County Buildings
Wellington Square
AYR KA7 1DR
Tel. No. 01292 612169

24 February 2022

Dear Councillor

SOUTH AYRSHIRE COUNCIL

You are requested to participate in a remote meeting of South Ayrshire Council to be held in **on Thursday 3 March 2022 at 10.00 a.m.** for the purpose of considering the undernoted business.

The meeting will be held remotely and will be live-streamed and available to view at https://south-ayrshire.public-i.tv/

Yours sincerely

CATRIONA CAVES
Head of Legal, HR and Regulatory Services

B U S I N E S S

1. Provost.

2. Sederunt and Declarations of Interest.

Note: *Members are reminded that Section 112 of the Local Government Finance Act 1992 provides that a member of the Council cannot vote on a range of Council Tax issues, including setting or adjusting the rate of Council Tax, if he or she is three months or more in arrears with payment of Community Charge (Poll Tax) or two months or more in arrears with Council Tax.*

If Section 112 applies to any member he or she is also required to disclose that fact as soon as practicable after the commencement of the meeting.

(A letter dated 24 January 2022 was e-mailed to all members by the Chief Executive on this matter).

3(a)/

3. Minutes of meetings of the Council and Panels.

(a) Minutes of previous meeting.

Submit for approval as correct records and authorise to be signed:-

(i) 9 December 2021; and

(ii) 25 January 2022 (Special)

(copies herewith).

(b) Minutes of Panels.

The minutes (copies previously issued) of the undernoted meetings are for noting:-

(i) Audit and Governance Panel of 3 November and 1 December 2021.

(ii) Chief Officers Appointments/Appraisal Panel of 4 November, 25 November and 16 December 2021.

(iii) Leadership Panel of 23 November 2021, 30 November 2021 (Special) and 18 January 2022.

In accordance with the Scheme of Delegation and Standing Orders for Meetings, the recommendations in the minutes as contained in the 'C' paragraph have been referred to the Council for decision: -

- Minutes of 18 January 2022 – "Treasury Management Mid-Year Report 2021/22"

(copy of minute excerpt herewith).

(iv) Local Review Body of 26 October 2021, and 16 November 2021.

(v) Partnerships Panel of 17 November 2021.

(vi) Regulatory Panel – Licensing of 25 November 2021 and 20 January 2022.

(vii) Regulatory Panel – Planning of 9 November (site visit), 11 November, 3 December (site visit) and 8 December 2021.

(viii) Service and Performance Panel of 16 November 2021 and 11 January 2022.

4. Revenue Estimates 2022/23, Capital Estimates 2022/23 to 2033/34, and Carbon Budget 2022/23 – Submit report by Head of Finance and ICT (copy herewith).

5. Treasury Management and Investment Strategy 2022/23 – Submit report by Head of Finance and ICT (copy herewith).

6. Housing Revenue Account (HRA) - Revenue Budget 2022/23 and Capital Budget 2022/23 to 2026/27 – Submit report by Assistant Director – Place and Head of Finance and ICT (copy herewith).

7. Living Wage – Submit report by Head of Legal, HR and Regulatory Services (copy herewith).

8. Rationalisation of Pay Cycles – Submit report by Head of Legal, HR and Regulatory Services (copy herewith).

9. Notice of Motion

9.1 Proposed by Councillor McGinley and Seconded by Councillor Dettbarn - Young Persons' (Under 22s) Free Bus Travel

'In light of the recent announcement by the Scottish Government to create a free bus access scheme for under 22s, officers from Health and Social Care are requested to investigate ways in which this scheme, or a complimentary initiative, could be established to increase the eligibility age to 30 years for care experienced people in South Ayrshire and to bring back a report to Council after the recess.'

9.2 Proposed by Councillor Chris Cullen and Seconded by Councillor Peter Henderson – Community Food Pantries.

'The impact of Covid has further enhanced food insecurity. Pantries enhance communities and are a preventative approach to food poverty, reducing the risk of household hunger.

Recognising this I ask that Council notes the support provided this year by the Council to the local Food Network in South Ayrshire and asks officers to bring back a report to the Leadership Panel after recess with proposals on the support Council could continue to provide to the local Food Network.'

9.3 Proposed by Councillor Dettbarn and Seconded by Councillor Grant – South Ayrshire Fair Pay Agenda

'UNISON South Ayrshire has welcomed the progress recently made by South Ayrshire Council through the joint work on the consolidation of the Living Wage. They appreciate that this work has made South Ayrshire Council a more attractive employer with an entry level salary of 3 spinal points above the Scottish Living Wage and have praised our foresight and commitment to this issue.

UNISON South Ayrshire, Council Officers and Elected Members are united in their praise and recognition of the outstanding work of our frontline employees during the Covid 19 pandemic. Council wishes to demonstrate our ongoing commitment to the fair pay agenda in South Ayrshire and to continue to reflect our recognition of the dedication and service shown by frontline staff by.

Requesting Officers to work with the Trade Unions to develop proposals aimed at paying the Scottish Social Services Council (SSSC) registration fees where it is recognised that this expense may be a barrier to recruitment and/or retention of Social Services employees; and to request a report to the Leadership Panel on the outcome of this work by June 2022.

10. Formal Questions.

11. Inclusive Economic Growth and Investment Opportunity – Update – Submit report by Director – Place (Item Deferred to Special South Ayrshire Council Meeting of 10 March 2022)

For more information on any of the items on this agenda, please telephone Janice McClure, Committee Services on at 01292 612169, at Wellington Square, Ayr or e-mail: committee.services@south-ayrshire.gov.uk www.south-ayrshire.gov.uk

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SOUTH AYRSHIRE COUNCIL.

Minutes of a remote webcast meeting
on 9 December 2021 at 10.00 a.m.

Present Councillors Helen Moonie (Provost), Laura Brennan-Whitefield, Andy Campbell, Douglas Campbell, Ian Cavana, Alec Clark, Brian Connolly, Chris Cullen, Ian Davis, Julie Dettbarn, Martin Dowey, Ian Fitzsimmons, William Grant, Peter Henderson, Hugh Hunter, Mary Kilpatrick, Lee Lyons, Craig Mackay, Derek McCabe, Brian McGinley, Bob Pollock, Philip Saxton, Arthur Spurling and Margaret Toner.

Apologies: Councillors Siobhian Brown, Iain Campbell, Ian Cochrane and Peter Convery.

Attending: E. Howat, Chief Executive; D. Hutchison, Depute Chief Executive and Director – People; T. Eltringham, Director of Health and Social Care Partnership; C. Caves, Head of Legal, HR and Regulatory Services; T. Baulk, Head of Finance and ICT; L Reid, Assistant Director – Place; J. Bradley, Assistant Director – People; K. Carr, Assistant Director – Place; K. Anderson, Service Lead – Policy, Performance and Community Planning; T. Leijser, Service Lead – Economy and Regeneration; J. McClure, Committee Services Lead Officer; F. Maher, Temporary Committee Services Officer; C. McCallum, Committee Services Assistant; and E. Moore, Committee Services Assistant.

1. Provost.

The Provost

(1) welcomed everyone to the meeting;

(2) intimated that apologies had been received from Councillors Siobhian Brown, Iain Campbell, Ian Cochrane and Peter Convery;

(3) outlined the procedures for conducting this meeting and advised that part of this meeting would be broadcast live; and

(4) advised that, with the agreement of the Council, the electronic voting system would be utilised. The Council so concurred.

2. Sederunt and Declarations of Interest.

The Chief Executive called the Sederunt for the meeting and having called the roll, confirmed that that there were no declarations of interest by Members of the Council in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

3. Minutes of previous meetings of Council and Panels.

(1) Minutes of previous meeting of Council.

The Minutes of South Ayrshire Council of 7 October 2021; and South Ayrshire Council (Special) of 15 November 2021 (issued) were authorised to be signed as a correct record.

(2) Minutes of previous meetings of Panels.

The Minutes of the undernoted Panels were submitted for information:-

(i) Audit and Governance Panel of 29 September 2021.

(ii) Chief Officers Appointments/Appraisal Panel of 17 June 2021.

(iii) Leadership Panel of 15 September (Special), 21 September and 26 October 2021.

(iv) Local Review Body of 7 September and 28 September 2021.

(v) Partnerships Panel of 15 September 2021.

(vi) Regulatory Panel – Licensing of 23 September and 28 October 2021.

(vii) Regulatory Panel – Planning of 9 September and 6 October 2021.

(viii) Service and Performance Panel of 14 September 2021.

(ix) Ayrshire Shared Services Joint Committee of 3 September 2021.

4. Best Value Assurance Report.

There was submitted a **report** (issued) of 3 December 2021 by the Chief Executive advising Members of the findings of the Audit Scotland Best Value Assurance Report; and seeking approval of a draft action plan to address the issues identified in the report.

Councillor Henderson, seconded by Councillor McGinley moved the recommendations in the report.

Questions were raised by Members in relation to

(1) the recommendations on the Action Plan in Appendix 2 to the report and whether all the recommended actions could be met from existing reserves or whether additional funding would be required; and the Chief Executive advised that, as far as possible, all actions would be undertaken within existing resources available within the Council, however, Audit Scotland had requested that capacity within the Council be examined, an action within the Action Plan which she would be undertaking in liaison with Elected Members and thereafter bringing forward proposals for consideration;

(2) the External Auditor previously being based in the Council Offices to be available to engage with Elected Members and whether this could be addressed and an alternative process put in place; and the Chief Executive advised that Audit Scotland based their staff within Council Offices as part of their audit, that arrangements for external firms to undertake audit work on behalf of the Accounts Commission did not allow the same flexibility and it was not possible for private firms to dedicate as much office based time to the work; and

(3) whether processes would be put in place to allow the Council to identify and remedy issues which developed during the course of the next five year term of an administration; and the Chief Executive advised that Officers would be monitoring the actions as outlined in the Action Plan and that the External Auditors would be undertaking follow-up work which would be reported to the Audit and Governance Panel; and that any issues not addressed would be picked up by them as part of their wider scope work.

Comments were made by Members in relation to:

(a) there being issues within the audit process that required to be addressed in relation to "culture" as the Accounts Commission should ensure that staff undertaking the audit were appropriately qualified in terms of sociology and anthropology and not to solely focus on the financial element of the audit; and that should they prioritise work with communities, the staff should have a background in community development which would enable them to find solutions to issues identified; and

(b) being pleased that steps had already been taken to address issued raised.

The Council

Decided:

(i) to note the contents of the Audit Scotland Best Value Assurance Report published on 27October 2021 (Appendix 1);

(ii) to accept the recommendations of Audit Scotland and the findings of the Accounts Commission;

(iii) to approve the draft action plan attached as Appendix 2;

(iv) to request that quarterly updates on progress against the action plan be presented to the Audit and Governance Panel; and

(v) to request that a summary of the Council's decisions in respect of the Best Value Assurance Report be sent to the Accounts Commission for approval and subsequent publication.

5. Appointments to Panel and Representation on Outside Bodies.

There was submitted a **report** (issued) of 2 December 2021 by the Head of Legal, HR and Regulatory Services seeking approval to make alterations to the lists of Panels and Outside Bodies.

Councillor Henderson, seconded by Councillor McGinley moved the recommendations within the report with the addition of a further recommendation, namely "to note the resignation of Councillor Hugh Hunter as a member of the Conservative Group; and that the Conservative Group would advise on the representation on the Panels and Working Groups".

Comments were made by Members in relation to Councillor Hugh Hunter:- commending his work with the Council; outlining that his knowledge and experience on Panels would be missed; commenting that he was a diligent member of the Council who carried out his work in a professional manner; commending his excellent contribution on the Integration Joint Board; praising his work with young carers; and wishing him well for the future.

Councillor Hunter advised that he would continue as an independent Councillor, thanked all Members for their kind words, outlined that him resigning from the Conservative Group cast no aspersions on the members of this Group; and that he looked forward to serving the Council and the people of Prestwick for the rest of his term.

The Council, having thanked Councillor Hunter for his long and distinguished service,

Decided:

(1) to note the resignation of Councillor Hugh Hunter as a member of the Conservative Group; and that the Conservative Group would advise on the representation on the Panels and Working Groups (subsequently advised and outlined at (4) to (9) below);

(2) to appoint Councillor Arthur Spurling to replace Councillor Hugh Hunter as Chair of the Partnerships Panel;

(3) to appoint Councillor Ian Davis to replace Councillor Arthur Spurling as Vice-Chair of the Partnerships Panel;

(4) to appoint Councillor Martin Dowey to replace Councillor Hugh Hunter on the Partnerships Panel;

(5) to appoint Councillor Derek McCabe to replace Councillor Hugh Hunter on the Audit and Governance Panel;

(6) to appoint Councillor Martin Dowey to replace Councillor Hugh Hunter on the Service and Performance Panel;

(7) to appoint Councillor Ian Davis to replace Councillor Hugh Hunter on the South Ayrshire Integration Joint Board; and subsequently Councillor Lee Lyons be appointed as proxy on this Board;

(8) to appoint Councillor Derek McCabe to replace Councillor Hugh Hunter on the External Risk Member/Officer Working Group;

(9) to appoint Councillor Iain Campbell to replace Councillor Hugh Hunter on the Equality and Diversity Forum;

(10) to remove the Hub South West Scotland Limited from the list of Outside Bodies;

(11) to approve the appointment of Jane Bradley, Assistant Director – People, as officer representative on the David Elder Edward’s Trust;

(12) to request officers to make appropriate changes to Elected Member remuneration; and

(13) to consider any other amendments which might be required to membership of Panels and representation on Outside Bodies.

6. **Scheme of Delegation.**

There was submitted a **report** (issued) of 3 December 2021 by the Head of Legal, HR and Regulatory Services seeking approval to amend the Scheme of Delegation following review.

Councillor Henderson, seconded by Councillor McGinley moved the recommendations within the report.

The Council,

Decided: to approve the revised Scheme of Delegation (attached as **Appendix 1**) with effect from 17 January 2022.

7. **Financial Regulations Review.**

There was submitted a **report** (issued) of 2 December 2021 by the Head of Finance and ICT seeking endorsement of the current Financial Regulations following review.

Councillor Henderson, seconded by Councillor McGinley moved the recommendations within the report.

The Council, having thanked the Head of Finance and ICT for his diligent work in reviewing these Financial Regulations,

Decided: to endorse the **Financial Regulations**.

Point of Order.

Councillor Saxton raised a Point of Order to ascertain that all Members had sight of the following report on Golf Strategy 2022-32 as he had viewed this paper as a Member of the Golf Strategy Member/Officer Working Group, however, he had been unable to open this report within the papers for this meeting; and the Head of Legal, HR and Regulatory Services confirmed that this report had been issued to all Members by the normal means within the appropriate timescale.

Provost then reminded all Members that, when raising a Point of Order, they should refer to the appropriate Standing Order number to which it related.

8. **Golf Strategy 2022-32.**

There was submitted a **report** (issued) of 3 December 2021 by the Assistant Director – People seeking approval to progress with the detailed Golf Strategy and future operating model for golf.

Councillor Cullen, seconded by Councillor Saxton moved the recommendations within the report.

A question was raised by a Member in relation to whether the plan for two 9-hole loops at Girvan Golf Course was to replace the 18 hole course and seeking assurances that all works carried out would be in consultation with Members; and the Assistant Director – People advised that the opportunities identified in the report were areas to explore, that there was no intention to reduce the 18 hole course to a 9 hole course only; and that all works would be done in consultation with Ward Members.

