societies - rated	0	0%	0	0%
Local Authorities	22,000	28%	35,000	31%
Money Market Funds	15,050	19%	26,480	24%
Certificates of Deposit	5,000	6%	0	0%
Third Party Loans	4,221	5%	3,949	4%
Total managed in house	**79,013**	**100%**	**112,433**	**100%**
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	**0**	**0%**	**0**	**0%**
Total Treasury Investments	**79,013**	**100%**	**112,433**	**100%**
Treasury external borrowing				
PWLB	122,615	71%	118,843	70%
LOBOs	39,255	23%	39,255	23%
Market	11,000	6%	10,000	6%
Special	174	0%	132	0%
Temporary Borrowing	562	0%	665	0%
Local Bonds	33	0%	26	0%
Total External Borrowing	**173,639**	**100%**	**168,921**	**100%**
Net Treasury Investments / (Borrowing)	**(94,626)**		**(56,488)**	

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

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

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt					
Debt as 1st April	183,476	173,639	168,879	190,080	204,303
Change in Debt (In Year)	(9,837)	(4,760)	21,201	14,223	3,998
Other long-term liabilities (OLTL) at 1st April	129,767	124,117	119,544	114,729	109,632
Change in OLTL (In Year)	(5,650)	(4,573)	(4,815)	(5,097)	(5,307)
Actual gross debt at 31st March	**297,756**	**288,423**	**304,809**	**313,935**	**312,626**
The Capital Financing Requirement	**296,187**	**285,516**	**308,780**	**318,656**	**315,093**
Under / (Over) borrowing	**(1,569)**	**(2,907)**	**3,971**	**4,721**	**2,467**

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



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

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

3.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 9.11.20 These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Additional notes by Link on this forecast table: -

- *Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.*
- *During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.*
- *We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.*

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

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

3.3 Investment and borrowing rates

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. It also introduced the following rates for borrowing for different types of capital expenditure: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **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**

As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new 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)

Whilst 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 as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

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

The Council is currently anticipating an over-borrowed position as at the end of 2020/21. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt. This over-borrowed position is expected to be temporary as the delays in delivering the Council's capital programme because of CoVID 19 are recovered in future years, returning eventually to an under-borrowed position. It is expected that cash supporting the Council's reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. Any decisions will be reported to the appropriate committee at the next available opportunity. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Section 95 Officer, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting a pragmatic approach to changing circumstances.

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

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

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 the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

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

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

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

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

4.2 Creditworthiness policy

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

This Council applies the creditworthiness service provided by Link Asset 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 counterparies are supplemented with the following further overlays:

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

Further explanation of the approach for creditworthiness used by Link Asset 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 by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in. Several banks are very close to the threshold already and so may come into scope in the future regardless.

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

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

4.3 Country and sector limits

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

4.4 Investment strategy

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

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

Investment returns expectations

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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 (the long term forecast is for periods over 10 years in the future):

2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment Rates

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

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities.

This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

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

Investment treasury indicator and limit

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

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

Maximum principal sums invested for longer than 365 days			
£m	**2021/22**	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	20	20	20

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

4.6 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID uncompounded.

4.7 End of year Investment Report

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

5 APPENDICES

Appendix 1 – Capital Prudential and Treasury Indicators 2020/21 – 2023/24

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.

%	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Ratio	4.64%	4.53%	4.98%	5.02%	5.07%

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 2021/22		
	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%

Maturity structure of variable interest rate borrowing 2021/22		
	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%	30%
10 years to 20 years	0%	30%
20 years to 30 years	0%	30%
30 years to 40 years	0%	30%
40 years to 50 years	0%	30%

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.

