Minute

Policy and Resources Committee

Tuesday, 17 February 2026, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors Heather N Woodbridge, Alexander G Cowie, Graham A Bevan, Stephen G Clackson, David Dawson, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask, W Leslie Manson, James R Moar, Raymond S Peace, John A R Scott, Gillian Skuse, Jean E Stevenson, Ivan A Taylor, Owen Tierney and Duncan A Tullock.

Present via remote link (Microsoft Teams)

Councillors Janette A Park, Gwenda M Shearer and Mellissa-Louise Thomson.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Oliver D Reid, Chief Executive.
- Stephen Brown, Chief Officer, Orkney Health and Social Care Partnership.
- Lorna Richardson, Director of Infrastructure and Organisational Development (for Items 5 to 15).
- Gareth Waterson, Director of Enterprise and Resources.
- James Wylie, Director of Education, Communities and Housing.
- Gavin Barr, Head of Planning and Regulatory Services (for Items 1 to 7).
- Gavin Mitchell, Head of Corporate Governance.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Sweyn Johnston, Head of Enterprise and Economic Growth (for Items 1 and 2).
- Erik Knight, Head of Finance.
- Kenny MacPherson, Head of Property and Asset Management (for Items 1 to 11).
- Alex Rodwell, Head of Performance and Business Support (for Items 5 to 15).
- Frances Troup, Head of Strategic Housing, Housing Operations and Homelessness (for Items 1 to 7).
- Inga Burton, Service Manager (Sustainable Regeneration and Arctic) (for Items 1 and 2).
- Catherine Diamond, Service Manager (Early Learning and Childcare) (for Items 1 to 4).
- Carole Graves, Service Manager (Revenue and Benefits) (for Items 4 and 5).
- Pat Robinson, Service Manager (Accounting) (for Items 7 to 9).

- Laura Baillie, Team Manager (Housing Strategy, Development and Data) (for Items 1 to 3).
- Shaun Tulloch, Operational Manager (Early Learning and Childcare) (for Items 1 to 4).
- Nick Blyth, Climate Change Strategy Officer (for Items 5 to 7).

In Attendance via remote link (Microsoft Teams)

- Darren Morrow, Head of Children, Families and Justice Services and Chief Social Work Officer (for Items 9 to 11).

Observing

- Wendy Bowen, Head of Education (for Items 1 to 6).
- Stuart Allison, Service Manager (Enterprise) (for Items 1 and 2).
- Rosemary Colsell, Service Manager (Procurement) (for Items 5 to 8).
- Andrew Hamilton, Service Manager (Resources) (for Items 1 to 7).
- Glen Thomson, Service Manager (Property and Capital Programme) (for Items 9 to 10).
- Katie Gibson, Team Manager (Corporate Finance) (for Items 5 to 10).
- Kirsty Groundwater, Communications Team Leader (for Items 1 to 4).
- Susan Taylor, Committees Officer.

Declarations of Interest

- Councillor David Dawson – Item 4.
- Councillor P Lindsay Hall – Item 5.
- Councillor Mellissa-Louise Thomson – Item 5.
- Councillor Duncan A Tullock – Item 2.
- Councillor Heather N Woodbridge – Item 5.

Chair

- Councillor Heather N Woodbridge.

1. Exclusion of Public

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Alexander G Cowie, the Committee resolved that the public be excluded for Items 2 to 4, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Crown Estate Fund – Review of Funding Allocations

Councillor Duncan A Tullock declared an interest in this item, in that he was a Trustee of Birsay Heritage Trust, and was not present during discussion of this item.

Councillor Janette A Park stated for transparency reasons that she had a connection to this item, in that she was Honorary Curator for Stromness Museum, but considered, having applied the objective test, that the connection did not amount to a declarable interest.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1 and 11 of Part 1 of Schedule 7A of the Act.

The Committee **suspended Standing Order** 23.1 in order that consideration could be given to the proposal which was contrary to a previous decision of the Council taken on 4 March 2025.

After consideration of a report by the Director of Enterprise and Resources, copies of which had been circulated, and after hearing a report from the Head of Enterprise and Economic Growth, the Committee:

Resolved to **recommend to the Council:**

2.1. That the ring-fencing of funds from Crown Estate revenue for economic development and community-led local development be continued for a further three years, with the proviso that a wider review of the schemes within those funds might be undertaken within that period.