Comments were made by Members in relation to:-

(1) the excellent work by the Members of the Member/Officer Working Group in a short period of time; the significant financial commitment being made by this Council to support golf at a time of high demand for funding and limited budgets; the Council making this commitment being over and above its ordinary commitment to golf to expand it, make it sustainable and to continue golf in a way that was inclusive and gave a quality experience to golfers; and that the Council would ensure each golf course reflected the needs of the community;

(2) the staff working conditions being a priority which it was pleasing to note would be upgraded;

(3) it being pleasing to note the return of footgolf to Dalmilling golf course;

(4) it being pleasing to note the investment in courses which would be of major economic benefit to towns and their tourism;

(5) golf in South Ayrshire being at a crossroads with the Council requiring to invest in its courses to ensure the condition and quality of these courses did not deteriorate;

(6) that the Council should view golf courses as a financial investment as these courses could contribute to the income of South Ayrshire by bringing in tourists; and that this Authority managed eight golf courses which were open to the public, often playing at discounted prices, which also encouraged children to play golf;

(7) that the investment in flooding works would enhance courses, increase the number of players and in turn increase revenue for the Council; that investment could lead to an increase in fees and season tickets for golfers; that it was cost effective to invest in containers for machinery at golf courses; and that investment in staff facilities was a priority; and

(8) that the promotion of golf would increase tourism, promote health and wellbeing and would put South Ayrshire back on the map as an excellent centre for golf.

The Council, having thanked the Assistant Director – People, her staff and the Members of the Member/Officer Working Group, for the work undertaken in relation to this issue,

Decided:

(a) to approve the Strategy which was developed by the Golf Member/ Officer Working Group (Annex 1);

(b) to agree that officers would report back in one year on the first year's implementation;

(c) to note that a health and safety report in relation to the staff welfare facilities and machinery storage had been produced with a significant number of recommendations;

(d) to note the significant damage which occurred to the machinery storage situated at Lochgreen Golf Course;

(e) to approve an initial allocation of £0.500m from uncommitted reserves to address initial priority and health and safety issues; and

(f) to approve further funding of £0.500m from the existing capital programme, sourced from any capital programmes which might not go ahead or were delayed, and that further consideration would be given through the capital programme as part of the budget setting process for 2022-2023 to meet any additional costs.

9. **South Ayrshire Council's Annual Performance Report 2020/21.**

There was submitted a **report** (issued) of 2 December 2021 by the Assistant Director – People providing Members with 'South Ayrshire Council's - Annual Performance Report 2020/21'.

Councillor Henderson, seconded by Councillor McGinley moved the recommendations within the report.

Questions were raised by Members in relation to:

(1) 20% of children living in relative poverty and 19% of children living in absolute poverty in South Ayrshire and whether this was benchmarked with other authorities; and the Depute Chief Executive and Director – People advised that the principal driver of child poverty was welfare policy which was determined and outwith the Council's control; that the Audit Scotland report had highlighted the fact that child poverty was increasing across Scotland, however, this was increasing at a slower rate in South Ayrshire, therefore, the steps being taken to mitigate the effects of child poverty in this authority had been successful; and that this Council was doing everything possible to address the effects of deprivation and that this was one of the Council's six strategic priorities;

(2) the Council's responsibility to ensure that young people were not disadvantaged due to poverty; and the Depute Chief Executive and Director – People advised that the pupil equity fund in schools was used very flexibly to mitigate the effects of deprivation but the principal driver of poverty was outwith the control of the Council;

(3) what the Economic Development Team were doing to combat child poverty; and the Head of Legal, HR and Regulatory Services advised that a response would be provided to Members in writing on this matter;

(4) whether the Thriving Communities Team were working with the various groups to alleviate child poverty; and the Depute Chief Executive and Director - People advised that the Thriving Communities Team, which included employability and skills, were working alongside Community Learning and Development and various other groups; and

(5) how the Council was performing in relation to child poverty in comparison to the start of this administration in 2017; and the Depute Chief Executive and Director – People advised that he would obtain these figures and issue them to Members.

Comments were made by Members in relation to:-

(a) offering congratulations to:- Property Maintenance for recently winning the "Best Performer – Building Maintenance" award at the APSE awards; Ayr Grammar Primary School for winning a commendation at the Scottish Design Awards in the Education Building or Project Category; and VASA for winning the Investors in Volunteers Award;

(b) the report reflecting the performance of the Council in meeting its plan;

(c) the report outlining the services provided by Council staff who should be commended on the excellent work carried out; and that, in national benchmarking, this Council was one of the highest for customer satisfaction of residents;

(d) the accolades the Council had achieved in recent years due to the efforts of staff and managers; the commitment of staff during the pandemic at a very difficult time being appreciated; and commending officers for helping to facilitate the transformation while meeting the demands of local communities;

(e) the poverty related attainment gap and the fact that austerity had hit those people with the least earnings, the most and it was particularly affecting young people, however, there were some matters the Council had no control over and it was important that this was recognised and that the Council continued to fight against austerity; and

(f) the effects of the increase in fuel prices, reduction in Universal Credit, Brexit and shortages of supplies which were all outwith the Council's control, however, the Council would attempt to mitigate against any further deprivation.

The Council, having considered this report and having thanked all officers concerned for their excellent work on the report,

Decided: to approve the content of the 'Annual Performance Report 2020/21, attached as **Appendix 1**.

10. Formal Question.

The Council noted that no formal questions had been submitted.

11. Exclusion of Press and Public.

The Council resolved, in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, that the press and public be excluded from the remaining item of business on the agenda, on the grounds that it involved the likely disclosure of exempt information in terms of paragraph 9 of Part 1 of Schedule 7A of the Act.

12. Inclusive Economic Growth and Investment Opportunity – Update.

There was submitted a report (issued – members only) of 3 December 2021 by the Director – Place providing an update to Members on the inclusive economic growth and investment opportunity; and seeking additional funding to continue development of the project.

Councillor Cullen, seconded by Councillor McGinley moved the recommendations within the report.

Questions were raised and responded to by the Service Lead – Economy and Regeneration.

The Council, having thanked the Service Lead – Economy and Regeneration for his excellent work in tight timescales,

Decided:

(1) to note the positive progress in securing Prestwick as the investment location for the establishment of Company A;

(2) to approve the additional funding as detailed in the confidential Addendum to this report to continue to progress the four work packages; and

(3) to note that further reports would be presented to Members as the work packages progressed.

13. Consideration of Disclosure of the above Confidential Report.

The Council,

Decided: not to authorise the disclosure under Standing Order 32.4 of the following report:-

- Inclusive Economic Growth and Investment Opportunity – Update

14. Closing Remarks.

The Provost thanked all in attendance for their contribution and wished everyone a Happy Christmas.

The meeting ended at 12.25 p.m.

SOUTH AYRSHIRE COUNCIL (SPECIAL).

Minutes of a remote webcast meeting
on 25 January 2022 at 11.00 a.m.

Present Councillors Helen Moonie (Provost), Laura Brennan-Whitefield, Andy Campbell, Douglas Campbell, Ian Cavana, Alec Clark, Ian Cochrane, Brian Connolly, Chris Cullen, Ian Davis, Julie Dettbarn, Martin Dowey, Ian Fitzsimmons, William Grant, Peter Henderson, Hugh Hunter, Mary Kilpatrick, Lee Lyons, Craig Mackay, Derek McCabe, Brian McGinley, Bob Pollock, Philip Saxton, and Arthur Spurling.

Apologies: Councillors Iain Campbell, and Margaret Toner.

Attending: E. Howat, Chief Executive; D. Gillies, Director – Place; C. Caves, Head of Legal, HR and Regulatory Services; T. Baulk, Head of Finance and ICT, K. Carr, Assistant Director – Place; L Reid, Assistant Director – Place; W. Carlaw, Service Lead – Democratic Governance; T. Leijser, Service Lead – Economy and Regeneration; and A. Nelson, Co-ordinator, Democratic Services.

1. Provost.

The Provost

(1) welcomed everyone to the meeting;

(2) intimated that apologies had been received from Councillors I Campbell, Convery and Toner; and

(3) outlined the procedures for conducting this meeting and advised that part of this meeting would be broadcast live.

2. Sederunt and Declarations of Interest.

The Chief Executive called the Sederunt for the meeting and, having called the roll, confirmed that that there were no declarations of interest by Members of the Council in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

Adjournment of Meeting

The meeting was adjourned and the recording paused for ten minutes due to connectivity issues. The meeting resumed at 11.16 a.m.

3. Authority to Use the Council's Coat of Arms.

There was submitted a report (issued) of 21 January 2022 by the Head of Legal, HR and Regulatory Services seeking approval for the Council's Coat of Arms to be reproduced in a foreword to a book of Robert Burns' poems translated into Hindi.

Councillor Henderson, seconded by Councillor McGinley, moved the recommendations as outlined in the report.

A Member requested that the word 'requests' be replaced with the word 'required' in paragraph 2.1.2 of the report to which the mover and seconder agreed.

Decided:

(a) to approve the authorisation of the reproduction of the Council's Coat of Arms in a foreword to a book of Robert Burns' poems translated into Hindi; and

(b) upon authority being granted, required that the publication must state that the Coat of Arms is the property of South Ayrshire Council and is reproduced by permission.

4. Formal Question.

The Council noted that no formal questions had been submitted.

Councillor Lyons left the meeting.

5. Exclusion of Press and Public.

The Council resolved, in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, that the press and public be excluded from the remaining item of business on the agenda, on the grounds that it involved the likely disclosure of exempt information in terms of paragraph 9 of Part 1 of Schedule 7A of the Act.

6. Inward Investment.

There was submitted a report (issued – members only) of 21 January 2022 by the Director – Place updating Members on the inclusive investment opportunity for South Ayrshire; and seeking approval for a change request.

After lengthy discussion various questions were raised by Members and responded to by the Service Lead – Economy and Regeneration, the Council

In accordance with Standing Order 23 the motion was put to a vote and the motion was agreed by a majority vote with one abstention.

Decided:

(1) to note that the original building was no longer available for establishing an Assembly, Integration and Test (AIT) facility;

(2) to note Company X's preference to establish an alternative new build site for the AIT facility with amended timescales for completion; and

(3) to give authorisation under delegated powers for the Director – Place to proceed with negotiations with Scottish Enterprise for the acquisition of a suitable site and discussions with Company X to invest in a new build facility with further updates to Council.

7. Consideration of Disclosure of the above Confidential Report.

Due to connectivity issues Councillor Davis and Councillor Saxton did not take part in discussions relating to this Item and were therefore not eligible to vote.

The Council

Decided: not to authorise the disclosure under Standing Order 32.4 of the following report:-

- Inward Investment.

8. Closing Remarks.

The Provost thanked all in attendance for their contribution.

The meeting ended at 12.26 p.m.

LEADERSHIP PANEL

18 JANUARY 2022

EXCERPT OF MINUTES

Treasury Management Mid-Year Report 2021/22

There was submitted a report (issued) of 10 January 2022 by the Head of Finance and ICT providing a mid-year treasury management update for the financial year 2021/22.

Councillor McGinley, seconded by Councillor Henderson moved the recommendations in the report.

The Leadership Panel

Decided: to approve the contents of the report.

Agenda Item No. 4

South Ayrshire Council

Report by Head of Finance and ICT to South Ayrshire Council of 3 March 2022

Subject: Revenue Estimates 2022/23, Capital Estimates 2022/23 to 2033/34 and Carbon Budget 2022/23

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1. Purpose

1.1 The purpose of this report is to advise Members of the issues to be considered in setting revenue budgets for 2022/23, setting capital budgets for 2022/23 to 2033/34 and setting a Carbon Budget for 2022/23.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 notes the funding proposal as outlined by the Cabinet Secretary for Finance's letter of 9 December 2021 (attached as Appendix 1);

2.1.2 notes that the funding levels included within Finance Circular 9/2021 remain provisional until the Finance Order is approved in March/ April 2022;

2.1.3 presents and approves budget proposals for revenue and capital for 2022/23 taking account of the conditions of the settlement that need to be met and incorporating:

(i) planned net revenue expenditure on services for 2022/23;

(ii) the level of reserves and fund balances held and contributions to/ from these;

(iii) the appropriate Band D Council tax levy for 2022/23 and associated level of bad debt provision for non-collection of Council tax;

(iv) the proposed capital programme for 2022/23 and beyond and associated debt charge implications; and

(v) consideration of the financial projections for 2023/24;

2.1.4 note the required remuneration for Basic Councillors and the Leader of the Council, as determined by The Local Governance (Scotland) Act 2004 (Remuneration), Amendment Regulations 2022, and include appropriate budget provision for all elected member remuneration for 2022/23;

2.1.5 presents and approves proposals for Common Good budgets for 2022/23; and

2.1.6 presents a Carbon Budget for the period 2022/23 in support of the Councils policies on Climate Change.

3. Background

3.1 All Scottish Councils are required to set their Council tax levels for 2022/23 by 11 March 2022.

3.2 The grant settlement for 2022/23 was announced by the Scottish Government on 9 December 2021, with individual Council revenue and capital allocations provided in Finance Circular 9/2021. At a national level, the December 2021 settlement represented a cash increase of £791.4m but after removal of £891m of new commitments and other pressures, this represented a reduction of £100m in core revenue funding for Councils.

3.3 In terms of capital allocations at a national level, the December 2021 settlement represented a cash increase of £62.6m but after removal of £62.6m of new commitments results in a flat cash position for capital grant funding for Councils, when comparing to the previous year.

3.4 The settlement package as outlined by the Cabinet Secretary for Finance's letter of 9 December 2021 (attached as Appendix 1) sets out various additional ringfenced funding allocations but also:

3.4.1 requires that Councils maintain the overall pupil/teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;

3.4.2 confirms that Councils will have full flexibility to set the Council Tax rate that is appropriate for their local authority area.

3.4.3 encourages Councils to consider whether current levels of General Fund Reserve balances are an efficient use of public funds at this time;

3.4.4 commits the Scottish Government to reviewing all ring-fenced funding as part of the forthcoming Resource Spending Review; and

3.4.5 ensure the significant additional funding allocated to Integration Authorities within the 2022/23 Local Government settlement should be additional and not substitutional to each Council's 2021/22 recurring budgets for adult social care services that are delegated, therefore requiring the Council to passport the additional funding received for this purpose directly to the IJB.

3.5 In January 2022, as part of the Stage One Budget Bill debate, the Finance Secretary Kate Forbes announced that an amendment would be brought forward during Stage Two of the Budget Bill to allocate an additional £120 million of non-recurring funding to local authorities. Stage Two of the Budget Bill was subsequently approved on 10 February 2022. South Ayrshire's share of this non-recuring funding is £2.550m.

3.6 During the Stage Three debate in the Scottish Parliament, Finance Secretary Kate Forbes also announced a further £290 million in financial support to help address the rising cost of living. £280m to provide £150 to every household in receipt of Council Tax Reduction in any Band and to provide £150 to all other occupied households in Bands A to D, and £10m in 2022-23 to continue the Fuel Insecurity Fund to help households from rationing their energy use. The individual Council allocation of this new funding has yet to be confirmed.

3.7 South Ayrshire Council's estimated Aggregate External Finance (AEF) funding for 2022/23 including £2.550m of non-recurring funding but excluding the Council's, yet to be confirmed, share of the further £290 million in financial support to help address the rising cost of living, is as follows:

General Revenue Grant £m	***Share of £120m non-recurring funding £m***	***Specific Grant £m***	***Total AEF Revenue £m***	***Capital £m***
221.922	2.550	13.887	238.359	9.048

3.8 In October 2020, the Council considered an update on its Climate Change Policy and approved the recommendation that the Council formally aligns with national targets by adopting a 75% reduction in emissions by 2030 (based on our 2014/15 baseline) and a target of net zero greenhouse gas emissions by 2045 and in addition support the delivering of these targets by agreeing to set a carbon budget each year.

3.9 ***Members Allowances***

3.9.1 Following the 'Review of Remuneration Arrangements for Local Authority Councillors' by the Scottish Local Authorities' Remuneration Committee, The Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 determined the remuneration levels payable to Councillors. Various amendments have been made since that time in accordance with sections 11 and 16(2) of the Local Government Act (Scotland) Act 2004 and Guidance was issued by Scottish Government in April 2010.

3.9.2 The Scottish Government has again amended these regulations by virtue of The Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2022. The changes come into effect from 1 April 2022 and reflect the previous Scottish Government decision to increase Councillors' pay each year in line with the percentage increase in the median annual earnings of public sector workers in Scotland, as confirmed by the Office of National Statistics in the Annual Survey of Hours and Earnings.

4. Proposals

4.1 It is proposed that Members give consideration to the information contained in this report and present and approve budget proposals for revenue and capital for 2022/23 taking into account the background information as set out in para 3 above and the considerations contained in this para 4.

