Cabinet Committee

Committee Room 2, 5th Floor, Fife House, North Street, Glenrothes / Blended Meeting

Thursday, 10 August 2023 – 1.00pm

AGENDA

		Page Nos.
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.	
3.	**MINUTE** – Minute of meeting of the Cabinet Committee of 29 June 2023.	3 – 17
4.	**FIFE COUNCIL RESPONSE TO SCOTTISH GOVERNMENT CONSULTATION ON PROPOSED CHANGES TO PERMITTED DEVELOPMENT RIGHTS (PHASE 3)** – Report by the Head of Planning.	18 – 50
5.	**CONSULTATION RESPONSE TO LOCAL LIVING AND 20-MINUTE NEIGHBOURHOODS: DRAFT PLANNING GUIDANCE** – Report by the Head of Planning.	51 – 59
6.	**TREASURY MANAGEMENT 2023-26** – Report by the Executive Director (Finance and Corporate Services).	60 - 94

The Committee is asked to resolve, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Part 1 of Schedule 7A of the Act (relevant paragraph numbers are detailed beside the heading to each item).

7.	**AFFORDABLE HOUSING PROGRAMME - LEVEN MILL, GLENROTHES (PRIVATE REPORT) (paras. 8 and 9)** – Joint report by the Head of Housing Services and Head of Property Services.	95 – 102
8.	**AFFORDABLE HOUSING PROGRAMME - MAIN ROAD, GAULDRY (PRIVATE REPORT) (paras. 8 and 9)** – Joint report by the Head of Housing Services and Head of Property Services.	103 - 110
9.	**EQUAL PAY (PRIVATE REPORT) (paras. 11 and 12) –** Report by the Head of Human Resources.	To follow

Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

Lindsay Thomson
Head of Legal and Democratic Services
Finance and Corporate Services
Fife House
North Street
Glenrothes
Fife, KY7 5LT

3 August 2023

If telephoning, please ask for:
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BLENDED MEETING NOTICE

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.

THE FIFE COUNCIL - CABINET COMMITTEE – BLENDED MEETING

Committee Room 2, Fife House, North Street, Glenrothes

29 June 2023 **10.00am – 12.45pm**

PRESENT: Councillors David Ross (Convener), David Alexander, Lesley Backhouse, David Barratt, John Beare, James Calder, Fiona Corps, Altany Craik, Dave Dempsey, Linda Erskine, Derek Glen, David Graham, Peter Gulline, Judy Hamilton, Cara Hilton, Gary Holt, Rosemary Liewald, Sam Steele (substituting for Councillor Carol Lindsay), Jonny Tepp, Ross Vettraino, Craig Walker and Jan Wincott.

ATTENDING: Eileen Rowand, Executive Director (Finance and Corporate Services), Elaine Muir, Head of Finance, Lindsay Thomson, Head of Legal and Democratic Services, Les Robertson, Head of Revenue and Commercial Services, Sharon McKenzie, Head of Human Resources, Barbara Cooper, Service Manager, Human Resources, Helena Couperwhite, Manager (Committee Services) and Michelle McDermott, Committee Officer, Legal and Democratic Services, Finance and Corporate Services; Michael Enston, Executive Director (Communities) and Sheena Watson, Programme Manager; Ken Gourlay, Executive Director (Enterprise and Environment), John Mitchell, Head of Roads and Transportation Services, Nigel Kerr, Head of Protective Services, Gordon Mole, Head of Business and Employability Services, Morag Millar, Programme Manager (Strategic Growth and City Deals), Economy, Planning and Employability Services and Michael O'Gorman, Service Manager (Estates), Property Services.

APOLOGY FOR ABSENCE: Councillor Carol Lindsay.

118. DECLARATIONS OF INTEREST

No declarations of interest were submitted in terms of Standing Order No. 22.

119. MINUTE

The committee considered the minute of the Cabinet Committee meeting of 1 June 2023.

<u>Decision</u>

The committee agreed to approve the minute.

120. REVENUE MONITORING - PROVISIONAL OUTTURN 2022-23

The committee considered a report by the Executive Director (Finance and Corporate Services) providing members with a strategic overview of Fife Council's finances and reported the provisional outturn for 2022/23.

Decision

The committee:-

(1) noted the ongoing financial uncertainty arising from recovery from the pandemic and the current economic conditions which continued to be managed using one-off additional funding and from underspends;

(2) noted the high-level financial position as detailed in the report;

(3) noted that detailed monitoring reports would be submitted to the relevant scrutiny committees;

(4) noted that £17m of general fund balances may be used for one-off investment in future; and

(5) approved the suspension of the Budget Carry Forward Scheme for 2022/23.

121. CAPITAL INVESTMENT PLAN - PROVISIONAL OUTTURN 2022-23

The committee considered a report by the Executive Director (Finance and Corporate Services) providing members with a strategic overview of the Capital Investment Plan and advising on the provisional outturn for the 2022/23 financial year.

Decision

The committee noted:-

(1) the provisional outturn position and that the level of financial risk continued to be heightened due to high levels of inflation and supply chain challenges;

(2) that more detailed capital outturn reports for 2022/23 would be submitted to the relevant scrutiny committees of the Council; and

(3) that budget variances would be managed by the appropriate Directorate in conjunction with the Investment Strategy Group.

122. COMMUNITY RECOVERY FUNDING

The committee considered a report by the Executive Director (Communities) providing an update on the use of the Community Recovery Fund to date and proposed funding for Fife wide initiatives.

Decision

The committee:-

(1) noted the progress and spend on Area Community Recovery Funds; and

(2) approved the provision of additional Fife wide support to community recovery.

123. RECOVERY TO REFORM - PEOPLE AND COMMUNITIES

The committee considered a report by the Executive Director (Communities) building on the previously agreed framework for Fife's recovery from the pandemic and which set the direction for further change. This was carried out in line with the medium-term financial strategy and Plan for Fife aim to improve social justice through a community wealth building approach.

Decision

The committee:-

(1) endorsed the report as the basis for organisational change in the council over the medium-term;

(2) noted that the current phase of redesign work would lead to proposals later this year for changes to operating arrangements; and

(3) requested that the Chief Executive consider the organisational implications of the work detailed in the report and make representations, as appropriate, around organisation structure going forward.

124. COUNCIL TAX - CONSULTATION RESPONSE

The committee considered a report by the Head of Revenue and Commercial Services presenting a proposed response to the Scottish Government's consultation on amending the charging criteria relating to council tax for dwellings that were deemed second homes and long-term empty properties.

Decision

The committee:-

(1) reviewed the proposed consultation responses contained within the report; and

(2) authorised officers to submit the consultation to the Scottish Government following revisions to Questions 2, 7, 8, 9 and 10.

125. RIVER LEVEN REGENERATION - CAPITAL FUNDING

The committee considered a report by the Head of Roads and Transportation Services seeking approval to progress delivery of the initial phase of the River Leven Regeneration Programme (Leven Connectivity Projects and Riverside Park, Glenrothes) through the UK Government Levelling Up Funding (LUF) and Sustran's Places for Everyone Funding.

Decision

The committee:-

(1) approved the option to investigate delivery of the River Leven Regeneration Programme through the SCAPE Civil Engineering Framework;

(2) noted that delivery of the Mountfleurie Bridge was to be delivered separately through Network Rail and their contractor as an addendum to the Implementation Agreement for the River Leven Rail Bridge; and

(3) noted that further reports would be submitted to this committee to consider the final Business Cases and delivery agreements.

126. FIFE'S DIGITAL CONNECTIVITY

The committee considered a report by the Head of Business and Employability Services outlining the council's approach to support the development of, and investment in, digital infrastructure in Fife to improve coverage to tackle areas of poor connectivity to enable a digital economy, communities and places as outlined in the report.

Decision

The committee:-

(1) noted progress to date including the council's commitment to deliver demand stimulation and asset mapping (through the Infralink Exchange project) as detailed in Option 2 "quick wins";

(2) agreed to proceed with the strategic intervention approach as recommended and described in Option 3 (anchor tenancy model using council premises including social housing stock and internet of things (IoT) requirements) as outlined in section 4 of the report; and

(3) noted that the Outline Business Case for Option 3 would be subject to a further report to Cabinet Committee for approval.

The meeting adjourned at 11.30am and reconvened at 11.45am.

127. OPPORTUNITIES FIFE PARTNERSHIP (OFP) EMPLOYABILITY PATHWAY 2022-25 COMMISSIONING

The committee considered a report by the Head of Business and Employability Services providing an update from the Opportunities Fife Partnership (OFP) regarding the recent commissioning of Employability Pathway activity using allocation from the No One Left Behind (NOLB), UK Shared Prosperity Fund (UKSPF) and the OFP's core budget. The committee was asked to approve the recommendations made by the OFP scoring panel and the Opportunities Fife Partnership for employability pathway delivery for the period 2023-25.

Decision

The committee:-

(1) approved the recommended allocations to the preferred bidders for the delivery of employability activity and infrastructure support for the Employability Pathway as set out in the Appendix to this minute;

(2) delegated to the Head of Business and Employability Services, in consultation with the Head of Finance and Head of Legal and Democratic Services, to complete all necessary contracting arrangements for the delivery of employability pathway programmes between 2023 and 2025;

(3) delegated to the Head of Business and Employability Services, in consultation with the Opportunities Fife Partnership Executive, to amend funding levels to projects based on project performance and available

resources, including such additional funding as may be made available from Scottish and UK Governments in year through No One Left Behind, UKSPF and any other relevant funding sources;

(4) noted the consultation undertaken with service users, delivery organisations and the Opportunities Fife Partnership in the co-design of the refreshed Commissioning Framework for employability activity in Fife; and

(5) noted the OFP Commissioning Framework for employability pathway services for the period 2023-2025 as set out in Appendix 3 to the report.

128. REVIEW OF MOSSMORRAN AND BRAEFOOT BAY COMMUNITY AND SAFETY COMMITTEE

The committee considered a report by the Head of Protective Services providing an update on the review of the Mossmorran and Braefoot Bay Community and Safety Committee as reported to the Environment and Protective Services Sub-Committee on 17 September 2020 and seeking approval for a change in the Constitution and Terms of Reference of the committee and associated groups.

Motion

Councillor David Ross, seconded by Councillor Altany Craik, moved as follows:-

"Replace recommendation (iii) with:

(iii) agree to continue to submit an annual report to the appropriate Area and Scrutiny Committees".

Amendment

Councillor John Beare, seconded by Councillor Rosemary Liewald, moved as follows:-

"Add the words "with the report circulated to all elected members and relevant Community Councils" at the end of the motion proposed by Councillor Ross.

The Committee unanimously agreed the amended conjoined motion.

Decision

The committee:-

(1) noted the contents of the report and, in particular, the large reduction in complaints following investment at the complex;

(2) agreed to the proposed change in the Constitution and Terms of Reference of the Mossmorran and Braefoot Bay Community and Safety Committee and associated groups; and

(3) agreed to continue to submit an annual report to the appropriate Area and Scrutiny Committees with the report circulated to all elected members and relevant Community Councils.

129. COUNCIL EXECUTIVE TEAM (CET) RECRUITMENT

The committee considered a report by the Head of Human Resources setting out the arrangements for the recruitment to the post of Executive Director (Enterprise and Environment) and confirming how the vacancy for the Executive Director (Education and Children's Services) would be managed.

Decision

The committee:-

(1) agreed the recruitment strategy for the post of Executive Director (Enterprise and Environment) noting that the post would be retitled to Executive Director (Place) and that there would be a need to form an Appointments Sub-Committee;

(2) agreed the post of Executive Director (Education and Children's Services) would be covered on a temporary basis pending a review of the wider operating model for Directorates; and

(3) noted that a further report on organisational change linked to the senior leadership model would be submitted to Cabinet Committee in due course.

130. ATTENDANCE MANAGEMENT

The committee considered a report by the Head of Human Resources which set out the key issues impacting current absence levels and identifying a wider range of considerations on health and wellbeing. The report provided an overview of the council's attendance management strategies and presented proposals and investment to strengthen them through the creation of an Attendance Support Unit, a model which was successful in reducing absence levels previously.

Decision

The committee:-

(1) noted the issues impacting on absence levels;

(2) agreed the proposed approach to establish additional support within Human Resources; and

(3) approved the proposed investment level and funding proposal.

The Committee resolved, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paras. 8 and 9 of Part 1 of Schedule 7A of the Act.

131. DISPOSAL UPDATES - SITE SALE - ADMIRALTY ROAD, ROSYTH AND LEASE VARIATION - PITREAVIE PLAYINGFIELDS, DUNFERMLINE (PRIVATE REPORT)

The committee considered a report by the Executive Director (Enterprise and Environment) providing an update on the revised disposal terms relating to the sale of an area of land at Admiralty Road, Rosyth and the variation of the terms of lease at Pitreavie Playingfields.

Decision

The committee noted and endorsed the disposals on the terms detailed within the report.

Appendix 1

Awards to Employability Pathway Delivery Partners

Awards for approval - 2023/24 – Cabinet Committee

UKSPF Intervention S31:

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25	Total 2022-2025	Additional Comments
BRAG Enterprises	Fife ETC – Delivering Employability support for Inactive Adults, building on the adult support commissioned through NOLB	£300,000	£300,000	£300,000	£900,000	For Approval – to continue funding activity that commenced in 2022-23
Fife Employment Access Trust (FEAT)	Individual Placement and Support (IPS) Service, supporting those whose mental health is significant barrier to them accessing employment	N/A	£66,000	£132,000	£198,000	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
SAMH	Individual Placement and Support (IPS) Service – specialising in supporting those with addictions.	N/A	£40,000	£99,992	£138,992	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
UKSPF S31 TOTAL		£300,000	**£406,000***	**£530,992****	**£1,236,992*****	

***** Initial Allocation for 2023-24 was £350,000 this means a £56,000 overspend that will be transferred from Intervention S33

**Initial Allocation for 2024-25 was £502,679, this means a £28,313 overspend that will be transferred from Intervention S33.