2.2. That the Director of Enterprise and Resources should submit a report, to the Policy and Resources Committee, detailing the outcome of a review of the respective budget allocations at the end of the three year period, or earlier, if deemed appropriate.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

3. Property Development in Stromness

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Director of Education, Communities and Housing, copies of which had been circulated, and after hearing a report from the Team Manager, (Housing Strategy, Development and Data), the Committee:

Resolved to **recommend to the Council** that the proposed Council housing development to provide 25 new general needs social rented homes at Coplands Road, Stromness, be added to the non–General Fund capital programme for 2025/26 onwards.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

4. Future Operation of New Nursery

Councillor David Dawson declared an interest in this item, in that a close family member was a provider of childcare and was not present during consideration of this item.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1, 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Director of Education, Communities and Housing, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Early Learning and Childcare), the Committee:

Noted:

4.1. That two procurement exercises to identify an operator willing to run the new nursery had been undertaken, resulting in no operator being appointed.

4.2. The options appraisal in respect of nursery provision, as detailed in Appendix 1 to the report by the Director of Education, Communities and Housing.

The Committee resolved to **recommend to the Council**:

4.3. That, subject to resources being secured, Option 3, namely, to establish a permanent 0-5 Council-run nursery in the new premises, be progressed.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

5. Council Tax – Surcharge on Second Homes

Councillor Heather N Woodbridge indicated that, as she would be declaring an interest and leaving the meeting, Councillor Alexander G Cowie would take the Chair for this item.

Signed: (Leader's signature).

Councillor P Lindsay Hall declared an interest in this item, in that he was a member of the Island of Hoy Development Trust, which may be affected by the specific proposal regarding a Council Tax surcharge on a property rented or owned by a business, and was not present during discussion of this item.

Councillor Mellissa-Louise Thomson declared an interest in this item, in that she was a Director of Eday Development Trust which was currently subject to a Council Tax surcharge on a property and was not present during discussion of this item.

Councillor Heather N Woodbridge declared an interest in this item, in that she was a Director of The North Ronaldsay Development Trust, which may be affected by the specific proposal regarding a Council Tax surcharge on a property rented or owned by a business, and was not present during discussion of this item.

Councillor Graham Bevan stated for transparency reasons that he had a connection to this item, in that he owned a second home, but that he would not be affected by the specific proposal regarding a possible exemption for businesses, and, therefore, having applied the objective test, considered that the connection did not amount to a declarable interest.

Councillor W Leslie Manson stated for transparency reasons that he had a connection to this item, in that he and his spouse owned a second home, but that they would not be affected by the specific proposal regarding a possible exemption for businesses, and, therefore, having applied the objective test, considered that the connection did not amount to a declarable interest.

Councillor James R Moar stated for transparency reasons that he had a connection to this item, in that he owned a second home, but that he would not be affected by the specific proposal regarding a possible exemption for businesses, and, therefore, having applied the objective test, considered that the connection did not amount to a declarable interest.

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Revenues and Benefits), Councillor Alexander G Cowie, seconded by Councillor David Dawson, moved that businesses that rented, or owned a property, and placed their itinerant workers in the property on a short-term basis should become entitled to an exemption to the second homes surcharge, with effect from 1 April 2026.

Councillor Kristopher D Leask, seconded by Councillor Gillian Skuse, moved an amendment that, subject to the exception below, businesses that rented, or owned a property, and placed their itinerant workers in the property on a short-term basis should not become entitled to an exemption to the second homes surcharge, with effect from 1 April 2026:

- The exception referred to above is that the Council and NHS Orkney shall both be entitled to an exemption to the second homes surcharge, with effect from 1 April 2026.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Steven B Heddle, Kristopher D Leask, W Leslie Manson, Raymond S Peace, John A R Scott, Gillian Skuse, Ivan A Taylor, Owen Tierney and Duncan A Tullock (10).

For the Motion:

Councillors Graham A Bevan, Alexander G Cowie, David Dawson, Rachael A King, Janette A Park, Gwenda M Shearer and Jean E Stevenson (7).

Abstention:

Councillor James R Moar (1).

The Amendment was therefore carried and the Committee thereafter:

Resolved to **recommend to the Council** that, subject to the exception below, businesses that rented, or owned a property, and placed their itinerant workers in the property on a short-term basis should not become entitled to an exemption to the second homes surcharge, with effect from 1 April 2026:

- The exception referred to above is that the Council and NHS Orkney shall both be entitled to an exemption to the second homes surcharge, with effect from 1 April 2026.

Signed: (Depute Leader's signature).

6. Treasury Management Strategy Statement

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, the Committee:

Resolved to **recommend to the Council** that the Treasury Management Strategy Statement and Annual Investment Strategy for 2026/27, attached as Appendix 1 to this Minute, be approved.

7. Council Climate Change Study

After consideration of a report by the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing reports from the Head of Planning and Regulatory Services and the Climate Change Strategy Officer, the Committee:

Noted:

7.1. The comprehensive report by Aether Ltd, attached as Appendix 1 to the report by the Director of Infrastructure and Organisational Development, following their work with Council officers and local and national experts.