Appendix 2 – Detailed Current Portfolio Position

TREASURY PORTFOLIO					
		Actual **31.3.20**	Actual **31.3.20**	Current **31.12.20**	Current **31.12.20**
Treasury investments		**£000**	**%**	**£000**	**%**
Banks	Clydesdale Bank	242	0%	4,504	4%
	Bank of Scotland	5,000	6%	7,500	7%
	Goldman Sachs	7,500	9%	0	0%
	Qatar National Bank	0	0%	10,000	9%
	Commonwealth Bank of Australia	0	0%	0	0%
	Santander	7,500	9%	12,500	11%
	ANZ Banking Group/London	7,500	9%	0	0%
	Bayerische Landesbank	0	0%	0	0%
	DBS Bank	0	0%	0	0%
	Close Brothers	0	0%	12,500	11%
	First Abu Dhabi Bank	5,000	6%	0	0%
		32,742	41%	47,004	42%
Building Societies - rated	Nationwide Building Society	0	0%	0	0%
Local Authorities	Cherwell District Council	5,000	6%	0	0%
	Cornwall County Council	5,000	6%	0	0%
	Dudley Metropolitian Borough Council	0	0%	5,000	4%
	Lancashire County Council	7,000	9%	5,000	4%
	London Borough of Croydon	0	0%	7,500	7%
	Rotherhan Metropolitan Borough Council	0	0%	7,500	7%
	Thurrock Borough Council	5,000	6%	10,000	9%
		22,000	28%	35,000	31%
Money Market Funds	Aberdeen Liquidity Sterling Fund Class L1	7,500	9%	0	0%
	BNP Paribas Inticast Fund	0	0%	12,150	11%
	Federated	7,550	10%	0	0%
	CCLA	0	0%	14,330	13%
	AVIVA	0	0%	0	0%
		15,050	19%	26,480	24%
Certificates of Deposit	Royal Bank of Scotland	0	0%	0	0%
	National Westminster Bank Plc	5,000	6%	0	0%
		5,000	6%	0	0%
Third Party Loans	Argyll Community Housing Association	2,590	3%	2,524	2%
	Fyne Homes	180	0%	0	0%

	West Highland Housing Accociation Ltd	894	1%	873	1%
	The Port Ellen Station	65	0%	60	0%
	Hubco Sub Debt	492	1%	492	0%
		4,221	5%	3,949	4%
Total Treasury Investments		**79,013**	**100%**	**112,433**	**100%**

		Actual **31.3.20**	Actual **31.3.20**	Current **31.12.20**	Current **31.12.20**
Treasury external borrowing					
Local Authorities		0	0%	0	0%
PWLB		122,615	71%	118,843	70%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	8%
	FMS Wertmanagement	5,255	3%	5,255	3%
	Bayerische Landesbank	21,000	12%	21,000	12%
		39,255	23%	39,255	23%
Market	Barclays (formerly LOBO)	10,000	6%	10,000	6%
	Prudential assurance co	1,000	1%	0	0%
		11,000	6%	10,000	6%
Special	Prudential assurance co	14	0%	12	0%
	Salix Finance Ltd	160	0%	120	0%
		174	0%	132	0%
Temporary Borrowing		562	0%	665	0%
Local Bonds		33	0%	26	0%
Total External Borrowing		**173,639**	**100%**	**168,921**	**100%**
Net Treasury Investments / (Borrowing)		**(94,626)**		**(56,488)**	

Appendix 3 – Interest Rate Forecasts 2021 - 2024 and Commentary Provided by Link Asset Services (at 05.01.21)

Link Group Interest Rate View 9.11.20							(The Capital Economics forecasts were done 11.11.20)						
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate													
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate													
Link	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate													
Link	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate													
Link	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate													
Link	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

The above interest rate forecasts, provided by Link Asset Services, were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU

budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.

- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Appendix 4 – Economic Background Provided by Link Asset Services (at 05.01.21)

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

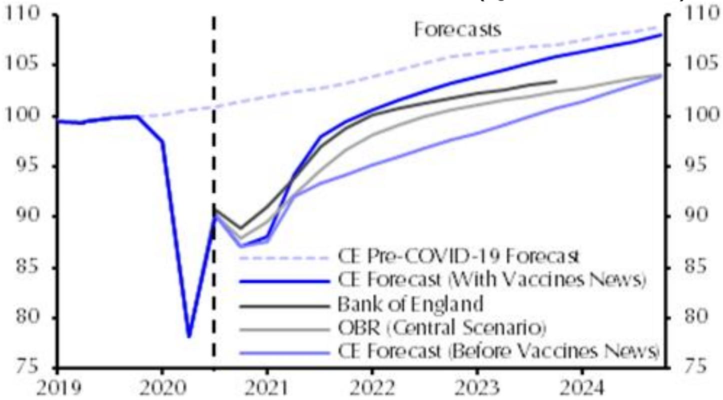
- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the

UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

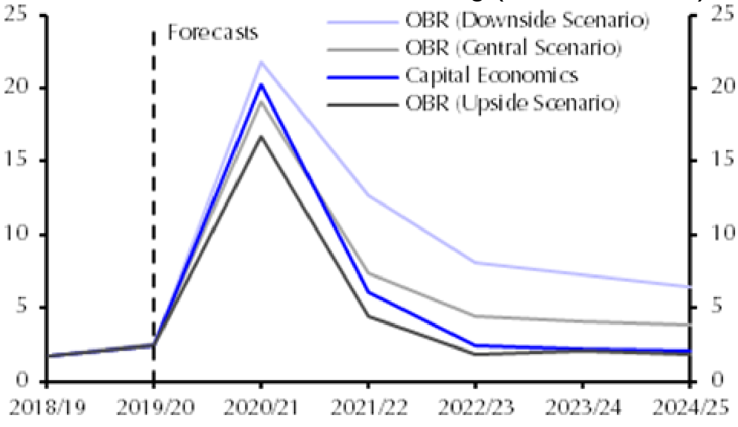
Chart: Level of real GDP (Q4 2019 = 100)



(if unable to print in colour…... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

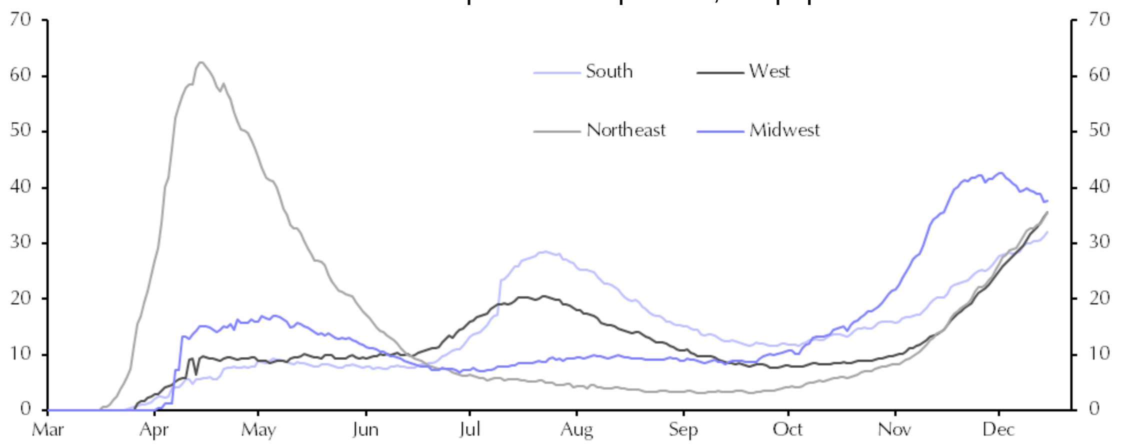
- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The final result of **the November elections** meant that the Democrats gained the Presidency and a majority in the House of Representatives. They also took effective control of the Senate following run-off elections in Georgia in early January, as the Senate is split 50/50, but the Democrats have the casting vote of the President of the Senate, who is the Vice-President Kamala Harris.

Victory in both run-off seats for the Democrats gives them control of both Houses and President Biden will consequently have a stronger hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed's meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

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 £15m of the total portfolio can be placed with UK banks and £10m in any single non UK bank institution or group at any one time.

Objectives of each type of investment instrument

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

Deposits

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

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

- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £15m of the total portfolio can be placed with any UK bank and £10m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.

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

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

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

DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

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

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

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

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

- **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely 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 good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently 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 getting much better rates of return than available through the DMADF.

- **Ultra short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher 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.

<u>Table 1: permitted investments in house</u>

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	Green	instant	no	100	Call
Term deposits – banks and building societies	Green	term	no	100	2 years
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	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
1. Government Liquidity Funds	AAA	instant	No see note 1	100	1 Year
2a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
2b. Money Market Funds LVNAV	AAA	Instant to T+5	No see note 1	100	1 Year
2c. Money Market Funds VNAV	AAA	instant to T+5	No see note 1	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
4. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
5. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
6. Gilt Funds	AAA	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 Asset 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	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.	£unlimited, maximum 2 years.

