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Council Building
2 High Street
Perth
PH1 5PH

21/06/2023

A hybrid meeting of **Perth and Kinross Council** will be held in **the Council Chamber** on **Wednesday, 28 June 2023 at 10:30**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

THOMAS GLEN
Chief Executive

Those attending the meeting are requested to ensure that all notifications are silent on their device and other devices are in silent mode.

Please note that the meeting will be broadcast online and recorded. The recording will be publicly available on the Council's website following the meeting.

Members:

Provost X McDade
All Councillors

Perth and Kinross Council

Wednesday, 28 June 2023

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- | | | |
|---------------|--|----------------|
| 1 | WELCOME AND APOLOGIES | |
| 2 | DECLARATIONS OF INTEREST | |
| 3 | MINUTE OF MEETING OF PERTH AND KINROSS COUNCIL OF 10 MAY 2023 FOR APPROVAL
(copy herewith) | 5 - 14 |
| 4 | OUTSTANDING BUSINESS STATEMENT (OBS)
(copy herewith 23/203) | 15 - 16 |
| 5 | NOTICE OF MOTIONS | |
| 5(i) | MOTION TO AMEND STANDING ORDER 9.1
(copy herewith) | 17 - 18 |
| 5(ii) | MOTION ON USE OF AIR TRAVEL WITHIN THE UK
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| 5(iii) | MOTION ON ENDING ROMA/GYPSY/TRAVELLERS HATE DISCRIMINATION
(copy herewith) | 21 - 22 |
| 5(iv) | MOTION ON SCOTTISH FIRE AND RESCUE SERVICES CUTS
(copy herewith) | 23 - 24 |
| 5(v) | MOTION ON UNIVERSITY OF THE HIGHLANDS AND ISLANDS PERTH
(copy herewith) | 25 - 26 |
| 6 | ANNUAL TREASURY REPORT 2022/23
Report by Head of Finance (copy herewith 23/204) | 27 - 40 |
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(copy herewith) | 41 - 42 |

ELECTED MEMBERS BRIEFING NOTES

Council is asked to note the following [Elected Members Briefing Notes](#) that have been issued to elected Members since the previous Council meeting:

11 May 2023	Advanced Higher offer in secondary schools
24 May 2023	Second Review of Scottish Parliament Boundaries
30 May 2023	Corporate performance reporting
2 June 2023	Consultation on short- term let control areas
2 June 2023	Invergowrie Medical Practice update
7 June 2023	Update on future use of designated open spaces at North Muirton and Potterhill Gardens estates
13 June 2023	Waste Services update - June 2023
15 June 2023	Council Chamber system issues
16 June 2023	Edinburgh Judicial Review
16 June 2023	Bin collection disruption
19 June 2023	Palliative Care Services
20 June 2023	Estate Based Initiatives improvements for North Locality
20 June 2023	Estate Based Initiatives improvements for Letham and Hillyland
20 June 2023	Estate Based Initiatives improvements for Perth City
20 June 2023	Estate Based Initiatives improvements for South Locality
20 June 2023	Progress of Multi-Storeys Strategy

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All Council Services can offer a telephone translation facility.

PERTH AND KINROSS COUNCIL

Minute of hybrid meeting of Perth and Kinross Council held in the Council Chamber, 2 High Street, Perth on Wednesday 10 May 2023 at 10:00am.

Present: Provost X McDade, Depute Provost A Parrott, Bailies C Ahern, A Bailey, R Brock, C McLaren and M Williamson, Councillors K Allan, H Anderson, L Barrett, P Barrett, B Brawn, S Carr, A Chan, D Cuthbert, S Donaldson, E Drysdale, J Duff, A Forbes, M Frampton, N Freshwater, K Harvey, D Illingworth, I James, N Khogali (up to and including Item 5(v)), G Laing, B Leishman, I MacPherson, I Massie (up to and including Item 5(v)), S McCole, T McEwan, J Rebbeck, C Reid, W Robertson, C Shiers, F Smith, C Stewart, G Stewart, R Watters and J Welch.

In Attendance: T Glen, Chief Executive; L Simpson, Head of Legal and Governance Services; B Renton, Executive Director (Communities), F Robertson, Head of Culture and Communities Services; S MacKenzie, Head of Finance; K Donaldson, Chief Operating Officer; S Walker, K Molley, J Guild, A Brown and M Pasternak (all Corporate and Democratic Services).

Provost X McDade, Presiding.

1. WELCOME AND APOLOGIES

Provost McDade welcomed all those present to the meeting.

Prior to the commencement of business, the Provost paid tribute to the late John Bullough, Perthshire businessman and charity founder, who sadly passed away the previous week and passed on condolences to the family.

2. DECLARATIONS OF INTEREST

There were no Declaration of Interests in terms of the Councillors' Code of Conduct.

3. MINUTES

(i) MINUTE OF MEETING OF PERTH AND KINROSS COUNCIL OF 8 FEBRUARY 2023 FOR APPROVAL

The minute was submitted and approved as a correct record.

(ii) MINUTE OF SPECIAL MEETING OF PERTH AND KINROSS COUNCIL OF 1 MARCH 2023 FOR APPROVAL

The minute was submitted and approved as a correct record.

4. OUTSTANDING BUSINESS STATEMENT

The Outstanding Business Statement was noted, and it was agreed to remove the completed actions.

5. NOTICE OF MOTIONS

(i) Motion on Events Using Fireworks

Motion by Councillors B Leishman and E Drysdale

The Council agrees that:

- Where fireworks/pyrotechnics displays are held on Council owned property or land or are to be managed, sponsored or funded by the Council, these will be restricted to the following existing annual events:
 - Bonfire and Fireworks Event held on the South Inch, Perth in November, or such other venue as may be used for that purpose;
 - Christmas Lights Switch On in Perth in November;
 - Bonfire & Fireworks Event held in Pitlochry in November
 - Braemar Day Fireworks Event held in Blairgowrie on the Saturday of the Braemar Highland Games
- Religious festivals such as Chinese New Year and Diwali also take place within Perth and Kinross and are permitted to have fireworks/pyrotechnics display.
- Event organisers will be required to publicise the location and timings of the fireworks/pyrotechnics display in the local printed media, on local radio and on any social media accounts the event run.
- Event organisers will also be required to notify the Council of the location and timings of the fireworks/pyrotechnics display so that these may be publicised through the Council's social media channels in advance.
- The use of fireworks at these events to be limited to a maximum period of 30 minutes.
- Applications can be made for use of Council property or land or funding or sponsorship for events which will involve use of fireworks or pyrotechnics. In such cases consideration would be given to whether the circumstances justify departure from the general policy position, and that such a decision would require approval of Council. In the event of approval, the same requirements in relation to advance publicity would apply.