***Total Allocation for S31 was £1,152,679, means this is an overspend of £84,313

UKSPF Intervention S33

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25	Total 2022-2025	Additional Comments
FEAT	Employ Your Mind – supporting volunteers with health and mental health issues through outdoor activities and horticulture, while supporting through learning cognitive remediation therapy CRT techniques.	£70,000	£70,000	£70,000	£210,000	For Approval –building on the provision commissioned through the UK Government's initial round of Community Renewal Funding prior to UKSPF People and Skills activity.
Fife Voluntary Action -	Volunteering Into Work – Supporting those using volunteering to gain skills and qualifications to progress into employment	N/A	£34,500	£36,350	£70,850	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
Fife Ecology Centre	Person Centred Employability Project – supporting volunteers to learn forestry and green skills prior to progressing to a leadership qualification	N/A	£88,830	£90,607	£179,437	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
UKSPF S33 TOTAL		**£70,000**	**£193,330**	**£196,957**	**£460,287**	

UKSPF Intervention S36

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25	Total 2022-2025	Additional Comments
Kingdom Works	Working for You – Skills specific provision targeting specialist qualifications required to support clients into work.	N/A	£229,460	£532,360	£761,820	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
UKSPF S36 TOTAL		N/A	**£229,460**	**£532,360**	**£761,820**	

UK Shared Prosperity Fund S37

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25	Total 2022-2025	Additional Comments
Rural Skills Scotland	Grounds for Growth – Providing Green Skills Training and progression to employment in forestry and green skills roles.	N/A	£106,052	£173,018	£279,070	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25, building on the provision commissioned through the UK Government's initial round of Community Renewal Funding prior to UKSPF People and Skills activity.
Net Zero Accelerator Hub	Edinburgh and South East Scotland Regional Prosperity Framework Activity developed through the Aligning Skills Group facilitating Green Skills and retro-fit training and accreditation for the construction sector		£122,500	£237,500	£360,000	For Approval - New activity being developed as part of the ESES Regional Prosperity Fund Aligning Skills Group and will contribute to a regional net zero skills programme developing retro-fit and green skills in the construction sector.
UKSPF S37 TOTAL		N/A	**£228,552**	**£410,518**	**£639,070**	

UKSPF Intervention S39

Organisation	Project Description	**Awarded Allocation 22/23**	**Award Allocation 23/24**	**Award Allocation (in principal) 24/25**	**Total 2022-2025**	**Additional Comments**
Fife Council Supported Employment Service	EASYP – adding value to provision implemented through NOLB. Targeted support for those 16-18 in danger of leaving school to a negative destination, or those that have fallen out of a first positive transition	£197,037	£197,037	£197,037	£591,111	For Approval – to continue funding activity that commenced in 2022-23, building on the existing provision commissioned through NOLB.
Link Living	Step On – Targeted support for young people in Kirkcaldy area, linked to social football activity	N/A	£67,469	£69,509	£136,978	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
UKSPF S36 TOTAL		**£197,037**	**£264,506***	**£266,546**	**£728,089**	

* The budget for 2023-24 is £250,000, which would be an overspend of £14,506, to be transferred from S37

NOLB – All Age Provision

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25*	Total 2022-2025	Additional Comments
BRAG Enterprises.	Fife ETC –Employability support for unemployed Adults with multiple barriers.	£300,000	£300,000	£300,000	£900,000	For Approval – to continue funding activity that commenced in 2022-23
Fife Council – Supported Employment Service	Positive Pathways – Support for adults with health and disability issues to access employment	£122,644	£122,644	£122,644	£367,932	For Approval – to continue funding activity that commenced in 2022-23
FEAT	Out to Work – employability support for unemployed adults, including CRT and progression to IPS	£74,778	£74,778	£74,778	£224,334	For Approval – to continue funding activity that commenced in 2022-23
Fife Council Supported Employment Service	EASYP - targeted support for those 16-18 in danger of leaving school to a negative destination, or those that have fallen out of a first positive transition	£403,720	£403,720	£403,720	£1,211,160	For Approval – to continue funding activity that commenced in 2022-23
BRAG Enterprises	Brighter Futures – Support for young people aged 19-24 who are disengaged from mainstream services	£1,113,814	£659,529	£659,529	£2,432,872	For Approval – to continue funding activity that commenced in 2022-23
The Princes Trust	Start Something – Industry specific training programmes and employability support	£46,782	£46,782	£46,782	£140,346	For Approval – to continue funding activity that commenced in 2022-23
The Venture Trust	Inspiring Futures – outdoor engagement and confidence building to initiate the employability journey.	£67,807	£67,807	£67,807	£203,421	For Approval – to continue funding activity that commenced in 2022-23

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25*	Total 2022-2025	Additional Comments
Fife International Forum	Pre-Academy – Engagement and support for those from refugee and migrant communities	£68,875	£210,000	£210,000	£488,875	For Approval – to continue funding activity that commenced in 2022-23, building on the existing provision commissioned through NOLB.
Fife Voluntary Action	Infrastructure Support for Employability Pathway. Continued funding through to March 2024	£31,000	£31,000	£31,000	£93,000	For Approval - to continue funding for Fife Voluntary Action to support OFP Employability Pathway infrastructure. This support will cover the period April 2023 to March 2024
Fife Centre for Equalities	Infrastructure Support for Employability Pathway and Equalities Monitoring & Analysis. Continued funding through to March 2024	£30,000	£30,000	£30,000	£90,000	For Approval - to continue funding for Fife Voluntary Action to support OFP Employability Pathway infrastructure. This support will cover the period April 2023 to March 2024
NOLB: All Age Provision TOTAL		**£2,259,420**	**£1,946,260**	**£1,946,260**	**£5,151,940**	

* There is no allocation at this time for 2024-25 through NOLB, so this is an indicative figure based on sustaining provision at the existing level, if appropriate.

NOLB - Tackling Child Poverty Allocation

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25*	Total 2022-2025	Additional Comments
Fife Gingerbread	Making it Work for Lone Parents – Holistic service supporting lone parents in key mid-Fife geographies.	£260,850	£768,000	£768,000	**£1,796,850**	For Approval – to continue funding activity that commenced in 2022-23
BRAG Enterprises	Families Square Start – family service supporting those in North East, South West and Dunfermline	£129,690	£487,500	£487,500	**£1,104,690**	For Approval – to continue funding activity that commenced in 2022-23

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25*	Total 2022-2025	Additional Comments
Fife International Forum	Building Bridges - Targeted support for refugee and migrant families to engage, skills planning and ESOL	N/A	£445,060	£457,382	**£902,442**	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
Triage	Connecting Parents – Support for parents and priority on woman returners to upskill and access employment	N/A	£148,547	£150,817	**£229,364**	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
Venture Trust	Forward for Families – early engagement with disadvantaged families, using outdoor activities to bring the family together ahead of progression	N/A	£107,966	£106,796	**£214,762**	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
Fife Council – Supported Employment Service	Breaking the Cycle – Kirkcaldy specific project linked to cycling, promoting intergenerational learning and wellbeing	N/A	£178,170	£178,170	**£356,340**	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25
Fife Council Employability	Fife Jobs Contract – ERI programme offering progression for clients from across the pathway	N/A	£215,636	£215,636	**£431,272**	For Approval – New service recommended for commissioning by the OFP after the current commissioning process for 2023-25, building on the existing successful ERI activity run by Fife Council.
NOLB – Tackling Child Poverty TOTAL		**£390,540**	**£2,350,879**	**£2,364,301**	**£5,105,720**	

* There is no allocation at this time for 2024-25 through NOLB, so this is an indicative figure based on sustaining provision at the existing level, if appropriate.

OFP Budget

Organisation	Project Description	Awarded Allocation 22/23	Award Allocation 23/24	Award Allocation (in principal) 24/25*	Total 2022-2025	Additional Comments
Fife Council Employability	Fife Jobs Contract – ERI programme offering progression for clients from across the pathway	N/A	£200,000	£200,000	£400,000	For Approval – to add additional places to the ERI programme being supported for pathway clients.
OFP Budget TOTAL		**N/A**	**£200,000**	**£200,000**	**£400,000**	

There is no allocation at this time for 2024-25 through OFP, so this is an indicative figure based on sustaining provision at the existing level, if appropriate.

Funding Summary

	2022-23	2023-24	2024-25 (In Principle)	Total
Total Allocations	£3,216,997	£5,818,987	£6,447,934	£15,483,918
Available Funding:				
OFP		£400,000	*£500,000*	£810,000
NOLB		£5,094,000	*£5,094,000*	£10,188,000
UK SPF		£1,348,174	£2,401,907	£3,750,081
Total Funds	£3,216,997	£6,852,174	£7,905,907	£17,965,078
Unallocated	**£0**	**-£1,180,962**	**-£1,457,973**	**-£2,481,160**

Fife Council Response to Scottish Government Consultation on Proposed Changes to Permitted Development Rights (Phase 3)

Report by: Pam Ewen, Head of Planning

Wards Affected: All

Purpose

To seek approval of a proposed response to the Scottish Government's consultation on Phase 3 Amendments to Permitted Development Rights (PDR) applying to various forms of development for both domestic and non-domestic properties.

Permitted development rights are rights to undertake different types of development and changes to land and property which individuals and businesses can undertake without requiring planning permission.

Recommendation(s)

Members are requested to:

1. review and approve the proposed consultation response as set out in Appendix 1 to this report;
2. authorise officers to submit the consultation to the Scottish Government; and
3. delegate the Head of Planning, in conjunction with the Convener, to include additional comments agreed by this committee and respond to the consultation.

Resource Implications

It is considered that some of the proposed changes would have impacts on workload through handling of increased numbers of planning enforcement enquiries as well as a potential increase in noise nuisance complaints to Protective Services, as well as providing additional technical advice for the council. The proposed response raises this concern and seeks clarity from Scottish Government on how this would be funded.

Legal & Risk Implications

There are no legal or risk implications in responding to this consultation because it is a response to an invitation to comment on national planning legislation.

Impact Assessment

An Equality Impact Assessment and other impact assessments are not required because; this is a consultation response to proposed changes to planning legislation. The Scottish Government undertakes the relevant Impact Assessments in relation to legislative changes. The relevant impact assessments are as noted in the Scottish Government's report.

Consultation

The Heads of Legal and Democratic Services, Head of Finance and Head of Protective Services have been consulted in the preparation of this report.

1.0 Introduction

1.1 The Scottish Government has been undertaking a rolling review of various areas and legislative provisions of the Town and Country Planning (General Permitted Development) (Scotland) Order 1992 which sets out the various rights to undertake different types of development and changes to land and property which individuals and businesses can undertake without requiring planning permission.

1.2 There have to date been two previous phases of changes introduced by the Scottish Government to the Permitted Development Rights enshrined in Planning legislation. This consultation paper- https://www.gov.scot/publications/scottish-government-review-permitted-development-rights-phase-3-consultation/ relates to Phase 3 of the review.

1.3 The consultation was published on the Scottish Government's website and runs until 23 August 2023.

1.4 The Scottish Government advises that, in light of the cost of energy and climate crises, Phase 3 of the review focusses primarily on new and extended PDR for domestic and non-domestic renewable energy equipment. The proposals would streamline the planning process for various net zero and low carbon technologies, such as solar panels and heat pumps. The proposed changes are intended to support households and businesses who are looking to reduce bills and emissions by adapting their properties. Other proposals in the Phase 3 consultation relate to electricity network infrastructure, reverse vending machines, certain domestic flues and the temporary use of land.

1.5 The areas covered by the proposed changes relate to:

- Domestic renewable: solar panels, air, water and ground source heat pumps; wind turbines; and the removal of PDR for certain flues
- Non-domestic renewables - solar panels; solar canopies in qualifying parking areas and air, ground and water source heat pumps
- Replacement windows for domestic and non-domestic properties
- Electricity network infrastructure
- Reverse vending machines
- Temporary use of land for shooting ranges

1.6 Appendix 1 details the changes proposed to the existing provisions and the reason and context for these as set out in the consultation report. The range of proposed changes are complex and also entwined within wider legislation.

1.7 The Scottish Government in the consultation paper proposing the changes has requested a response to thirty questions in relation to each specified change to permitted development. The full report, which can be accessed via the link below, sets out in much greater technical detail the range and context of the proposed changes.

2.0 Consultation Response

2.1 The full consultation response is attached in Appendix 1 of this report but the main areas responded to are as follows:

- General support for increasing the permitted development rights which apply to domestic solar and Air Source Heat Pumps (ASHPS) including additional provisions to permit these on buildings in Conservation Areas on rear elevations, on outbuildings and within the curtilage, subject to size and location caveats.

- General support for the increased PDR for free standing domestic wind turbines - though the proposed prior approval process may embed the same workload for the local planning authorities as the processing of an application without the fee income generated by an application.

- Provisional support for wider PDR for domestic wall/roof mounted wind turbine, however, there are a number of potential issues which require careful consideration - noise, visual impact, structural issues and this is likely to have an impact on workload for other regulatory services –such as Protective Services (Environmental Health and Building Standards).

- Concern regarding the change to removing the PDR for flues and wood/log burners and alterations to those already in place. Primarily this relates to the nature of the specialised technical assessments required to assess and process planning applications to specifically assess fume dispersal and particulate matter concentrations. This change would also create the need for this issue to be considered through the enforcement process to determine planning harm. While this may address and create a gatecheck to assist air quality, the implications on the capacity and access to the technical and specialist support required needs further investigation.

- Support for increased PDR to permit solar panels on non-domestic buildings as PDR would not apply in conservation areas on prominent elevations. It is noted that higher buildings with traditional sloping roofs may also be prominent though not on front elevations as defined in the proposals.

- Support for increased PDR for solar canopies in car parks and to remove current recent PDR restricting these to be specific for charging vehicles.

- No view is offered on the widening of the PDR within 3km of civil and military airfields as it is considered that the specialist nature of that issue is not one for planning authorities to comment on. The current PDR regulations require planning applications for the solar canopies and wind turbines referred to in the consultation paper to be submitted within the specified 3km distance. This is primarily to afford relevant consultees such as the MOD and civil aviation bodies to comment on the potential implications which might arise from the proposals.

- Support for the removal of energy generation limits which currently apply to PDR for solar canopies.

- Support to align the proposed PDR for Air Source Heat Pumps for domestic buildings to non-domestic buildings. Though some reflection is suggested in relation to the proposed noise mitigation measures being sufficient.

- Support for proposed amendments to ground and water source heat pumps on non-domestic buildings.

- In relation to widening the PDR for replacement windows in conservation areas, the proposals are not supported in their current form for either domestic or non-domestic buildings. While the aspiration to introduce higher specification modern windows is encouraged, the proposals lack detail on the wider full carbon lifecycle which this proposed change may affect. Principally, while securing the visual appearance of replacement windows in conservation areas, the changes would, in effect, tacitly or, indeed, overtly encourage the use of upvc and other non-traditional windows with inherent energy intensive manufacturing processes and inherent issues regarding recycling. In addition, the proposed changes overlook the current benefit embedded with the requirement to obtain planning permission in conservation areas for the opportunity to refurbish the traditional timber window and other more sustainable energy saving options to be explored first. Also, the encouragement of the development of traditional skills and crafts associated with the refurbishment, repair and replacement of timber windows does not appear to be considered. In this context, the proposed response seeks further research to be undertaken as to the holistic benefits of this aspect of the proposal and how this is reflected within the Sustainability Impact Assessment as well as the aspirations set out in NPF4.

- Support for the technical amendments relating to the work which can be undertaken by electricity undertakers.

- The proposed change to exempting certain types of target and shooting ranges from the uses permitted under the “28 day rule” are queried. The reason cited for the proposed change relates to residential amenity impacts primarily noise, however, the provisions of this piece of legislation permit potentially far more impactful uses on residential amenity and the focus on the justification to exempt these shooting-based uses seems at odds with the impact arising from these other uses in planning terms.