4.2 ***Revenue Budget 2022/23***

4.2.1 General Revenue Grant (GRG) funding for 2022/23 of £221.924m;

4.2.2 Additional non-recurring GRG funding for 2022/23 only of £2.550m;

4.2.3 Specific grant of £13.887m incorporating funding for improving educational attainment, Gaelic initiatives, Early Learning and Childcare expansion and Criminal Justice Social Work, is due to be received in 2022/23;

4.2.4 In presenting revised budget proposals for revenue and capital, Members should reflect that the base net revenue expenditure of £269.442m for 2022/23 requires to be further adjusted to recognise the following:

- that £77.263m of the base net expenditure figure relates to the Health and Social Care Partnership delegated budget under the control of the Integrated Joint Board;
- any spending implications linked to changes in Scottish Government specific grants;
- any requests from Directorates to fund additional service pressures, including pay awards, identified for 2022/23;
- any previously agreed savings or efficiency proposals that require to be implemented in 2022/23;
- any new borrowing and interest and expenses thereon linked to proposed revisions to the capital programme;
- any changes proposed in the level of contributions to or from funds; and
- the proposed use of any projected balances at 31 March 2022 (see para 4.3.1 below).

4.3 ***Other Budget Issues***

4.3.1 **Projected Revenue and Fund Balances** - the projected uncommitted accumulated revenue and fund balances as at 31 March 2022 is estimated to be £11.779m, based on the information contained in revenue monitoring reports for the period to 31 December 2021.

4.3.2 **Council Tax Bad Debt Provision** - the Council requires to take a view on the level of non-collection of Council tax in the coming financial year. The level of provision currently being targeted in 2022/23 is 3.25 per cent.

4.3.3 **Covid-19 fund balances**– As a consequence of receiving Scottish Government Covid-19, non-recurring funding allocations, in 2020/21 and 2021/22 the Council provided additional resources in both years to service directorates to mitigate the loss of income/additional expenditure encountered as a direct result of the pandemic. Further funds were also provided to service directorates in June 2021 to initiate a variety of recovery activities. A total of £3.388m of Covid-19 reserve funds are expected to remain uncommitted as at 31 March 2022. The Council needs to consider the potential cost on Council Services as the impact of the Pandemic continues into the next financial year.

4.4 ***General Services Capital Programme Considerations***

4.4.1 South Ayrshire's total Capital Grant allocation for 2022/23 is £9.048m, split between £8.557m General Capital Grant, £0.491m Specific Capital Grant for Cycling, Walking and Safer Streets.

4.4.2 The approved capital programme requires to be adjusted to recognise the following:

- re-profiling of previously approved projects based on revised project timelines;
- requests to increase/reduce spend on previously approved projects;
- requests to fund new projects identified through the approved Capital Asset planning process for the period of the programme;
- anticipated levels of capital receipts in the same period; and
- the associated revenue costs of any borrowing.

4.5 ***Members allowances***

4.5.1 The Amendment Regulation 2022 provides specific rates to be paid for basic Councillors, the Council Leader, the maximum amount that can be paid to the Civic Head and the amount to be paid to the Chair and/ or Vice Chair of the Ayrshire Valuation Joint Board.

4.5.2 Members require to include budget provision to pay the specified remuneration for Basic Councillors and the Leader of the Council and revised levels of remuneration for the Civic Head and Senior Councillors.

4.6 ***Common Good Budget Considerations***

4.6.1 Revenue and capital budgets for the Ayr, Prestwick, Troon, Maybole and Girvan Common Good funds require to be set for 2022/23.

4.6.2 Girvan Common Good Fund continues to have insufficient resources to meet ongoing expenditure. The Council previously agreed to fund this expenditure.

4.7 ***Budgets 2023/24 Onwards***

4.7.1 As financial settlement figures have only been provided for 2022/23, it is difficult to project the budget gaps for future years. The Long Term Financial Outlook and Medium Term Financial Plan approved by Leadership Panel in October 2021 provided a number of possible scenarios depending on future settlement therefore it would be prudent for Elected Members to continue the process of taking budget decisions having regard to indicative figures for future years. It is therefore essential that early discussion and engagement takes place with the new Council Administration following the local government election in May 2022.

4.8 ***Carbon Budget 2022-23***

4.8.1 The Council has agreed to implement a carbon budget from 2021/22 onwards in order to support the delivery of its approved climate change targets. A carbon budget should incorporate the following:

- a recognition of what generates a service area's emissions and why;
- a cross-organisation, service focused investigation of how we can change these emissions; and
- an approach that will support service leads to identify and vocalise their future carbon needs.

5. Legal and Procurement Implications

5.1 The Council is required to set the 2022/23 Council tax level by 11 March 2022.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 As outlined above.

7. Human Resources Implications

7.1 None directly from this report although the budget proposals brought forward by Members may include staffing changes.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations within the covering report; however, in developing budget proposals, Members should consider the recent increasing risk around pay inflation, energy cost increases and inflation rates in general.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 If the terms and conditions of the settlement, as outlined in the Cabinet Secretary for Finance's letter of 9 December 2021, are not adhered to, then there is a risk that a less favourable offer will be made.

9. Equalities

9.1 The specific proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2. Any savings proposals brought forward as part of

Members' budget considerations would require a separate Equalities Impact Assessment.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** **-** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. Results of Consultation

13.1 Budget information has been provided through social media communication routes between December 2021 and February 2022. This will be followed by a medium to long term public consultation process to make sure that local communities can get involved in how we target our resources going forward.

13.2 Consultation has taken place with Councillor Peter Henderson, Portfolio Holder for Corporate, and Councillor Brian McGinley, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

13.3 Discussions on the financial situation have taken place with the trade unions, and further discussions will take place through the JCC process following approval of the 2022/23 revenue budget.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Head of Finance and ICT will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the 'Council and Leadership Panel Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	***Due date***	***Managed by***
Budget papers published on The Core	3 March 2022	Head of Finance and ICT
Approved budgets will be incorporated in 2022/23 financial planning and management process	1 April 2022	Head of Finance and ICT

Background Papers	**Report to Leadership Panel of 26 October 2021 – Long-Term Financial Outlook and Medium-Term Financial Plan** **Report to Leadership Panel of 15 February 2022 – Budget Management – Revenue Budgetary Control 2021/22 – Position Statement at 31 December 2021** **Scottish Government Finance Circular 9/2021** **The Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2022**
Person to Contact	**Tim Baulk, Head of Finance and ICT** **County Buildings, Wellington Square, Ayr, KA7 1DR** **Phone 01292 612620** **E-mail tim.baulk@south-ayrshire.gov.uk**

Date: 23 February 2022

Rùnaire a' Chaibineit airson Ionmhas
Ceit Fhoirbheis BPA
Cabinet Secretary for Finance
Kate Forbes MSP

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Councillor Alison Evison
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

Copy to: The Leaders of all Scottish local authorities

09 December 2021

Dear Councillor Evison,

Today I formally set out the Scottish Government's proposed Budget for 2022-23 to the Scottish Parliament. Alongside the Budget I also published the Scottish Public Sector Pay Policy, the Medium Term Financial Strategy and the Resource Spending Review Framework. Further to the budget statement I write now to confirm the details of the local government finance settlement for 2022-23.

The intention is that the indicative allocations to individual local authorities for 2022-23 will be published in a Local Government Finance Circular on Monday 20 December. These can only be calculated following the publication next week of education statistics that are key to the distribution formula. That circular will begin the statutory consultation period on the settlement.

This Budget comes at a crucial juncture for Scotland. Over the past year, thanks to the hard work and sacrifices of everyone across Scotland, including the critical role Local Authorities have played in continuing to support our communities and administer financial support to our businesses, we have started to look beyond the immediate impact of the pandemic.

As the emergence of new variants demonstrates, we must remain vigilant and ensure the necessary resources are available for the continued protection of people and public services, but we must also look to the future. This Budget seeks to balance immediate pressures with long term imperatives – shifting the dial on inequalities, carbon emissions and economic prosperity. It also delivers on the Programme for Government and our Shared Policy Programme with the Scottish Green Party.

The total revenue funding to be provided through the settlement for 2022-23 will increase to £11,794.8 million, which includes distributable non-domestic rates income of £2,766 million.

The capital settlement has been set at £679.5 million. In parallel I am mindful of the challenges in delivering capital investment in the current economic climate so I will also explore the potential to offer flexibility to councils on carry forward of unspent capital from 2021-22 in light of the operation of the Fiscal Framework. This is subject to consideration about the impact on the Scottish Government reserve and I would hope to be in a position to provide confirmation in the early part of 2022 following the UK Government's Supplementary Estimates.

The total funding which the Scottish Government will provide to local government in 2021-22 through the settlement is therefore £12,474.3 million, an increase of £853.9 million and includes;

- £145 million for additional teachers and support staff in addition to the £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- funding to maintain 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant;
- £68.2 million for Child Bridging Payments;
- maintaining the £292.6 million provided in 2021-22 and providing a further £353.9 million transfer from Health for investment in health and social care and mental health services – including £174.5 million to support ongoing adult social care pay, £20.4 million to continue implementing improved rights and support for carers, £15 million to uplift free personal nursing care rates, £124 million of recurring care at home investment, and £20 million for interim care;
- In addition, a further £200 million will be transferred to support pay and sustainability of social care services bringing (with further detail set out below);
- £5.3 million for Assessors for Barclay implementation costs;
- an extra £62.5 million of Capital including:
    - £30 million for Free School Meals;
    - £20 million for the Local Bridge Maintenance Fund;
    - £11 million for Flood Prevention; and
    - £1.6 million for Coastal Protection

In terms of the broader Local Government Finance package, I have listened to the Live Well Locally campaign and intend to offer a number of flexibilities in direct response to that campaign.

I can confirm that councils will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. In setting Council Tax rates, we expect councils to take full account of the local needs and impacts on household budgets of the decisions they make.

I acknowledge the argument in Live Well Locally that reserves are one off in nature and do not represent a substitute for recurring funding. However, I would also highlight that across Scotland some councils have accrued additional reserves during the pandemic,. Since we are likely to continue to face economic and fiscal challenges during 2022-23, I would encourage all councils to consider whether current levels of General Fund Reserve balances are an efficient use of public funds at this time.

In addition to flexibility on Council Tax rate setting, I recognise that local government have repeatedly called for removal of ring-fencing in the settlement and a greater focus on trust and partnership working. On that basis I commit to reviewing all ring-fenced funding as part of the forthcoming Resource Spending Review and would welcome your constructive engagement in that process so that removal of ring-fencing goes hand in hand with agreement about shared priorities and outcomes whilst ensuring maximum value for money.

More immediately, as recognised in correspondence from Councillors Parry and MacGregor on 06 December 2021, Scottish Government and COSLA officials are currently working together to develop a combined employability grant offer letter for 2022-23 which removes ring-fencing for the various employability programmes and instead focusses on the characteristics and needs of service users with the view of continuing to work together to develop options for a refreshed and collective approach to employability funding for 2023-24 onwards.

I and my ministerial colleagues fully recognise and value the work of Local Employability Partnerships and the important role that they play in shaping the crucial services that individuals need across their journey towards and into employment and that Scottish Government officials will continue to work in partnership with Local Authority employability leads and COSLA to achieve our shared ambitions.

Alongside reducing ring-fenced funding, the Scottish Government remains committed to working with COSLA to develop a rules based fiscal framework to support future funding settlements for local government. The development of a fiscal framework will have direct relevance to the Scottish Government's Resource Spending Review and I am keen to see some substantive work being taken forward during the first part of 2022.

It will be important for local government to bring forward proposals that can then be explored in partnership. The development of a fiscal framework is also an important part of the ongoing work on the Local Governance Review, which considers how powers, responsibilities and resources are shared across national and local spheres of government, and with communities.

The correspondence of 06 December 2021 referenced above also included a request from Leaders to provide flexibility to enable all 2021-22 employability funding to Local Government to be spent across 2021-22 and 2022-23. This request has unfortunately come too late to be factored into the Budget position I outlined today but I will prioritise the request in the coming days to try and agree a position which ensures that services to those requiring support is provided as swiftly as possible whilst reducing the administrative burden on those delivering the services.

I am also content to agree your request of 08 October 2021 for an extension of the flexibilities to allow capital receipts to be used to fund the financial impact of COVID and to fund transformational projects in 2022-23. I had previously stated that the COVID capital receipts flexibility was limited to two financial years, in the light of ongoing COVID impacts I will agree this extension for one further financial year. The extension of these flexibilities is dependent on confirmation from the UK Government that this will not result in an adjustment to Scotland's block grant. I am currently seeking that confirmation.

Similarly, I also agree to extend the period for the loans fund principal repayment holiday for one further year. I will deliver this through an administrative arrangement rather than a further statutory instrument. Any council looking to use this flexibility in 2022-23 should take the loans fund holiday in 2021-22 and carry that saving to their General Fund reserve. To keep with the original intent of this flexibility the increase in General Fund reserves from taking this holiday are to be earmarked as being to fund the financial impact of COVID, and that earmarked reserve must be used in the course of 2022-23.

In terms of your request for a change in policy on capital accounting for service concessions, I remain committed to continuing to work with Directors of Finance and CIPFA/LASAAC on the capital accounting review.

Finally, in acknowledgment of the calls for greater fiscal empowerment across local government, the Transport (Scotland) Act 2019 introduced a discretionary power for local authorities to implement workplace parking licensing (WPL) schemes. I can confirm that regulations to implement those powers will be laid early next year to enable this to progress.

Prior to the COVID-19 pandemic, the Scottish Government was developing legislation to introduce the power for local authorities to create a visitor levy, or tourism tax but this was paused due to the pandemic. Given the overall impact of the pandemic on the tourism sector in Scotland it would be prudent to carefully review that work and undertake further stakeholder engagement before making a firm decision on the next steps, however I am committed to taking this forward in 2022.

Building on previous years' settlements, Local Authorities will again be expected to deliver further certain specific commitments and outcomes.

This year, we will again work with local government to help ensure Integration Authorities use total resources to focus on delivery of key areas for improvement, including: reducing delayed discharges; improving availability of, and access to, community-based health and social care services; and ensuring more people are supported to stay at home.

We will also wish to ensure that the social care workforce is supported and sustained during and following the challenges of the Covid pandemic. To support retention, and begin to embed improved pay and conditions for care workers, the additional £200 million funding transfer requires local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2021-22 recurring budgets for adult social care services that are delegated. We will provide support and challenge by working with local government to agree a shared national and local approach to accountability for delivery, building upon existing shared mechanisms for routine reporting of expenditure, activity and outcomes across Scotland.

This Budget cannot deliver the resources all our partners will want. It addresses key priorities, targets resources on low income households, and paves the way for future investment in this Parliament. Where possible, it seeks to cushion all sectors against the headwinds that COVID-19, Brexit and UK Government's settlement have created and it treats Local Authorities fairly and consistently with other portfolios.

The 2022-23 Local Government Settlement of almost £12.5 billion offers a like with like increase of 7.5 per cent in real terms and continues to provide local government with a funding settlement that is both fair and affordable, under the most challenging of circumstances. I look forward to working with COSLA in the year ahead to deliver the broader commitments set out in this letter.

Yours sincerely,

KATE FORBES

Appendix 2

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: Equality Impact Assessment including Fairer Scotland Duty

Further guidance is available here: Assessing impact and the Public Sector Equality Duty: a guide for public authorities (Scotland)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: Interim Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Revenue Estimates 2022/23, Capital Estimates 2022/23 to 2031/32 and Carbon Budget 2022/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance and ICT – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~**YES**~~ **NO**

Rationale for decision:

This report seeks approval of the revenue and capital estimates. Their decision on this has no specific equality implications

Signed : Tim Baulk **Head of Service**

Date: 7 February 2022

Agenda Item No. 5

South Ayrshire Council

Report by Head of Finance and ICT
to South Ayrshire Council
of 3 March 2022

Subject: Treasury Management and Investment Strategy 2022/23

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1. Purpose

1.1 The purpose of this report is to request that Members consider the proposed Treasury Management and Investment Strategy for financial year 2022/23.