7.2. The Council's emissions profile, including the dominance of marine services emissions and the intrinsic challenge this posed to achieving near term net zero decarbonisation by the Council's current target of 2030.

Councillor Heather N Woodbridge, seconded by Councillor Alexander G Cowie, moved that:

- The Council's current 2030 target to achieve Net Zero be revised and, instead, the Council should set an approach and an objective aligned to the highest ambition scenario, as set out in the report prepared by Aether Ltd and summarised at paragraph 4.3 of the report by the Director of Infrastructure and Organisational Development, targeting Net Zero emissions by 2045.

- The Council should endorse the proposed approach, outlined in section 3.5 of the report prepared by Aether Ltd, to direct Council decarbonisation activity through the establishment of specific decarbonisation targets rather than just using a single aggregate net zero target.
- The Council should endorse the recommendations outlined in section 6 of the report prepared by Aether Ltd, as an initial action focus, and that the Director of Infrastructure and Organisational Development should work across Directorates to jointly consider and finalise those recommendations and thereafter submit a report, to the meeting of the Policy and Resources Committee to be held in June 2026, proposing how the recommendations were to be strategically addressed.
- The Director of Infrastructure and Organisational Development should submit a draft Council wide Climate Change Mitigation Delivery Plan with specific targets, to the meeting of the Policy and Resources Committee to be held in November 2026.

Councillor Duncan A Tullock, seconded by Councillor David Dawson, moved an amendment that no further action be taken until such time as the Council budget was in a positive position, in that all statutory and core services were fully funded.

The result of a recorded vote was as follows:

For the Amendment:

Councillors David Dawson, P Lindsay Hall, Raymond S Peace, Mellissa-Louise Thomson, Owen Tierney and Duncan A Tullock (6).

For the Motion:

Councillors Graham A Bevan, Stephen B Clackson, Alexander G Cowie, Steven B Heddle, Rachael A King, Kristopher D Leask, W Leslie Manson, James R Moar, Janette A Park, John A R Scott, Gwenda M Shearer, Gillian Skuse, Jean E Stevenson, Ivan A Taylor and Heather N Woodbridge (15).

The Motion was therefore carried and the Committee thereafter:

Resolved to **recommend to the Council:**

7.3. That the Council's current 2030 target to achieve Net Zero be revised and, instead, the Council should set an approach and an objective aligned to the highest ambition scenario, Scenario 3, targeting Net Zero emissions by 2045, as set out in the report prepared by Aether Ltd, referred to at paragraph 7.1 above, noting the description of how Scenario 3 could be achieved as follows:

- Buildings and land vehicles (fleet, buses, construction) are fully decarbonised by 2035. Marine vessels and aircraft are fully decarbonised by 2045, at which point fossil fuels are entirely phased out. Measures are implemented to reduce the quantity of waste arising, and emissions from waste incineration are mitigated at source through carbon capture and storage (CCS) technologies. The small residual emissions from f-gases, waste and wastewater treatment are compensated for via CCS or nature-based solutions.

7.4. That the proposed approach, as set out in section 3.5 of the report prepared by Aether Ltd, referred to at paragraph 7.1 above, to direct Council decarbonisation activity through the establishment of specific decarbonisation targets rather than just using a single aggregate net zero target, be endorsed.

7.5. That the recommendations, outlined in section 6 of the report prepared by Aether Ltd, referred to at paragraph 7.1 above, be endorsed as an initial action focus, and that the Director of Infrastructure and Organisational Development should work across Directorates to jointly consider and finalise the recommendations and thereafter submit a report, to the meeting of the Policy and Resources Committee to be held in June 2026, proposing how the recommendations were to be strategically addressed.

7.6. That the Director of Infrastructure and Organisational Development should submit a draft Council wide Climate Change Mitigation Delivery Plan with specific targets to the meeting of the Policy and Resources Committee to be held in November 2026.

8. Contract Standing Orders

After consideration of a report by the Chief Executive, copies of which had been circulated, and after hearing a report from the Head of Corporate Governance, the Committee:

Resolved to **recommend to the Council** that the updated Contract Standing Orders, attached as Appendix 2 to this Minute, be approved.

9. Revenue Expenditure Monitoring

9.1. Policy and Resources

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Accounting), the Committee:

Noted:

9.1.1. The revenue expenditure monitoring statement in respect of service areas for which the Policy and Resources Committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget underspend position of £888,600.

9.1.2. The revenue financial service area statement in respect of service areas for which the Policy and Resources Committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 2 to the report by the Head of Finance.