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

Page 93

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
societies) **(Low to medium risk depending on period & credit rating)**	above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	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.	section criteria above.	section criteria above.
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	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c)	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured	As shown in the counterparty	As shown in the counterparty

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
(escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	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 of the counterparty (penalties may apply).	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.	section criteria above.	section criteria above.
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%.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
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.
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

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

Appendix 7 – Creditworthiness policy

Service and Information provided by Link Asset Services

This Council applies the creditworthiness service provided by Link Asset 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.

All credit ratings are monitored from a weekly list which can be updated daily by Link Asset Services. The Council is alerted to the changes to ratings of all three agencies through the use of Link Asset Services credit worthiness service.

If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.

In addition to the use of the credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via Link Asset Service's Passport website that the Council can access. Extreme market movements may result in a downgrade of an institution or removal from the Councils lending list.

Based on the Link Asset 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.*

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 £15m can be invested with each UK bank and £10m with any single other counterparty. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing deposits with the Council's bankers is currently £5m.

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

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

Appendix 8 – Approved Countries for Investments (01-12-20)

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

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar

Appendix 9 – Treasury Management Scheme of Delegation

The Council

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

The Policy and Resources Committee

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

The Audit and Scrutiny Committee

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

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

Section 95 Officer:

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

    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that* *appropriate professional due diligence is carried out to support decision making;*

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

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

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

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

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ARGYLL AND BUTE COUNCIL **COUNCIL**

LEGAL AND REGULATORY SUPPORT **25th FEBRUARY 2021**

POLITICAL MANAGEMENT ARRANGEMENTS

1. INTRODUCTION

1.1 The purpose of this report is to update Council of a change to the political composition of Argyll and Bute Council, following written notification that Councillor Roderick McCuish is now a member of the Independence for Scotland political party, and confirmation of Councillor Robin Currie as Leader of the Argyll, Lomond and the Islands Group.

1.2 The Council is further invited to approve a change to the members nominated by the Council to serve on the board of Live Argyll, following the recent change in Shadow Policy Lead roles.

2. RECOMMENDATIONS

2.1 The Council is invited to note the updated Political Composition of Argyll and Bute Council which is attached at Appendix 1.

2.2 The Council is invited to appoint Councillor Audrey Forrest to replace Councillor Jim Lynch on the Live Argyll Board.

3. DETAIL

3.1 On 8th January 2021, Councillor Roderick McCuish wrote to the Council's Monitoring Officer to advise that he had joined the Independence for Scotland political party. Councillor McCuish remains a member of The Argyll, Lomond and the Islands Group within the Council.

3.2 The Monitoring Officer made arrangements for the Council's website to be updated accordingly and also put in place arrangements to notify Council at the earliest opportunity, this being the meeting scheduled for 25th February 2021.

3.3 The Council is advised of Councillor Robin Currie's appointment as Leader of the Argyll, Lomond and the Islands Group.

3.4 As a consequence of recent changes within the Shadow Policy Lead roles and specifically Councillor Audrey Forrest's new duties and portfolio responsibilities in Culture and Sport, the Leader of the largest opposition group has proposed changes to the membership of an outside body. Consequently the Council is invited to appoint Councillor Forrest as a Council representative on the Board of Live Argyll in place of Councillor Jim Lynch.

4. CONCLUSION

4.1 This report notifies the Council of updates to the political composition of the Council. It further invites Council to appoint Councillor Forrest as a Council representative on the Board of Live Argyll in place of Councillor Jim Lynch.

5. IMPLICATIONS

5.1 **Policy:** None
5.2 **Financial:** None
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 **Risk:** None
5.7 **Customer Service:** None

Douglas Hendry
Executive Director with Responsibility for Legal and Regulatory Support