Proposed Amendment by Councillor P Barrett

In accordance with the Motion but to also incorporate the following:
The Council to examine the feasibility of introducing a 90 decibel limit on fireworks used in displays supported by the Council.

The Mover and Seconder of the Motion agreed to incorporate this amendment into the Motion.

Resolved:

In accordance with the Revised Motion.

(ii) Motion on Single Use Vapes in Perth and Kinross

Motion by Councillors L Barrett and R Watters

Council notes:

- “Disposable vapes”, also known as nicotine vapour products (NVPs), are battery operated single-use devices to provide puffs of nicotine to users. Although currently believed to be safer than cigarettes, vapes still contain nicotine and many on sale contain more than the legal limit. Compared to reusable vapes, which are rechargeable and refillable, single use vapes only last for around 600 puffs, at which point they require complete replacement. PKC Trading Standards Officers have found illegal vapes on sale with up to 3500 puffs, containing significantly more than the 2ml of liquid allowed by the legislation.
- It is widely reported that the popularity of brightly coloured and sweetly flavoured single use vapes is increasing among those who have not previously smoked, including younger generations. Action on Smoking and Health Scotland have warned that their marketing and widespread availability is driving a huge increase in youth experimentation with vaping. They have pointed out that nicotine is highly addictive and many single use vapes include toxic chemicals that have not been safety tested for inhalation and could seriously damage health over time – a particular risk for young people whose lungs are still growing.
- Under Scots law, it is illegal for anyone under 18 to buy e-cigarettes or vapes. This also means anyone buying NVPs for those underage will also be breaking the law.
- Vapes are made of plastic and powered by a lithium battery containing corrosive and flammable chemicals. These should be disposed of under small waste electrical and electronic equipment (WEEE) regulations, to mitigate risks of fire in waste facilities, but are usually put into general waste or dumped as litter.

- Cigarette litter in general makes up the biggest chunk of litter recorded by Keep Scotland Beautiful across Scotland, and they advise that that single use vapes are increasing as a new, unnecessary litter type. The shift from reusable vapes to single use versions is also worrying for marine life, as single use vapes are being littered on streets and beaches, finding their way into the sea and polluting our marine environment.
- Last year, Waitrose announced it could no longer justify selling single use vapes and removed two types of e-cigarettes from its stock. Keep Scotland Beautiful, ASH Scotland, Marine Conservation Society are urging retailers to follow Waitrose in a ban of the single-use products.
- The Scottish Government is currently conducting a review, led by Zero Waste Scotland, of the environmental impacts and management of single use vapes. This includes consideration of a ban.
- Several local authorities in Scotland, including Dundee, Falkirk and Glasgow, have voiced support for a ban.
- The UK Government has recently announced a crackdown on the supply and sale of vapes, and the Department for Health and Social Care has pledged £3m funding to support Trading Standards to tackle the issues of non-compliance.

Council resolves:

- To instruct the Council Leader to write to the Scottish Government (a) to express Perth & Kinross Council's support for the introduction of new legislation banning the sale of single-use vapes in Scotland due to the impact on the environment of the resources used in their production, on the future health of young people, the rising environmental impact of littering, and the risks associated with their safe disposal; and (b) to provide additional funding to Scottish local authorities to support Trading Standards to tackle the issues of non-compliance with legislation on the supply and sale of vapes.
- Through our schools, to continue to educate pupils and their parents and carers about the dangers of vaping, and the fact that it is illegal to purchase vapes for those under 18.
- Through social media and other communication channels, to highlight the risks to health and the environment, and to ask those who do use a vaping product to switch to a reusable option and always ensure they dispose of vaping products correctly through takeback schemes or designated WEEE recycling points.

Amendment Councillors C Shiers and N Khogali

In accordance with the Motion but to also incorporate the following:
Through our Trading Standards Officer team, to continue a programme of information to retailers and enforcement of the current legislation to reduce access to all vaping products for those under 18.

The Mover and Seconder of the Motion agreed to incorporate this amendment into the Motion.

Resolved:

In accordance with the Revised Motion.

(iii) Motion on Grand National Winner

Motion by Councillors G Laing and R Watters

Perth and Kinross Council wishes to acknowledge formally the magnificent achievement of the partnership of Lucinda Russell, Peter Scudamore and all their dedicated team involved in training their second Grand National winner. Their achievements have been recognised amongst professionals and commentators within the sport as a fantastic training achievement, a sentiment shared within the local community in Kinross-shire and within Perth and Kinross as a whole.

We ask that Council agrees that Lucinda Russell and Peter Scudamore be awarded Freedom of the City of Perth on behalf of their team, and all be invited to a civic reception to celebrate their achievement.

Resolved:

In accordance with the Motion.

(iv) Motion on School Pupils to Select Name for Cross Tay Link Road to Mark the Coronation

Motion by Councillors G Laing and J Duff

To mark the significant event of the coronation of a new head of state, King Charles III, and the return of the Stone of Destiny to Perth & Kinross it is proposed that the new bridge and road be named to reflect these momentous events.

The Council resolves that all Perth & Kinross primary and secondary school pupils will be given the opportunity to choose the name for the new bridge and road from the following options:

1. Coronation Crossing & Destiny Road
2. King's Bridge & Destiny Road
3. Destiny Bridge & New Kingsway

This will be done via an electronic survey/ballot organised in May 2023. The preferred names will be announced in June 2023.

The naming of the bridge and road in this way reflects not only a significant event in our lifetimes, but also reflects the history of Scone as the home of the Stone of Destiny and its important role in the coronation.

It will also help promote the importance of the Stone of Destiny to the area ahead of its return next year to the new Perth Museum.

There is no additional cost to the Council as a result of this motion.

Resolved:

In accordance with the Motion.

(v) Motion on A9 Dunkeld

Motion by Bailie C McLaren and Councillor I James

I call upon the leader of the Council, Councillor Grant Laing to write to the Transport Minister, Kevin Stewart MSP.