2.2 While there is general support to extend the PDR to encourage the expansion of renewable energy technologies and the objective to reduce or remove obstacles to fuel poverty, the proposed response raises concerns arising from the practical application of some of the proposed changes. There are a number of areas which increase the technical assessments required to determine whether proposals would be permitted development; such as the fume dispersal and particulate matter in relation to the proposed changes to flues; the use of the MCS-020 standards across the proposals for turbines on domestic and non-domestic property. In addition, the lack of specific details proposed in terms of defining the extent of acceptable replacement windows embeds further uncertainty into the assessment of whether a proposal could be considered permitted development.

2.3 The application and use of these specialist technical assessments as part of the determination as to whether certain works are covered by PDR also require the input and analysis from other colleagues such as Protective Services and Building Standards, thereby, while potentially removing the requirement for a formal application, the determination may also place workloads on other services within the council. In addition, the technical elements related to noise standards and particulate concentrations and fume dispersal by being specified as determining issues become the focus of the consideration of the planning harm which would require to be addressed within the consideration of potential enforcement action; this creates additional workload complexity in that area.

3.0 Conclusions

3.1 The proposed changes introduce a number of welcome considerations relating to widening the opportunities for installing renewable energy technology. It is a complex area and, as noted above, there are however also concerns regarding the practical implications of some of the proposals. In particular, the highly technical nature of some of the assessments will likely create additional workload out with a formal application process which would normally attract a fee. Similarly, there is the potential that this technical complexity will also impact the enforcement process with associated resource implications. It is also noted that some of the proposed changes may create new workload demand on other Services such as Protective Services.

3.2 Cabinet members are asked to consider and agree the proposed responses as set out in Appendix 1 and for these to be submitted to Scottish Government as the formal response from Fife Council to the consultation report on proposed changes to Permitted Development Rights.

List of Appendices

1. Proposed Response from Fife Council to Scottish Government Consultation on Changes to PDR.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

1. Permitted Development Rights review - phase 3: consultation - gov.scot (www.gov.scot)
2. https://www.gov.scot/publications/scottish-governments-proposed-work-programme-reviewing-extending-permitted-development-rights-pdr-scotland/documents/

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Proposed Response from Fife Council to Scottish Government Consultation on Changes to PDR

Phase 3 PDR Summary Table

Domestic Renewables	**Context for change**	**Proposed Change**	**Proposed Restrictions**
Current PDR Provisions- Solar Panels: • Solar Panels attached to a dwellinghouse (class 2B) • Solar panels attached to a building containing flats (class 4A). • Solar panels attached to buildings (e.g., sheds, garages, outbuildings) within the curtilage of a dwellinghouse (class 3A) • Free-standing panels within the curtilage of a dwellinghouse (class 3B),	Current PDR allow for the installation of solar panels on domestic properties with relatively few restrictions. However this is not the case currently for houses and flats in conservation areas. The Scottish Government wish to consider widening the permitted development rights in conservation areas in relation to solar panels. Recognition is also given however to the preservation of the heritage designation and the role of a conservation area. Locations where installations would have a significant impact on the appearance of buildings or land would still be subject to a planning application.	The Scottish Government intend to extend permitted development to allow the installation of solar panels on domestic properties in conservation areas in some but not all circumstances. Permitted development would apply to: • installations on the rear elevation, or side elevation provided it does not front a road. • Increase the scope of current permitted development to permit solar panels on larger outbuildings.	Solar panels installed under this PDR on dwellinghouses and buildings containing flats which are located in conservation areas are not permitted: • On a principal elevation or a side elevation where that side elevation fronts a road; • If any part of the solar panel, including mountings, protrude more than 1 metre from the outer surface of the wall or roof. • Within the curtilage of a listed buildings. A general provision applies that solar panels are to be removed as soon as practical should the become inoperative or are no longer in use. For outbuildings ancillary to and within the curtilage of, a dwellinghouse: Solar panels installed under this PDR may not protrude more than 200mm from a wall or pitched roof of an outbuilding, or more than 500mm from the surface of a flat roof.

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
			The PDR would only apply to outbuildings that are located: • Within the rear curtilage or side curtilage not facing a road. • Within the rear curtilage in a conservation area.
Current PDR for Domestic Air Source Heat Pumps (ASHP) • Installation of replacement ASHP on a dwelling or within the curtilage of a dwelling or within the curtilage of a dwelling (applies to both houses and flats) The main restrictions on permitted development relate to: • No more than one ASHP on or within the curtilage of any building (containing a dwelling) • If the ASHP is attached to a dwelling no part of the ASHP (including housing can protrude more than 1m from the surface of any external wall or roof. In a conservation area the ASHP must also be at ground floor level and on the rear elevation of the dwelling.	Concern current restriction will impinge on the aspirations set out in the Government Heat in Buildings Strategy in October 2021- which seeks to deliver homes achieving at least equivalent to an energy performance certificate band C by 2033 and zero emissions heating and cooling systems by 2045. Heat pumps are identified as a key zero greenhouse gas emissions technology. Opportunity to increase permitted development to more than one unit will particularly be of benefit to buildings which contain flats for example. The increase in number of ASHP is recognised that it could increase noise. Additional measures over and above the MCS-020 installation standard may be considered in such circumstances. Additional scope considered to enable multiple ASHPs on sites within conservation areas.	Proposed Changes: • Permit one ASHP per dwelling rather than the current restriction of one per building. • Providing that where an ASHP is installed on a building containing flats: i) the outdoor compressor must not exceed 1.5 cubic metres; ii) the external parts of the ASHP (including any housing etc.) must not be within 1 metre of any window of a habitable room, or door, of another flat in the same building. • Remove requirement that an ASHP installation in a Conservation area must be at ground level.	Existing restrictions in terms of buildings within conservation areas and listed buildings will still apply. Albeit on non-protected elevations multiple units would be permitted subject to the proposed caveats.

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
• If the ASHP is within the curtilage of a dwelling (including in a Conservation Area) it cannot be forward of the front elevation or side elevation where that elevation fronts a road. The ASHP and associated equipment and housing cannot exceed 3m. • The Current permitted development rights do not apply in a World Heritage Site or within the curtilage of a listed building.			
Current PDR for Domestic Ground Source and Water Source Heat Pumps • Permitted development exists to install or alter or replace a ground source heat pump or a water source heat pump within the curtilage of a dwelling house or a building containing a flat. • There are no restrictions within a conservation area or other designated area.	To clarify the extent of permitted development in relation to pumps and machinery and the underground pipes.	Proposed change: Confirm that the permitted development rights apply to the ground/water source pump itself as well as the underground pipework and any above ground connections to the pump provided such installations are wholly within the curtilage of the dwellinghouse or flatted building.	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
Current PDR for free standing domestic wind turbines. • Applies to a dwelling or a building containing one or more flats. • Permitted development exists to install a free-standing wind turbine within the curtilage of the above. Subject to: • Only one turbine is erected. • The turbine must be erected no less than 100 m from the curtilage of another dwelling. • The turbine must as far is reasonably practical, be sited to minimise its effect on the amenity of the area; • Used only for micro generation; • The turbine must be removed, as soon as is practical, if it is no longer needed or operating; • The turbine cannot be located within a conservation area, the curtilage of a listed building, a World Heritage Site, a Site of Special Scientific	Current PDR do not include a restriction on turbine height. But are subject to a prior notification and approval process. This process formalises a process where the applicant submits details which can be considered by the planning authority to require the submission of an application or accept that the development is acceptable and within PDR. The current provisions are complex and apply differently to different aspects of the proposed development. Notwithstanding potential visual and safety parameters (i.e. the 100-metre buffer) the Scottish Government considers that the existing limits may be too restrictive and are considering a more flexible approach where separation is related to the height of the proposed turbine. To protect residential amenity in relation to noise levels it is proposed to also apply the provisions of the MCS 020 planning standards to domestic wind turbines.	Proposed Changes: • Introduce a maximum height of 15 metres measured to the tip of the wing blades; • The distance between the lowest part of the turbine blade and the ground must be at least 5 metres. • Replace the separation distance of 100 metres between the turbine and the nearest curtilage boundary with a calculation of the turbine height plus a safety factor (e.g., height plus 10%); • Require compliance with the MCS020 planning standards • Simplify the prior notification and approval process so that a single procedure covers all aspects of design and siting; • The blades must be painted a uniform neutral colour and not include any advertising; • Existing elements such as the caveats within conservation areas and others designated sites will be retained; • Existing requirements for prior notification and approval will be retained to ensure that planning	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
Interest or a site of archaeological interest.		authorities can exercise some degree of control on issues such as amenity.	
Domestic wind turbines attached to a dwelling: There are currently no permitted development rights for turbines attached to a dwelling.	Introducing permitted development for smaller turbines attached to a dwelling could make further contributions to renewable electricity generation. It is recognised by Scottish Government that the potential impacts on amenity and safety are important considerations and restrictions are proposed to address these. The Scottish Government are not minded to apply the prior notification and approval process for the determination of permitted development for this category as it is considered specific limitations on size and location will be adequate means to regulate such issues.	Proposed changes to PDR for wind turbines attached to dwellings: • Mounted on a detached house; • It is the only turbine on the same dwellinghouse; • It complies with the MCS020 planning standards; • No part of the turbine, including blade would protrude more than 3m above the highest part of the roof; • No part of the turbine, including blade tips, would be less than 5m from the ground; • It should be located at least 5 metres from any curtilage boundary; • The swept area of the turbine is no more than 4 square metres; • It is a uniform neutral colour with no advertising or other designs;	The proposed PDR would not extend to outbuildings or structures that do not form part of the dwellinghouse itself.

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
		• It is not located within a conservation area, National Park, National Scenic Area, Site of Special Scientific Interest, World Heritage Site or within the curtilage of listed building; • The turbine is removed as soon as is reasonably practical should it no longer be required of cease generating electricity.	
Domestic flues	Removing permitted development rights to extend the scope of controls on the dispersal of pollutants and the impact of emissions on air quality	Issues: particularly with regard to the implications on enforcement workload and the expectations arising from this proposed change in relation to quantifying the planning harm arising from such a technical area.	
Non-Domestic Solar Panels This provision relates to the installation of This provision relates to the installation of solar panels on any non-domestic building. Subject to: Equipment installed on a pitched:	The Scottish Government considers the current PDR provision limit the amount of energy which can be generated and does not necessarily reflect the requirements of any business occupying the building. The current PDR also fails to maximise the potential for energy generation utilising available roof and wall space-particularly on larger premises.	Proposed changes: • Remove the energy generation output restrictions of 50kW and 45kW • Remove the requirement for wall mounted panels to be not less than 200mm from the edge of the wall, allowing installations to extend to the edge and wrap around corners;	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
• Not to protrude more than 200mm beyond the roof plane • Cannot project higher than the ridge • Cannot protrude outwith the edges of the roof. If installed on a flat roof: • The flat roof does not have a parapet wall; • The equipment would exceed the height of the parapet wall, or any part of the equipment would protrude outwith the edges of the roof. For wall mounted equipment: • Any part of equipment would protrude more than 200mm beyond the outer surface of the wall • Any part of equipment would extend beyond the curtilage of the building • Any part of the equipment would be situated within 200mm of any edge of the wall. The permitted development rights do not apply in certain designated areas such as conservation areas, National		• Retain the existing limit on protrusion from surface of flat roof. • Enabling solar panels to be attached to non-domestic buildings which are located in conservation areas- subject to conditions that they are not permitted on a principal elevation fronting a road or within the curtilage of a listed building. • Solar panels must be removed as soon as is practical should they become inoperative or are no longer in use. • Explore the potential to reduce the current 3km exclusion zone around airports and aviation or defence installation to 2km; or • Retain the 3km distance but allow limited installation of solar panels within that area in certain circumstances. Additional PDR for free standing solar panels within the curtilage of non-domestic buildings is proposed:	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
Scenic Areas etc. In addition, restrictions apply within the curtilage of listed buildings and within 3 kms of an aerodrome. A further restriction relates to total energy output which is limited to 50kW in relation to electricity generation or 45kW thermal if used to produce heat. There are currently no PDR for free-standing solar panels within the curtilage of non-domestic buildings.		• The area of the panels may not exceed 12 square metres • Installation must be wholly within the curtilage of the non-domestic building the solar panels provide power or heat to; • No more than one installation within any particular curtilage • PDR would not apply in national scenic areas, national parks or within the curtilage of a listed building • For buildings within conservation areas the PDR only permits installation in the rear curtilage. • Equipment is to be removed if inoperable or no longer in use.	
Solar Panel canopies in Parking Area PDR for the erection of solar canopies in car parks was introduced on 31 March 2023 in Class 9M. It is focussed primarily on the permitted development to increase the opportunities for solar energy generation for EV chargers.	The context for change promoted by the Scottish Government is to widen the types of energy generation uses the solar panels could power or provide electricity to. The proposal would therefore permit solar copies in car parks regardless of whether they were used to power EVs or not.	Proposed changes: • Remove the restriction specifying the power is for EV chargers and that no maximum output capacity would apply. • Remove the restrictions applying within 3 km of an aerodrome or technical sites relating to civilian and military traffic.	