2. Recommendation

2.1 **It is recommended that the Council approves the draft Treasury Management and Investment Strategy for 2022/23 (attached as Appendix 1).**

3. Background

3.1 The Treasury Management service undertakes two main roles wiithin the Council:

3.1.1 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 investment appetite, whilst providing adequate liquidity initially before considering investment return.

3.1.2 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.

3.2 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

3.3/

3.3 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.

3.4 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.

3.5 CIPFA defines treasury management as:

> 'The management of the local authority's borrowing, investments and cashflows, 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.'

4. Proposals

4.1 The purpose of the Treasury Management and Investment Strategy is to detail the planned activities for the treasury service in the forthcoming financial year. The draft proposed Strategy for 2022/23 is attached at Appendix 1.

4.2 CIPFA have introduced changes to CIPFA Treasury Management Code and Prudential Code which are outlined in the introduction at Appendix 1. These changes will be reflected in Treasury Management and Investment Strategy reports from financial year 2023/24 onwards and do not have an impact on the strategy for financial year 2022/23. Discussions are currently being held with Treasury Management Forum and South Ayrshire Council consultants, Link Group, to ensure a consistent approach to implementation of these changes and that the timescale for these changes is met.

4.3 The Strategy sets out the basis for decision making in relation to managing the Council's cash flow position to ensure appropriate investment returns are achieved and ensuring that appropriate funding for budgeted capital investment plans during 2022/23 are in place and to ensure the relevant borrowings are in line with loan charge budgets.

4.4 The overall objectives for the Council's Treasury Management and Investment Strategy are:

4.4.1 ***For Borrowings the objective is:***

- to minimise the revenue cost of borrowings;
- to manage the Council's cash flow;
- to manage the borrowing repayment profile;
- to assess interest rate movements, and borrow/invest accordingly;
- to monitor and review the level of variable rate loans held in order to take advantage of interest rate movements; and
- to identify and evaluate opportunities for debt rescheduling.

4.4.2 ***For Temporary Investments the objective is:***

- to protect capital security of the invested funds; and
- to obtain the best market return available commensurate with protection of security and liquidity.

Temporary investments will continue to be managed using the following priorities in order of importance:

- security of capital;
- liquidity; and
- yield.

4.5 ***Reporting Requirements*** - The reporting of Treasury Management to Members in 2022/23 is proposed to be as follows:

4.5.1 **A Treasury Management and Investment Strategy Report (this report)** - This first, and most important, report covers:

- the capital plans (including prudential indicators);
- the Treasury Management Strategy (how the investments and borrowings are to be managed) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

This report is presented to Council for approval.

4.5.2 **A Mid-Year Treasury Management Report** – This will update Members on the progress of the strategy, including loan charges, prudential indicators, and any proposed change to the strategy or whether any policies require revision.

This report is presented to the Audit and Governance Panel for scrutiny and then to Leadership Panel for approval.

4.5.3 **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 the Audit and Governance Panel for scrutiny and to Leadership Panel for approval.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 There are no resources implications arising from this report other than those resulting from the delivery of the proposed Strategy as contained in Appendix 1.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 The Council would not be compliant with the requirements of the CIPFA Treasury Management Code of Practice.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Brian McGinley, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Head of Finance and ICT will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the 'Council and Leadership Panel Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	***Due date***	***Managed by***
The approved strategy will be incorporated into the 2022/23 treasury and investment planning and management process	1 April 2022	Head of Finance and ICT

Background Papers **2021 revised CIPFA Treasury Management Code and Prudential Code**

CIPFA Code of Practice for Treasury Management in the Public Services

CIPFA The Prudential Code for Capital Finance in Local Authorities

The Local Government Investments (Scotland) Regulations 2010

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

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Date: 23 February 2022

south AYRSHIRE COUNCIL
Comhairle Siorrachd Àir a Deas
Making a Difference Every Day

Appendix 1

Treasury Management And Investment Strategy 2022/23

March 2022

THE SOUTH AYRSHIRE WAY
RESPECTFUL • POSITIVE • SUPPORTIVE •

Index

Introduction

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. '

The background for the requirements strategy is set out in the in the undernoted legislation:

All treasury management reports written during the financial year of 2022/23 will need to take into account the under-noted:

- CIPFA Treasury Management Codes of Practice and Guidance notes 2021/22;
- 2021 revised CIPFA Treasury Management Code and Prudential Code
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017;
- CIPFA Prudential Code for Capital Finance in Local Authorities - Guidance Notes for practitioners 2018;
- Finance Circular 7/2016, which covered Loans Fund Accounting and the revised requirements around loans fund repayments;
- Statutory investment regulations;and
- Statutory guidance for annual loan repayments.

CIPFA Treasury Management Code and Prudential Code – 2021 changes will impact on future Treasury Management Strategy Statement and Annual Investment Strategy reports and the risk management framework for 2023/24 onwards.

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

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;

- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;

- address Environmental, Social and Governance issues within the Capital Strategy;

- require implementation of a policy to review commercial property, with a view to divest where appropriate;

- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices (TMP's));

- ensure that any long term treasury investment is supported by a business model;

- a requirement to effectively manage liquidity and longer term cash flow requirements;

- amendment to TMP1 to address ESG policy within the treasury management risk framework;

- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- **a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).**

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

Treasury management

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

Service delivery

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

Commercial return

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

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

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

- **South Ayrshire Council's Treasury Management and Investment Strategy for 2022/23 is set out in the following Sections 1 to 4 plus Annex A and B.**

Treasury Management and Investment Strategy 2022/23

Section 1 - Capital Plans and Prudential Indicators 2020/21 to 2024/25

The Council's capital expenditure plans and delivery are the key drivers of treasury management activity. The capital expenditure plans are reflected in prudential indicators, which are designed to assist in providing Members with an overview of the Council's capital plans.

1.1 ***Capital Expenditure*** - This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the budget cycle.

Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	***2020/21 Actual £'000***	***2021/22 Projected £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
General Services	33,334	65,952	131,329	78,281	60,521
HRA	17,504	23,895	66,153	40,249	21,351
Total	**50,838**	**89,847**	**197,482**	**118,530**	**81,872**
Financed by:					
Government Grant/Other	(14,651)	(10,564)	(10,580)	(16,965)	(12,308)
Capital Receipts/Other	(18,455)	(21,594)	(22,815)	(19,190)	(20,088)
Net financing need for the year – (Borrowing)	**17,732**	**57,689**	**164,087**	**82,375**	**49,476**

The table above takes in to account the 2020/21 actual and 2021/22 budget projections for spend and any programme decisions that impact on future years. The table also summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources.

Any shortfall of resources results in a funding requirement (borrowing).

***Other Long-Term Liabilities* (OLTL)** - The above summarised capital plan excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

Due to new financial regulation IFRS16 (International Financial Reporting Standard 16) from 1st April 2022 leases which were previously off-balance sheet will now require to be included. This will impact the OLTL figure. It is anticipated this impact will be reported in the Mid-year treasury report.

1.2 ***Borrowing and 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, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets that are financed by borrowing.

The CFR includes any other long-term liabilities (e.g., PFI schemes and finance leases). Whilst these schemes increase the CFR and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council does not require borrowing separately for these schemes.

The Council has £95.8m of such schemes within the CFR as of 31 Mar 2021.

The table below shows the projected and estimated movement in the CFR based on current capital expenditure plans.

Capital Financing Requirement	***2020/21 Actual £'000***	***2021/22 Projected £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
General Services	280,923	321,651	420,374	467,832	497,361
HRA	69,117	75,843	130,155	152,465	158,846
CFR	**350,040**	**397,494**	**550,529**	**620,297**	**656,207**
Other Long-Term Liabilities	(99,567)	(95,777)	(91,951)	(88,023)	(84,047)
Underlying Borrowing Need	**250,473**	**301,717**	**458,578**	**532,274**	**572,160**
Movement in underlying borrowing need	**10,943**	**51,244**	**156,861**	**73,696**	**39,886**
Movement in underlying borrowing need represented by					
Net financing need for the year	17,732	57,689	164,087	82,375	49,476
Less scheduled debt amortisation	(6,789)	(6,445)	(7,226)	(8,679)	(9,590)
Movement in underlying borrowing need.	**10,943**	**51,244**	**156,861**	**73,696**	**39,886**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 1.1

and the details above demonstrate the scope of this activity and, by approving these figures; consider the scale proportionate to the Authority's remaining activity.

1.3 ***Capital Affordability Indicators***

The previous section covers the overall capital and 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.

1.3.1 **Actual and Estimates of the 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 of the Council.

	2020/21 Actual %	***2021/22 Projected %***	***2022/23 Estimate %***	***2023/24 Estimate %***	***2024/25 Estimate %***
General Services	5.77	5.58	6.06	6.80	7.43
HRA	11.32	10.13	11.34	16.02	18.72
Average Rate	6.48	6.21	6.78	7.90	8.77

1.3.2 **HRA Debt Ratios**

£'000	***2020/21 Actual £'000***	***2021/22 Projected £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
HRA debt	68,794	75,522	129,834	152,149	158,528
HRA revenues	33,055	33,074	34,051	34,105	35,310
Ratio of debt to revenues	2.08	2.28	3.81	4.46	4.49

£'000	***2020/21 Actual £'000***	***2021/22 Projected £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
HRA debt	68,794	75,522	129,834	152,149	158,528
Number of HRA dwellings	8,126	8,142	8,333	8,493	8,599
Debt per dwelling	£8,466	£9,276	£15,581	£17,914	£18,436

1.3.3 Significant investment is planned in the next few years in the HRA major component replacement programme and the new build programme which has increased the debt per dwelling figure in the table above.

1.3.4 All of the above indicators at 1.3 are designed to indicate the financing costs of the Council's investment plans against its revenues and that of the HRA. The Code does not provide target figures and also states that these indicators are not comparable between authorities given the wide ranging variations in Council's historic debt and borrowing and investment plans.

Section 2 - Treasury Management

The capital expenditure plans set out in Section 1 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 management of the cash flow and, where capital plans require, the arrangement of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

2.1 ***Current Portfolio Position***

The Council's treasury portfolio position as at 31 March 2021, with forward projections 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.

External Debt	***2020/21 Actual £'000***	***2021/22 Projected £'000***	***2022/23 Estimate £'000***	***2023/24 Estimate £'000***	***2024/25 Estimate £'000***
Opening Debt at 1 April	236,163	238,159	287,434	432,385	508,660
Long Term Debt Maturities	(6,004)	(5,725)	(2,049)	(8,725)	(6,570)
New External Debt	8,000	55,000	147,000	85,000	45,000
External Debt	**238,159**	**287,434**	**432,385**	**508,660**	**547,090**
Other long-term liabilities (PPP + Finance Leases)	99,567	95,777	91,951	88,023	84,047
Actual Debt at 31 March	**337,726**	**383,211**	**524,336**	**596,683**	**631,137**
The Capital Financing Requirement	**350,040**	**397,494**	**550,529**	**620,297**	**656,207**
Under / (Over) Borrowing	**12,314**	**14,283**	**26,193**	**23,614**	**25,070**

External Debt	**238,159**	**287,434**	**432,385**	**508,660**	**547,090**
Cash Investments	(73,390)	(69,800)	(30,000)	(35,000)	(35,000)
Net External Debt	**164,769**	**217,634**	**402,385**	**473,660**	**512,090**

Within the prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for

2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Finance and ICT reports that the Council complied with this prudential indicator in the current year. This view considers current commitments, existing plans, and the proposals in the budget report.

2.2 ***Treasury Indicators: Limits to Borrowing Activity***

2.2.1 **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 Council's under/over borrowed position.

Operational Boundary	***2021/22 £'000***	***2022/23 £'000***	***2023/24 £'000***	***2024/25 £'000***
Debt	328,000	472,000	548,000	587,000
Other long-term liabilities	95,000	92,000	88,000	84,000
Total	**423,000**	**564,000**	**636,000**	**671,000**

2.2.2 **The Authorised Limit for External Borrowing** - a further key prudential indicator - represents a control of the maximum level of external debt. This represents a 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.

This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

Authorised limit	***2021/22 £'000***	***2022/23 £'000***	***2023/24 £'000***	***2024/25 £'000***
Debt	333,000	474,000	557,000	632,000
Other long-term liabilities	135,000	132,000	128,000	124,000
Total	**468,000**	**606,000**	**685,000**	**756,000**

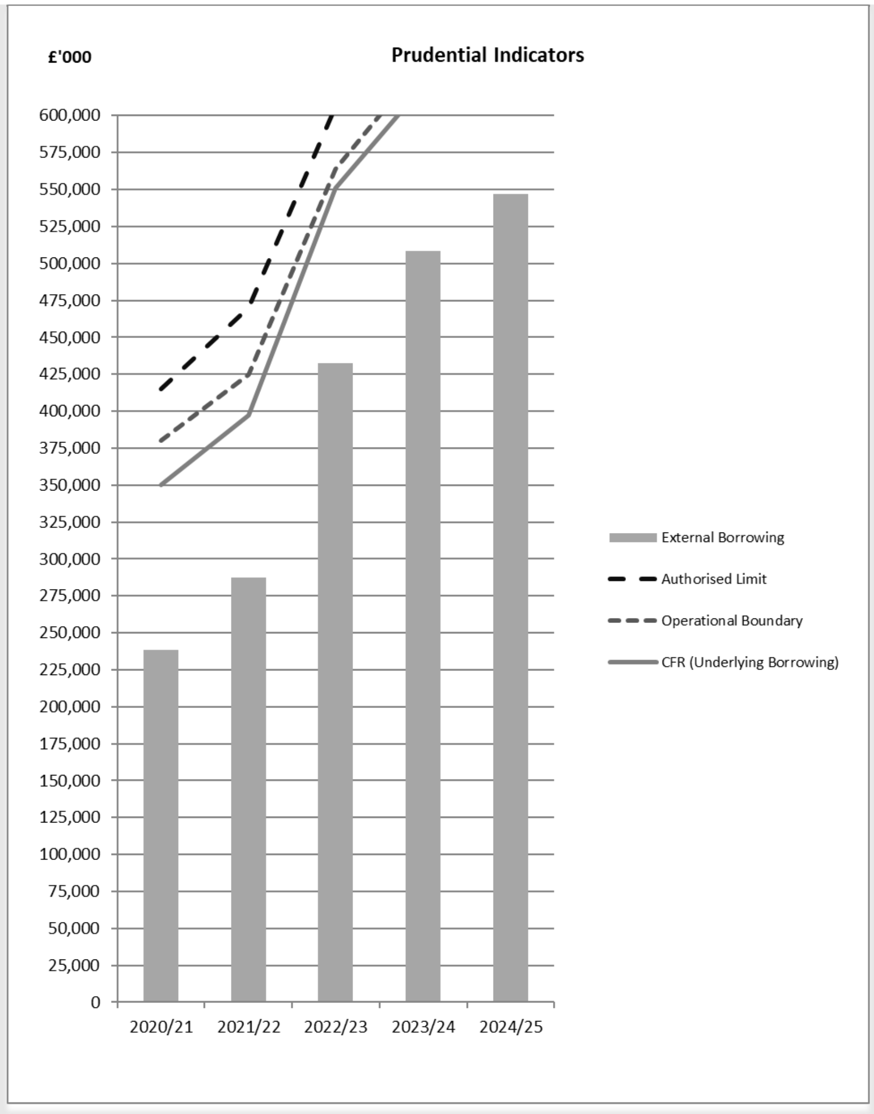
2.2.3 The under-noted graph shows the relationship between the 4 main components of capital financing:

- Authorised Limit (Debt).
- Operational Boundary (Debt).
- Capital Financing Requirement; and
- Actual External Debt

The graph below shows the increasing trend in the substantial capital investment plans of the Council in the medium term, and therefore increasing debt and capital financing requirements going forward.

Both the authorised debt and operational boundary indicators include a margin for the balance of other financing arrangements such as PPP schemes.

Both the Operational Boundary and Authorised Limit will be impacted by the new IFRS16 legislation and will require to both be increased to allow for the changes due to previous lease arrangements that were off balance sheet now being included and impacting the CFR (Capital Financing Requirement. As previously indicated the value of this impact will be reported in the Mid-Year treasury report.