9.1.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

9.2. Orkney Health and Care

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Accounting), the Committee:

Noted:

9.2.1. The revenue expenditure monitoring statement in respect of service areas within the Orkney Health and Social Care Partnership, for which the Council was responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £1,806,500.

9.2.2. The revenue financial service area statement in respect of service areas within the Orkney Health and Social Care Partnership, for which the Council was responsible, for the period 1 April to 31 December 2025, attached as Annex 2 to the report by the Head of Finance.

9.2.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

9.3. Summary

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Accounting), the Committee:

Noted:

9.3.1. The summary revenue expenditure monitoring statement for the period 1 April to 31 December 2025, attached as Annex 1 to the report by the Head of Finance, indicating the following:

- A total General Fund overspend of £1,351,100.
- A deficit in Sources of Funding of £9,400.
- A net Non-General Fund surplus of £14,471,700.

9.3.2. The sources of funding statement for the period 1 April to 31 December 2025, attached as Annex 2 to the report by the Head of Finance.

Councillor P Lindsay Hall left the meeting at this point.

10. Capital Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, the Committee:

Noted:

10.1. The summary financial position as at 31 December 2025, in respect of the General Fund and Non-General Fund capital programmes, as detailed in section 1.7 of the report by the Head of Finance.

10.2. The detailed analysis of expenditure figures and project updates in respect of the approved General Fund and Non-General Fund capital programmes, attached as Appendix 1 to the report by the Head of Finance.

11. Performance Monitoring – Council Delivery Plan

After consideration of a joint report by the Chief Executive, the Director of Education, Communities and Housing, the Director of Enterprise and Resources, the Director of Infrastructure and Organisational Development and the Chief Officer, Orkney Health and Social Care Partnership, copies of which had been circulated, and after hearing a report from the Head of Performance and Business Support, the Committee:

Noted:

11.1. Progress made in respect of the Council's priorities and performance measures detailed within the Council Plan and the Delivery Plan 2023 to 2028, for the reporting period 1 April to 30 September 2025, as set out in Annex 1 to the joint report by the Chief Executive, the Director of Education, Communities and Housing, the Director of Enterprise and Resources, the Director of Infrastructure and Organisational Development and the Chief Officer, Orkney Health and Social Care Partnership.

The Committee resolved to **recommend to the Council**:

11.2. That, based on progress made during the reporting period, the undernoted Delivery Plan projects be closed:

- E1(iii) Net zero and decarbonisation – Local Heat and Energy Efficiency Strategy.
- I11 Capital strategy – review and prioritisation.

Councillors Steven B Heddle and James R Moar left the meeting during discussion of this item.

12. Police and Fire Sub-committee

After consideration of the draft Minute of the Meeting of the Police and Fire Sub-committee held on 18 November 2025, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor David Dawson, seconded by Councillor Duncan A Tullock, to approve the Minute of the Meeting of the Police and Fire Sub-committee held on 18 November 2025, attached as Appendix 3 to this Minute, as a true record.

13. Pension Fund Sub-committee, together with Pension Board

After consideration of the draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 19 November 2025, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Alexander G Cowie, seconded by Councillor Rachael A King, to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 19 November 2025, attached as Appendix 4 to this Minute, as a true record.

14. Investments Sub-committee

After consideration of the draft Minute of the Meeting of the Investments Sub-committee held on 20 November 2025, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Alexander G Cowie, seconded by Councillor Heather N Woodbridge, to approve the Minute of the Meeting of the Investments Sub-committee held on 20 November 2025, attached as Appendix 5 to this Minute, as a true record.

15. Asset Management Sub-committee

After consideration of the draft Minute of the Meeting of the Asset Management Sub-committee held on 27 January 2026, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Alexander G Cowie, seconded by Councillor Heather N Woodbridge, to approve the Minute of the Meeting of the Asset Management Sub-committee held on 27 January 2026, attached as Appendix 6 to this Minute, as a true record.

16. Conclusion of Meeting

At 16:45 the Chair declared the meeting concluded.

Signed: (Leader’s signature).

Treasury Management Strategy Statement

Policy on the Statutory Repayment of Loans Fund Advances and Annual Investment Strategy

Orkney Islands Council

2026/2027

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Key considerations

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code required all investments and investment income to be attributed to one of the following three purposes:

Treasury Management

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

Service Delivery

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

Commercial Return

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

The revised Treasury Management Code requires an authority to implement the following:

a. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.

b. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case.

c. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year.

d. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority.

e. **Reporting to members is to be done quarterly**. Specifically, the Head of Finance (HoF) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The HoF is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring.