Domestic Renewables	**Context for change**	**Proposed Change**	**Proposed Restrictions**
The PDR is limited to car parks and there is no limit on the number of canopies, and equipment necessary for its operation which can be installed in the parking area.			
Non-domestic air source heat pumps (ASHPs) There are currently no PDR for non-domestic air source heat pumps	Context for change: To increase the opportunities for maximising energy generation and align non-domestic PDR with that related to domestic buildings.	Proposed changes: Introduce permitted development for- • ASHPs attached to buildings if it is attached to a rear or side elevation (or rear elevation in a conservation area) • Within the curtilage of buildings if it is within the rear curtilage and not within 5 m of a boundary. • It is not located within a World Heritage Site or within the curtilage of a listed building. • Size limits are not proposed • If installed on a building containing residential development the unit must not exceed 1.5 cubic metres. • Must not be within 1m of any window of a habitable room, or door of a flat in the same building.	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
		• The ASHP should be removed as soon as is reasonably practical when no longer required or no longer providing heating/hot water.	
Non-domestic Ground Source and Water Source Heat Pumps The current PDR are: • The surface area of land must not exceed 0.5 Ha; • Development not permitted within a site of archaeological interest, the curtilage of a listed building, a World Heritage Site, or a historic garden or designed landscape; • The total output of all microgeneration installed within the curtilage of a non-domestic building would exceed 45 kilowatts thermal. • The surface of the land must be restored as soon as possible after the installation, alteration or replacement of pipes.	Context for change: The Scottish Government considers that added clarity is required to confirm that the PDR apply to the installation of pumps specifically as well as associated pipework – this would align with the provisions for domestic Ground/water source heat pumps. The restriction on total output of microgeneration equipment in the curtilage is no longer relevant	Proposed changes: • Confirm that the PDR applies to both the pump and above ground connections to the pump • Remove the reference to maximum heat output.	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
Thermal Efficiency: Domestic and Non-Domestic Buildings. This section recognises the potential benefits which may arise in terms of the installation of more energy efficient windows and cladding in and on existing buildings.			
Replacement Windows: It is accepted that the installation of like for like replacement windows is not development as there is no material change to the external appearance. Whether permission is required where the external appearance is affected depends on the type and location of the building. Listed building consent is required where the building is listed. Current PDR for domestic buildings: Existing PDR permit alteration and improvement of dwellinghouses and buildings containing flats out with conservation areas provided	Context for change: The Scottish Government is interested to explore the extension of PDR to cover houses and flats and other buildings in conservation areas. In addition, there is the opportunity to standardise the approach regarding replacement windows across all types of non-domestic buildings; It is considered this provides more certainty and opportunity to improve the energy efficiency without the time and expense of submitting a planning application. There is also the proposition that more cost-effective materials could be used. It is argued that the opportunity to make it simpler and quicker to replace windows in conservation areas may also help facilitate the on-going upkeep and maintenance of historic buildings and meet the challenge of the changing climate.	Proposed changes: For domestic properties: • The PDR would not apply in World Heritage Site • For windows situated on the front elevation of the building or side elevation fronting a road the PDR would only apply if the replacement window matches the existing window with respect to: • Opening mechanism • The dimensions and colour of its frame and astragals • Number, orientation, and colour of panes	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
works do not extend beyond 1 metre of the elevation. This provision accommodates replacement windows, with no constraints on the design of new windows installed. These provisions do not apply in conservation areas. Or within the curtilage of a listed building. Applications in conservation areas will generally require planning permission unless the replacements are exact replicas of what is being replaced and the external appearance of the building is not materially affected. For non-domestic buildings there is no specific PDR for windows but the general PD provision for such buildings accommodate such alterations. Not all types of non-domestic properties have such provisions and also the list of designated areas where the PD do not apply is more extensive than for domestic properties.	It is also flagged that the reduction in number of planning applications could lessen the burden on planning departments. The special architectural or historic interest of a conservation area may in part be derived from the design and appearance of the windows in buildings- often making an important contribution to the area's character and appearance. Therefore, it is recognised that in order to maintain the quality and character of conservation areas there would need to be PDR with appropriate design safeguards. Safeguards such as: Opening mechanism (sash and case) Dimensions and colour of its frame and astragals and number, orientation and colour of panes could be matters prescribed. Provision to designate an Article 4 would still exist.		

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
External cladding The "1 metre bubble" provisions apply to cladding for domestic alterations however this does not apply in a conservation area.	Context for change: - None proposed given the extensive change which could occur in a conservation area.		
Electricity Undertakings **This section of the proposed changes to PDR covers a wide range of specific changes to aspects of works undertaken by electricity undertakers/operators associated with the delivery of electricity supplies and their protection. These are relatively minor and infrequent issues which nevertheless are being aligned or streamlined.**	Context for change: To simplify and align the permissions and consents to reduce operational delays and align with other legislation such as safety requirements around substations.	Changes proposed: • Change to class 40 (Works by Electricity undertakers) to extend scope of permitted works to cover smart meter communications, and distribution and interconnection of electricity alongside existing functions. • No changes to existing PDR re electric transmission lines; • Change to permit larger substations- increase from 29 to 45 cubic metres, provided it does not exceed 3 m in height and if it exceeds 29 cubic metres it cannot be within 5 metres of a dwelling. • Extending the PDR for electric communications lines to also apply within national scenic areas or SSSI provided these are replaced on a like for like basis;	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
		• Extending the PDR for such lines where they are longer than the current limit of 1000m. • Clarification on the scope and extent of site investigation works to extend beyond boreholes to other types of temporary trial pits and plant and machinery; • Permit higher fences and walls around substations; up to 3m in height. This increases the provision from the current 2.4m; • Extend the scope of works permitted within operational land to include new apparatus and equipment- remove the need for prior approval.	
Other Phase 3 Provisions			
Reverse Vending Machines (RVM) The current PDR permits installation of RVMs in the wall of, or in the curtilage of a shop. PDR does not apply: • If the RVM exceeds 3.5m in height, • Its footprint would exceed 80 sq metres	Context for change: To enable the roll out of as many opportunities for the installation of RVMs at smaller stores and outside urban premises. The Scottish Government also considers the increase in number of RVM would reduce reliance on private cars. The provisions are caveated on the basis that road safety requirements	Proposed changes: To extend PDR to accommodate installation of RVM on a Road (inc. pavement). Any RVM installed under the PDR must: • Be at least 400m from any other on-street RVM	No changes proposed to restrictions of PDR within designated areas.

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
• In the case of a RVM installed in the wall of as shop, any part of the machine would protrude 2 metres beyond the outer surface of that wall. • It would be situated within 15 metres of the curtilage of a building used for residential purposes; • It would face onto and be within 5m of a road. Additionally, development is not permitted under this class within a range of designated sites such as conservation areas, National Scenic Areas etc.	and street clutter would be considered as part of the provisions through Section 59 of the Roads (Scotland) Act 1984. For the purposes of that legislation a road includes the pavement.	• Not exceed 2.5 m width or depth, or exceed 2m in height (including any canopy or housing) • Not result in a clear pavement width of less than 1.5m • Be orientated to ensure returns can be readily accepted from those using a footpath; • The PDR does not apply unless consent under section 59 of the Roads Act 1984 has first been obtained • No advertising other than related to the DRS (or to recycling in general) is permitted.	
Temporary Use of Land: Shooting Ranges Current PDR under class 15 allows a temporary activity or different use to take place on land up to 28 days a year without the need to apply for planning permission. This applies to a broad range of uses except use of land for a caravan site, and they do not apply within the curtilage of a building.	Context for change: While separate licensing is required it is considered that given the noise and potential disturbance should these be excluded from the scope of class 15 PDR.	Proposed change: Remove the use of land for rifle shooting and other similar activities from the uses permitted within class 15 (28 day rule)	

Domestic Renewables	Context for change	Proposed Change	Proposed Restrictions
Moveable structures associated with the use can also be placed			

Proposed Fife Council response to consultation questions on the above PDR			
Question 1: Do you agree with the proposed PDR for **solar panels** attached to domestic properties in conservation areas?	**Response: Yes**	Issues: While increasing the scope of permitted development this would be on discreet locations with limited visual impact in conservation areas and their designation.	
Question 2: Do you agree with the proposed PDR for the **installation of solar panels on outbuildings ancillary to, and within the curtila**ge **of, a dwellinghouse**	**Response: Yes**	Issues: As above- while the proposed change increases the potential for further development it would be on ancillary buildings with limited wider impacts.	
Question 3: Do you agree with the proposed amendments to **PDR for Air Source Heat Pumps?**	**Response: Yes, subject to the issues noted.**	Issues: There may be elevations in conservation areas while not the front elevation or fronting a road which would be able to accommodate multiple units, and these may be more visible on higher floors/elevations. It is welcomed that the provisions would not apply in World Heritage Sites or within the curtilage of listed buildings.	

		There are concerns regarding the reliance on the noise levels set out in the MCS-020 Scheme as these apply a standard background noise level regardless of the actual noise environment. Scottish Government should discuss in more detail with Heads of environmental health in Local Government.	
Question 4: Do you agree that classes 6D and 6E should be amended to include reference to the **installation etc of pipework and associated connections required to operate a ground or water source heat pump?**	Response: **Yes agree**	Issues: None	
Question 5: Do you agree with the proposed amendments to P**DR for free-standing domestic wind turbines?**	Response: **Yes, with caveats.**	Issues: The specification to define a maximum height (15 metres) is welcomed. There is concern that the reliance on the prior approval process embeds an equivalent workload on a case officer as exists with the assessment of a full formal application. The expansion of the MCS020 planning standards may create residential amenity issues which may need addressed by other regulatory functions such as Environmental Health so	

		has the potential to create additional workload for the Council. Concerns also remain over the mechanism of enforcement should it transpire an installation has not been installed to comply with MCS-O2O. There are also concerns regarding the enforcement process and monitoring of the application of the MCS020 standards after the turbine is built- i.e., non-compliance means that the turbine is not permitted development so would automatically require an application- but harm would first have to be established to undertake planning enforcement action. The height plus a safety factor proportionate to height would seem logical to provide some flexibility.	
Question 6: Do you agree with the current list of **designated areas where PDR do not apply. Noting that the list does not currently include national parks or National Scenic Areas?**	Response: Yes, these provide a reasonable context for protecting the designated areas. The height restriction to 15 metres would also provide an appropriate balance between the designated areas and accommodating development to achieve higher levels of renewable energy		

Question 7: Do you agree with the proposed **new PDR for wall or roof mounted wind turbines attached to a dwellinghouse?**	Response: Agreed, there is some scope to accommodate turbines on dwellings subject to appropriate controls on visual and residential amenity. Consideration needs to be had to some practical issues.	Issues: • The requirement specifying a maximum area of square metres of swept path seems unduly complex and would add unnecessary mathematical calculations at validation -would a maximum diameter measure not be more appropriate and straightforward. • There is concern that despite the use of the MCS-020 criteria this will create noise complaints and place burdens on Environmental Health to investigate complaints under nuisance regulations regardless of the status of the turbine under the planning process. Small turbines operating in quiet areas at night may still be noisier than the existing background noise levels even 5 metres away. Wind shear effects may still apply in an urban environment between/around buildings. • The enforcement of the application of the permitted development criteria through investigations is a concern in terms of workload and capacity given the technical nature of the provisions.	

		• There will be some greater impact on visual amenity in areas outwith designated areas. • There may be structural issues on older buildings caused by vibration and lack of ongoing maintenance which may impact on Building Standards.	
Question 8: Do you have any comments on the **potential removal of PDR for flues or wood burning stoves (including wood burners and log burners). Biomass boilers and biomass heating systems?**	Response: The aspiration to amend PDR to address air quality is noted however the complexity of the technical nature of how the planning harm of the relative levels of particulate matter and fume dispersal is perhaps best left in most cases to be addressed through public health legislation. There is the potential this will add considerably to application workloads of case officers and increase demand on planning enforcement officers investigating unauthorised work and the constituent information required in relation to measuring fume dispersal and harm in order to pursue enforcement action. That level of expectation in terms of the general public is of concern and may be unrealistic to place on the planning process.		

Question 9: Noting that current PDR cover the installation, alteration or replacement of flues, should any removal of these PDR be limited to installation of new flues, or also prevent existing flues being altered or replaced under PDR?	Again, in this context the issue would be the consequences of this change in relation to the expectations placed on the planning enforcement process in demonstrating harm and the evidence required to be gathered in relation to the relative difference between an existing flue and an altered one in terms of fume dispersal and particulate matter.		
Question 10: Do you agree with the proposed amendments to class 6J PDR for solar panels attached to non-domestic buildings?	Response: Yes, the rational particularly for large expansive modern commercial buildings and commercial units in industrial estates and similar locations is clear and to be encouraged. For other locations particularly traditional non-domestic buildings the changes may lead to physical changes to traditional roofs and alterations. However, protection through the need to apply for permission within conservation areas and other sensitive location is retained. There may be wider impacts on higher non-domestic buildings in urban areas particularly on more prominent elevations in conservation areas at higher levels where these are not considered to be the front elevation but may nevertheless be prominent. The application of Article 4 parameters can however be applied.		

Questions 11: Do you have any comments on the potential to amend the current restrictions that apply to solar panels on non-domestic properties (class 6J) and solar canopies in parking areas (class 9M) within 3km of airports and technical sites associated with civilian and military air traffic services?	Response: Yes, support in principle subject to similar caveats and issues as noted above. A response in relation to the existing buffer zones around airports and military establishments is not a matter for planning service to comment on.		
Questions 12: Do you agree with the proposed new PDR for solar panels within the curtilage on non-domestic buildings?	Response: Yes, the parameters would provide a reasonable balance between the protection of the visual environment and more sensitive areas in the context of the need to maximise opportunities for renewable energy generation.		
Question 13: Do you agree with the proposal to extend Class 9M PDR to allow these to apply to solar canopies generally, rather than only those for which the primary use is charging of electric vehicle?	Yes: As the main issue is the appearance and impact on the built environment there is logic to extend the use to any purpose rather than just restrict to charging of vehicles. It is noted though that by its nature the existing restriction to charging of electric vehicles is self-limiting and the proposed change would potentially lead to a much wider application of the PDR. Consideration may need to be had that there may be the unintended consequence that there also could be additional removal of shade such as existing trees and plants in car parks to maximise area of energy generation.		

Question 14: Do you agree that any extension of Class 9M PDR to be for the purposes of producing electric power generally, should not have a maximum power generation capacity?	Response: Yes, if the main criteria in terms of PDR relates to visual appearance and appropriate parameters are in place to address that issue the amount of energy generated is not a significant determining factor. There is also a relationship between the development of new more efficient technology where generating capacity will increase within smaller areas as solar technology improves.		
Question 15: Do you agree with the proposed PDR for air source heat pumps on non-domestic buildings?	Response: Yes, in principle there is scope to align and expand the instances where ASHPS can be installed. In terms of protecting residential amenity, it is not clear how the size of the compressor unit relates to the potential noise disturbance as this will more closely relate to the existing noise environment experienced by the resident. Similarly, it is questioned whether the proposed 1 metre buffer provides sufficient protection to residents.		
Question 16: Do you agree with our proposed amendments to class 6I PDR for ground and water source heat pumps on non-domestic buildings	Response: Yes, subject to the retention of the existing limitations within the designated areas.		

Queston 17: Do you agree with the proposed PDR for replacement windows of domestic buildings located in conservation areas?	Response: The Council disagree with this PDR change due to the impact it would have on the character and amenity of Conservation Areas, and also the proposed change is inconsistent with other Government policies. The consideration of the opportunity is understood and on the face of things this approach appears reasonable however there is the risk that in accommodating a different material this change pushes and encourages much wider use of upvc and also removes any impetus to seek to repair or upgrade existing long life traditional timber windows. Often simple upgrades and repairs to improve draft proofing achieve significant benefits. Refurbishing timber windows would also remove/reduce the inbuilt energy and sustainability issues arising from the use of some modern materials. The existing provisions to require applications secure the testing of the need to replace the traditional window and provide an incentive to restore it. It is not clear that this approach proposed in these PDR changes fully addresses the full carbon lifecycle and actually encourages non-traditional materials. This would appear at odds with other Government policy.		