11th January 2021

Policy Lead: Councillor Mary Jean Devon

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

Appendix 1 – Updated Political Composition of Argyll and Bute Council

ARGYLL AND BUTE COUNCIL POLITICAL COMPOSITION OF THE COUNCIL JANUARY 2021
ARGYLL AND BUTE FIRST GROUP(3) Cllr George Freeman (Ind) Cllr Donald Kelly (Con) **Cllr Douglas Philand (Ind) – Leader, Argyll and Bute First Group**
ARGYLL AND BUTE SCOTTISH NATIONAL PARTY GROUP (11) Cllr John Armour Cllr Gordon Blair Cllr Lorna Douglas - Depute Leader, SNP Group Cllr Jim Findlay Cllr Audrey E Forrest Cllr Anne Horn Cllr Jim Lynch Cllr Julie McKenzie Cllr Iain Shonny Paterson **Cllr Sandy Taylor - Leader, SNP Group** Cllr Richard Trail
THE ARGYLL, LOMOND AND THE ISLANDS GROUP (18) Cllr Rory Colville (LD) **Cllr Robin Currie (LD) – Leader, The Argyll, Lomond and the Islands Group** Cllr Mary Jean Devon (Ind) Cllr Bobby Good (Con) Cllr Kieron Green (Ind) Cllr Graham Hardie (LD) Cllr David Kinniburgh (Con) Cllr Roderick McCuish (IfS) Cllr Sir Jamie McGrigor (Con) Cllr Donald MacMillan BEM (Ind) Cllr Yvonne McNeilly (Con) Cllr Aileen Morton (LD) Cllr Barbara Morgan (Con) Cllr Gary Mulvaney (Con) Cllr Alan Reid (LD) Cllr Alastair Redman (Con) Cllr Elaine Robertson (Ind) Cllr Andrew Vennard (Con)

COUNCILLORS NOT POLITICALLY ALIGNED (2)
Cllr Jim Anderson (Ind) Cllr Jean Murray Moffat (Ind)
NOTE
Con – Scottish Conservative and Unionist Party IfS – Independence for Scotland Party Ind – Independent LD – Scottish Liberal Democrat SNP – Scottish National Party There are 36 seats on Argyll and Bute Council with two current vacancies in the Helensburgh and Lomond South and Isle of Bute wards.

Agenda Item 8

ARGYLL AND BUTE COUNCIL **COUNCIL**

CUSTOMER SERVICES **25 FEBRUARY 2021**

EXTENSION OF CERTAIN TEMPORARY DEPARTURES FROM THE SCHEME FOR THE ESTABLISHMENT OF COMMUNITY COUNCILS IN ARGYLL AND BUTE

1.0 EXECUTIVE SUMMARY

In light of the ongoing government guidance and restrictions associated with the Covid 19 pandemic this report anticipates the possibility that public meetings may not be able to resume in time for community councils to hold their Annual General Meetings (AGMs) in accordance with the Scheme for the Establishment of Community Councils. It therefore recommends a further temporary departure from the Scheme to the effect that AGMs can take place on a remote basis by the end of June 2021, where possible, or by 31st December 2021 in anticipation that face to face meetings may resume later in 2021.

The report also updates on the need to extend other temporary departures previously put in place by the Business Continuity Committee on 14 May 2020 and that in light of Community Council by-elections being held in November 2020, recommends that the rules regarding maximum numbers of co-opted members revert back to the provisions within the Scheme.

In summary Council is therefore invited to approve the following temporary departures:

- that where possible the 2021 AGMs take place on a remote basis or are otherwise held by 31st December 2021 with automatic approval for office bearers to retain positions held for 8 years or more without seeking approval from the Executive Director;
- that the minimum number of meetings per annum continue to be set aside for 2021, on the understanding that regular patterns of meetings will recommence when current government restrictions on public gatherings are lifted;
- that community councils able to meet remotely may continue to do so with the expectation that they have put in place consultative measures

to engage with their communities and that where unable to meet remotely, they continue to be in a position to reach consensus views by email until such time as the restrictions on public health are lifted. This is on the basis that such decisions or actions detail where community views cannot be obtained and that this is reflected in any responses submitted and that the Community Council Liaison Officer (CCLO) must be informed of any decisions made on this basis;

Council is further invited to agree that the maximum membership of co-optees revert back with immediate effect to the level of 1/3, as set out within the Scheme, in view of the by-elections having taken place in November 2020;

The Council is also invited to note that the National Scheme for the Establishment of Community Councils is currently being reviewed to include provision for all community council meetings to take place remotely and any subsequent review of our Scheme will take account of any recommendations in this regard.