The announcement that the promised dualling of the A9 has stalled and won't be delivered by 2025 as promised by the Scottish government has been met with dismay by the residents and businesses in Dunkeld, Birnam and Strathbraan.

It is very difficult and dangerous for locals and visitors to exit onto the A9 from Dunkeld and Birnam because of frequent heavy traffic flows on the A9.

Fatality numbers highlight the urgent need for road safety measures for this section of the A9. I ask the leader to demand a timetable of deliverance of greatly improved road safety measures. I would request at the very minimum the installation of a roundabout to allow all road users to exit, enter or cross the A9 road.

We would request that the installation of traffic control measures to allow road users safe and easy access to enter, exit or cross the A9 road be instigated urgently.

Councillors C Reid and K Allan put forward an amendment regarding extension of the motion to consider the whole A9, however this was subsequently ruled incompetent.

Proposed Amendment by Councillor G Laing

In accordance with the Motion but to also incorporate the following:

A joint letter from the Leader of the Council and fellow Strathtay Ward Members be sent to the Transport Minister requesting a meeting to discuss the potential installation of traffic control measures to allow road users safe and easy access to enter, exit or cross the A9 road at Dunkeld.

The Mover and Seconder of the Motion agreed to incorporate this amendment into the Motion.

Resolved:

In accordance with the Revised Motion.

(vi) Motion to amend Standing Order 9.1

In line with Standing Order 2.7 (a) notice of intention be given to Council for the following Motion to be discussed at the following meeting of Council on 28 June 2023.

Motion by Councillors P Barrett and G Laing

9.1 Meetings of the Council, Committees or Sub-Committees are ordinarily held in the Council Chamber at 2 High Street, Perth. These meetings are open to the public in terms of Section 50A of the Local Government (Scotland) Act 1973 and are generally recorded for broadcast online after the meeting (except for the Licensing Committee).

Propose deletion of the text “(except for the Licensing Committee)”.

THERE FOLLOWED A 10 MINUTE RECESS AND THE MEETING RECONVENED AT 11:50AM.

6. STRATEGIC PRIORITIES FOR CULTURE AND PHYSICAL ACTIVITY/SPORT 2023-2028

There was submitted a report by Head of Cultural and Community Services (34/133) presenting the final strategies for culture and physical activity/sport 2023-28 for approval, following approval of draft strategies in December 2022, and a consultation and development phase approved by Council in June 2022.

DUE TO TECHNICAL ISSUES, MEMBERS AGREED TO A FURTHER RECESS AND THE MEETING RECONVENED AT 1:15PM.

Resolved:

- (i) The final strategies for culture, physical activity and sport attached at Appendix 1, be approved.
- (ii) Monitoring and reporting arrangements outlined in Section 5, be approved.
- (iii) The potential structural implications outlined in Section 6, be noted.

7. UPDATE OF FINANCIAL REGULATIONS

There was submitted a report by Chief Accountant (23/134) seeking approval to update the Council's approved Financial Regulations to ensure they remain fit for purpose.

Resolved:

- (i) The contents of the report 23/134, be noted.
- (ii) The updated Financial Regulations set out in Appendix 1, be approved.

**8. TREASURY & INVESTMENT STRATEGY and PRUDENTIAL INDICATORS
2023/24 – 2027/28**

There was submitted a report by Head of Finance (23/135) detailing the Council's proposed Treasury Strategy for 2023/24 to 2027/28, the Investment & Property Strategy for 2023/24 and Prudential Indicators for 2023/24 to 2027/28.

Resolved:

- (i) The contents of this report 23/135, be noted.
- (ii) The five-year Treasury Strategy for 2023/24 to 2027/28, as detailed in this report, which is submitted in accordance with the Council's approved Treasury Management Practices (TMP), be approved.
- (iii) The Permitted Investments and Investment Strategy for 2023/24 outlined at Section 7 and detailed at Appendix III of this report, be approved.
- (iv) The Property Investment Strategy for 2023/24 outlined at Section 8 and detailed at Appendix IV of this report, be approved.
- (v) The proposed Prudential Indicators for 2023/24 to 2027/28, as outlined at Section 11 and detailed at Appendix V of this report, be approved.

**9. ESTABLISHMENT OF SHORT-TERM MEMBER/OFFICER WORKING GROUP
– NATIONAL PARK WITHIN PERTH AND KINROSS**

Remit

Agree a name and the geographic area to be covered by the proposed National Park within Northern Perthshire.

Agree a communications and engagement plan for the community and stakeholder consultation process. Develop the draft submission for the creation of a new National Park to the Scottish Government for agreement by Council.

Membership

Provost Xander McDade (Convener)
Councillor Grant Laing (Vice Convener)
Bailie Alasdair Bailey
Bailie Claire McLaren
Councillor John Duff

Resolved:

The remit and membership, be agreed.

10. APPOINTMENT TO COMMITTEES/OUTSIDE BODIES

Resolved:

- (i) Council agreed that Councillor E Drysdale be replaced by Councillor K Harvey on Planning and Placemaking Committee
- (ii) Council agreed that Councillor E Drysdale be replaced by Councillor M Frampton on Licencing Committee
- (iii) Council agreed that Councillor M Frampton be replaced by Councillor J Welch on Scrutiny and Performance Committee
- (iv) Council agreed that Provost X McDade be replaced by Councillor D Cuthbert on Learning and Families Committee
- (v) Council agreed that Councillor D Cuthbert to replace Provost X McDade on Learning and Families Executive Sub Committee
- (vi) Council agreed that Councillor K Harvey be replaced by Councillor G Laing Tayside Contracts
- (vii) Council agreed that Councillor A Parrott be replaced by Councillor K Harvey on Perth Harbour Board
- (viii) Council agreed that Bailie A Bailey be replaced by Councillor B Leishman as the representative of Friends of Bydgoszcz - Management Committee

11. ELECTED MEMBERS BRIEFING NOTES

The Elected Members Briefing Notes, issued since the previous Council meeting and as set out on the agenda, be noted.

PERTH AND KINROSS COUNCIL
OUTSTANDING BUSINESS STATEMENT (OBS)
 (Report No. 23/203)

Please note that this statement sets out outstanding decisions of Council / this committee / sub-committee along with an update and estimated completion date. Actions which are overdue are shaded for ease of reference. Where an update reflects that an action is complete then agreement will be sought to its removal from the OBS.