2.3 ***Economic Commentary (Information provided by South Ayrshire Council Treasury Consultants Link Group)***

COVID-19 vaccines.

The covid vaccines implemented in 2021 raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the arrival of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This dashed such hopes and raised major concerns that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that although this mutation is very fast spreading, it does not cause severe illness in fully vaccinated people. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time focused on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection., It also placed restrictions on large indoor gatherings and hospitality venues over Christmas and into January and requested workers to work from home. This hit sectors like restaurants, travel, tourism and hotels hard which had already been hit hard during 2021.Economic growth will also have been lower due to people being ill and not working. . The economy, therefore, faces significant headwinds in early 2022 although some sectors have learned how to cope well with Covid. The big question remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- The threat from Omicron caused huge national concern at the time of December's Monetary Policy Committee (MPC) meeting; that is no longer the case.
- The MPC raised Bank Rate by another 0.25% in February and narrowly avoiding making it a 0.50% increase by a 5-4 voting margin.
- Our forecast now expects the MPC to deliver another 0.25% increase in March; their position appears now to be to go for sharp increases.
- The March increase is likely to be followed by an increase to 1.0% in May and then to 1.25% in November.
- The MPC is currently much more heavily focused on combating inflation than on protecting economic growth.
- However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too - these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.
- Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.
- The increases are already highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.
- The BIG ISSUE – will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?
- If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.

PUBLIC WORKS LOAN BOARD (PWLB) RATES

- The yield curve has flattened out considerably.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate.
- It is difficult to say currently what effect the Bank of England starting to sell gilts will have on gilt yields once Bank Rate rises to 1%: it is likely to act cautiously as it has

already started on not refinancing maturing debt. A passive process of not refinancing maturing debt could begin in March when the 4% 2022 gilt matures; the Bank owns £25bn of this issuance. A pure roll-off of the £875bn gilt portfolio by not refinancing bonds as they mature, would see the holdings fall to about £415bn by 2031, which would be about equal to the Bank's pre-pandemic holding. Last August, the Bank said it would not actively sell gilts until the *"Bank Rate had risen to at least 1%"* and, *"depending on economic circumstances at the time."*

- It is possible that Bank Rate will not rise above 1% as the MPC could shift to relying on quantitative tightening (QT) to do the further work of taking steam out of the economy and reducing inflationary pressures.
- Increases in US treasury yields over the next few years could add upside pressure on gilt yields though, more recently, gilts have been much more correlated to movements in bond yields than treasury yields.

MPC MEETING 4TH FEBRUARY 2022

- After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by another 0.25% rise to 0.50%, in the second of what is very likely to be a series of increases during 2022.
- The Monetary Policy Committee voted by a majority of 5-4 to increase Bank Rate by 25bps to 0.5% with the minority preferring to increase Bank Rate by 50bps to 0.75%. The Committee also voted unanimously for the following: -
    - to reduce the £875bn stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets.
    - to begin to reduce the £20bn stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023.
- The Bank again sharply increased its forecast for inflation – to now reach a peak of 7.25% in April, well above its 2% target.
- The Bank estimated that UK GDP rose by 1.1% in quarter 4 of 2021 but, because of the effect of Omicron, GDP would be flat in quarter 1, but with the economy recovering during February and March. Due to the hit to households' real incomes from higher inflation, it revised down its GDP growth forecast for 2022 from 3.75% to 3.25%.
- The Bank is concerned at how tight the labour market is with vacancies at near record levels and a general shortage of workers - who are in a very favourable position to increase earnings by changing job.
- As in the December 2021 MPC meeting, the MPC was more concerned with combating inflation over the medium term than supporting economic growth in the short term. However, what was notable was the Bank's forecast for inflation: based on the markets' expectations that Bank Rate will rise to 1.50% by mid-2023, it forecast inflation to be only 1.6% in three years' time. In addition, if energy prices beyond the next six months fell as the futures market suggests, the Bank said CPI (Consumer Price Index) inflation in three years' time would be even lower at 1.25%. With calculations of inflation, the key point to keep in mind is that it is the rate of change in prices – not the level – that matters. Accordingly, even if oil and natural gas prices remain flat at their current elevated level, energy's contribution to headline inflation will drop back over the course of this year. That means the current energy contribution to CPI inflation, of 2% to 3%, will gradually fade over the next year.
- So, the message to take away from the Bank's forecast is that they do not expect Bank Rate to rise to 1.5% in order to hit their target of CPI inflation of 2%. The immediate issue is with four members having voted for a 0.50% increase in February,

it would only take one member more for there to be another 0.25% increase at the March meeting.

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

LINK GROUP FORECASTS

a. Bank Rate

- Covid remains a major potential downside threat as we are most likely to get further mutations. However, their severity and impact could vary widely, depending on vaccine effectiveness and how broadly it is administered.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

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

b. PWLB rates and gilt and treasury yields

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Link Group forecasts show little overall increase in gilt yields during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

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

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. This was in addition to the $900bn support package previously passed in December 2020. Financial markets were alarmed that all this stimulus was happening at a time when: -

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

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

- **At its 3rd November Fed meeting**, the Fed decided to make a start on tapering its $120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that treasury yields will rise over the taper period, all other things being equal.

- It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024. This would take rates back above 2% to a neutral level for monetary policy. It also gave up on calling the sharp rise in inflation as being 'transitory'.

- At its **26th January meeting**, the Fed became even more aggressive following inflation rising sharply even further. It indicated that rates would begin to rise very soon, i.e., it implied at its March meeting it would increase rates and start to run down its holdings of QE purchases. It also appears likely that the Fed could take action to force longer term treasury yields up by prioritising selling holdings of its longer bonds as yields at this end have been stubbornly low despite rising inflation risks. The low level of longer dated yields is a particular concern for the Fed because it is a key channel through which tighter monetary policy is meant to transmit to broader financial conditions, particularly in the US where long rates are a key driver of household and corporate borrowing costs.

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

Globally, views are as follows: -

- **EU.** The ECB (European Central Bank) joined with the Fed by announcing on **16th December** that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. The ECB did not change its rate at its **3rd February** meeting, but it was clearly shocked by the increase in inflation to 5.1% in January. The President of the ECB, Christine Lagarde, hinted in the press conference after the meeting that the ECB may accelerate monetary tightening before long and she hinted that asset purchases could be reduced more quickly than implied by the previous guidance. She also refused to reaffirm officials' previous assessment that interest rate hikes in 2022 are "very unlikely". It, therefore, now looks likely that all three major western central banks will be raising rates this year in the face of sharp increases in inflation - which is looking increasingly likely to be stubbornly high and for much longer than the previous oft repeated 'transitory' descriptions implied.

- **China.** The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China, and being much more easily transmissible, lockdown strategies may not prove so successful in future. To boost flagging economic growth, The People's Bank of China cut its key interest rate in December 2021.

- **Japan.** 2021 was a difficult year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back towards its target of 2% any time soon.

- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

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

2.4 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 7th February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 7.2.22	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Additional notes on this forecast table:

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and then to 0.50% at its meeting of 4th February 2022.

As shown in the forecast table above, the forecast for Bank Rate now includes a further three increases of 0.25% in March, May and November 2022 to end at 1.25%.

Significant risks to the forecasts

- Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns.
- Labour and supply shortages prove more enduring and disruptive and depress economic activity.

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

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

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

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

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

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

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

The balance of risks to the UK economy:

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

Forecasts for Bank Rate

The Monetary Policy Committee is now very concerned at the way that forecasts for inflation have had to be repeatedly increased within a matter of just a few months. Combating this rising tide of inflation is now its number one priority and the 5-4 vote marginally approving only a 0.25% increase on 4th February rather than a 0.50% increase, indicates it is now determined to push up Bank Rate quickly. A further increase of 0.25% is therefore probable for March, and again in May, followed possibly by a final one in November. However, data between now and November could shift these timings or add to or subtract from the number of increases.
However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know whether there will be further mutations of Covid and how severe they may be, nor how rapidly scientific advances may be made in combating them.

- The economy was running out of steam during the second half of 2021 and Omicron will mean that economic growth in quarter 1 of 2022 is likely to be flat, though on the rise towards the end of the quarter as the economy recovers. However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too - these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.

- Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.

- These increases are already highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.

- The BIG ISSUE – will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?

- If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.

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

Forecasts for PWLB rates and gilt and treasury yields

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Link Group forecasts show little overall increase in gilt yields during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

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

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

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

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising higher in the US than in the UK; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong and enduring will inflationary pressures turn out to be in both the US and the UK, and so impact treasury and gilt yields?
- **Will the major western central banks implement their previously stated new average or sustainable level inflation monetary policies when inflation has now burst through all previous forecasts and far exceeded their target levels? Or are they going to effectively revert to their previous approach of prioritising focusing on pushing inflation back down and accepting that economic growth will be very much a secondary priority - until inflation is back down to target levels or below?**
- How well will central banks manage the running down of their stock of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?
- If Russia were to invade Ukraine, this would be likely to cause short term volatility in financial markets, but it would not be expected to have a significant impact beyond that.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the

US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

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

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

A new era for local authority investing – a fundamental shift in central bank monetary policy

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

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures once economies recover from the various disruptions caused by the pandemic.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** have started improving in the second half of 21/22 and are expected to improve further during 22/23 as the MPC progressively increases Bank Rate.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which

had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

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

- Borrowing for capital expenditure. Our long-term (beyond 10 years) forecast for Bank Rate is 2.00%. As nearly all PWLB certainty rates are now above this level, borrowing strategy will need to be reviewed, especially as the maturity curve has flattened out considerably. Better value can be obtained at the very short and at the longer end of the curve and longer-term rates are still at historically low levels. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if a client is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt), 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.

2.5 *Borrowing Strategy*

At the time of writing this report, the Council is estimated to have an under-borrowed position at the end of 2021/22 of £14.281m, (around 4.7% of the total underlying borrowing requirement). This would mean that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loan debt and means that an element of internal resources, cash and revenue surpluses have been used to finance capital expenditure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Given the under-borrowed position is 4.7% of the borrowing requirement it removes an element of interest rate risk.

During **2022/23** it is estimated that the Council and HRA will have additional borrowing requirements of **£164.087m**.

The strategy is to fund the majority of this requirement from long term external borrowing of **£147m** whilst increasing the under-borrowed position to around 5.8% of the borrowing requirement. Although an increase on the current year position, this remains a prudent strategy in the current interest rate environment and also allows flexibility in taking a pragmatic approach in terms of the pace of the major capital spend in 2021/22.

The treasury team are monitoring longer term interest rate forecasts on a regular basis in order to assess timing of longer term borrowing; whilst still minimising the cost of carrying any new borrowing prior to the loans actually being required.

Whilst the under-borrowed position remains a minimal risk, the significant borrowing requirements in 2022/23 and the level of temporary borrowing will require close monitoring.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

The estimates of borrowing required are set out in the under-noted table:

New Borrowing (Year)	***General Services £'000***	***HRA £'000***	***Total £'000***
2023/24	57,950	24,425	82,375
2024/25	40,438	9,038	49,476
2025/26	4,838	8,286	13,124
2026/27	3,801	14,785	18,586
2027/28	15,830	7,736	23,566
Total 5 Yr Borrowing	**122,857**	**64,270**	**187,127**

It is emphasised that a pragmatic approach will be taken when considering the timing of this borrowing externally in the light of prevailing interest rates, the overall treasury strategy, cost of carry, and in particular the out-turn of capital expenditure as the projects are delivered in 2022/23 and 2023/24:

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

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

Any decisions on new borrowing will be reported to Members within the mid-year Treasury Report or the end of year out-turn report.

Treasury Management Limits on Activity

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing.

Maturity Structure of Fixed Interest Rate Borrowing		
	Lower	**Upper**
Under 12 months	0.00%	25%
1 – 2 years	0.00%	25%
2 – 5 years	0.00%	50%
5 – 10 years	0.00%	75%
10 years and above	0.00%	90%

2.6 ***Statutory Repayment of Loans Fund Advances***

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years. A variety of options are provided to Councils and method C below will be the prudent repayment option adopted by the Council.

a. **Statutory method**

b. **Depreciation method** – annual repayment of loans fund advances will follow standard depreciation accounting procedures.

c. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using either the equal instalment or annuity method.

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

Finance Circular 7/2016 suggests Councils set out additional disclosures on loans fund account information, so the proposed disclosure note below has been provided to assist. Paragraph 89 of the Finance Circular also states, 'a local authority should set out their policy on the interest rate selected for the annuity calculation'.

The annuity rate applied to the loans fund repayments was based on historic interest rates and is currently 5%. However, under regulation 14 (2) of SSI 2016 No 123, the Council has reviewed and re-assessed the historic annuity rate to ensure that it is a prudent application.

The result of this review suggests that an annuity rate of 5% would remain a prudent approach and provides for principal repayments closely associated with the use of the assets.

Loans Fund Advances to General Fund

Loans Fund	Actual 2020/21 £'000	Est 2021/22 £'000	Est 2022/23 £'000	Est 2023/24 £'000	Est 2024/25 £'000
Opening Balance	169,640	179,291	223,806	326,355	377,741
Add advances	15,158	49,711	108,419	57,950	40,438
Less repayments	(5,507)	(5,196)	(5,870)	(6,564)	(6,933)
Closing Balance	**179,291**	**223,806**	**326,355**	**377,741**	**411,246**

Loans Fund Advances to HRA

Loans Fund	Actual 2020/21 £'000	Est 2021/22 £'000	Est 2022/23 £'000	Est 2023/24 £'000	Est 2024/25 £'000
Opening Balance	67,501	68,793	75,522	129,834	152,149
Add advances	2,574	7,978	55,668	24,425	9,038
Less repayments	(1,282)	(1,249)	(1,356)	(2,110)	(2,659)
Closing Balance	**68,793**	**75,522**	**129,834**	**152,149**	**158,528**

2.7 ***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.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 20% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- Would not look to borrow more than 12 months in advance of need.

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

2.8 ***Debt Rescheduling***

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

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

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

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a ‘cost of carry’ or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors Link Group will keep us informed as to the relative merits of each of these alternative funding sources. All rescheduling will be reported to Members in the mid-year or year-end treasury reports.

Section 3 – Annual Investment Strategy

3.1 *Investment Policy*

The Council's investment policy implements the requirements of the following: -

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options

The above regulations and guidance place a high priority on the management of risk.. The Council 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. he Council has defined the list of types of investment instruments that are permitted investments authorised for use in Annex A. Annex B 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 paragraph 3.2.

6. Transaction limits are set for each type of investment in appendix 3.2.

7. The Council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 3.4).

8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 3.3).

9. The Council has engaged external consultants, (see paragraph 4.3), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

10. All investments will be denominated in sterling.

As a result of the change in accounting standards for 2022/23 under IFRS 9, the council 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.

The Council will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, Regular monitoring of investment performance will be carried out during the year.

3.2 ***Credit Worthiness Policy***

The Council applies the credit worthiness service provided by Link Group. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. 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; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of Credit Default Swap (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 duration for investments.

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 (UK part nationalised banks)

- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not used

The under-noted table sets out the monetary limits that will be applied to each counterparty within each colour on the creditworthiness matrix.

Applying the criteria in the under-noted table has been derived from the Council's current investment activities in terms of funds available for investment, and cash flow requirements. This policy also provides a clear defined policy on investment activity limits.

	Colour Code (Based on credit information)	***Limit per Counterparty***	***Maximum Maturity Period***
Banks/ Building Societies	Yellow	£25m	5 Years
Banks – (UK Part Nationalised)	Blue	£25m	1 Year
Banks/ Building Societies	Purple	£20m	2 Years
Banks/ Building Societies	Orange	£15m	1 Years
Banks/ Building Societies	Red	£10m	6 months
Banks/ Building Societies	Green	£5m	100 days
Banks/ Building Societies	No Colour	£0	0 days
Council's Corporate Bankers	Orange	£50m	1 Year
Debt Management Account – UK Treasury	AA+	unlimited	6 months
Local / Public Authorities	N/A	£10m	2 Years
Housing Associations	Colour Bands	£5m	As per colour band
Money Market Funds CNAV	AAA	£20m	Liquid
Money Market Funds LVNAV	AAA	£10m	Liquid
Money Market Funds VNAV	AAA	£10m	Liquid
Ultra-short, dated bond funds with a credit score of 1.25	Dark Pink/ AAA	£10m	Liquid
Ultra-short, dated bond funds with a credit score of 1.25	Light Pink/ AAA	£10m	Liquid

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

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

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

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis.

Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on this external service. In addition the Council will also use market data, market information, as well as information on any external support for banks to help support its decision-making process.

3.3 *Country Limits – Credit Worthiness*

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

CDS prices

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

Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-financial investments, countries, groups and sectors.

a) **Non-financial investment limit.** The Council has determined that it will limit the maximum total exposure to non-financial investments, (e.g. property and third party loans).

b) **Country limit.** 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-*.** The list of countries that qualify using this credit criteria as at the date of this report are shown below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

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

3.4 ***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 12 months). Greater returns are usually obtainable by investing for longer periods. While most 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.

Bank Rate and Investment Returns Expectations

The current forecast shown in paragraph 2.4, includes a forecast for Bank Rate to reach 1.25% in November 2022.

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

Average earnings in each year	Now	Previously
2022/23	1.00%	0.50%
2023/24	1.25%	0.75%
2024/25	1.25%	1.00%
2025/26	1.25%	1.25%
Years 6 to 10	1.50%	-
Years 10+	2.00%	2.00%

Invesment Treasury Indicator and Limit - total principal funds invested for greater than 364 days. 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.

Maximum principal sums invested > 365 days			
	2021/22 £m	***2022/23 £m***	***2023/24 £m***
Principal sums invested > 364 days	£10m	£10m	£10m

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

3.5 ***Investment – Cash Liquidity***

A key responsibility of the Treasury function is to ensure the Council maintains adequate liquidity of cash to ensure its payment obligations can be fully met at all times. This liquidity of cash is required on a daily basis to meet the cash flow requirements of payments to employees, suppliers, agencies, re-payment of loan interest and benefits etc.

The Council does not currently utilise an overdraft facility from its bankers, Bank of Scotland as liquidity cash is available using investment accounts. Additionally the Council has access to short term loan funding from the money markets when required.

Liquidity - in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.00m; and
- Liquidity cash available of £15m.

3.6 ***End of Year Investment Report***

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. This report will be submitted to the Council's Audit and Governance Panel and South Ayrshire Council Leadership Panel prior to 30

September following the end of each financial year (or as soon as practicable depending on Council meeting dates).

Section 4 – Governance Arrangements

4.1 *Financial Regulations*

The Financial Regulations set out the responsibilities of the Council and the Audit and Governance Panel in respect of treasury matters as follows:

4.1.1 Council

- Approval of treasury strategy report.

4.1.2 Leadership Panel

- budget consideration and approval
- approval of the division of responsibilities
- approval of mid-year and annual report; and
- Approving the selection of external service providers and agreeing terms of appointment.

4.1.3 Audit and Governance Panel

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body; and
- Scrutiny of the mid-year and annual report.

4.2 *Role of the Section 95 Officer – Head of Finance and ICT*

The S95 (responsible) officer has authority through the Scheme of Delegation and the Financial Regulations for the day to day execution and administration of treasury management decisions in line with the Council's Strategy and Treasury Management Practices. This includes:

- recommending clauses, treasury management policy for approval, reviewing the same regularly and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting 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;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a longer 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; and
- 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.*

4.3 ***Policy on the Use of External Service Providers***

The Council uses Link Group as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon external service providers.

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.

4.4 ***Training***

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training. This especially applies to Members responsible for scrutiny of the treasury function.

Training sessions for both the Council's Corporate Management Team and Members have been held in recent years and the treasury team will continue to consider other training options in due course.

Permitted Investments

The Council approves the following forms of investment instrument for use as permitted investments as set out in **Table 1-6** (page 36 to 38).

Treasury risks

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

a. **Credit and counter-party risk:** this is the risk of failure by 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.

b. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While 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 instant access to cash can be obtained from each form of investment instrument. However, it must 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 tables 1 / 2 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.

c. **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.

d. **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):

e. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

a. **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.

b. **Liquidity risk:** the Council has a cash flow forecasting model to enable it to determine how long investments can be made and how much can be invested.

c. **Market risk:** this Council does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

d. **Interest rate risk:** the Council 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 maximize investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing.

e. **Legal and regulatory risk:** the Council 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 as being ‘unlimited’ in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment.

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

a. **Debt Management Agency Deposit Facility.** This is 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.

b. **High credit worthiness banks and building societies.** See Section 3.2 relating to creditworthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the Council will ensure diversification of its portfolio ensuring that no more than 50% of the total portfolio can be placed with any one 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’. (Part 1 section 17 also requires authorities to explain any special circumstances that have led them to a particular approach.

1. 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.

a. **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.

b. **Term deposits with high credit worthiness banks and building societies -** See paragraph 3.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investment used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will ensure diversification of its portfolio of deposits ensuring that no more than 50% of the total portfolio can be placed with any one 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 rates 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.

c. **Call accounts with high credit worthiness banks and building societies.** The objectives are as for 1b. 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.

d. **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.

e. **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.

2. 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 the Council 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.

a. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1b. 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.

b. **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.

3. Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs)

a. **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.

b. **Money Market Funds (MMFs).** 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 an 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.

c. **Ultra-short, dated bond funds.** These funds are like 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 risks 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 at a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **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.

e. **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.

4. 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 are 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 – for example, treasury bills.

a. **Treasury bills.** These are short-term bills (up to 18 months but usually 9 months or less, although none have ever been issued for this maturity) 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.

b. **Gilts.** These are longer term debt issuances 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.

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

d. **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.

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

5 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 are called a yield – i.e., is the interest paid by the issuer divided by the price you paid to purchase the security. These are like the previous category but corporate organisation’s can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisation’s 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 they can be sold ahead of maturity and 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 like 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 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.

6 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 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 3-5 years.

Deposits

Table 1	***Liquidity risk***	***Market risk***	***Max % of total investment***	***Max. maturity***
Debt Management Agency Deposit Facility	Term	no	100%	6 months
Term deposits – local / public authorities	Term	no	100%	2 years
Call accounts – banks and building societies	Instant	no	100%	N/A
Term deposits – banks and building societies	Term	no	100%	See Credit Policy (colour code)
Fixed term deposits with variable rate and variable maturities: Structured deposits.	Term	no	10%	See Credit Policy (colour code)

Deposits with Counterparties Currently in Receipt of Government Support/ Ownership

Table 2	***Liquidity risk***	***Market risk***	***Max % of total investment***	***Max. maturity period***
UK Part Nationalised Banks	Term	no	100%	See Credit Policy (colour code)
Banks nationalised by high credit rated (sovereign rating) countries – non-UK	Term	no	100%	See Credit Policy (colour code)
Fixed term deposits with variable rate and variable maturities: Structured deposits	Term	Yes	10%	See Credit Policy (colour code)

Collective Investment schemes structured as Open-Ended Investment Companies (OEIC's)

Table 3	**Liquidity risk**	**Market risk**	**Max % of total investment**	**Max. maturity period**
Government Liquidity Funds	Instant	See Section 3	20%	See credit policy
Money Market Funds (CNAV)	Instant	See Section 3	100%	See credit policy
Money Market Funds LVNAV	Instant	See Section 3	50%	See credit policy
Money Market Funds VNAV	Instant	See Section 3	50%	See credit policy
Ultra-short, dated bond funds with a credit score of 1.25	T+1 – T+5	See Section 3	50%	See credit policy
Ultra-short, dated bond funds with a credit score of 1.50	T+1 – T+5	See Section 3	50%	See credit policy
Bond Funds	Min T+2	See Section 3	50%	See credit policy
Gilt Funds	Min T+2	See Section 3	50%	See credit policy

Securities issued or guaranteed by governments

Table 4	***Minimum Credit Criteria***	***Liquidity risk***	***Market Risk***
Treasury Bills	UK sovereign	Sale T+1	Yes
UK Government Gilts	UK Sovereign	Sale T+1	Yes
Bond issuance issued by a financial institution which is guaranteed by UK Government e.g., Network Rail	UK Sovereign	Sale T+3	Yes
Sovereign Bond issues (other than UK Government)	AAA	Sale T+1	Yes
Bonds issued by multi-lateral development banks	AAA	Sale T+1	Yes

Securities issued by corporate organisations

Table 5	***Liquidity risk***	***Market risk***	***Max % of total investmen t***
Certificates of deposit issued by banks and building societies	Sale T+1	yes	20%
Commercial Paper	Sale T+1	yes	20%
Floating Rate Notes	Sale T+0	yes	20%
Corporate bonds	T +3	Yes	20%

Other

Table 6	***Liquidity risk***	***Market risk***	***Max % of total investment***	***Max. maturity period***
Property Funds	Variable	Yes	20%	3-5 Yrs.

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.

Treasury Management Practice – Credit and Counterparty Risk Management
South Ayrshire Council and Common Good Funds Permitted Investments, Associated Controls

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 haven for investments.	Unlimited (maximum 6 months)	Unlimited (maximum 6 months)
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	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.	£20m per counterparty – 2 Years	£20m per counterparty – 2 Years
c. Money Market Funds (MMFs) **(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 an 'AAA' rated status from Fitch, Moody's or Standard and Poor's.	£20m	£20m

Type of Investment	*Treasury Risks*	*Mitigating Controls*	*Council Limits*	*Common Good Limits*
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 MMFs has an 'AAA' rated status from Fitch, Moody's or Standard and Poor's.	£10m	£10m
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 of value with these types of investments, liquidity is high, and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day-to-day investment dealing with these criteria will be further strengthened using additional market intelligence.	See credit policy	See credit policy
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period and 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 of 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.	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. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day-to-day investment dealing with these criteria will be further strengthened using additional market intelligence.	See credit policy	See credit policy

Type of Investment	***Treasury Risks***	***Mitigating Controls***	***Council Limits***	***Common Good Limits***
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.	See credit policy	See credit policy
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. 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. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day-to-day investment dealing with these criteria will be further strengthened using additional market intelligence.	See credit policy	See credit policy
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period and credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk of 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).	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. The selection defaults to the lowest available credit rating to provide additional risk control measures. On day-to-day investment dealing with these criteria will be further strengthened using additional market intelligence.	See credit policy	See credit policy

Type of Investment	***Treasury Risks***	***Mitigating Controls***	***Council Limits***	***Common Good Limits***
j. Corporate bonds **(Medium to high risk depending on period and 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 these criteria will be further strengthened using additional market intelligence.	See credit policy	See credit policy

Other types of Investment

Type of Investment	***Credit Criteria***	***Liquidity Risk***	***Market Risk***	***Mitigating Controls***	***Council Limits***
Common Good	Not applicable	Not applicable	No	Any Common Good, loan or investment would be subject to a separate panel report and the approval of Members before progressing. Each loan would therefore be assessed on a case-by-case basis and be supported by the rationale behind the investment and likelihood of any loss.	Term – 20 years - unlimited
Registered Social Landlord	Not applicable	Not applicable	No	Any RSL loan or investment would be subject to a separate panel report and the approval of Members before progressing. Each loan would therefore be assessed on a case-by-case basis and be supported by the rationale behind the investment and likelihood of any loss.	Term – 20 years - unlimited
Third Party	Not applicable	Not applicable	No	Any third-party loan or investment would be subject to a separate panel report and the approval of Members before progressing. Each loan would therefore be assessed on a case-by-case basis and be supported by the rationale behind the investment and likelihood of any loss.	Term – 5 years - £1m
Third Party (Soft Loans)	Not applicable	Not applicable	No	Any third-party loan or investment on a soft loan basis (below market rates) would be subject to a separate panel	Term – 5 years - £1m

Type of Investment	*Credit Criteria*	*Liquidity Risk*	*Market Risk*	*Mitigating Controls*	*Council Limits*
				report and the approval of Members before progressing. Each loan would therefore be assessed on a case-by-case basis and be supported by the rationale behind the investment and likelihood of any loss.	
hub SW/ SFT Project Investment	Not applicable	Minimum 25 years term	No	Investment is subject to a separate panel report and the approval of Members before progressing. The investment would therefore be assessed on a case basis and be supported by the rationale behind the investment and likelihood of any loss.	Term – 25 years - £1m

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 Head of Finance and ICT, and if required new counterparties which meet the criteria will be added to the list.

Appendix 2

South Ayrshire Council Comhairle Siorrachd Àir a Deas Making a Difference Every Day

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: Equality Impact Assessment including Fairer Scotland Duty

Further guidance is available here: Assessing impact and the Public Sector Equality Duty: a guide for public authorities (Scotland)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: Interim Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Treasury Management and Investment Strategy 2022/23
Lead Officer (Name/Position/Email)	Denise Love, Senior Accountant Treasury/ Capital – denise.love2@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes **Consider the 'Three Key Needs' of the Equality Duty**	**Level of Negative and/or Positive Impact (High, Medium or Low)**
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~**YES**~~ **NO**

Rationale for decision:

The strategy outlines the approach to be taken in managing the Council's cash flow and capital funding arrangements and is a mechanism for ensuring that budget targets are achieved: a full EQIA is, therefore, not required

Signed : Tim Baulk **Head of Service**

Date: 2 February 2022

Agenda Item No. 6

South Ayrshire Council

Joint Report by Assistant Director – Place and Head of Finance and ICT to South Ayrshire Council of 3 March 2022

Subject: **Housing Revenue Account (HRA) – Revenue Budget 2022/23 and Capital Budget 2022/23 to 2026/27**

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1. Purpose

1.1 The purpose of this report is to request approval of the proposed Housing Revenue Account (HRA) Revenue Budget for 2022/23 and the proposed 5-year Capital Budget for 2022/23 – 2026/27.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 notes the decision taken by South Ayrshire Council on 20 January 2021 which approved, rent increases of 1.5% per annum and specific rent setting provisions for new build housing for the 3 year period from 2021/22 to 2023/24. Tenants have already been notified of their 2022/23 rental charge in accordance with the statutory requirements;

2.1.2 approves the creation of 4 FTE permanent posts (1 FTE Housing Officer – Level 7 and 3 FTE Housing Assistants) as outlined in section 4.4.2 of this report; and

2.1.3 approves the 2022/23 HRA Revenue Budget outlined in Appendix 1 of this report and the proposed 5 year Capital Budget as outlined in section 4.6 of this report and Appendix 2.

3. Background

3.1 Following a process of consultation with tenants, South Ayrshire Council of 20 January 2021 agreed the setting of Council house rents, lock up and garage site rents, garden maintenance charges and communal heating and amenity charges at 1.5% annually, and specific rent setting provisions for new build housing for the 3 year period from 2021/22 to 2023/24.

3.2 The budgetary position of the HRA revenue and capital budgets are reported to Leadership Panel through the Budget Management and Capital Programme monitoring reports throughout the year. The figures contained in this report reflect decisions and any budget revisions approved by Panel.

3.3 Historically the Council has performed well in management and recovery of rental income, as reported to Leadership Panel in the Housing Annual Assurance Statement. From the 2020/21 benchmarking information provided by Scotland's Housing Network, the Council remains the second best performing Local Authority in terms of overall arrears at 3.8% and the best performing Local Authority in respect of current tenant arrears which stood at 2.0% of the rent due. Maximising the collection of rental income and supporting tenants are key priorities for the Housing Service. This includes maintaining contact with tenants, supporting tenants to apply for Universal Credit, ensuring that tenants apply Discretionary Housing Payments and carrying out all administrative work and verifications required as part of the Universal Credit administration process. Two temporary Housing Assistant posts at Level 5 have been part of the Housing Service structure since 2018. Over this period of time, given the temporary nature of the posts, there has been a high level of staff turnover within the posts and it is difficult to retain postholders who aspire to achieve permanent employment. The activities undertaken by these posts forms part of the established workload to be managed within the team. Therefore, there is a need to confirm these posts within the permanent staffing establishment.