ARGYLL AND BUTE COUNCIL **COUNCIL**

CUSTOMER SERVICES **25 FEBRUARY 2021**

EXTENSION OF TEMPORARY DEPARTURES FROM THE SCHEME FOR THE ESTABLISHMENT OF COMMUNITY COUNCILS IN ARGYLL AND BUTE

2.0 INTRODUCTION

2.1 In response to the Covid 19 pandemic the Business Continuity Committee previously considered and approved a number of temporary departures from the Scheme for the Establishment of Community Councils in light of the current Covid-19 pandemic to facilitate Community Council's in continuing to fulfil the important role of representing and supporting local communities at this time. In light of the ongoing situation. This report updates on the temporary departures and proposes a further extension. It also seeks approval of a further temporary departure with regards to the timescales and arrangements for AGMs.

3.0 RECOMMENDATIONS

3.1 The Council is invited to approve the following temporary departures from the Scheme for the Establishment of Community Councils:

a) that where possible the 2021 AGMs take place on a remote basis or are otherwise held by 31st December 2021 with automatic approval for office bearers to retain positions held for 8 years or more without seeking approval from the Executive Director;

b) that the minimum number of meetings per annum continue to be set aside for 2021, on the understanding that regular patterns of meetings will recommence when current government restrictions on public gatherings are lifted;

c) that community councils able to meet remotely continue to do so with the expectation that they have put in place consultative measures to engage with their communities and that where unable to meet remotely, they continue to be in a position to reach consensus views by email until such time as the restrictions on public health are lifted. This is on the basis that such decisions or actions detail where community views cannot be obtained and that this is reflected in any responses submitted and that the Community Council Liaison Officer (CCLO) must be informed of any decisions made on this basis.

3.2 The Council is invited to agree that that the maximum membership of co-optees revert back with immediate effect to the level of 1/3, as set out within the Scheme, in view of the by-elections having taken place in November 2020; and

3.3 The Council is invited to note that the National Scheme for the Establishment of Community Councils is currently being reviewed to include provision for all community council meetings to take place remotely and any subsequent review of our Scheme will take account of any recommendations in this regard.

4.0 DETAIL

4.1 The Business Continuity Committee agreed on 14 May 2020 temporary departures to the Argyll and Bute Scheme for the Establishment of Community Councils to enable community councils to conduct business during the Covid-19 pandemic. Some of these measures require to be further extended in anticipation of continued public health guidance being in place limiting public gatherings.

4.2 It is recommended that where possible the 2021 AGMs take place on a remote basis or are otherwise held by 31st December 2021 with automatic approval for office bearers to retain positions held for 8 years or more without seeking approval from the Executive Director;

4.3 Given this situation it is also recommended that the minimum number of meetings per annum continue to be set aside for 2021, on the understanding that regular patterns of meetings will recommence when current government restrictions on public gatherings are lifted.

4.4 It is recommended that community councils able to meet remotely continue to do so with the expectation that they have put in place consultative measures to engage with their communities and that where unable to meet remotely, they continue to be in a position to reach consensus views by email until such time as the restrictions on public health are lifted. This is on the basis that such decisions or actions detail where community views cannot be obtained and that this is reflected in any responses submitted and that the Community Council Liaison Officer (CCLO) must be informed of any decisions made on this basis.

4.5 Given the success of the by-elections which took place in November 2020 it is recommended that Council agree that that the maximum membership of co-optees revert back with immediate effect to the level of 1/3, as set out within the Scheme.

4.6 It is not possible to make permanent changes to the Scheme without having full public consultation and officers are aware that a new National Scheme for the Establishment of Community Councils is currently being looked at by the Improvement Service and the Scottish Executive. This Scheme is likely to include provision for remote meetings and it would therefore be beneficial to approve this further period of departures whilst awaiting the outcome of the review of the National Model Scheme as this may supersede any local amendments made to the existing Scheme.

4.7 The recommendations proposed are considered to be sufficient to enable community councils to conduct business while taking account of the fact that not all community councils have the expertise to be in a position to move to virtual meetings although the council, via the Community Development team, recently ran a training session on hosting remote meetings which was promoted to all 56 community councils.

5.0 CONCLUSION

5.1 In taking account of the development of a new National Model Scheme and the ongoing public health restrictions which continue to affect the holding of face to face public meetings, the council is encouraged to approve the recommendations contained with the report to enable community councils in the area to continue to fulfil their statutory role.

6.0 IMPLICATIONS

6.1 Policy - This is in keeping with the Council's commitment to manage its response to the Covid-19 pandemic in supporting the people and communities of Argyll and Bute and in adhering to national guidance.