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

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

a. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.

b. An authority must not borrow to invest for the primary purpose of commercial return.

c. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

d. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.

e. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream.

f. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include:

a. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence.

b. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be

absorbed in budgets or reserves without unmanageable detriment to local services).

c. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed.

d. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments).

e. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy).

f. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

1. Introduction

1.1. Background

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

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

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

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising mainly from investing activities of the Strategic Reserve Fund, and are separate from the day-to-day treasury management activities.

1.2. Reporting Requirements

1.1.1. Capital Strategy

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

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

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

1.1.2. Treasury Management Reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators).
   - a policy on statutory repayment of loans fund advances, (how residual capital expenditure is charged to revenue over time.)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed.)
b. **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, this Authority will receive quarterly update reports.
c. **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 the estimates within the strategy.

Scrutiny

The annual Treasury Management Strategy Statement is adequately scrutinised by Policy and Resources Committee, with a recommendation to Council for approval. The mid-year, quarterly and annual treasury reports are for scrutiny purposes only and this task is undertaken by the Investments Sub-committee.

1.3. Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

Capital issues

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

Treasury management issues

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

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations particularly Finance Circulars 5/2010 and 7/2024.

1.4. Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

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

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

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

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

The members have undertaken training during 2025/2026 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

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

1.5. Treasury Management Consultants

The Authority uses MUFG Corporate Markets as its external treasury management advisors.

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

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2. The Capital Prudential Indicators 2026/27–2028/29

The Authority'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 prudent, affordable and sustainable.

2.1. Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	14.541	15.965	9.874	14.149	5.075
HRA	2.995	5.794	1.158	0.016	0.000
SRF - Windfarms	0.000	2.300	14.100	26.000	8.000
Finance Leases	0.537	0.501	0.465	0.428	0.403
Total	**18.073**	**24.560**	**25.597**	**40.593**	**13.478**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital receipts	0.244	0.235	0.235	0.235	0.235
Capital grants	9.795	13.973	7.710	5.018	4.640
Capital reserves	1.739	0.841	0.278	0.000	0.000
Finance Leases	0.537	0.501	0.465	0.428	0.403
Revenue	0.629	1.854	0.569	0.569	0.569
Net financing need for the year	**5.129**	**7.156**	**16.340**	**34.343**	**7.631**

2.2. The Authority's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Authority'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 Authority's indebtedness and so its underlying borrowing need. Any

capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. From 1.4.16, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g., PFI schemes, leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has no such schemes within the CFR.

The Authority is asked to approve the CFR projections below:

£m	**2024/25 Actual**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Capital Financing Requirement					
CFR – Non-HRA	58.093	58.157	57.927	64.038	61.191
CFR – HRA	8.318	10.617	10.528	10.231	10.007
SRF - Windfarms	0.000	2.300	16.285	41.465	47.345
Total CFR	**66.411**	**71.074**	**84.740**	**115.734**	**118.543**
Movement in CFR	**1.821**	**4.663**	**13.666**	**30.994**	**2.809**

Movement in CFR represented by					
Net financing need for the year (above)	5.129	7.156	16.340	34.343	7.631
Less loan fund repayments and other financing movements	(3.308)	(2.493)	(2.674)	(3.349)	(4.822)
Movement in CFR	**1.821**	**4.663**	**13.666**	**30.994**	**2.809**

2.3. Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark:

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

2.4. Core Funds and Expected Investment Balances

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

Year End Resources £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Strategic Reserve Fund	206.544	211.263	211.399	208.925	203.451
Other Fund balances / reserves	22.834	20.000	20.000	20.000	20.000
Capital receipts	2.283	2.100	2.100	2.100	2.100
Provisions	41.341	42.416	43.688	44.78	45.676
Other	9.844	9.800	9.800	9.800	9.800
Total core funds	**282.846**	**285.579**	**286.987**	**285.605**	**281.027**
Working capital*	(5.479)	(2.400)	(2.400)	(2.400)	(2.400)
Under/(Over) borrowing	16.411	18.774	18.34	18.334	18.143
Expected investments	**293.778**	**301.953**	**302.927**	**301.539**	**296.770**

*Working capital balances shown are estimated year-end; these may be higher mid-year

2.5. Statutory Repayment of Loans Fund Advances

The Authority 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 Authority 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 authorities so long as a prudent provision is made each year. The Authority has previously adopted the following policy on the repayment of loans fund advances, which remains unchanged:

For loans fund advances, the policy will be to maintain the practice of previous years and apply the Asset Life Method, with all loans fund advances being repaid in equal instalments of principal with reference to the life of an asset.

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority'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 and projected debt positions, and the Annual Investment Strategy.