	Rather than encouraging the use of traditional skills and utilising sustainable timber materials this proposal while on the face of things addressing energy conservation, may have the opposite effect while at the same time diluting the inherent quality of conservation areas. In addition, the reliance on non-specific/detailed window criteria measurements could lead to an upsurge in enforcement enquiries and debate about the extent to which windows match or are similar. Consideration in framing PDR needs not just to consider the direction of what is “wanted” to be encouraged but how the legislative system addresses the legitimate interests of those who do not want or contest a change. It is not a technical process and shouldn’t be seen as such.		
Question 18: Do you have any comments on the conditions that we propose the PDR for replacement windows would be subject to?	Response: Essentially in some ways while this appears to encourage energy efficiency it could also be argued to encourage greater use of upvc and other materials which require hydrocarbons and energy to make them while also being difficult to recycle. The fact that planning permission is actually required encourages traditional windows to be upgraded, refurbished and improved and other alternatives such as less bulky secondary glazing or simply		

	thicker curtains looked at as sustainable alternatives. It could be argued from a visual perspective that the proposed provisions could only apply to the rear or non-principle elevations- however this could still encourage the use of non-traditional materials. This is an area where more research should be encouraged to demonstrate the holistic benefits in terms of the sustainable aspirations set out in NPF4.		
Question 19: Do you agree with the proposal to align non-domestic buildings with domestic buildings, as regards PDR of replacement windows? Are there any types of non-domestic building that should be excluded?	Response: The Council disagrees with this change to domestic buildings, and as such disagrees to 'aligning'. Concerns that have been raised to Q18 apply also to this question. There would not seem to be any particular reasons to consider different approaches for different uses or types of non-domestic buildings.		
Question 20-28 **T**hese questions relate to views on the proposed changes and technical alterations proposed to Electricity undertakers. There is little likely impact arising from these changes given that the relate to existing sites used by the undertakers, replacement of existing infrastructure, temporary works	Response: Agree. There may be some concern regarding the increase in height afforded around substations for walls and fences but in essence for the most part this only involves a height increase of an additional 60cms.		

for exploration for the development of sites.			
Question 29: Do you agree with the proposed amendments to PDR for reverse vending machines? (RVM)	Response: Agree with the current designated areas requiring permission to be applied for. The existing provisions relating to listed buildings would still apply		
Question 30: Do you have comments on the potential exclusion of the use of land as a target shooting range from class 15PDR? If such a change were taken forward, do you have views on the justification for exempting the activities discussed in paragraphs 6.2.4 and 6.2.5 (of the Scottish Governments report)	Response: The planning issue in this context relates to the extent to which the noise and disturbance which arise from shooting activities can genuinely be identified as any different or worse in that context to other activates which can legitimately be undertaken using the provisions of this class- circuses, country fairs, temporary concerts, agricultural shows etc. If the issue relates to noise and amenity, it is not clear that this use is the most disturbing type permitted.		
The final set of questions relate to the Impact Assessments undertaken			
Question 31: What are your views on the findings of the Update to the 2019 Sustainability Appraisal Report at Annex A (of the Scottish Governments Report)	Response:- the main issue would be to question the breadth in terms of the sustainability of the proposed changes to replacement windows and the tacit encouragement of increased use of non-timber and potentially less sustainable materials as well as removing the gate check of the planning application to test the need to remove repairable windows or sustainable options before agreeing to remove and replace the existing window.		

Question 32:	Response; No comments		
Question 33:	Response No comments		

10 August 2023
Agenda Item No. 5

Consultation Response to Local Living and 20-Minute Neighbourhoods: Draft Planning Guidance

Report by: Pam Ewen, Head of Planning

Wards Affected: All

Purpose

To seek approval of a proposed response to the Scottish Government consultation on the draft *Local Living and 20-minute neighbourhoods: draft planning guidance*.

Recommendations

Members are requested to:

1. review and approve the proposed consultation response as set out in Appendix 1 to this report;
2. authorise officers to submit the consultation to the Scottish Government; and
3. delegate the Head of Planning, in conjunction with the Convener, to include additional comments agreed by this committee and respond to the consultation.

Resource Implications

None. Preparation of the proposed response falls within the workstream of Planning Services' staff.

Legal & Risk Implications

There are no legal or risk implications in responding to this consultation because it a response to an invitation to comment on national planning guidance.

Impact Assessment

An equality impact assessment and other impact assessments are not required because this is a consultation response to proposed planning guidance. The Scottish Government undertakes the relevant impact assessments in relation to National Planning Framework 4 which the proposed guidance supports. The Scottish Government's draft guidance report notes the relevant impact assessments.

Consultation

The Head of Legal and Democratic Services and Head of Finance have been consulted in the preparation of this report. Roads and Transportation Services, Communities and Neighbourhoods Services and Protective Services have been consulted in preparing the proposed response and the proposed response has been shared with NHS Fife who submitted their own response.

1.0 Background

1.1 The Scottish Government published the consultation seeking views and comments on the draft local living and 20-minute neighbourhood planning guidance in April 2023 which closed on 20 July 2023. A holding response has been submitted and the Scottish Government has confirmed a final response can be submitted following this committee's decision.

1.2 The concept of local living and 20-minute neighbourhoods is important to placemaking; shaping how our towns, villages and rural areas are developed, their environmental quality and amenities available to their communities. NPF4 includes spatial principles to support the planning and delivery of sustainable places, liveable places and productive places.

1.3 NPF4's Policy 15 is a statement on local living and 20-minute neighbourhoods and is now part of Fife's Development Plan. Fife Council has used Place Standard exercises in recent years to identify issues connected with access to services and facilities in community surveys. A survey of selected communities[1] in 2022 has been used to inform thinking on how the concept may be applied in Fife as part of preparing LDP2.

1.4 The consultation document sets the context and makes the links between the climate and nature crises, challenges around poverty and disadvantage and health inequalities which require a collaborative approach to deliver positive outcomes for people and the environment. This aligns with the council's place leadership model and move to local area-led delivery and community wealth-building. This is central to places and how they should develop in the future and so the guidance will be used in applying policies in National Planning Framework 4 (NPF4) and in the preparation of the new local development plan which will have an emphasis on place.

2.0 Discussion

2.1 The local living and 20-minute neighbourhood concept promoted by Scottish Government aims to create places where people can meet the majority of their daily needs within a reasonable distance of their home. It provides guidance on how National Planning Framework 4 policies relating to local living and 20-minute neighbourhoods should be applied. It includes a Local Living Framework assessment tool (based on the Place Standard themes), to aid consistency across Scotland in the consideration of local living and 20-minute neighbourhoods.

2.2 Much of the discussion on the concept has been on its '20-minute' aspect which is more applicable in cities and more densely developed urban areas and neighbourhoods than in a diverse settlement pattern such as Fife with its many dispersed and smaller settlements across rural areas. Nevertheless, the underlying principle is that services and facilities are available to people so they can meet most of their daily needs within a reasonable distance of their home, preferably by walking, wheeling or cycling, or using sustainable transport options.

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[1] Cowdenbeath (example of an urban area); Falkland, Freuchie, Strathmiglo, Gateside, Dunshalt, Newton of Falkland, Auchtermuchty (example of a rural area where we think places of similar size probably share services between them as a cluster); and Saline and Steelend (example of a very rural area to understand how people in very rural areas access services and facilities)

2.3 The guidance sets out a structured approach to the support and delivery of local living as part of place based strategies, initiatives, and decision making. The structured approach has three steps:

- understand context
- collaborate, plan, design and
- implement and review.

The structured approach has a relevance to decisions which relate to the use of land and where and how services are delivered; it thus applies beyond planning processes and strongly links to public asset management and community wealth building considerations.

2.4 The delivery of local living has been bolstered by Scottish Government by the alignment of several cross-government policies, strategies and investments that can support local delivery including:

- NPF4
- the Place Based Investment Programme
- the Empowering Communities Programme
- Town Centre Action Plan and Town Centre First Principle
- community wealth building
- Housing to 2040
- climate action towns
- the Infrastructure Investment Plan
- investment for Active Travel and
- the Work Local Challenge Programme.

The guidance also includes several useful case studies which illustrate how the concept is being approached across Scotland.

2.5 Generally, the response to the draft guidance is positive and it will be an important document in preparing the new Fife Local Development Plan, as well as assisting the council and stakeholders on improving places across Fife. Some of the points that have been raised are summarised below – the full draft response is in Appendix 1:

- there should be greater acknowledgement of the challenge of retrofitting poorly served places to support local living;
- it would be useful to have some explanation regarding the expected roles of different stakeholders in the delivery of local living;
- the effectiveness of the guidance in helping to shape wider investment decisions was questioned; and
- the guidance should clarify expectations regarding the review and monitoring of local living (who and how often).

3.0 Conclusions

3.1 The draft guidance is a welcome addition to documents supporting the application of new national planning policies with an aim of creating better and more sustainable places. The guidance can assist in promoting collaboration among public bodies, developers, landowners and communities to meet community needs. The proposed response suggests where the guidance can be improved to meet these aims.

List of Appendices

1. Fife Council proposed response to the consultation on Scottish Government's Local living and 20-minute Neighbourhoods: draft planning guidance.

Background Papers

- Fife Council draft response to the consultation on Scottish Government's draft *Local living and 20 minute neighbourhoods: draft planning guidance*
- National Planning Framework 4 (2023)

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Fife Council proposed response to the consultation on Scottish Government's draft Local living and 20-minute Neighbourhood guidance

Questions 1-8 include a simple choice over how helpful the text was in answering that question – the choices were: very helpful; somewhat helpful; not at all helpful – the proposed responses are highlighted below in *italics*.

Q1 How helpful is Part 1 of the guidance to further the understanding of local living and 20-minute neighbourhoods in a Scottish context?

Somewhat helpful

Part 1 gives a good introduction to the concept. The language used is simple and easy to understand it helps to explain simple steps that can be taken and the impact they have on communities.

There should be a greater acknowledgement of the challenge of retrofitting poorly served places to support local living; and how planning is just one part of how local living will be delivered. It would be useful to include a diagram which sets out the expected roles of different stakeholders in the delivery of 20-minute neighbourhoods and local living.

The synergy between the local living concept and the community wealth building agenda should be made more explicit.

Apart from the reference to the rural/islands study more could be done to set the concept in a Scottish context – it has mainly been applied in urban areas elsewhere, what is the expectation over how it can be applied in differing rural and smaller urban areas of Scotland?

The reference to NPF4 appendix D: the 6 qualities of successful places is useful particularly around supporting well connected networks that make moving around easy and reduce car dependency.

Q2 Please refer to the Local Living Framework Diagram on page 19 of the guidance. How helpful is the framework diagram in encouraging flexible, place-based approaches to support local living?

Very helpful

It is useful to see all the elements of place brought together and the framework should help to set a consistent approach to the consideration of local living as part of decision making and plan development. However, Fife Council considers the use of terminology such as 'stewardship' and 'civic' may be off-putting for some communities.

More guidance should be provided as to how some of the categories (such as influence and sense of control) can be considered as part of planning application processes, it is currently unclear how these could be applied as a material consideration. These categories can be taken into account more easily as part of local development plan, masterplanning, and development brief preparation.

It would be useful to show links between the themes and the six qualities of successful places and other relevant NPF4 policies on the diagram (or in the later explanation) to demonstrate how the consideration of different NPF4 policies relate to and support the delivery of the local living concept.

There should be more clarity over how and when planning authorities should require the local living framework to be completed as part of planning applications. For instance, is it expected that all applicants for major developments will be required to provide a local living assessment? Clarification is also needed regarding the status of Local Place Plan exercises - would these just be considered if they are registered? And would an applicant have to look back at Local Place Plans over many years or would there be a time restricted?

Improved air quality should be included on the local living framework diagram.

Q3 Looking at part 2 of the draft guidance: how helpful are the 'categories' and 'key considerations for local living' that are captured within this part of the document?

Somewhat helpful

The key considerations in the section list a large range of elements to be taken into account; are any of these considerations more important than others?

Digital accessibility is not covered by the Local Living Framework diagram, yet it is stated it should be considered. Digital accessibility is an important aspect of the delivery of the local living concept however Fife Council believes it should only be included in development management processes if it can reasonably be considered as part of a planning application.

It would be helpful if the guidance was more specific on the level or quality of interventions that would be expected or was mapped to the National Performance Framework.

Air quality should be referenced in the relevant sections.

The guidance needs to be clearer about the role of planning in the long-term stewardship of places; for example in Fife, we currently only condition that developers must maintain landscaping for up to 5 years, but stewardship goes beyond planning controls and policies and implies greater citizen, community, and public body care and maintenance outwith the control of the planning system.

Q4 How helpful is the proposed 'structured approach' for use?

Somewhat helpful

It is helpful to have a structured approach that can be referred to when developing local development plans. However, it is quite general, it would be useful to see some specific examples for each step,#; for example the type of modelling that could be carried out to understand context, or the type of transport infrastructure that is required.

It would be helpful to set out the roles of planning and other stakeholders as part of the structured approach. How will the structured approach be utilised beyond planning as the main influence of planning processes relate to the understanding context and collaborate, plan, design steps?

Q5 Does part 3 of the guidance clearly communicate the importance of both qualitative and quantitative data in establishing a baseline for a place?

Very Helpful

The guidance sets out that qualitative as well as quantitative data is required which we agree is critical to the understanding of a place and its relationship to other places. The importance of digital mapping is emphasised which is accepted although GIS mapping resources in most planning authorities is currently very stretched and there is an urgent need to look at how the Improvement Service could support authorities or find a solution through the national Digital Planning Programme.

Given the importance of the qualitative data, this should be a requirement (a 'must' rather than should). Clarification is needs as to whether developers will be expected to carry out qualitative analysis as part of their completion of the Local Living Framework - and whether that would include an element of community consultation.

Providing links to any publicly available datasets that provide this data would be useful.

Q6 How helpful is the 'collaborate, plan, design' section of part 3 in supporting collaborative practices?

Somewhat helpful

This section aligns with Fife Council's shift towards local area-led delivery and community wealth-building. It recognises that no one team can deliver everything. However, it is unclear if the guidance document will be an effective tool in helping to shape wider investment decisions to help deliver local living aspirations.

Fife Council is good at working collaboratively and considering the wider opportunities and benefits that could be realised from investment.

The level of involvement and engagement will require a significant amount to time, effort, and resource from all parties. There is a concern that there may not be sufficient capacity across all stakeholders and clarity is sought on what funding the Scottish Government would provide to assist.

Q7 How helpful is the 'implement and review' section of part 3 in assisting the delivery of collaborative approaches to support local living?

Somewhat helpful

The alignment of investment programmes that can support delivery of local living aspirations is welcomed. However, capital and revenue budgets and resources can dictate where services are provided or not; this has not been acknowledged as a constraint on places. The competing priorities between delivery agencies, for example local authorities and developers should also be acknowledged.

Figures 11 and 12 illustrate how public sector decisions on location of services influence people's behaviour and travel choices and can support local living.

The text on the role of planning is welcomed but highlights that delivery of local living requires wider buy-in beyond a planning authority.

The text helps people to understand where skills, knowledge and expertise lie in the communities which is welcomed.