No	Date / Minute Reference / Report Number	Subject Title	Outstanding Action	Update	Lead Officer /Service	Action Due/ completed	Action Expected
3.	25 May 2022. Item 6. Report 22/110	Appointment of Non-Elected Members	Elections to take place as soon as possible for relevant non-elected members on Learning and Families Committee.	Part complete. Appointments confirmed at committee on 3 May 2023, further appointments proposed to be made at committee on 23 August 2023. PART COMPLETE	Democratic Services Manager	DUE	August 2023
11.	21 December 2023. Item 11	Update to 2023 Committee Timetable	To alter the scheduled meetings of the Employees JCC and JNCT to correct sequencing.	Revised 2023 Committee Timetable and Draft 2024 Committee Timetable will be submitted to full Council on 30 August 2023. NOT COMPLETE	Democratic Services Manager	DUE	August 2023

No	Date / Minute Reference / Report Number	Subject Title	Outstanding Action	Update	Lead Officer /Service	Action Due/ completed	Action Expected
15.	10 May 2023 Item 5 (ii).	Letter from Council Leader	Letter to be sent to Scottish Government expressing PKC support for the introduction of legislation banning the sale of single-use vapes in Scotland and to request provision of additional funding for support Trading Standards in addressing issues of non-compliance with legislation.	COMPLETE	Democratic Services / Communications Team.	COMPLETE	May 2023
16.	10 May 2023 Item 5 (v)	Letter from Council Leader/Strathtay Ward Members	Joint letter to be sent to Transport Minister regarding traffic safety measures to allow road users safe and easy access to enter, exit or cross the A9 at Dunkeld.	COMPLETE	Democratic Services / Communications Team.	COMPLETE	June 2023

MOTION BY COUNCILLORS P BARRETT AND G LAING**Motion to amend Standing Order 9.1**

9.1 Meetings of the Council, Committees or Sub-Committees are ordinarily held in the Council Chamber at 2 High Street, Perth. These meetings are open to the public in terms of Section 50A of the Local Government (Scotland) Act 1973 and are generally recorded for broadcast online after the meeting (except for the Licensing Committee).

Propose deletion of the text “(except for the Licensing Committee)”.

MOTION BY COUNCILLORS G LAING AND G STEWART**Use of Air Travel within the UK**

Council agrees that representatives of Perth and Kinross Council, whether Officers, Elected Members or other staff, will not use air travel within the UK mainland for business travel purposes unless there is other no other means of suitable travel available to them.

MOTION BY COUNCILLORS M FRAMPTON T MCEWAN**Ending Roma/Gypsy/Travellers Hate discrimination.**

For too long now The Roma/ Gypsy/Travellers Communities have been stigmatised, because of their own Ancestral and Cultural beliefs and ways of life. They face racial hate, prejudice, and discrimination, which is extremely harmful, and are one of the most marginalised and disadvantaged Communities in Scotland.

Gypsy/travellers are more likely to be in high risk of poverty and social inclusion, there is educational and employment inequalities and healthcare inequalities which are detrimental to them as a community.

I would ask all Councillors to agree that Perth and Kinross Council pledges to stand against all hate and discrimination of Roma/ Gypsy / Travellers, and commits to breaking down barriers within Education, Healthcare and Employment.

MOTION BY COUNCILLOR J DUFF AND BAILIE C AHERN**Scottish Fire And Rescue Service Cuts**

In an effort to address the consequences of the Scottish Government's flat cash budget settlement over the next four years, which will require budget cuts of £36million, the Scottish Fire and Rescue Service has announced the removal of fire appliances from a number of fire stations across Scotland including one of the three fire appliances based at Perth's only fire station. This will also be accompanied by a reduction in the number of firefighter posts at Perth.

These latest cuts follow on from significant underinvestment in the Scottish Fire and Rescue Service over many years, including the loss of nearly 600 wholetime operational firefighter posts in the decade to 2021-22, and response times for emergency call-outs rising every year since the Fire and Rescue Service was centralised.

While these latest cuts are purported to be temporary, the reduction of a fire appliance and firefighters from Perth will place our communities and firefighters at greater risk and is of significant concern to this Council.

This Council therefore calls upon the Chief Executive and the Council Leader to meet with the Cabinet Secretary for Justice and Home Affairs and with our Community Planning Partners in the Scottish Fire and Rescue Service to express this Council's serious concerns for these proposals and to call upon the Scottish Government to provide sufficient additional funding to reverse these cuts.

MOTION BY COUNCILLORS J DUFF AND C SHIERS**University Of The Highlands And Islands Perth**

Following the Scottish Government's flat cash budget settlement for the college sector, UHI Perth will be required to make cuts of £3million and a 10% reduction in its academic credits in 2023/24. This will result in up to 50 job losses and fewer students being taught at UHI Perth at a time when skills training is even more important than ever.

These cuts come on the back of the Scottish Government's removal of £46million from the College/University sector's budget to help fund the recent Local Government teacher pay awards with no assistance being provided to help UHI Perth settle its own 2022/23 and 2023/24 staff pay award. The latest pay offer has been rejected by staff and industrial action remains ongoing which is particularly unsettling for everyone involved.

Thankfully, the proposed cuts to the nursery have been deferred for 2023/24 allowing the college to look at a different funding model for nursery provision, which is a vital facility for the staff, students and others.

Perth and Kinross Council has a successful working partnership with UHI Perth. For example, with the Highland Perthshire Learning Partnership based at Pitlochry High School which is helping to meet the educational needs of pupils and adult learners in the area.

The financial consequences of the Scottish Government's failure to fund UHI Perth is a significant cut to teaching staff at all levels, the potential loss of a number of courses from the curriculum and a reduction in the overall number of students who can find a place at UHI Perth.

This Council therefore calls upon the Leader of the Council and the Chief Executive to meet with the Cabinet Secretary for Education and Skills to call for additional funding for UHI Perth to prevent these job losses and course cuts.