3.1. Current Portfolio Position

The overall treasury management portfolio as at 31 March 2025 and for the position as at 31 December 2025 are shown below for both borrowing and investments, including the Strategic Reserve Fund investments managed in-house and externally.

TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.25	31.3.25	31.12.25	31.12.25
Treasury investments	**£000**	**%**	**£000**	**%**
Banks	979	0%	1,076	0%
Building Societies - Unrated	0	0%	0	0%
Building Societies - Rated	0	0%	0	0%
Local Authorities	0	0%	5,000	2%
DMADF (H.M.Treasury)	500	0%	0	0%
Money Market Funds	10,200	4%	12,200	4%
Certificates of Deposit	0	0%	4,000	1%
Total managed in house	**11,679**	**4%**	**22,276**	**7%**
Property Investments	23,008	8%	24,690	8%
Local Investments	5,581	2%	7,155	2%
Strategic Reserve Fund Managed In House	**28,589**	**10%**	**31,845**	**10%**
Bond Funds	41,608	14%	44,885	14%
Diversified Growth Fund	21,859	8%	20,057	6%
Equity Fund	101,714	35%	122,678	37%
Credit Strategies Fund	25,068	9%	26,348	8%
Property Funds	24,111	8%	24,823	8%
Global Private Debt Fund	6,604	2%	5,210	2%
Strategic Reserve Fund Managed Externally	**250,875**	**86%**	**273,996**	**84%**
Total Treasury Investments	**291,143**	**100%**	**328,117**	**100%**
Treasury External Borrowing				
Local Authorities	0	0%	0	0%
PWLB	50,000	100%	50,000	100%
Other	0	0%	0	0%
LOBOs	0	0%	0	0%
Total External Borrowing	**50,000**	**100%**	**50,000**	**100%**
Net Treasury Investments / (Borrowing)	**241,143**		**278,117**	

The Authority'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.

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt					
Debt at 1 April	45.029	50.000	52.300	66.400	97.400
Expected change in Debt	4.971	2.300	14.100	31.000	3.000
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	**50.000**	**52.300**	**66.400**	**97.400**	**100.400**
The Capital Financing Requirement	66.411	71.074	84.740	115.734	118.543
Under / (over) borrowing	**16.411**	**18.774**	**18.340**	**18.334**	**18.143**

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Finance reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans, and the proposals in this budget report.

3.2. Treasury Indicators: Limits to Borrowing Activity

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

Operational Boundary £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	70.000	75.000	85.000	120.000
Other long-term liabilities	5.000	5.000	5.000	5.000
Total	**75.000**	**80.000**	**90.000**	**125.000**

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

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	80.000	85.000	95.000	130.000
Other long-term liabilities	5.000	5.000	5.000	5.000
Total	**85.000**	**90.000**	**100.000**	**135.000**

3.3. Prospects for Interest Rates

The Authority has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80bps:

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Additional notes by MUFG Corporate Markets on this forecast table: -

Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.

Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.

Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".

Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.

As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party If so, how will gilt markets react to these variables…and will there be additional geo-political factors to also bake in, particularly the Fed's

monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.

Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.

Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.

Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB Debt	Current borrowing rate as at 22.12.25 p.m.	Target borrowing rate now (end of Q4 2027)	Target borrowing rate previous (end of Q4 2027)
5 Years	4.81%	4.10%	4.20%
10 Years	5.39%	4.70%	4.70%
25 Years	6.01%	5.30%	5.30%
50 Years	5.78%	5.10%	5.10%

Borrowing advice: Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested **budgeted earnings rates for investments** up to about three months' duration in each financial year are set out below:

Average earnings in each year	Now	Previously
2025/26 (residual)	3.80%	3.90%
2026/27	3.40%	3.60%
2027/28	3.30%	3.30%
2028/29	3.30%	3.50%
2029/30	3.50%	3.50%
Years 6 to 10	3.50%	3.50%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

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.

3.4. Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026/27 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5. Policy on Borrowing in Advance of Need

The Authority 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 Authority can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 24 months in advance of need.

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

3.6. Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated and there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio, in order to provide more certainty. Additionally, rescheduling will be considered on an on-going basis where the outcome would be economically advantageous to the Authority.

If rescheduling is to be undertaken, it will be reported to the Council, at the earliest meeting following its action.

3.7. New Financial Institutions as a Source of Borrowing and/or Types of Borrowing

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

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8. Approved Sources of Long and Short-term Borrowing

In conjunction with advice received from its treasury management advisor the Council will keep under review the following fixed or variable rate long-term and short-term (in lieu of long-term) borrowing options as sources of finance for the approved capital programme:

- Borrowing against internal resources held by the Council (including usable reserves and working capital) in lieu of external borrowing.
- Public Works Loan Board (PWLB) and any successor body.
- Borrowing from the HM Treasury's National Wealth Fund.
- Borrowing from other UK local authorities.
- Finance Leases.