The review and monitoring required could be carried out through Local Development plan processes, however, the 10-year timescale for renewal of Local Development Plans reduces their ability to pick up changes timeously. It would be useful for the guidance to suggest how the review and monitoring should be carried out and by whom.

Q8 Looking at part 4 of the draft guidance: do the case studies provide a useful and appropriate range of examples of good practice?

Very Helpful

The case studies cover a good range of places across Scotland which is helpful. The Aberdeenshire example is particularly pertinent to Fife because of shared geographic characteristics. However, all the case studies apply to higher level or larger scale developments - it would be useful to have a case study which relates to applying Policy 15 and the assessment process to smaller applications.

It is helpful to understand how data has been used in the different case studies.

It would be useful to understand which teams are leading on the 20-minute neighbourhood work for the different case study examples – is it the development plan team, community planning team or, as in Edinburgh's case, a multi-disciplinary dedicated 20-minute neighbourhoods team?

The Wester Hailes case study is useful as it provides an example of an existing neighbourhood and specific actions required to improve local living; it also shows the importance of partnership working between the local authority and the community.

It would be helpful if the guidance could include information on the strategy that City of Edinburgh council put in place to achieve results in Powderhall and Granton - to demonstrate best practice from a development management point of view.

The Highland and Islands case study text refers to potential solutions - were any of the identified solutions implemented or trialled? And, if so, did they work?

Are there any case studies that have demonstrated improved air quality in 20-minute neighbourhoods through relevant monitoring and assessment?

It would be useful to see some examples of existing local living/20- minute neighbourhoods from around Scotland (or around the world).

The lessons learned section of the Stewarton example is helpful, could this be included for the other case studies?

Q9 Looking at the impact assessment update report: do you have any views about the initial conclusions of the impact assessment update report that accompany and inform this guidance?

No comments on the conclusions in the impact assessment.

Q10 Please provide any further comments on the draft guidance document

The document provides useful guidance but more specific, actionable detail would be useful.

Given wide remit of this guidance, it's unclear if it is focusing on requirements for local development plans; local place plans; or development management processes. It would be useful to understand the expectation in terms of the consideration of local living and the application of the Local Living Framework as part of planning application processes and local development plan preparation – the guidance could set out how the concept should be applied in each case. It is important that any new material considerations can be assessed within existing resources; the planning application process is much more complex than it used to be and as such careful consideration is needed not to make it even more complex.

There would be merit in setting out some clear parameters for future planning applicants for development management purposes. At the moment, it is unclear how the guidance helps applicants to deliver NPF4 policy 15 requirements; for instance, at what scale of development is there an expectation that a developer will provide on-site any of the local infrastructure that may be missing? Does the approach mean, for example, that a housing development cannot come forward until the planning authority is satisfied a town centre redevelopment proposal (by another landowner) will be delivered to support the needs of future residents? If so, the Scottish Government should explain how that is reasonable and legitimate. Should submission of a 'Living Local Framework' Assessment for all majors be mandated?

There is reference to 'high quality' active travel networks, i.e. "People's ability to access these features locally using safe, high-quality walking, wheeling and cycling networks and sustainable modes of transport". It would be useful to define what is meant by 'high quality' to enable funding criteria to align to community and place characteristics rather than always aligning with ideals of 'perfect systems' for active travel and so holding back investment where third party constraints do not permit exact versions of 'high quality' as defined by third party funders. Third parties should not dictate the achievement of connected neighbourhoods, these should be community led with a pragmatic approach to achieve outcomes with funding to support the best standard of high-quality network that can practically be achieved to serve the needs of the community to live locally.

In the Useful Resources section (Annex B), reference should be made to the relevant Scottish air quality legislation and guidance.

10 August 2023.
Agenda Item No. 6

Treasury Management 2023-26

Report by:	Eileen Rowand, Executive Director (Finance and Corporate Services)
Wards Affected:	All

Purpose

This report deals with the Treasury Management activities for the council and will seek to do several things. Firstly, the report will ask members to adopt the Treasury Management code 2021 for inclusion in the financial regulations and to adopt the Treasury Management Policy Statements. Secondly, the report outlines the revised Treasury Management Strategy and Investment Strategy of the council following the recently approved Capital Investment Plan as well as seeking approval of the associated prudential indicators.

Recommendations

The Cabinet Committee is asked to: -

i) adopt the Treasury Management Code 2021 Edition as published by the Chartered Institute of Public Finance and Accounting (CIPFA);

ii) adopt the clauses in paragraph 2.1 of this report as part of the council's Financial Regulations;

iii) adopt the Treasury Management Policy Statement;

iv) approve the Treasury and Investment Strategies;

v) approve the Statutory Repayment of Loans Fund Advances Policy; and

vi) approve the revised Prudential Indicators in Appendix C, which were agreed at the Fife Council meeting on 22 June 2023.

Resource Implications

This strategy will help ensure the effective management of the council's cashflows, lending and borrowing activities and facilitates the funding of the council's Capital Plan.

Legal & Risk Implications

Scottish Government Finance Circular 5/2010, The Investment of Money by Scottish Local Authorities, requires local authorities to have regard to the Code. Local authorities' treasury management activities are prescribed by statue.

In addition, all Treasury activity complies with the following legislation Local Government in Scotland Act 2003 and Local Government Regulations 2016.

The council is required to comply with the CIPFA Prudential Code and Treasury Management Code of Practice. Implementation of this strategy will ensure that this requirement is met and that risks are controlled and mitigated.

Impact Assessment

An Equalities Impact is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

The council engages Link Group as its Treasury Advisers. Recommended good practice guides and advice prepared by Link has been reviewed in preparation of this report.

1.0 Background

1.1 The treasury management function ensures the council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. In doing so, the council must comply with both the CIPFA Prudential Code and Treasury Management Code of Practice.

1.2 In December 2021, CIPFA issued a revised version of the Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2021 (the Code) and a revised Prudential Code to replace the 2017 version. These revisions introduce strengthened requirements for skills and training and for investments that are not specifically for treasury management purposes. These revisions have particularly focused on non-treasury investments and especially on major purchases of property with a view to generating substantial increases in income compared to normal treasury management activities.

1.3 For Scottish local authorities, all non-treasury investments and financial guarantees, loans, etc. are already required to be listed as part of the Treasury Management Strategy Statement. However, the new codes require greater explanation of the investment in non-financial assets in such areas as their objectives, how they have been appraised, how they have been financed and what powers were used to undertake them.

1.4 The Treasury Management Strategy (Appendix B) outlines the council's prudential and treasury indicators as well as current and projected debt levels. The annual investment strategy is also included.

1.5 The strategy has been prepared with the support of the council's treasury adviser, Link Group, and reflects the current Capital Investment Plan 2023-33 and the Revenue Budget for 2023-24 and the Housing Revenue Account Capital Investment Plan still to be approved.

1.6 Treasury Management is a crucial part of the overall financial management of the council's finances. The capital prudential indicators consider the affordability and impact of capital expenditure decisions and sets out the council's overall capital requirement. The treasury indicators consider the effective funding of these decisions.

2.0 Issues and Options

2.1 Treasury Management Code of Practice 2021 Edition
Clauses to be formally adopted into financial regulations

2.1.1 There are some minor changes in the wording noted below since the clauses were previously adopted in 2018.

2.1.2 This organisation will create and maintain, as the cornerstones of effective treasury management:

- a treasury management policy statement, stating policies, objectives and approach to risk management of its treasury management activities;
- suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control these activities;
- investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6, 7 and 8 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the TM Code's key principles.

2.1.3 The Cabinet Committee receives reports on the treasury management policies, practices and activities, including as a minimum, an annual strategy, a plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

2.1.4 The council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet Committee and for the execution and administration of treasury management decisions to the Executive Director (Finance and Corporate Services), who will act in accordance with the organisation's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

2.1.5 The council nominates the Cabinet Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.2 **Treasury Management Policy Statement**

2.2.1 This statement sets out the policies and objectives of the council's Treasury Management activities and the practices which will be used to achieve these and is contained in Appendix A.

2.2.2 The document contains:-

- Treasury Management Policy Statement
- Treasury Management Practices

2.3 **Treasury Management Policy Statement 2023-26**

2.3.1 The Council is currently required to receive and approve a number of items each year, which incorporate a variety of policies, along with financial estimates, actual expenditure and forecasts. The strategy is the first and most important and covers:-

- The capital plans (including prudential indicators)
- The treasury management strategy (how the investments and borrowing are to be organised) including treasury indicators
- An investment strategy (the parameters on how investments are managed)

2.3.2 A mid year treasury management report and annual treasury report will be submitted to a future meeting of the Cabinet Committee.

2.3.3 In addition, quarterly reporting is also now requried. This will be included in finance reports considered by the Cabinet Committee.

3.0 Statutory Repayment of Loans Fund Advances

3.1 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.

3.2 Fife Council has separate policies for both General Fund advances and Housing Revenue Accounts advances. For General Fund advances, it is considered prudent to use the Asset Life method, where loans fund advances will be repaid in line with the expected life of the asset to which the capital expenditure relates. Where appropriate, the Funding/Income Profile method may also be considered whereby loans fund advances will be repaid by reference to an associated income stream. For Housing Revenue Account, all future advances will be repaid using the Asset Life method.

4.0 Prudential Indicators

4.1 The biennial review of the Capital Investment Plan was undertaken during 2022-23 and new Capital Investment Plan 2023-26 was approved by Fife Council on 22 June 2023.

4.2 As a result of this revised Capital Investment Plan, the Prudential Indicators approved by Fife Council on 23 February 2023 also need to be revised to reflect the detail in the new Capital Investment Plan.

4.3 Details of the revised Prudential Indictors are included in Appendix C and also form part of the Treasury Strategy 2023-26 shown in Appendix B.

5.0 Conclusions

5.1 The treasury activity is crucial to the financial management of the council. As such, the council operates within the CIPFA Treasury Code of Practice and the attached Treasury Management Strategy sets out the treasury activity for 2023-26.

5.2 The Loans Fund Policy adheres to the Scottish Government Regulations issued in 2016.

5.3 Revised Prudential Indicators have been included to reflect the Capital Investment Plan 2023-33 approved by Fife Council on 22 June 2023.

5.4 There are some minor wording changes to the clauses to be formally adopted into the council's financial regulations.

5.5 The Treasury Management Policy Statement sets out the policies and objectives of the council's Treasury Management activities and the practices which will be used to achieve these.

List of Appendices

A. Treasury Management Policy Statement 2023
B. Treasury Management Strategy Statement and Annual Investment Strategy
C. Revised Prudential Indicators 2023-26

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

1. Link Group, Treasury solutions, Interest Rate Forecast – June 2023
2. Treasury Management Strategy Statement 2023-26

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Appendix A

FIFE COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT 2023

POLICIES AND OBJECTIVES

Fife Council (the Council) defines its treasury management activities as, the management of the authority's 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 Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

REPORTING REQUIREMENTS

The Council is required to receive and approve, as a minimum, three main reports each year. These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Cabinet Committee

- **Annual Strategy Report** - this report outlines the expected treasury activity for the forthcoming 3 years. A key requirement of the report is to explain both the risks, and the management of the risks, associated with the treasury activity.
- **Mid-Year Treasury Management Report** – this updates Members on the progress of the treasury management activity and will amend prudential indicators as necessary.
- **Annual Treasury Report** – this provides details of the actual treasury activity for the previous year.

In additional to the three major reports detailed above, quarterly reporting will be reflected in the finance reports.

BORROWING POLICIES

The treasury management function ensures that Fife Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activities. This involves both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Within the prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. The External Debt and the Capital Financing Requirement indicator ensures that the Council's gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and 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 strategy for the Council is that borrowing will be undertaken as necessary to meet requirements, and endeavours will be made to keep the costs of such borrowing to a minimum.

Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs in order to profit from the investment of the extra sums borrowed. Any borrowing taken, up to a maximum of 12 months in advance, is not considered to be borrowing in advance of needs. A decision to borrow funds for use in future years, where it is considered that it will be economically beneficial to do so may be taken. Care will be taken to ensure the security of such funds. However, the following self-imposed constraint will remain on borrowing in advance: -

Borrowing in any one year is limited to no more than the current financial year's requirement plus 50% of the estimated requirement for the subsequent two years.

Debt rescheduling

The Council will monitor opportunities to refinance existing long-term debt in order to generate savings or support the current Treasury Strategy and longer term debt maturity profile, and will take action as appropriate. The Council will also consider advice from our specialist treasury advisers on debt rescheduling where appropriate. The Executive Director of Finance and Corporate Services will report to the Cabinet Committee on any rescheduling activities.

INVESTEMENT POLICIES

The Council 's investment policy has regard to the Scottish Government's Investment (Scotland) Regulations 2010, (and accompanying Finance Circular) and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, (the CIPFA TM Code). The Council 's investment priorities will be security first, liquidity second, and then return.

Permitted Investments

The list of permitted investments for the Council is as follows:-

- Maximum of £10.000m at variable rate in a special interest account with the Royal Bank of Scotland, the Council 's bankers
- Money Market Funds of the highest quality (AAA rated)
- Loans to third parties subject to committee approval
- Shareholdings in local authority or non-local authority companies, subject to committee approval
- Investment properties subject to committee approval
  Lending for investment in housing subject to committee approval

There is a limit of £10.000m for investments with any one counterparty, other than Money Market Funds which are unlimited.

CASH AND LIQUIDITY POLICIES

Common Good and Trust Fund investments fall under the remit of the regulations and the Council has delegated investment decisions on surplus cash to the Common Good and Trusts Investments Sub-Committee, which has decided that surplus cash be invested with fund managers in vehicles which generate income. Other residual amounts of cash within the Council are invested, along with the main Council cash, and therefore fall under the criteria set. Interest is allocated on the basis of the prevailing 7-day bank rates**.**

TREASURY MANGEMENT PRACTICES (TMP'S)

TMP 1 RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Executive Director of Finance and Corporate Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. In addition, they will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect. This is in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements or controls which seek to ensure compliance with these objectives are set out in Treasury Management Manual by the Executive Director of Finance and Corporate Services.

In summary, the following types of risks are identified: -

- Credit and counterparty risk management
- Liquidity risk management
- Interest rate risk management
- Exchange rate risk management
- Inflation rate risk management
- Refinancing risk management
- Legal and regulatory risk management
- Operational risk, including fraud, error and corruption
- Price risk management

TMP 2 PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in this Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the Treasury Management Manual maintained by the Executive Director of Finance and Corporate Services. The criteria will include measures of effective treasury risk management and not only measures of financial performance.

TMP 3 DECISION MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Treasury Management Manual maintained by the Executive Director of Finance and Corporate Services.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Manual, and within the limits and parameters defined.

The Council has reviewed its classification with financial institutions under MIFID II and is registered as a professional client with the following organisations: -.