6.2 Financial - None

6.3 Legal – It is not possible to amend the current Scheme on a permanent basis without undertaking full public consultation and therefore temporary relaxations are recommended to ensure community councils can continue to fulfil their statutory role.

6.4 HR - None

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics - None

6.5.2 Socio-economic Duty - None

6.5.3 Islands - None

6.6. Risk - None

6.7 Customer Service - None

Douglas Hendry
Executive Director with responsibility for Legal and Regulatory Support Services

15 January 2021
Policy Lead: Councillor Mary-Jean Devon

For further information contact: David Logan, Head of Legal and Regulatory Support, Argyll and Bute Council 01546 604322, email: david.logan@argyllbute.gov.uk

ARGYLL AND BUTE COUNCIL **COUNCIL**

EDUCATION **25 FEBRUARY 2021**

EDUCATION (SCOTLAND) ACT 2016 – APPOINTMENT OF CHIEF EDUCATION OFFICER

1.0 INTRODUCTION

1.1 The purpose of this report is to update the Council on the appointment of a Chief Education Officer for Argyll and Bute Council, following the retirement of Anne Paterson, OBE.

2.0 RECOMMENDATIONS

2.1 The Council is invited to note the appointment of Louise Connor as Chief Education Officer for Argyll and Bute Council.

3.0 DETAIL

3.1 In terms of the Education (Scotland) Act 2016, the Council is required to appoint a Chief Education Officer. This position was last held by Anne Paterson, OBE until her retirement.

3.2 Although the requirement to appoint a Chief Education Officer is enacted and in force, the Scottish Government have not, as yet, produced the necessary subordinate legislation to specify qualifications etc.

3.3 The Council's Chief Executive has appointed Louise Connor, Head of Education – Learning and Teaching to the role of Chief Education Officer.

4.0 CONCLUSION

4.1 As part of its duties, the Council is required to appoint a Chief Education Officer in line with the Council's Constitution and the Education (Scotland) Act 2016 in exercise of the delegation to her of that responsibility contained in Part C, Section 3 (A) (14) of the Council's Constitution.

5.0 IMPLICATIONS

5.1 Policy - This appointment is required under the Council's Constitution and the Education (Scotland) Act 2016.

5.2 Financial – None

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. Risk – None

5.7 Customer Service – None

Douglas Hendry, Executive Director with responsibility for Education

Councillor Yvonne McNeilly, Policy Lead for Education

January 2021

ARGYLL AND BUTE COUNCIL **COUNCIL**

25 FEBRUARY 2021

CHIEF OFFICER RECRUITMENT AND ASSOCIATED MATTERS

1.0 EXECUTIVE SUMMARY

1.1 Following a number of changes within the organisation, the Council is required to fill and appoint to its Chief Officer roles to ensure it has sufficient leadership resource to meet its needs and challenges.

1.2 The posts of HSCP Chief Officer, Head of Financial Services, Head of Education – Lifelong Learning and Support, Head of Children and Families, and Head of Finance and Transformation require to be recruited to on a permanent basis.

1.3 It is recommended that the Council:

- Nominate 3 Elected Members and substitutes (2 from the Administration and 1 from the Opposition) for the Appointments Panel for the Head of Financial Services
- Agree the appointment of the Council's Chief Financial Officer in terms of paragraph 4.4.3
- Note the recruitment for the position of HSCP Chief Officer is moving forward
- Note the Appointment Panel for the position of the Head of Education, Lifelong Learning and Support has been agreed and is moving forward
- Note that the Appointment Panel for the Head of Children and Families, and HSCP Head of Finance and Transformation has been agreed

ARGYLL AND BUTE COUNCIL **COUNCIL**

25 FEBRUARY 2021

CHIEF OFFICER RECRUITMENT AND ASSOCIATED MATTERS

2.0 INTRODUCTION

2.1 This report invites the Council to establish an Appointments Panel for the post of Head of Financial Services, and to note the progress in relation to four other Chief Officer positions.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Council:

- Nominate 3 Elected Members and substitutes (2 from the Administration and 1 from the Opposition) for the Appointments Panel for the Head of Financial Services
- Agree the appointment of the Council's Chief Financial Officer in terms of paragraph 4.4.3
- Note the recruitment for the position of HSCP Chief Officer is moving forward
- Note the Appointment Panel for the position of the Head of Education, Lifelong Learning and Support has been agreed and is moving forward
- Note that the Appointment Panel for the Head of Children and Families, and HSCP Head of Finance and Transformation has been agreed

4.0 DETAIL

4.1 The posts of HSCP Chief Officer, Head of Financial Services, Head of Education – Lifelong Learning and Support, Head of Children and Families, and Head of Finance and Transformation require to be recruited to on a permanent basis.