PERTH AND KINROSS COUNCIL

28 June 2023

ANNUAL TREASURY REPORT 2022/23

Report by the Head of Finance

(Report No. 23/204)

1. PURPOSE OF REPORT

- 1.1 A requirement of the Council's approved Treasury Management Practice 6 (TMP6 – Reporting Requirements & Management Information Arrangements) is the reporting to Council of the expected treasury activity for the forthcoming year (i.e. the Treasury and Investment Strategy) and the subsequent reporting of the actual results and activities (i.e. this Annual Treasury Report). The Council meeting on 9 March 2022 approved the Treasury Strategy for the 6 financial years 2022/23 to 2027/28 and the annual Investment Strategy for 2022/23 (Report No. 22/47 refers).

2. RECOMMENDATION

- 2.1 It is recommended that the Council notes the content of this report,

3. STRUCTURE OF REPORT

- 3.1 This Annual Treasury Report covers:
- The Council's treasury position
 - The forecast economic outlook and borrowing strategy for 2022/23
 - The actual economic situation for 2022/23
 - Actual long-term borrowing and repayments in 2022/23
 - The Investment Strategy and outturn for 2022/23
 - Compliance with treasury policies and limits during 2022/23
 - The Statutory Loans Fund position
- 3.2 The Treasury and Investment Strategy details the expected activities of the Council's treasury function for the relevant financial years. The Investment Strategy also details the Permitted Investments of the Council, and outlines the risks associated with the expected investment activities. The submission of an annual Investment Strategy is a requirement of the Local Government Investments (Scotland) Regulations 2010.
- 3.3 In determining the Treasury Strategy, the Council is required to review its Prudential Indicators. The Council approved the Composite Capital Budget for the 6-years 2022/23 to 2027/28 at its meeting on 23 February 2022 (report 22/36 refers). The updated Prudential Indicators for this period were approved by the Council on 9 March 2022.

4. THE TREASURY POSITION

- 4.1 In order to place this report in context, the Council's Treasury position at the beginning and at the end of the year is shown below:

	Principal 31 Mar 2022 £M	Average Rate %	Principal 31 Mar 2023 £M	Average Rate %
Fixed Rate/Long Term Funding				
• Public Works Loan Board (PWLB)	568.0	2.41	560.0	2.40
• Market & Local Authority Bonds	43.2	4.59	43.2	4.59
• Other Loans & Bonds*	<u>0.1</u>	<u>0.00</u>	<u>0.1</u>	<u>0.00</u>
	<u>611.3</u>	<u>2.57</u>	<u>603.3</u>	<u>2.56</u>
Variable Rate/Short Term Funding				
• Temporary Loans	3.0	0.20	3.1	3.63
• Internal Loans	<u>2.2</u>	<u>1.05</u>	<u>2.3</u>	<u>3.93</u>
	<u>5.2</u>	<u>0.56</u>	<u>5.4</u>	<u>3.76</u>
TOTAL DEBT	<u>616.5</u>	<u>2.55</u>	<u>608.7</u>	<u>2.57</u>
TOTAL INVESTMENTS	<u>252.0</u>	<u>0.88</u>	<u>173.7</u>	<u>3.76</u>

*Interest free loan from the Scottish Government

5. THE FORECAST ECONOMIC OUTLOOK AND BORROWING STRATEGY 2022/23

- 5.1 In the aftermath of lifting the lockdown restrictions, the Bank of England's Monetary Policy Committee (MPC) increased the Bank Base Rate to 0.5% in February 2022. Following the pandemic it was anticipated that economic growth and inflation would steadily increase, and consequently interest rates were also expected to increase. The forecast was that the base rate would rise to around 1.25% by March 2023. Gilt yields, which determine the UK Government's borrowing costs and are used to set PWLB rates, were also at exceptionally low levels during the pandemic before increasing at the start of 2022. They were also anticipated to rise gradually throughout 2022/23, subject to any new economic restrictions.
- 5.2 The estimated capital borrowing requirement for 2022/23 at the start of the year was £148.8M, with further significant borrowing totalling £276.4M required in the subsequent 2 years. These amounts reflected the borrowing requirement of the Council's Capital Budget approved in February 2022. However, much of this borrowing requirement had effectively already been borrowed in the previous year.
- 5.3 Therefore, the Council's Treasury Strategy for 2022/23 was that with no immediate long-term borrowing required as a result of the significant borrowing undertaken in 2019 and 2021, any such borrowing would only be undertaken if capital expenditure recovered quicker than expected, or if opportunities arose to borrow at low rates. With short term rates expected to rise slower than medium and long-term rates, short term borrowing could be undertaken if required and long-term borrowing would then be deferred.

- 5.4 Consideration would also be given to borrowing for future year requirements earlier within the 6-year period, whilst rates were at their forecast low point. This approach is consistent with the Prudential Code but should be considered in conjunction with the assessment of the additional risks and potentially low returns from the resultant short-term increase in the level of investments, which were already at a high level at that time following previous year's borrowing.
- 5.5 The strategy was to use the existing investment balances initially to meet capital expenditure. It was anticipated that borrowing would not be required until late in 2022/23. Whilst the use of short-term borrowing would then be initially cheaper, the use of longer-term borrowing would give rise to longer term savings and reduce the refinancing risk in later years. However, if rates stayed low, new borrowing could be delayed and short-term borrowing used to meet immediate cashflow requirements.
- 5.6 The approved Treasury Strategy also allowed for consideration of other market borrowing instruments where they offered favourable rates, or the ability to arrange borrowing to be drawn down at a given future date. However, the associated risks due to their variable rate nature and/or less flexible terms in comparison to the Public Works Loan Board would also need to be considered.
- 5.7 Whilst minimising risk by favouring fixed longer-term borrowing, it was acknowledged that there were several factors which could impact on interest rates over the year. Therefore, the Council applies an approach of managing risk and monitoring interest rates on an ongoing basis with a view to reviewing this strategy should circumstances change.

6. ACTUAL ECONOMIC SITUATION 2022/23

- 6.1 2022/23 was another volatile year for the financial markets. Economic growth in the UK initially grew at the start of the year before falling over the remainder of the year. It was also forecast that the UK economy was heading into a recession by the end of the year. Consumer Price Index (CPIH) inflation continued to steadily rise over the year and peaked at 11.1% in October 2022. This was due to an increase in demand and disruption to the commodities markets, particularly oil, gas, and foodstuffs, as a result of the war in Ukraine which affected global commodity supplies. Subsequently, inflation started to fall as supply pressures started to ease, however only at a gradual rate, with inflation remaining higher than had been forecast. Inflation affecting food prices remained particularly high. The high level of inflation also led to higher wage growth, however this was still below the rate of inflation. Industrial action in various sectors of the economy also affected economic growth.