Money Market Funds
Federated
Insight
Standard Life

Treasury Adviser
Link Group

Money Market Fund Portal
Institutional Cash Distributors Ltd

Money Market Brokers
ICAP
Martin Brokers
Tradition (UK) Ltd
Tullet Prebon

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If the Council departs from these principles, the Executive Director of Finance and Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Executive Director of Finance and Corporate Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Executive Director of Finance and Corporate Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the Treasury Management Manual

The Executive Director of Finance and Corporate Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the Treasury Management Manual.

The delegations to the Executive Director of Finance and Corporate Services in respect of treasury management are set out in the introduction to the Treasury Management Policy Statement. The Executive Director of Finance and Corporate Services will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Cabinet Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year.
- a mid-year review.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Executive Director of Finance and Corporate Services will review and prepare loan charges budget for approval by the Council as part of the annual revenue budget setting process. The Cabinet Committee will if necessary, will amend, the annual budget for loan charges. This budget will will bring together all of the costs involved in running the treasury management function, together with associated income. The budget setting will take into account the financial instruments used and include appropriate estimates for interest rates.

The Executive Director of Finance and Corporate Services will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Executive Director of Finance and Corporate Services and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Executive Director of Finance and Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1 liquidity risk management, and for the purpose of identifying future borrowing needs. The present arrangements for preparing cash flow projections, and their form, are set out in the Treasury Management Manual as maintained by the Executive Director of Finance and Corporate Services.

TMP 9 MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the Treasury Management Manual as maintained by the Executive Director of Finance and Corporate Services.

TMP 10 TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Executive Director of Finance and Corporate Services will recommend and implement the necessary arrangements including the specification of the expertise, knowledge and skills required by each role or member of staff.

The Executive Director of Finance and Corporate Services will ensure that Councillors tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements, are detailed in the Treasury Management Manual

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

The monitoring of such arrangement's rests with the Executive Director and Finance and Corporate Services.

TMP 12 CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Treasury Management Code.

This, together with the other arrangements detailed in the Treasury Management Manual maintained by the Executive Director of Finance and Corporate Services, is considered vital to the achievement of proper corporate governance in treasury management and the Executive Director of Finance and Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Strategy Statement

and Annual Investment Strategy

2023-26

Introduction

Background

The Council is required to maintain a balanced budget, which broadly means that cash raised during the year will meet planned cash expenditure. One of the main treasury management functions is to ensure this cash flow is adequately planned, with cash being available when it is needed. Cash is borrowed temporarily for periods of less than 1 year and surplus funds are invested in low-risk counterparties commensurate with the Council's low risk appetite, providing security and liquidity initially, before considering investment return.

The second main function is the funding of the Council's capital plan. The capital plan provides a guide to the borrowing needs 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 involves arranging long or short-term loans or using longer term cash flow surpluses. On occasion, existing debt may be restructured to meet Council risk or cost objectives, or where it is financially advantageous to do so.

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 out-goings or for larger capital projects. The treasury function will manage the balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Cash balances generally result from reserves and balances and it is paramount to ensure adequate security of the sums invested, as a loss of principal would result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

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

Reporting Requirements

Capital Strategy

The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which provides the following: -

a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

an overview of how the associated risk is managed

the implications for future financial stability.

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

Fife Council's capital strategy was approved by Fife Council on 22 June 2023.

Treasury Management Reporting

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

Prudential and treasury indicators and treasury strategy (this report) – The first, and most important report and covers:

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

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Head of Finance receives quarterly update reports. Quarterly reporting will also be incorporated into the Committee monitoring reports in line with the updated Treasury Code.

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to estimates within the strategy.

Scrutiny – The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Cabinet Committee.

Quarterly Reporting – In additional to the three major reports detailed above, quarterly reporting is also required. This reporting will be include in the finance reports considered by the Cabinet Committee

Treasury Management Strategy for 2023-24

The strategy for 2023-24 covers two main areas:

Capital

- the capital investment plans and the associated prudential indicators
- the loans fund repayment policy

Treasury management

- the current treasury position of the Council
- treasury indicators which limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy

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

Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management have access to training relevant to their needs and responsibilities. This especially applies to members responsible for scrutiny.

A training session was carried out for members of the Cabinet Committee in June 2022 by the Council's treasury adviser, Link Group. Training will be provided on an annual basis. CIPFA Treasury Forum have developed a Treasury Toolkit for elected members which will be made available.

Officers attend several events per year in the form of webinars and online events offered by both CIPFA and the Council's treasury adviser, as appropriate. Officers also attended the CIPFA Treasury Management Forum conference in November 2022.

Treasury Management Consultants

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

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

The Council also recognises there is value in employing external providers of treasury management services to acquire access 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.

Capital Prudential Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are financially sustainable. The indicators within this document are reflective of the Council's Capital Investment Plan which was approved on 22nd June 2023.

Capital Expenditure

This prudential indicator is a summary of the Council's agreed capital expenditure plans.

Actual 2021-22 £m	Actual 2022-23 £m		Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
89.911	103.964	General Fund	188.181	165.299	161.684
76.894	85.399	Housing Revenue Account	114.210	142.251	173.348
163.805	**189.362**		**302.391**	**307.550**	**335.032**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall in funding results in a borrowing requirement and is known as the Loans Fund Advance.

Actual 2021-22 £m	Actual 2022-23 £m		Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
163.805	189.362	Capital Expenditure	302.391	307.550	335.532
		Less Capital Income			
(26.336)	(36.113)	General Capital Grant	(40.776)	(25.000)	(25.000)
(22.178)	(37.504)	Other Grants	(38.182)	(35.106)	(41.816)
(40.713)	(32.524)	CFCR	(53.969)	(42.465)	(39.231)
(3.967)	(1.333)	Developers Contributions	(5.786)	(13.459)	(7.448)
(2.624)	(14.670)	Capital Receipts	(2.639)	(0.696)	(7.225)
67.949	**67.188**	**Loans Fund Advance**	**161.039**	**190.823**	**214.312**

Capital Prudential Indicators

Capital Financing Requirement
(Council's borrowing need)

This 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 indebtedness and so its underlying borrowing need. Any capital expenditure above 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 financed by borrowing.

The CFR includes any other long-term liabilities (e.g. PPP/HUB schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PPP/HUB lease provider and so the Council is not required to separately borrow for these schemes.

The CFR projections are shown below:

Actual 2021-22 £m	Actual 2022-23 £m		Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
746.223	785.892	General Fund	862.624	937.809	1,012.532
386.898	414.161	Housing Revenue Account	456.245	526.721	617.846
1,133.121	1,200.053		1,318.870	1,464.530	1,630.378

The CFR is increasing over the coming years reflecting the increased levels of capital investment agreed.

Capital Prudential Indicators

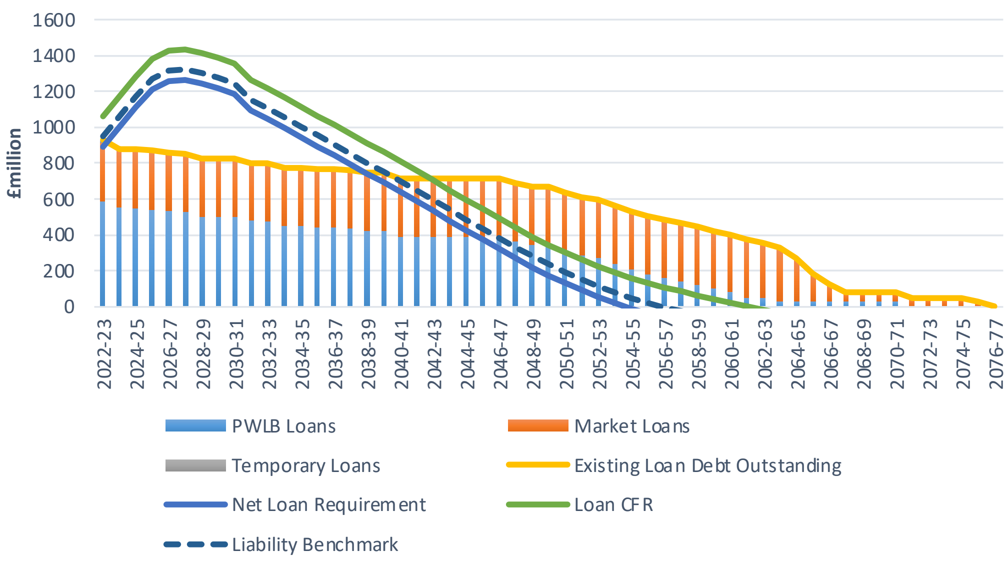
Liability Benchmark

A third and new prudential indicator for 2023-24 is the Liability Benchmark. It is important that the Council understands the relationship between its gross loan debt and its loan debt net of investments for treasury purposes and provides an explanation should there be significant differences. The Council is required to estimate and measure the Liability Benchmark for future years, ideally covering the full debt maturity profile. The Liability Benchmark is not a single measure and is therefore presented as a chart detailing four components as follows:

- **Existing Loan Debt Outstanding** – this is the Council's existing loans that are still to be repaid.
- **Loans CFR** – this is calculated in accordance with the Loans Capital Financing Requirement definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances and Loans Fund principal repayments, therefore represents future borrowing requirements.
- **Net Loans Requirement** – this will show the Council's gross loan debt less treasury management investments at the end of the previous financial year, projected into the future and based on the approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flow forecasts.
- **Liability Benchmark** – this equals net loans requirement plus short-term liquidity allowance for day to day flow purposes.

The graph below shows the position for Fife Council as at 31 March 2023. The graph is intended to illustrate the gap between the current levels of debt outstanding (orange line) and the liability benchmark (blue dotted line). Where the debt outstanding or actual loans are below the benchmark, this indicates a future borrowing requirement. Therefore, the graph shows the borrowing requirement between 2023-24 and 2038-39. In any year where the loans are greater than the benchmark demonstrates an over-borrowed position which will mean there is a requirement for cash investment.

The graph depicts the borrowing requirement in the earlier years because of the anticipated levels of capital expenditure in those years based on the 10 year plan.



Capital Prudential Indicators

Statutory Repayment of Loans Fund Advances

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

A variety of options are provided to Councils so long as a prudent provision is made each year. The definition of prudence contained within the regulations is that any repayment of loans fund advances should be reasonably commensurate with the period and pattern of the benefits provided to the community from the capital expenditure. The proper officer is given the scope to determine what is prudent for their organisations.

Fife Council Policy

Fife Council will maintain separate policies for General Fund loans fund advances and Housing Revenue Account loans fund advances

General Fund Loans Fund Advances

For General Fund advances Fife Council use the Asset Life Method, by which loans fund advances are repaid in line with the expected life of the asset to which the capital expenditure relates. In certain circumstances Fife Council will use the Funding/Income Profile Method, by which loans fund advances will be repaid in line with an associated income stream.

Housing Revenue Loans Fund Advances

For Housing Revenue Account loans fund advances will be repaid using the Asset Life Method.

The annuity method will continue to be applied to all loans fund advances. Under regulation, the Council can review and re-assess the annuity rate to ensure it is a prudent application. The annuity rate applied to the loans fund repayments has been reviewed and has been set at 4.00%.

The Capital Investment Plan is funded from a variety of sources (e.g. Capital Grants, Capital receipts etc), with the remainder funded from borrowing. The Council does not borrow for specific projects for either the General Fund or the Housing Revenue Account, with decisions on which projects are funded from the loans fund on an annual basis being at the discretion of the Head of Finance, with overall financial sustainability being considered.

Loans Fund Balances

The loans fund balances based on the current Capital Investment Plan are estimated to be:

General Fund	Opening Balance £m	Advances £m	Repayments £m	Closing Balance £m
2023-24	758.091	99.051	(22.765)	834.377
Years 2 – 5	834.377	256.248	(109.276)	981.349
Years 6 - 11	981.349	6.652	(146.507)	841.494
Years 12 - 16	841.494	0.000	(164.630)	676.864
Years 17 - 21	676.864	0.000	(132.942)	543.922
Years 22 - 26	543.922	0.000	(160.595)	383.327
Years 27 - 31	383.327	0.000	(141.172)	242.155
Years 32 - 36	242.155	0.000	(110.702)	131.453
Years 37 - 41	131.453	0.000	(103.123)	28.330
Years 42 - 46	28.330	0.000	(27.630)	0.700
Years 47 - 51	0.700	0.000	(0.562)	0.137
Years 52 - 56	0.137	0.000	(0.137)	0.000

HRA	Opening Balance £m	Advances £m	Repayments £m	Closing Balance £m
2023-24	486.894	91.772	(20.089)	558.577
Years 2 – 5	558.577	199.781	(109.754)	648.603
Years 6 - 11	648.603	57.178	(184.582)	521.199
Years 12 -16	521.199	0.000	(149.028)	372.171
Years 17 -21	372.171	0.000	(146.116)	226.056
Years 22 - 26	226.056	0.000	(148.680)	77.376
Years 27 -31	77.376	0.000	(55.997)	21.376
Years 32 – 36	21.379	0.000	(21.379)	0.000
Years 37 - 41	0.000	0.000	0.000	0.000

Loans Fund Balances

The regulations require that a prior year comparator is included therefore the estimated loans fund balances last financial year were anticipated to be:

General Fund	Opening Balance £m	Advances £m	Repayments £m	Closing Balance £m
2022-23	657.632	79.437	(21.846)	715.222
Years 2 – 5	715.222	305.405	(89.365)	931.262
Years 6 - 11	931.262	72.810	(138.369)	865.703
Years 12 - 16	865.703	0.000	(133.689)	732.014
Years 17 - 21	732.014	0.000	(148.554)	583.459
Years 22 - 26	583.459	0.000	(158.052)	425.407
Years 27 - 31	425.407	0.000	(152.822)	272.585
Years 32 - 36	272.585	0.000	(116.142)	156.443
Years 37 - 41	156.443	0.000	(106.576)	49.867
Years 42 - 46	49.867	0.000	(47.132)	2.735
Years 47 - 51	2.735	0.000	(2.350)	0.385
Years 52 - 56	0.385	0.000	(0.385)	(0.000)

HRA	Opening Balance £m	Advances £m	Repayments £m	Closing Balance £m
2022-23	391.192	40.257	(16.157)	415.292
Years 2 – 6	415.292	85.607	(82.720)	418.179
Years 6 - 11	418.179	95.579	(138.074)	375.684
Years 12 -16	375.684	0.000	(105.695)	269.989
Years 17 -21	269.989	0.000	(88.329)	181.660
Years 22 - 26	181.660	0.000	(87.543)	94.117
Years 27 -31	94.117	0.000	(62.560)	31.557
Years 32 – 36	31.557	0.000	(31.145)	0.413
Years 37 - 41	0.413	0.000	(0.412)	0.000

It should be noted that these tables are for illustrative purposes only and demonstrate the current loan charge profile and timescales for debt repayment. As future capital investment plans are agreed the associated advances will be reflected in those treasury strategy documents.

Treasury Indicators

Treasury Indicators: limits to borrowing activity

The key Treasury Indicators which are part of the Prudential Code are:

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 levels of actual debt and the ability to fund under-borrowing from other cash resources.