4. Annual Investment Strategy

4.1. Investment Policy – Management of Risk

The Authority's investment policy has regard to the following: -

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

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Authority's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider ''laddering'' investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the Scottish Government and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.4 under the categories of 'specified' and 'non-specified' investments.
5. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally,

they were classified as being non-specified investments solely due to the maturity period exceeding one year.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. Externally managed fund investments are managed by externally appointed fund managers operating within individual mandates as part of an agreed investment strategy which sets both the permitted asset class limit and range. The appointed fund managers are authorised to manage risk within these mandates.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2. Creditworthiness policy

This Authority applies the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

All credit ratings will be monitored on a weekly basis. The Authority is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see appendix 5.4.

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its MUFG Corporate Markets-provided Passport portal.

4.3. Limits

The council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. The list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4. Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England’s 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while most cash balances are required in order to manage the ups and downs of cashflow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 22 December 2025 and are as follows:

Average earnings in each year	Now	Previously
2025/26 (residual)	3.80%	3.90%
2026/27	3.40%	3.60%
2027/28	3.30%	3.30%
2028/29	3.30%	3.50%
2029/30	3.50%	3.50%
Years 6 to 10	3.50%	3.50%
Years 10+	3.50%	3.50%

Caution must be exercised in respect of all interest rate forecasts.

Against this view the Treasury officers expect for its cashflow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds, Ultra-Short Dated Bond Funds and short-dated deposits (overnight to 100 days), and long-dated deposits (up to 365 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Authority is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2026/27**	**2027/28**	**2028/29**
Principal sums invested for longer than 365 days	£m 110	£m 120	£m 125
Current investments as at 31 December 25 in excess of 1 year maturing in each year	Nil	Nil	Nil

The budgeted investment earnings rates for returns on the Council's strategic reserve fund investments is derived from the approved investment strategy for the portfolio of investments that are managed by appointed external fund managers.

The Investment Strategy was last reviewed in September 2024, testing the appropriateness of the current strategy and the effectiveness of potential alternative strategies against the agreed objectives.

The agreed revisions were to remove the Diversified Growth Fund allocation, reduce the long-term targets for the Secure Income and Property mandates in order to improve overall liquidity of the Fund, while increasing the allocation to high quality investment Corporate Bonds as liquid assets and a potential income source. It was also agreed that the long-term targets in Multi-Asset Credit and Private Debt be maintained.

The Listed Equity position was reviewed in May 2025, with an agreement made to invest in a Multi-Factor Equity fund.

These changes in strategy resulted in a forecast return of 7.7% per annum, with volatility on the returns being +/-10% in any one year.

4.5. Investment Performance / Risk Benchmarking

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio for both in-house and external investments:

Investment Portfolio	Benchmark	Target Mandate
In-house cash balances	30-day (backward looking) Sterling Overnight Index Average	Outperform benchmark
Bonds	UK Corporate Bonds – Market Iboxx Sterling Non-Gilts ex BBB	Benchmark over a rolling 3-year period
Equities	MSCI All Country World Index	Benchmark over a rolling 3-year period +1.5% p.a.
Equities – Global Alpha	MSCI All County World Index	Benchmark over a rolling 3-year period +2.0%
UK Property Fund	MSCI All Balanced Property Fund Index Weighted Average	Outperform benchmark over a rolling 3-year period
Diversified Growth Fund	3-month SONIA	Benchmark over a rolling 3-year period +3.0% p.a.
High Yield Debt Strategies	3-month SONIA	Benchmark over a rolling 3-year period +5.0% p.a.
Secured Income Fund	10 Year Gilts	Benchmark over a rolling 3-year period +2.3% p.a.
Global Private Debt Fund	USD	Benchmark over a rolling 3-year period +7.5-8.5% p.a.

4.6. End of Year Investment Report

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

4.7. External Fund Managers

As at 31 March 2026, it is estimated that £265.0m of the Authority's funds will be externally managed on a discretionary basis by externally appointed fund managers.

In the near term (next 3 years) there are plans to draw a higher level of reserves from the Strategic Reserve Fund than has been the case in the past. A review of the Investment Strategy was undertaken by the Investment Sub-Committee in September 2024, which focused on models that could accommodate these higher levels of disbursements while at the same time preserving the value of the Fund in real terms. At that time, the indicative future drawdowns from the Strategic Reserve Fund were £18M, £15M and £11M in financial years 2025/26, 2026/27 and 2027/28 respectively.