- 6.2 Over the course of 2022/23, with the rapid rise in inflation, the Bank of England's Monetary Policy Committee (MPC) increased the Bank base rate at each of its meetings, increasing it from 0.75% in March 2022 to 4.25% by March 2023, with a further rise to 4.5% in May 2023. Financial markets are expecting a further increase later this year, before the MPC start gradually reducing the rate next year.
- 6.3 As inflationary expectations continued to increase PWLB rates also rose, with rates for all periods ending significantly higher than at the start of the year. The increase in rates was particularly pronounced around the end of September and in October 2022 following the UK Governments Growth plan, resulting in significant market volatility at that time. However, PWLB rates did reduce in the following months, but remained at elevated levels for the year as a whole. The PWLB rates for various periods are shown at Appendix I.
- 6.4 The 50-year rate was 2.37% at the start of the year and steadily rose and peaked at 5.51% on 28 September 2022. This was followed by a period of volatility before the rate reduced to 3.56% in November. Thereafter they started to rise steadily as inflationary expectations remained high and economic activity was low, and ended the year at 4.41% in March 2023. All other durations followed a similar pattern, but with rates up to 10 years being lower than the 50-year rate at the start and at the end of the year, whilst the 50 year was lower than shorter periods around the middle of the year.
- 6.5 Investment deposit rates also increased over the year, and more significantly in the second half of the year. This reflected the increased Bank base rate during the year, as well as expectations of further increases in the Bank Rate in the future. The average rate on the Council's investments at the start of the year was 0.88% and increased to 3.76% by the end of the year.

7. ACTUAL LONG-TERM BORROWING & REPAYMENTS

- 7.1 Treasury activity during 2022/23 is detailed in the four quarterly Treasury reports previously submitted to the Finance & Resources Committee (Report No's 22/210, 22/295, 23/32 and 23/122).
- 7.2 As noted in paragraph 5.2 above, based on the approved Capital Programme before the start of the year, the Council's estimated new capital borrowing for 2022/23 was £148.8M. As this had already been borrowed in a previous year, no new actual borrowing was required nor expected to be undertaken in the year, unless, for example, interest rates started to increase rapidly or fell to historic low levels. This would have included borrowing of future year's requirements.
- 7.3 However, with interest rates being relatively high at the start of the year, and subsequently rising significantly higher than had been forecast, no new long-term borrowing was undertaken in 2022/23.

- 7.4 The Council's scheduled repayments to the PWLB during the year related to 2 maturing loans which had been borrowed for 10 and 11.5 years totalling £8.0M at an average interest rate of 3.44%. The average PWLB debt portfolio rate for the Council reduced from 2.41% at the start of the year, to 2.40% for the total of £560M of PWLB debt held by the Council on 31 March 2023. There were no other repayments of long-term debt in the year.
- 7.5 Overall, the Council's total Fixed Rate borrowing reduced by £8.0M to £603.3M, whilst the average rate reduced from 2.57% to 2.56%.
- 7.6 Short term variable funding at the year-end increased slightly from £5.2M at 31 March 2022 to £5.4M at 31 March 2023. These funds relate to internal loans from local associated bodies and Common Good Funds, with the balances determined by their own cashflow requirements.
- 7.7 As a result of the above strategy and actual treasury activities in the year, the Council's average Consolidated Loans Fund (CLF) interest rate reduced from 3.11% in 2021/22 to 2.67% in 2022/23 (based on applying statutory guidance). The impact of rising interest rates in the year on short term funding was significantly lower than the impact on the Council's investment balances which reflects a large increase in investment returns.

8. INVESTMENT STRATEGY AND OUTURN 2022/23

- 8.1 Short term deposit increased over the year following the increases in the Bank base rate. In addition, deposit rates available from banks for longer deposits of up to 12 months increased further in anticipation of further increases in the Bank base rate.
- 8.2 The original Strategy anticipated that the level of investments would reduce gradually over the year unless, for example, new borrowing was undertaken in the year or the Council's expenditure during the year was later than anticipated. As described in paragraph 7.2, no new borrowing was undertaken in 2022/23, and so consequentially, the level of investments gradually reduced over the course of the year. The level of investments stood at £252M at the start of the year, peaked at £272.5M in August, before steadily reducing to £173.7M on 31 March 2023.
- 8.3 For shorter investment periods, money market funds held by the Council provided a higher return on investments than rates available on instant access and notice bank accounts and shorter-term fixed deposits up to 3 months. The various money market funds used by the Council were used to meet short term cashflow requirements and keep within counterparty limits. Fixed deposit rates between 3 and 12 months with some of the banks were particularly competitive and increased relative to other investment rates. As the investment rates increased, short term fixed deposit rates also become more attractive relative to other accounts. With the expectation of rates increasing further as the year progressed, the strategy was to invest in shorter term fixed deposits (up to 3 months) in order to benefit from the rising interest rates as they matured. As the year progressed, fixed deposits up to 12 months became more attractive, with several deposits then being undertaken for this period.

- 8.4 During the year, no investment was made for more than 12 months, and all investment activities were in line with the approved strategy for 2022/23. The average rate on investments outstanding at 31 March 2023 was 3.76% (0.88% at 31 March 2022). This increase in the average rate over the year reflected the increase in the Bank base rate. In comparison, the average temporary borrowing rate for the year was 1.51%. Total interest receivable on investment activity in 2022/23 amounts to £6,469,000, which is significantly higher than the previous year (£1,546,000 in 2021/22). On an accruals basis, investment income credited in 2022/23 amounts to £4,865,000, with the balance from above accruing to 2023/24.
- 8.5 All financial investments by the Council's Common Good Funds and Charitable Trusts were made through the Council's Loans Fund, in accordance with the Council's and Common Good Fund's policy for Permitted Investments. As a result, £2,294,000 of Common Good funds and Charitable Trusts were on deposit with the Loans Fund at 31 March 2023 for periods of between 3 and 12 months at an average rate of 3.93%.
- 8.6 Any investments held with external fund managers are outside the scope of the investment regulations, as they all relate to funds held by Council administered Charities or Trusts.
- 8.7 The Annual Property Investment Strategy for 2022/23 was also approved by the Council at its meeting on the 9 March 2022 and was complied with in full, with no breaches in compliance with permitted investment limits. The budgeted income from the Council's property portfolio for 2022/23 was originally set at £1,815,000, whilst the final position (subject to audit) was £1,868,000. There were no additional risks identified or new property investments entered into over the year. The strategy action plan remained on programme.