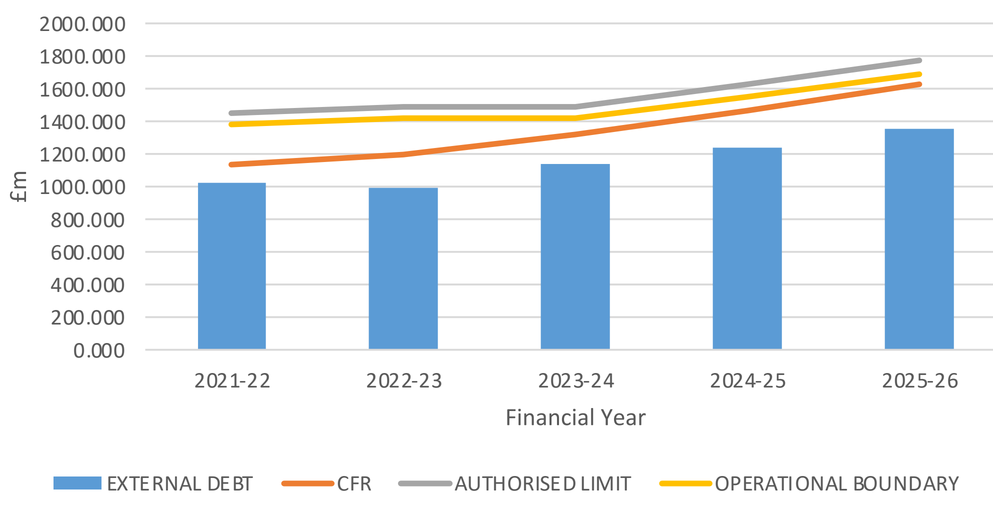
The authorised limit for external debt.

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

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

Actual 2021-22 £m	Actual 2022-23 £m		Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
1,022.655	995.595	External Debt	1,138.657	1,237.520	1,355.902
1,382.634	1,418.129	Operational Boundary	1,528.856	1,628.414	1,765.606
1,451.766	1,489.036	Authorised Limit	1,456.053	1,550.870	1,681.530

The table above shows that the expected External Debt is within both the Operational Boundary and the Authorised Limit. This can also be seen in the graph below:



Treasury Indicators

Treasury Indicators: Borrowing

The key Investment Treasury Indicators which are part of the Treasury Management Code are: -

- Upper limits on fixed and variable interest exposures
- Upper and lower limits to the maturity structure of borrowing
- Upper limits to the total of principal sums invested longer than 364 days.

Upper limits on fixed and variable interest exposures

The Council's loan portfolio consists of fixed and variable rate debt, plus it has both fixed or variable rate investments. The Code requires limits to be set that manage risk and reduce the impact of adverse movement in interest rates, primarily on variable rate loans. At 30 June 2023, the Council had 27.22% of its total debt in what is termed a "variable structure". The variable nature of the structure of the Council's loans has been managed in the lenders' contracts. These types of contracts are termed LOBO contracts, i.e. Lender Option Borrower Option contracts. The contracts allow the lender to apply to the Council for change in interest rate, after an initial fixed period of several years, to be considered on specific dates. If the Council does not wish to accept the change in interest rates, it can repay the loan in full without penalty. The timing of the opportunity for the lender to change the rate is controlled to limit the risk to the Council and is written into the loan contract. Only on certain anniversaries of the loan issuance can the rate be changed.

Most LOBO loans in the current portfolio are on a 6-month rollover on a variety of dates. Whilst there is an option to vary the interest rate, in practice this rarely happens, and current loans are likely to remain at current interest rates for the foreseeable future, so the risk of interest rate changes is low.

The treasury indicator is detailed in the table below, and previously agreed, as part of the Prudential Indicators

Limits on Interest Rate Exposure (as a % of net debt)	Approved 2023-24	Approved 2024-25	Approved 2025-26
Fixed interest payable / receivable	100%	100%	100%
Variable interest payable / receivable	75%	75%	75%

It is anticipated that the Council's loan portfolio for the next 3 financial years will be exposed to interest rate changes on current debt (as at 31 March 2023) as follows:

External Interest Due	2023-24		2024-25		2025-26	
	£m	%	£m	%	£m	%
Fixed rate loan debt	23.398	66.5	22.707	65.97	22.157	65.42
Variable rate loan debt	11.787	33.5	11.712	34.03	11.712	34.58
Total	**35.184**		**34.419**		**33.869**	

Treasury Indicators

Upper and lower limits to the maturity structure of borrowing

These gross upper and lower limits are set to limit the Council's exposure to large, fixed rate sums falling due for refinancing at the same time.

According to the Code, "the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable such as in a LOBO loan, this should be considered a right to require repayment".

The amount of debt maturing each year is managed by a variety of rollover dates. Members at the Council meeting on 23 February 2023 agreed the Upper and Lower Limits below and, in practice, we have an agreed additional Upper Limit, using the maturity date for LOBO loans of 15%. This is adopted on the basis of continuation of prudent treasury management practice.

	Lower Limit	Upper Limit
Under 12 months	0%	50%
12 months to 2-year period	0%	50%
2 years to 5-year period	0%	50%
5 years to 10-year period	0%	50%
10 years and above	0%	100%

Upper limit to the total of principal sums invested longer than 364 days.

It is expected the Council is unlikely to have extended periods when it will have surplus funds due to cash flow. On this basis, the limit on sums to be invested longer than 364 days will remain zero.

Borrowing

The capital expenditure plans provide details of the service activity of the Council. The treasury management function ensures the Council's cash is organised in accordance with the relevant professional codes, so enough cash is available to meet service activity and the Council's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current projected debt positions and the annual investment strategy, the current and projected debt positions and the Annual Investment Strategy.

Current Portfolio Position

The Council's treasury portfolio position at 31 March 2023, with forward projections, are summarised below.

Actual 2021-22 £m	Actual 2022-23 £m	Long Term External Debt	Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
940.794	919.364	External Borrowing	1,069.364	1,175.364	1,301.364
81.861	76.230	Other Long-Term Liabilities	69.292	62.156	54.538
1,022.655	**995.595**	**External Debt**	**1,138.657**	**1,237.520**	**1,355.902**
(110.093)	(70.349)	Investments	(60.000)	(60.000)	(60.000)
912.561	**925.254**	**Net External Debt**	**1,078.657**	**1,177.520**	**1,295.902**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR), highlighting any over or under borrowing. The upward trend requires careful monitoring to ensure that new borrowing is only for capital purposes.

Actual 2021-22 £m	Actual 2022-23 £m	Long Term External Debt	Approved 2023-24 £m	Approved 2024-25 £m	Approved 2025-26 £m
1,022.655	995.595	External Debt	1,138.657	1,237.520	1,355.902
1,133.121	1,200.053	CFR	1,318.870	1,464.530	1,630.378
(110.467)	**(204.458)**	**(Under)/over borrowing**	**(180.213)**	**(227.009)**	**(274.476)**

Within the range of prudential indicators, there are several key indicators to ensure the Council operates its activities within well-defined limits. One of these indicators puts limits on the Council's borrowing activity. The Council must ensure that its external debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimate of any additional CFR for the next three years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

Borrowing

Prospects for Interest Rates

Views on interest rates are crucial to the portfolio strategy for the coming year. Appendix A to this strategy report includes an economic commentary from the Council's treasury adviser, Link Asset Services, and includes the latest central forecast of short- and long-term borrowing rates as produced by Link Group in June 2023. The commentary indicates that we continue to experience difficult times with the balance of risk to economic growth in the UK to the downside. Specifically on interest rates, Link Group are anticipating that rates will reduce by the end of 2023 with further reductions in 2024 and 2025.

Borrowing Strategy

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

Against this background and the risks within the economic forecast, caution will be adopted within the 2023-24 treasury function. The Executive Director of Finance and Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

At 31 March 2023, the Council's debt portfolio is split in favour of the Public Works Loan Board (PWLB) rather than market lenders and both sources will be considered for future long and short-term loans to meet both capital and revenue requirements. In the current financial year, up to 30 June 2023, two long-term loans have been arranged for £30.000m each; one over a 49.5-year period with an interest rate of 4.56%, the second over 47.5-year period with an interest rate of 4.74%. The strategy previously reported to members of continuing to meet any cashflow shortfalls with temporary borrowings or loans for periods where rates are low, taking account of our current maturity profile, is still considered prudent.

Based on the interest rate forecast in Appendix A, it is likely that short-term borrowings during 2023-24 will be at interest rates between 2.70% and 6.30%. After consideration of the interest rate estimates and the current debt maturity profile, it is expected that long-term loans will be taken at interest rates of approximately 3.50% to 5.00%.

Borrowing

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 sums 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 scrutiny of such funds. However, the following self-imposed constraint will remain on borrowing in advance:

- It is limited to no more than the current financial year's requirement, plus 50% of the estimated requirement for the subsequent two years.

The Net Borrowing Requirement, for 2023-24 is £150.277m taking account of planned capital expenditure, maturing debt and estimated redemption from services, and is detailed below:

Estimated Borrowing Requirement 2023-24	£m
General Fund Capital to be funded from borrowing	100.416
HRA Capital to be funded from borrowing	60.623
Loans Fund Advance	161.039
Estimated Redemption of Loans fund debt in year	(45.210)
Estimated debt redemption for other long-term liabilities (PPP)	(1.975)
Capital Financing Requirement (CFR)	113.854
Borrowing required to replace Maturing Long-Term Debt	36.423
Net Borrowing Requirement	**150.277**

This borrowing may be taken at any time during the financial year, after due consideration is given to the prevailing costs of borrowing and available forecasts of interest rates. The requirement for the borrowing will also be reviewed at that time.

Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur this year. However, if opportunities do arise, any savings will be considered in light of the current treasury position and the size and 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
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)

All rescheduling will be reported to the Cabinet Committee at the earliest meeting following its action.

Annual Investment Strategy

Investment Policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (the CIPFA TM Code) and CIPFA Treasury Management Guidance Notes 2021.

The above regulations and guidance place a high priority on the management of risk. The Council's investment priorities will be firstly security i.e. safeguarding the re-payment of the principal and interest on time, secondly liquidity and the third objective, and third in order of importance, investment return. The Council has one over-riding risk consideration - that of counterparty security risk.

The Royal Bank of Scotland (RBS) are our current banking providers. It is the view of the Executive Director of Finance and Corporate Services that RBS is as secure as any other institution on our lending list. This means that on an overnight basis we may continue to utilise RBS for depositing balances of up to £10.000m.

The Council is generally in a borrowing position, although it does have daily cash flow surpluses. It is the intention to continue to deposit surpluses in AAA rated money market funds or lend any temporary balances to parties meeting counterparty criteria within approved limits for limited periods in the form of term deposits. However, all activity will be within the constraints of Investment Regulations and the Council's Treasury Management Policy.

Other Investments

In general, no loans to third parties are given, however, from time to time, situations may arise which require individual consideration, and these will be reported to Committee as appropriate.

The Council is party to two Employment Land joint ventures with Scottish Enterprise valued at £2.747m. Any further investments in the form of shares would be subject to Committee approval.

Appendix A

Link Group

Interest Rate Forecast - 26 June 2023

The Council has appointed Link Group as its treasury adviser and part of its service is to assist the Council to formulate a view on interest rates. The following table gives Link Group central

Link Group Interest Rate View 26 June 2023													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Bank Rate View	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 Month LIBID	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 Month LIBID	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 Month LIBID	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5yr PWLB Rate	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10yr PWLB Rate	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25yr PWLB Rate	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50yr PWLB Rate	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Additional notes by Link on this forecast table: -

- Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our best judgment is that there will be scope for an early Christmas present for households with a December rate cut priced in, ahead of further reductions in 2024 and 2025.

Link Group

- The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.1%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.
- Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- On the positive side, consumers are still estimated to be sitting on significant excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

Link Group– Commentary – March 2023

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England acts too quickly,** or too far, over the coming year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **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.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

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

- **The Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate later in the year or in 2024.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice

Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps as follows:

Average earnings in each year	
2022/23 (remainder)	4.30%
2023/24	4.30%
2024/25	3.20%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

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

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Fife Council Treasury Management Strategy Statement and Annual Invesment Strategy 2023-26

Alternative Formats

Information about Fife Council can be made available in large print, braille, audio CD/tape and Gaelic on request by calling **03451 55 55 00**

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Fife Council

FIFE COUNCIL
PRUDENTIAL INDICATORS 2023-26

2021-22	2022-23		2023-24	2024-25	2025-26
		Affordability Indicators			
£m	£m	Capital Expenditure	£m	£m	£m
89.911	103.964	General Fund	188.181	165.299	161.684
73.894	85.399	Housing Revenue Account	114.210	142.251	173.348
163.805	189.362		302.391	307.550	335.032
£m	£m	Financing Costs	£m	£m	£m
58.349	11.996	General Fund	52.811	55.615	56.711
27.464	30.519	Housing Revenue Account	32.964	37.918	43.651
85.813	42.515		85.776	93.532	100.363
£m	£m	Net Revenue Stream	£m	£m	£m
913.590	942.946	General Fund	941.085	941.085	941.085
124.608	128.401	Housing Revenue Account	135.195	140.107	145.904
1,038.198	1,071.347		1,076.280	1,081.192	1,086.989
		Ratio of Financing Costs to Net Revenue Stream			
6.39%	1.27%	General Fund	5.61%	5.91%	6.03%
22.04%	23.77%	Housing Revenue Account	24.38%	27.06%	29.92%
£m	£m	The Capital Financing Requirement	£m	£m	£m
746.223	785.892	General Fund	862.624	937.809	1,012.532
386.898	414.161	Housing Revenue Account	456.246	526.721	617.846
1,133.121	1,200.053		1,318.870	1,464.530	1,630.378
1,022.655	995.595	External Debt	1,138.657	1,237.520	1,355.902
1,451.766	1,489.036	Authorised Limit for Total External Debt	1,528.856	1,628.414	1,765.606
1,382.634	1,418.129	Operational Boundary for Total External Debt	1,456.053	1,550.870	1,681.530
		Prudence Indicators			
£m	£m	External Debt and the Capital Financing Requirement	£m	£m	£m
1,022.655	995.595	Forecast External Debt	1,138.657	1,237.520	1,355.902
1,133.121	1,200.053	Forecast Capital Financing Requirement	1,318.870	1,464.530	1,630.378
(110.467)	(204.458)		(180.213)	(227.009)	(274.476)
		Adoption of the CIPFA Code on Treasury Management			
		Code adopted in 1996 and compliance maintained through the Treasury Management Strategy			
100%	100%	Fixed Interest Rate Exposure Upper Limit	100%	100%	100%
75%	75%	Variable Interest Rate Exposure Upper Limit	75%	75%	75%
0%	0%	Total Principal Sums Invested Beyond 364 days Upper Limit	0%	0%	0%

Debt Liability Benchmark