3.4 As outlined in previous reports to Council, the Scottish Government introduced a new the 'Fire and Carbon Monoxide Standard' which came into force on 1 February 2022. This new standard will be part of future reporting arrangements against the Scottish Housing Quality Standard, and formal reporting on progress against the standard will be part of the Council's submission on the 2021/22 Annual Return on the Housing Charter. As at 1 February 2022, 95% (7,491 of 7,921) of the Council's lettable housing stock is meeting this standard. Officers are continuing to work with tenants in the remaining properties to gain access to achieve full compliance. In addition, new Electrical Safety Standards require to be met by 31 March 2022. Fixed Electrical Testing has been carried out at the same time as work to upgrade or replace smoke and carbon monoxide detectors, where certification is required before March 2022. As at 1 February 2022, 95% of the Council's lettable housing stock is also meeting this standard. Again, Officers are continuing to work with tenants in the remaining properties to gain access to achieve full compliance.

3.5 Both of these elements of compliance will have a rolling programme of annual activity which will involve higher levels of engagement with tenants to programme works and to manage access to properties, including the implementation of enforcement actions to gain entry, to ensure safety standards are maintained in properties. It is estimated that engagement in relation to fixed electrical testing alone, which will be on a 5 yearly cycle, will involve contact with around 1,600 tenancies per annum. Given this new work, dedicated additional staffing resources will be required to administer and support increased compliance activity.

4. Proposals

4.1 The HRA monitoring report for the period to 31 December 2021 (period 9) was reported to and approved by Leadership Panel on 15 February 2022. It projected a 2021/22 in year surplus of £ 2.201m and committed this sum to the Housing Capital Programme and it will be allocated in line with tenant priorities in 2022/23.

4.2 The audited HRA accumulated surplus brought forward from 2020/21 was £14.254m. The following table has been updated following Leadership Panel on 15 February 2022 and illustrates the latest commitments against the accumulated HRA reserves and provides a projected surplus as at 31 March 2022:

Accumulated Surplus	*Amount £m*	*Amount £m*
HRA accumulated surplus as at 1 April 2021		**14.254**
Projected surplus/(deficit) for the year ended 31 March 2022		**2.201**
Minimum Working Balance		**(2.000)**
Current commitments:		
Capital		
Harmonisation of internal modernisation programme	(3.720)	
Window replacement programme	(0.500)	
Increased modernisation programme costs – covid 19	(1.805)	
Tenants priorities – window replacement	(1.500)	
Tenants priorities – external fabric upgrades & wall insulation	(1.400)	
Fund the increased capital cost of void properties	(0.300)	
In-year surplus to be committed to Tenants priorities	(2.201)	(11.426)
Revenue		
Welfare reform (spend 21/22 £0.016m)	(0.080)	
Transformation within Housing	(0.044)	
Women's Aid Refuge (spend in 21/22 £0.100m)	(0.100)	
Tenant participation	(0.030)	
Home loss payments at Riverside High Flats (spend in 21/22 £0.174m)	(0.470)	
2 fte temporary Housing Officers (spend in 21/22 £0.041m)	(0.118)	
20/21 CFCR underspend to be used to fund capital projects 21/22	(1.000)	
20/21 repair cost underspend to fund repair backlog due to covid -19	(1.000)	(2.842)
Total current commitments		**(14.268)**
Projected uncommitted surplus at 31 March 2022		***0.187***

4.3 A continuation of the previously agreed approach to maintain a £2m minimum uncommitted reserve has been applied. Therefore, based on current period 9 projections it leaves the sum of £0.187m uncommitted. The current commitments included in the above table will be updated as part of the year end accounts process, to reflect actual outturn position for 2021/22. Following review of the 2021/22 final outturn position for the HRA, consideration will be given to the allocation of any sums above the minimum uncommitted reserve, in line with the priorities identified by tenants from the feedback in the last rents setting consultation. Proposals will be submitted to Leadership Panel for approval as part of the Period 12 budget monitoring report.

4.4 ***2022/23 HRA Revenue Budget***

4.4.1 The previously agreed 1.5% rent increase will be applied for 2022/23 and tenants have already been notified in accordance with the statutory requirements.

4.4.2 In order to maintain levels of performance and to support the work associated with maximising the collection of rental income as outlined in 3.3, support to tenants and the work associated with the administration of Universal Credit, it is proposed that the two temporary Housing Assistants (Level 5) are confirmed as permanent posts within the Housing Services staffing establishment. Furthermore, it is proposed that two new FTE posts are created, Housing Officer (Level 7) and Housing Assistant (Level 5) to support and administer the new ongoing rolling activities relating to compliance and tenant safety. The payroll costs associated with these 4 FTE permanent posts is £0.124m, and this can be met from existing budgets within the Housing Revenue Account. £0.074m will be funded from the existing budget for employee costs and £0.050m will be funded from the budget for property costs.

4.4.3 The proposed base budget for 2022/23 includes for the following:

- payroll costs that reflect the proposed Council pay award;
- current bad debt provision at 2% of rents receivable in the year;
- debt charges are based on planned capital investment detailed in 4.6 below and as outlined in Appendix 2;
- housing and lock-up stock numbers, taking account of current and projected empty properties earmarked for future demolition at Riverside Place, Ayr; and planned lock up demolitions during 2022/23;
- maintenance costs taking account of required uplifts to Schedule of Rates; and
- the level of revenue contribution required to fund the housing capital programme – Capital Funded from Current Revenue (CFCR).

4.4.4 The approved 2021/22 and proposed 2022/23 HRA budget are detailed outlined in Appendix 1.

4.5 2022/23 is year 2 of the previously agreed 3 year setting of rents and other charges within the HRA. As part of the ongoing cycle to refresh stock condition data, surveys are currently underway. The survey findings will be used to inform proposed future investment requirements within the HRA Business Plan and will be included in the future proposals for budget setting from 2023/24 onwards.

4.6 ***Housing Capital Budget 2022/23 – 2026/27***

4.6.1 The Housing Capital Programme is presented in a rolling five year planning cycle to provide greater certainty over future capital investment activity and to allow for better year on year planning and engagement with tenants. The table at Appendix 2 outlines the proposed housing capital investment programme for the period 2022/23 – 2026/27, indicating a proposed cumulative spend of **£180.137m** over the five year period. Progress against the housing capital investment programme will be reported to Leadership Panel periodically throughout the year. Each year an updated budget will be presented to Council as part of the HRA budget setting process.

4.6.2 The proposed five year housing capital investment programme outlined in Appendix 2 takes account and reflects the re-profiling relating to approved Council house building projects. It also takes account of other adjustments agreed by Leadership Panel as part of the Capital Programme Monitoring Reports. In addition, it reflects commitments included in the approved Strategic Housing Investment Plan (SHIP). Following the review of the stock condition data and findings, the annual update of the HRA Business Plan will consider future levels of investment required to the council owned housing stock, which may result in changes to the proposed levels of investment in 2023/24 and beyond.

5. Legal and Procurement Implications

5.1 The recommendations in this report are consistent with legal requirements and reflect appropriate advice.

5.2 The recommendations in this report are consistent with procurement requirements. The Procurement Team are aware of the investment proposals in the proposed housing capital investment programme and this can be managed within existing resources.

6. Financial Implications

6.1 The proposals within this report ensure that the HRA Business Plan is fundable and sustainable over 40 years, taking account of considered risks and the current levels of proposed investment.

6.2 The employee costs of £0.124m for the proposed 4 FTE posts outlined in paragraph4.4.2, can be met from with the overall existing HRA budget. £0.074m will be funded from the existing budget for employee costs and £0.050m will be funded from the budget for property costs.

7. Human Resources Implications

7.1 As outlined in paragraph 4.4.2, it is proposed that 2 existing FTE temporary Housing Assistant (Level 5) posts are confirmed as permanent posts within the Housing

Services staffing establishment, and 2 new FTE posts are created - 1 Housing Officer (Level 7) and 1 Housing Assistant (Level 5) to undertake and support new and ongoing activities relating to compliance and tenant safety.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council, and affect the financial position of the HRA and the delivery of the housing capital investment programme.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 3.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitments 1 and 6 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness; and A Better Place to Live/ Enhanced environment through social, cultural and economic activities.

13. Results of Consultation

13.1 Previous consultation was undertaken with tenants during November/December 2020. The results from this consultation were outlined in the report considered and approved by Council on 20 January 2021. There has been no public consultation on the contents of this report.

13.2 Trade Unions have been consulted and are in agreement with the human resources implications and proposals contained in this report.

13.3 Consultation has taken place with Councillor Philip Saxton, Portfolio Holder for Housing and Community Wellbeing, Councillor Brian McGinley, Portfolio Holder for

Resources and Performance, and Councillor Ian Cochrane, Portfolio Holder for Environment, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

14.1 If the recommendations above are approved by Members, the Director – Place and Head of Finance and ICT will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the 'Council and Leadership Panel Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	***Due date***	***Managed by***
To set up appropriate accounting budgets for 2022/23 to reflect Council decision	31 March 2022	Head of Finance and ICT
Progress the recruitment of 4 FTE posts	30 June 2022	Service Lead – Housing Services

Background Papers **Report to South Ayrshire Council of 20 January 2021 – Setting of Council House Rents and Other Rents and Charges (2021/22 – 2023/24) and Proposed Housing Revenue Account (HRA) Revenue Budget 2021/22 and Capital Budget (2021/22 - 2025/26)**

Report to Leadership Panel of 26 October 2021 – Annual Assurance Statement – Housing

Report to Leadership Panel of 15 February 2022 – Budget Management – Revenue Budgetary Control 2021/22 – Position Statement at 31 December 2021

Report to Leadership Panel of 15 February 2022 – Housing Capital Programme 2021/22: Monitoring Report as at 31 December 2021

Person to Contact **Tim Baulk, Head of Finance and ICT**
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Phone 01292 612921
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Date: 23 February 2022

Approved 2021/22 and Proposed 2022/23 HRA Revenue Budget

Approved Budget 2021/22 £m	***Subjective Analysis***	***Proposed Budget 2022/23 £m***
4.429	Employee costs	4.901
12.336	Property costs	12.657
0.363	Supplies and services	0.378
0.090	Transport costs	0.094
1.315	Administration costs	1.445
1.747	Support service costs	1.766
0.037	Third party payments	0.016
0.021	Transfer payments	0.021
3.753	Financing costs	3.868
8.479	CFCR	8.905
32.570	***Gross Expenditure***	***34.051***
(32.570)	Income	(34.051)
0	***Net Expenditure***	*0*

Appendix 2

Proposed Housing Capital Budget 2022/23 – 2026/27

Activity	***2022/23***	***2023/24***	***2024/25***	***2025/26***	***2026/27***
	£m	***£m***	***£m***	***£m***	***£m***
Major Component Replacements – Allocated	9.592	0	0	0	0
Major Component Replacements – Unallocated	16.034	7.500	7.500	7.500	7.500
Contingencies	0.227	0.269	0.269	0.269	0.225
Demolitions	2.560	0	0	0	0
Structural and Environmental	7.207	2.350	2.350	2.350	2.350
Sheltered Housing Environmental Improvements	0.269	0	0	0	0
Fees	0	0	0	0	0
Footpaths	0.020	0	0	0	0
Window Replacement Programme	0.950	0	0	0	0
Environmental Improvements	0.305	0.707	0.707	0.707	0.707
Buy back properties	0.800	0.800	0.800	0.800	0.800
New builds	28.188	28.623	9.725	8.753	20.423
Total Expenditure	***66.153***	***40.249***	***21.351***	***20.379***	***32.005***

This capital programme would be funded as follows:

Income Source	***2022/23***	***2023/24***	***2024/25***	***2025/26***	***2026/27***
	£m	***£m***	***£m***	***£m***	***£m***
CFCR	8.905	7.859	8.638	8.785	9.502

Draw on Accumulated surplus	0	0	0	0	0
Borrowing	55.668	24.425	9.038	8.286	14.785
Scottish Government Funding	1.580	7.965	3.675	3.308	7.718
2nd Homes Council Tax	0	0	0	0	0
Other Income	0	0	0	0	0
Total	***66.153***	***40.249***	***21.351***	***20.379***	***32.005***
Net	***0***	***0***	***0***	***0***	***0***

Appendix 3

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: Interim Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	**Housing Revenue Account (HRA) – Revenue Budget 2022/23 and Capital Budget 2022/23 – 2026/27**
Lead Officer (Name/Position/Email)	Michael Alexander – Service Lead – Housing Services

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes **Consider the 'Three Key Needs' of the Equality Duty**	**Level of Negative and/or Positive Impact (High, Medium or Low)**
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	**NO**
Rationale for decision: **An Equality Impact Assessment is not required on this occasion. This report is seeking a decision from Council on setting of rents and other charges, which will be applied to all tenants. The decision on this has no specific equality implications.**	
Signed : Kevin Carr **Assistant Director** **Date:** 16 February 2022	

Agenda Item No. 7

South Ayrshire Council

Report by Head of Legal, HR and Regulatory Services
to South Ayrshire Council
of 3 March 2022

Subject: Living Wage

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1. Purpose

1.1 The purpose of this report is to seek approval on the partial revision to the Council's Pay and Grading Structure up to and including Grade 1, Level 4 in order to embed the Scottish Living Wage by 1 April 2022.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 notes the work that has been completed in the development of a revised Pay and Grading structure taking into consideration the COSLA agreed Job Evaluation System for determining grades;

2.1.2 notes the work that has been completed in relation to review of pay models to take account of the Gender pay gap;

2.1.3 notes that the Revenue Budget 2022/23 includes provision for the revised Pay and Grading structure;

2.1.4 approves the proposed pay model and implementation of a revised Pay and Grading Structure which embeds the Local Government Scottish Living Wage and increases the rates of pay for the Council's lowest paid employees to above the Scottish Living Wage with effect from 1 April 2021;

2.1.5 notes the agreement with the Trade Unions to backdate the implementation date; and

2.1.6 approves that the costs of backdating to 1 April 2021 are met from projected underspend as reported to the Leadership Panel on 15 February 2022.

3. Background

3.1 The Council's Pay and Grading Structure has been under review since 2019, as a result of the Scottish Joint Council for Local Government Employees reaching agreement on the 2018-2021 pay award that there would be a commitment to consolidate the Scottish Living Wage (SLW) within Council pay scales. This review followed the COSLA agreed principles for Job Evaluation and has been completed in consultation with Trade Unions.

3.2 A range of options for a revised structure were assessed over time taking account of benchmarking with other authorities and costing of each option with the overall aim to review the pay and grading structure to restore the differentials created by the continued increase in the living wage, based on affordability and minimising the impact on the overall pay and grading structure.

3.3 Previously it was nationally agreed that the SLW be embedded within pay and grading structures by 1 April 2021, with the option to defer until 1 April 2022. Trade Unions agreed to defer the consolidation of the pay and grading structure to 2022 because of the delay in reaching agreement for the 2021 pay settlement. It was agreed at the First Tier JCC in March 2021 that, due to this delay, the implementation date would be backdated to 1 April 2021.

3.4 Trade Unions rejected the Council's initial proposal because it recommended a spot grade which in their view would disadvantage predominantly part-time female employees. In addition, the proposed model did not adequately future proof the pay and grading structure against future increases to the SLW rate. Since then, in consultation with Trade Unions a range of work has been carried out to develop alternative options and an independent review was conducted by an external Job Evaluation specialist.

4. Proposals

4.1 The proposed model which is attached as Appendix 1 has the full agreement of the Trade Unions:

4.1.1 Introduces two spinal points at Levels 1 to 3, reduces Level 4 to three spinal points without affecting the current top point of Level 4 and with no impact to Level 5.

4.1.2 An assessment has been undertaken of the estimated additional financial implications of implementing the proposed changes to the pay and grading structure and this has been included within the 2022/23 budget.

4.1.3 It seeks to protect against inflationary rises and remove the current grade erosion by starting the pay and grading structure at spinal point 21, three spinal points above the SLW. This reduces barriers for people entering the labour market and supports the Council's vision to Reduce Poverty and Disadvantage by providing entry level employment opportunities. It also reduces barriers for supported employment candidates as there is no expectation that previous experience or skills are required.

4.1.4 In addition, the Council has been paying a fixed point in relation to the SLW for a number of years, and as a result a higher proportion of female employees would be better off financially. This proposal will reduce the gender pay gap by 0.3%.