9. COMPLIANCE WITH TREASURY POLICIES AND LIMITS

- 9.1 There were no breaches of compliance with the Council's approved borrowing and investment policies and strategy in 2022/23. All aspects of the Prudential Code, including Prudential Indicators and limits, were also fully adhered to throughout the year.

10. STATUTORY LOANS FUND

- 10.1 The Loans Fund is an internal fund operated by the Council to manage:
- The write down (repayments or "amortisation") of capital expenditure (capital advances) over the life of the various assets being funded by borrowing as part of the Council's Loan Charges, and
 - To manage the external borrowing raised to finance the capital expenditure.

- 10.2 Whilst both these elements of the Loans Fund operate independently of each other, because they are based on the same capital plans of the Council, they are consistent with each other over the long term. However, significant differences may arise in the short-term due to, for example, delaying external borrowing, or borrowing in advance in light of prevailing interest rates, or where the Council has significant levels of Reserves.
- 10.3 The approved Loans Fund policies allow the amortisation of capital expenditure (advances) for periods of up to 50 years in line with the asset useful lives, using the annuity method. The repayment of Loans Fund advances are also deferred until the asset being funded is completed and operational. As a result, some of the repayments may fall due after 50 years from the time of the original advance.
- 10.4 It is a requirement of the Loans Fund regulations that the outstanding amount of Loans Fund advances at the end of each financial year is reported as part of the annual report. The value of Loans Fund advances outstanding at 31 March 2023 is £557,756,000 (subject to completion and audit of the Council's Annual Accounts). This is made up as follows:
- Capital Advances outstanding 1 April 2021 - £491,270,000
 - Add New capital Advances 2022/23 - £76,312,000
 - Less Capital Advances repaid in the year - £9,826,000
- 10.5 The future repayment of these advances is summarised in the table below:

	Core Composite Programme	Prudential Borrowing	Sub-Total: General Fund	Housing Revenue Account	TOTAL
(£'000)					
Within 1 Year	4,580	2,866	7,446	3,253	10,699
Between 1 and 2 Years	3,991	2,663	6,654	2,941	9,595
Between 2 and 5 Years	8,145	5,977	14,122	8,022	22,144
Between 5 and 10 Years	787	5,433	6,220	22,874	29,094
Between 10 and 15 Years	8,202	4,374	12,576	20,436	33,012
Between 15 and 20 Years	17,638	3,498	21,136	9,131	30,267
Between 20 and 25 Years	27,029	3,703	30,732	3,940	34,672
Between 25 and 30 Years	45,594	4,505	50,099	9,331	59,430
Between 30 and 35 Years	58,227	5,890	64,117	14,047	78,164
Between 35 and 40 Years	75,803	3,387	79,190	15,266	94,456
Between 40 and 45 Years	77,813	3,000	80,813	15,371	96,184
Between 45 and 50 Years	44,415	98	44,513	8,015	52,528
Over 50 Years	7,511	0	7,511	0	7,511
TOTAL	379,735	45,394	425,129	132,627	557,756

- 10.6 Comparison of the outstanding capital advances above with the long-term external debt shown in paragraph 3.1 demonstrates that actual capital expenditure funded by borrowing is lower than the actual borrowing undertaken to date by around £45M. This reflects the strategy adopted in recent years of undertaking new borrowing whilst rates were at historic low levels, in order to fund the significant borrowing requirement approved by the Council over the next 2-3 years. This strategy has reduced the risks and the interest charges of borrowing in future at higher interest rates.
- 10.7 The last report to the Finance & Resources Committee on 26 April 2023 (report 23/121) approved adjustments to the General Fund Composite Capital Budget and Housing Investment Programmes. The amount of capital expenditure to be funded by borrowing (ie new Loans Fund advances) in each of the next 5 years as approved in April is as follows:

	Composite Programme	Housing Investment Programme	TOTAL
(£'000)			
2023/24	151,420	18,367	169,787
2024/25	175,187	11,935	187,122
2025/26	93,069	13,271	106,340
2026/27	46,776	16,524	63,300
2027/28	25,377	16,292	41,669
TOTAL	491,829	76,389	568,218

- 10.8 All the above Loans Fund repayments and new borrowing have been included in the Loan Charge estimates within the approved Medium Term Financial Plan, and therefore remain affordable under the current Loan Charge Budget strategy. This also includes estimates of new borrowing in the years beyond 2027/28.

11. CONCLUSION

- 11.1 Global economic and political volatility meant that global and UK interest rates were high during the year and remained on a rising trend. This was a result of rapidly rising inflation, which continued to rise faster than forecast following the start of the war in Ukraine. The Bank base rate also increased at a faster rate than anticipated.
- 11.2 In light of the above economic conditions and interest rates, no new long-term borrowing was undertaken in the year. Consequently, the Treasury activity focussed on investment activity and the management of existing investment balances. As interest rates rose over the year, the investment Strategy moved from notice accounts to money market funds and term fixed deposits for periods up to 12 months.

- 11.3 There were no breaches of compliance with the lending policy and all Prudential Indicators were complied with throughout the year. As a result of the activities undertaken during 2022/23 the Council's plans remain affordable, prudent and sustainable. The report also includes detailed information on the repayment profiles and future estimates of Loans Fund Advances.
- 11.4 The Council's Consolidated Loans Fund (CLF) rate for the year reduced from 3.11% in 2021/22 to 2.67% in 2022/23. This was achieved as a result of the investment activity at higher (and rising) interest rates at a time when no long-term borrowing was undertaken. However, the CLF rate in future years is projected to rise steadily when new borrowing will be required and is estimated to average around 3.1% over the next few years on current projections.