4.2 **HSCP Chief Officer**

4.2.1 A recruitment panel of 8 Members, including Chair/Vice Chair of HSCP, Council Leader and NHS Board Chair or nominated substitute, and Chief Executives of both Council and NHS Highland as voting members has been agreed.

4.2.2 Interviews for this position will be held on 25th March 2021

4.3 **Head of Education – Lifelong Learning and Support**

4.3.1 A recruitment panel of 3 Members, Chief Executive and Executive Director was agreed by the Council at their meeting on 27th February 2020 – Councillors McNeilly, Morton and Douglas (Councilor Lynch, Robertson and Mulvaney as substitutes).

4.3.2 The Executive Director with responsibility for Education is liaising with the Head of Customer Support Services to obtain availability from Solace, the Council's HR advisers, to conclude the recruitment process for this position.

4.3.3 The post is currently being filled by secondment which ensures leadership and direction going forward within the Education Service, until the post is recruited to on a permanent basis.

4.3.4 The Council's Chief Education Officer will be the adviser to the panel on professional education related matters.

4.4 **Head of Financial Services**

4.4.1 Recruitment panel of 3 Members requires to be agreed. Officer panel Members are the Chief Executive and Chief Financial Officer.

4.4.2 The post is currently being filled on a temporary acting up basis.

4.4.3 The previous Head of Financial Services, Kirsty Flanagan was the Council's Chief Financial Officer (Local Government (Scotland) Act 1973) as amended and has retained this role in her position as Executive Director. It is recommended that this be made permanent and that Mrs Flanagan be confirmed as the Council's Chief Financial Officer on a permanent basis.

4.5 **Head of Children and Families**

4.5.1 Recruitment panel of 5 – 4 IJB Members (2 Council and 2 NHS - Chair and Vice Chair, Council Leader and NHS Board Chair or their nominated substitutes) plus the Chief Officer as a voting member has been agreed by the IJB at its meeting on 25th March 2020.

4.5.2 The Head of Customer Support Services is liaising with the HSCP regarding dates.

4.5.3 This post is currently being filled on an acting up basis.

4.6 **Head of Finance and Transformation (HSCP)**

4.6.1 Recruitment panel of 5: 4 IJB Members (2 Council and 2 NHS - Chair and Vice Chair, Council Leader and NHS Board Chair or their nominated substitutes) plus the Chief Officer as a voting member has been agreed by the IJB at its meeting on 25th March 2020.

4.6.2 The current postholder has tendered their resignation.

4.6.3 The Council's Section 95 Officer will be the adviser to the panel on professional financial matters.

5.0 CONCLUSION

5.1 In order to ensure the Council has sufficient leadership resources to meet its needs and challenges, this report invites the Council to establish an Appointments Panel to appoint to the posts of Head of Financial Services, and to note the progress in relation to the recruitment to four other Chief Officer positions.

6.0 IMPLICATIONS

6.1 Policy - This paper gives effect to the Council's Constitution and Recruitment and Selection Procedure for Chief Officers

6.2 Financial – None – these are budgeted posts within the hierarchy

6.3 Legal - This paper gives effect to the Council's Constitution and Recruitment and Selection Procedure for Chief Officers

6.4 HR – This paper gives effect to the Council's Constitution and Recruitment and Selection Procedure for Chief Officers

6.5 Fairer Scotland Duty –

6.5.1 Equalities – The recruitment policy and procedure ensures that all equalities are met (protected characteristics)

6.5.2 Socio-economic Duty – None

6.5.3 Islands - None

6.6 Risk - Failure to recruit to sufficient Chief Officer posts will result in increased risk to the Council's ability to meet the demands of the Council and support its workforce

6.7 Customer Service: None

Douglas Hendry, Executive Director
douglas.hendry@argyll-bute.gov.uk

Jane Fowler, Head of Customer Support Services
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