4.1.5 It satisfies the two areas raised by the trade unions - it enables progression at the lower grades and future proofs the pay model as well as offering a positive financial impact to the Council's existing employees.

4.2 It is proposed that the Council approves the proposed pay model and the implementation of a revised Pay and Grading Structure backdated to 1 April 2021.

5. Legal and Procurement Implications

5.1 The Council has a legal duty to inform employees of a change to their terms and conditions and those affected employees must be given notice of this change.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 The cost of implementing the proposed model from 1 April 2022 has been included in the 2022/23 Revenue Budget proposals considered earlier on this meeting agenda.

6.2 The cost of backdating the model to 1 April 2021 is approximately £0.900m and will be funded from projected underspend of £4.454m reported to the Leadership Panel on 15 February 2022.

7. Human Resources Implications

7.1 The implementation of a revised Pay and Grading structure up to and including Grade 1 Level 4 will require revised contracts of employment to be issued to all affected employees.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 Currently, the Council has been paying a fixed point in relation to the SLW to all employees on Level 1 up to the second point of Level 3 and this impacts on differentiation between posts in the Council's structure, in that there is a lack of differentiation. Failing to implement the revised Pay and Grading structure up to and including Level 4 will lead to further grade erosion and the Council would breach the commitment as part of Scottish Joint Council for Local Government Employees 2018-2021 pay award to consolidate the Scottish Living Wage (SLW) within Council pay scales.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There is a positive equality impact to part-time female employees at the lower end of the pay scale of agreeing the recommendations. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 2 of the Council Plan: Closing the Gap/ Reduce poverty and disadvantage.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Peter Henderson, Portfolio Holder for Corporate, and Councillor Brian McGinley, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

13.3 As a Council, officers want to work collaboratively with Trade Union representatives, and this has been evident in the work carried out on the Pay and Grading structure. Officers have listened and taken on board their views and have adjusted work in this area as a result.

13.4 The Trade Unions received the most recent information and have confirmed they agree with the decision to implement the revised structure up to Grade 1 Level 4. They agreed the new structure would reduce the pay gap and as a result were supportive of this.

13.5 Subject to Council approval, a collective agreement will be drawn up outlining what has been agreed in relation to the implementation of the revised Pay and Grading structure up to Grade 1 Level 4.

14. Next Steps for Decision Tracking

14.1 If the recommendations above are approved by Members, the Head of Legal, HR and Regulatory Services will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the ‘Council and Leadership Panel Decision Log’ at each of its meetings until such time as the decision is fully implemented:

Implementation	*Due date*	*Managed by*
Make the necessary arrangements to communicate to affected employees and implement the proposed pay model and amend the Pay and Grading structure	1 April 2022	Service Lead – HR and Payroll

Background Papers	**None**
Person to Contact	**Catriona Caves, Head of Legal, HR and Regulatory Services County Buildings, Wellington Square, Ayr, KA7 1DR Phone 01292 612556 E-mail catriona.caves@south-ayrshire.gov.uk**

Date: 23 February 2022

Proposed Pay Model – Option 6

SJC Spinal Column Points	Hourly Rate w.e.f. 1.4.20	SJC NOVEMBER Offer Hourly Rate w.e.f. 1.4.21	Current SAC LGE pay scales		Initial SAC proposal Option 5	Pay Points	SAC proposal RD Revision of Option 5	Pay Points	Amended SAC proposal Option 6	Pay Points
2	£9.34									
3	£9.34		Level 1	1						
4	£9.34		Level 1							
5	£9.34		Level 1	2						
6	£9.34									
7	£9.34		Level 2	1						
8	£9.34		Level 2							
9	£9.34		Level 2	2						
10	£9.34		Level 2							
11	£9.34		Level 2	3						
12	£9.34		Level 2							
13	£9.34		Level 2	4						
14	£9.34									
15	£9.34		Level 3	1						
16	£9.34		Level 3							
17	£9.34		Level 3	2						
18	£9.34		Level 3							
SLGLW	£9.34	9.78	Level 3		Level 1	1	Level 1	1		
19	£9.47	£9.91	Level 3	3	Level 2	1	Level 2	1		
20	£9.60	£10.04	Level 3		Level 3	1	Level 2	2		
21	£9.74	£10.18	Level 3	4	Level 3	2	Level 3	1	Level 1	1
22	£9.90	£10.34					Level 3	2	Level 1	2
23	£10.04	£10.48	Level 4	1	Level 4	1	Level 4	1	Level 2	1
24	£10.19	£10.63	Level 4		Level 4		Level 4		Level 2	2
25	£10.34	£10.78	Level 4	2	Level 4	2	Level 4	2	Level 3	1
26	£10.49	£10.93	Level 4		Level 4		Level 4		Level 3	2
27	£10.64	£11.08	Level 4	3	Level 4	3	Level 4	3	Level 4	1
28	£10.79	£11.23	Level 4		Level 4		Level 4		Level 4	2
29	£10.95	£11.39	Level 4	4	Level 4	4	Level 4	4	Level 4	3
30	£11.12	£11.56								
31	£11.29	£11.73	Level 5	1	Level 5	1	Level 5	1	Level 5	1
32	£11.41	£11.85	Level 5		Level 5		Level 5		Level 5	
33	£11.62	£12.06	Level 5	2	Level 5	2	Level 5	2	Level 5	2
34	£11.78	£12.22	Level 5		Level 5		Level 5		Level 5	
35	£11.98	£12.42	Level 5	3	Level 5	3	Level 5	3	Level 5	3
36	£12.14	£12.58	Level 5		Level 5		Level 5		Level 5	
37	£12.33	£12.77	Level 5	4	Level 5	4	Level 5	4	Level 5	4

Appendix 2

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/

1. Policy details

Policy Title	Consolidation of Living Wage
Lead Officer (Name/Position/Email)	Wendy Wesson (Service Lead – HR & Payroll) Wendy.wesson@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	Yes
Disability	No	Yes
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	Yes
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	Yes
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	Yes – The entry point of this proposal is two points above the

		SLW, the group of employees affected will be paid above the SLW. The proposal reduces barriers for people entering the labour market and supports our vision to Reduce Poverty and Disadvantage by providing entry level employment opportunities. It also reduces barriers for supported employment candidates as there is no expectation that previous experience or skills are required.
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	Yes - As the entry point of this proposal is two points above the SLW, it better allows to meet the basic living costs.
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	Yes - As the entry point of this proposal is two points above the SLW, it better allows to access basic goods and services.
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent's education, employment and income	No	No

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	**Level of Negative and/or Positive Impact** **(High, Medium or Low)**
Eliminate unlawful discrimination, **harassment and victimisation**	**Positive Impact** We have established that the proposal will reduce the pay gap by 0.3%.
Advance equality of opportunity between people who share a protected characteristic and those who do not	**Positive Impact** As the group of employees affected will be paid above the SLW, the proposal reduces barriers for people entering the labour market and supports our vision to Reduce Poverty and Disadvantage by providing entry level employment opportunities. It also reduces barriers

	for supported employment candidates as there is no expectation that previous experience or skills are required.
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	No adverse impact - Low
Increase participation of particular communities or groups in public life	No adverse impact - Low
Improve the health and wellbeing of particular communities or groups	**Positive Impact** Whilst not a direct impact, as the entry point of this proposal is two points above the SLW, the employees affected will potentially have more resources to invest in their health (healthy food and physical activity).
Promote the human rights of particular communities or groups	No adverse impact - Low
Tackle deprivation faced by particular communities or groups	**Positive impact** As the group of employees affected will be paid above the SLW, the proposal reduces barriers for people entering the labour market and supports our vision to Reduce Poverty and Disadvantage by providing entry level employment opportunities. It also reduces barriers for supported employment candidates as there is no expectation that previous experience or skills are required.

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	**YES** X **NO**
Rationale for decision: The pay model will have an impact on the pay of a group of employees (1195 FTE in total) therefore, the impact is high.	
Signed: Wendy Wesson **Date:** 7th February 2022	

Agenda Item No. 8

South Ayrshire Council

Report by Head of Legal, HR and Regulatory Services to South Ayrshire Council of 3 March 2022

Subject: Rationalisation of Pay Cycles

1. Purpose

1.1 The purpose of this report is to seek approval to rationalise the number of pay cycles as part of the Oracle Fusion project.

2. Recommendation

2.1 It is recommended that the Council:

2.1.1 approves the removal of the fortnightly pay cycle and the move of employees to the Council's monthly pay cycle for Local Government Employees (LGE);

2.1.2 approves the removal of the supply teacher pay cycle and the move of supply staff to the Council's monthly pay cycle for teaching staff; and

2.1.3 agrees that the Council makes available a pay advance to the employees referred to in 2.1.1 above who may require assistance to bridge the gap between their last fortnightly and first monthly pay. This advance would be paid back by these employees over a term agreed with Employee Services, but no later than when they leave the Council's employment.

3. Background

3.1 In January 2020, Socitm Advisory were engaged by the Council to review the options available with regards to the significant challenges presented by the end of Oracle eBS support. The required outcomes from this work were recommendations on the most beneficial way forward for the Council for this critical line-of-business application.

3.2 An Outline Business Case was presented to Leadership Panel in October 2020 with a recommendation to move to a Cloud ERP solution. This was accepted by the Panel who also agreed a capital funding allocation of £5.767m for the programme costs.

3.3 Oracle Fusion is a suite of applications built on Oracle Cloud that include applications for enterprise resource planning (ERP) – for South Ayrshire this includes HR, Payroll, Finance and Procurement. It is the next generation of our existing Oracle eBusiness Suite, bringing with it an updated interface and an expanded range of self-service options for both the individual employee and the Council's managers.

3.4 The implementation of the new Cloud ERP system is a major change programme and needs to be completed in conjunction with the Council's ongoing improvement journey, rather than in isolation. It is expected that introducing this new technology will increase productivity through the implementation of employee and manager self-service, improved processes and greater access to information for managers to enable them to be more effective in delivering their services and employees to manage their personal data

3.5 The Council upgraded its payroll system in November 2016 moving from Cyborg to Oracle continuing with the current pay cycles fortnightly, monthly LGE, monthly Teachers and supply teaching. Oracle Fusion provides an opportunity to rationalise the existing pay cycles thereby adopting best practice business processes, reducing the support costs and increasing the productivity of the payroll team. The implementation of Single Status in 2009 moved fortnightly paid employees to monthly and moved weekly employees to fortnightly thereby removing the weekly pay cycle.

4. Proposals

4.1 The first pay run in Oracle Fusion is planned for November 2022 and it is hoped that by that stage there will only be 2 monthly payrolls – one for teachers and one for the remainder of the workforce.

4.2 ***Fortnightly Pay Cycle***

4.2.1 It is proposed to move existing fortnightly employees to the current monthly pay cycle and pay their first monthly pay on 13 August 2022.

4.2.2 The implementation of Single Status in 2009 closed the fortnightly pay cycle to new employees and since then the pay cycle for any new employees has been monthly. 574 employees remain on the fortnightly pay cycle. It is proposed to offer these employees a pay advance to bridge the gap between their last fortnightly pay and their first monthly one. This advance would be paid back by these employees as a deduction from future monthly pay cycles. The suggested repayment term could be for example over six, twelve month or even two years or more but no later than when they leave the Council's employment. The exact repayment term would be agreed with Employee Services for each employee affected by this change.

4.2.3 During consultation Trade Unions suggested arranging financial advice to assist employees who may require advice and guidance to manage their finances as a result of this change. It is proposed that confidential advice and support will be made available where required through the Council's Information and Advice team.

4.2.4 It is proposed to write to employees on the fortnightly pay cycle to vary their terms and conditions. It is anticipated that some employees may not accept this variation in which case a 90 days' notice will require to be issued to make this change to their terms and conditions of employment with effect from 13 August 2022.

4.3 ***Supply Teachers***

4.3.1 Supply Teachers are registered on the Council's bank list meaning they occasionally do work for the Council. There is no obligation on the Council to offer work and there is no obligation for those on the bank list to accept work that is offered. There are 33 supply Teachers on the supply Teachers pay cycle. It is proposed to write to them to advise that the Council is changing its pay cycles and that if they accept work in the future they will be paid at a different time in the month. This approach has been agreed with the JNCT Joint Secretaries.

4.4 It is proposed that the Council:

4.4.1 approves the removal of the fortnightly pay cycle and the move of employees on this pay cycle to the Council's monthly pay cycle for Local Government Employees (LGE);

4.4.2 approves the removal of the supply teacher pay cycle and the move of supply Teachers to the Council's monthly pay cycle for teaching staff; and

4.4.3 agrees that the Council makes available a loan to employees in paragraph 4.2.2 who may require assistance to bridge the gap between their last fortnightly and first monthly pay.

5. Legal and Procurement Implications

5.1 The Council has a legal duty to inform employees of a change to their terms and conditions and those affected employees must be given notice of this change. The necessary arrangements will be implemented to communicate these changes to affected employees on fortnightly and supply Teachers pay cycle,

6. Financial Implications

6.1 There is no cost implication to reduce the pay cycles however there will be a small saving in officers time of approximately 4 days per month, c£1.5K per annum.

6.2 The estimated maximum cost to the Council of the offer of a pay advance to the employees affected (based on an average of the last three fortnightly pay cycles) would be £286,600. The exact cost is dependent on the number of employees that take up the offer of the pay advance. This cost would be recovered from employees based on repayment terms as suggested in 4.2.2 above.

7. Human Resources Implications

7.1 There are no HR implications because arrangements can be completed within existing resources.

8. Risk

8.1 ***Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 Failing to implement the recommendations would limit the ability to modernise the service through the utilisation of the new system.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 1.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership – Leadership that promotes fairness.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Peter Henderson, Portfolio Holder for Corporate, and Councillor Brian McGinley, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

13.3 As a Council, officers want to work collaboratively with Trade Union representatives, and have listened and taken on board their views. During consultation, Trade Unions confirmed they would support the proposal on the basis that the loan repayment is made when the employee leaves the Council's employment.

14. Next Steps for Decision Tracking

14.1 If the recommendations above are approved by Members, the Head of Legal, HR and Regulatory Services will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Leadership Panel in the 'Council and Leadership Panel Decision Log' at each of its meetings until such time as the decision is fully implemented:

Implementation	*Due date*	*Managed by*
Make the necessary arrangements to communicate the changes to supply Teachers informing them that if they accept future work with the Council the pay cycle is changing	1 May 2022	Service Lead – HR and Payroll
Make the necessary arrangements to communicate to affected employees on fortnightly pay cycle and implement the changes to terms and conditions of employment	13 August 2022	Service Lead – HR and Payroll

Background Papers **None**

Person to Contact
Catriona Caves, Head of Legal, HR and Regulatory Services
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612556
E-mail catriona.caves@south-ayrshire.gov.uk

Date: 25 February 2022

Appendix 1

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/

1. Policy details

Policy Title	Rationalisation of Pay Cycles
Lead Officer (Name/Position/Email)	Wendy Wesson (Service Lead – HR & Payroll) Wendy.wesson@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	There is a potential impact on the ability to budget and manage being paid monthly instead of fortnightly. Financial advice and support will be made available where required through the Council's Information and Advice team.	For some individuals they may prefer to move to being paid on a monthly basis.
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	There is a potential impact on the ability to budget and manage being paid monthly instead of fortnightly. Financial advice and support will be made available where required through the Council's Information and Advice team.	For some individuals they may prefer to move to being paid on a monthly basis.
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent's education, employment and income	No	No

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, **harassment and victimisation**	No adverse impact
Advance equality of opportunity between people who share a protected characteristic and those who do not	No adverse impact
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	No adverse impact

Increase participation of particular communities or groups in public life	No adverse impact
Improve the health and wellbeing of particular communities or groups	No adverse impact
Promote the human rights of particular communities or groups	No adverse impact
Tackle deprivation faced by particular communities or groups	No adverse impact

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	**~~YES~~** **NO**
Rationale for decision: Whilst we appreciate the rationalisation of pay cycles may affect some of the employee group, there may be others within the group who would prefer the change in pay cycle.	
Signed: Wendy Wesson **Date:** 17th February 2022	