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Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	21 June 2023
Karen Donaldson	Chief Operating Officer	21 June 2023

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2022 – 2027 lays out seven outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- Tackling Poverty
- Tackling climate change and supporting sustainable places
- Growing a sustainable and inclusive local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Placing communities at the heart of how we work

- 1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

Workforce

- 2.2 There are no direct workforce implications arising from this report.

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

- 4.1 The Chief Executive and the Council's Treasury advisors, Link Asset Services, have been consulted in the preparation of this report.

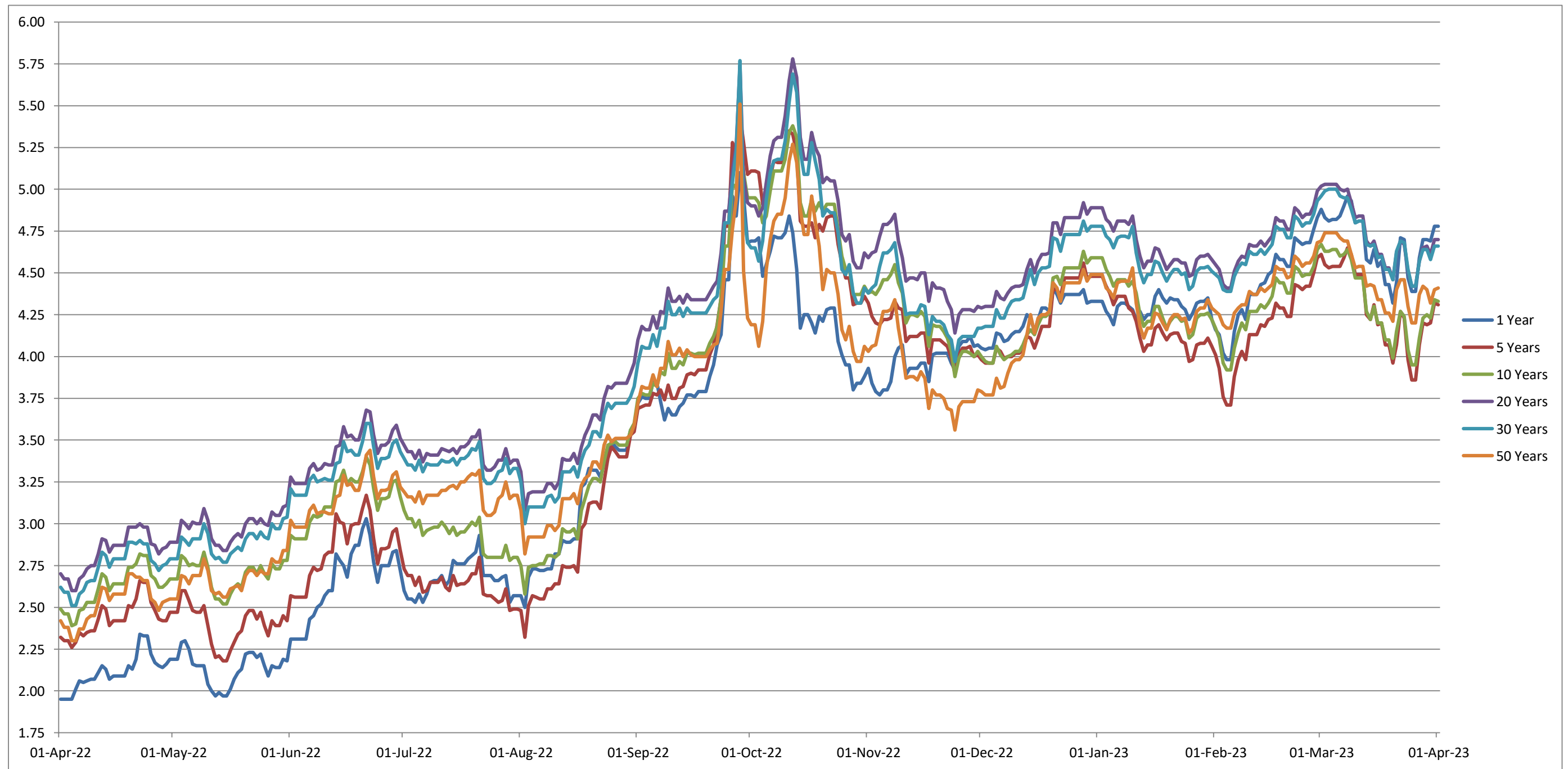
2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix I – PWLB Interest rates 2022/23.

PWLB INTEREST RATES 2022/23
(Certainty Rates)



PROPOSED CHANGES TO THE SCHEME OF ADMINISTRATION – 28 JUNE 2023

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Executive Sub-Committees

- 21.1 The following Committees shall appoint an Executive Sub-Committee with delegated powers to decide any matter which would normally be determined by the Committee but which, by reason of urgency, requires a decision prior to the next scheduled meeting of the Committee:
- Finance and Resources Committee
 - Environment, Infrastructure and Economic Development
 - Housing and Social Well-being
 - Learning and Families
- 21.2 Each Executive Sub-Committee shall comprise 7 voting members.
- 21.3 In addition to urgent business, the Finance and Resources Executive Sub-Committee shall determine requests from Chief Officers for flexible retirement, voluntary early retirement on grounds of efficiency of the Service or redundancy.
- 21.4 ~~Where the urgent business is an educational matter, In addition to urgent business, -the Executive Sub-Committee of the Learning and Families Committee shall also include 3 non-voting members from the Committee: consider reports by both Education Scotland and Education and Children's Services on individual school performance, pre-school partner providers and community learning, including gernal aspects of education provision, learning and teaching, the curriculum, and care and welfare; and consider Inspectorate reports in relation to services to children and young people; care home services; fostering and adoption services; support services; housing support; and by exception, on the day care of children, where Perth and Kinross Council is the registered provider and including partner providers.~~
- 21.5 Subject to Standing Order 28 (Senior Officer Appointments) and the provisions of this Scheme below, membership of any Sub-Committee shall be determined by and comprise members of the relevant Committee.
- 21.6 Notwithstanding these provisions, any of the Committees specified in 21.1 above may choose to delegate specific items of business to be considered by their respective Executive Sub-Committee.

23.13 ***Property Sub-Committee***

Comprising 7 members of the Committee.

Terms of Reference

- To consider the acquisition and disposal of the Council's property and information systems and technology assets, and any relevant progress updates in relation to the Learning Estate Programme