The Head of Finance, in consultation with Hymans Robertson, developed an action plan to progress the implementation of the revised strategy in order to reach the long-term revised targets of the Investment Strategy, whilst also addressing the requirement to draw down capital from the Strategic Reserve Fund in the current financial year and the next three financial years to support revenue budgets.

The actual budgeted drawdowns over the periods 2025/26, 2026/27 and 2027/28 are likely to exceed the amounts included in the Investment Strategy 2024.

The Diversified Growth Fund allocation is being removed over time due to concerns over the outlook for this mandate and continues to be the main source of funding for the capital outflows going into financial year 2026/27. Any remaining capital requirement will be funded from equity mandates.

The planned increase in the allocation to high-quality investment-grade Corporate Bonds, used both for liquidity and as a potential income source, will be implemented gradually as Strategic Reserve Fund assets reduce through capital withdrawals. To ensure diversification and avoid reliance on a single mandate, a climate- and responsible-investment-focused alternative was selected. As part of this, the Net Zero Buy and Maintain fund has been onboarded, with the corporate bond allocation now split 50/50 between this fund and the previous mandate.

The Authority's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Authority and the fund manager(s) additionally stipulate guidelines on duration and other limits in order to contain and control risk.

5. Appendices

5.1. Prudential and treasury indicators.

5.2. Interest rate forecasts.

5.3. Economic background.

5.4. Treasury management practice TMP1 – credit and counterparty risk management.

5.6. Approved countries for investments.

5.7. Treasury management scheme of delegation.

5.8. The treasury management role of the section 95 officer.

5.1. The Capital Prudential and Treasury Indicators 2026/27 – 2028/29

The Authority'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.

5.1.1. Capital Expenditure

Capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Social Care	3.804	1.684	0.000	0.000	0.000
Roads and Transportation	3.305	6.456	2.918	1.530	0.950
Education and Leisure	2.194	1.154	1.502	0.603	0.585
Marine Services	1.809	1.854	0.769	8.016	0.569
Other Services	3.429	4.817	4.685	4.000	2.971
SRF-Windfarm	0.000	2.300	14.100	26.000	8.000
Finance Leases	0.537	0.501	0.465	0.428	0.403
Non-HRA	**15.078**	**18.766**	**24.439**	**40.577**	**13.478**
HRA	**2.995**	**5.794**	**1.158**	**0.016**	**0.000**
Total	**18.073**	**24.560**	**25.597**	**40.593**	**13.478**

5.1.2. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs) against the net revenue stream.

%	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	1.2%	1.4%	1.1%	1.1%	1.1%
Scapa Flow Oil Port	19.8%	16.8%	16.8%	16.5%	16.1%
Miscellaneous Piers	6.0%	12.9%	7.9%	9.0%	11.6%
Housing Revenue Account	15.9%	15.3%	15.4%	13.1%	10.8%

The estimates of financing costs include current commitments and the proposals in this budget report.

The above ratio for the Housing Revenue Account shows the amount of rent income being committed to servicing the long-term debt associated with the Authority's house building strategy and as such, 35% should be regarded as the upper limit for the cost of capital relative to net revenue on the Housing Revenue Account, for the term of the current 5-year capital programme.

HRA Ratios

£	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	8.318	10.617	10.528	10.231	10.007
HRA revenues £m	4.652	4.923	5.148	5.356	5.572
Ratio of debt to revenues %	**55.9%**	**46.4%**	**48.9%**	**52.4%**	**55.7%**

£	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	8.318	10.617	10.528	10.231	10.007
Number of HRA dwellings £m	1024	1037	1050	1063	1076
Debt per dwelling £	**8.123**	**10.238**	**10.027**	**9.625**	**9.300**

5.1.3. Maturity Structure of Borrowing

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

The Authority is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2025/26			
	Actuals	Lower	Upper
Under 12 months	£20,000,000 40.0%	0%	40%
12 months to 2 years	- -	0%	30%
2 years to 5 years	- -	0%	30%
5 years to 10 years	- -	0%	30%
10 years to 20 years	- -	0%	50%
20 years and above	£30,000,000 60.0%	30%	100%

5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2. Interest Rate Forecasts 2025-2028

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

PWLB forecasts are based on PWLB certainty rates.

5.3. Economic Background

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 and 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.

Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was only 0.1% q/q.

Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but headwinds are gathering.

Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nearly all the months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September (still at that level in November). The rate for the private sector has slipped just below 4% as the year end approaches.

CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%.

Nonetheless, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by late December yields had fallen back again to a little over 4.50%.

The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900. By late December, the index had clung on to most of those gains standing at 9,870 on 23 December.

MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025

There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

PWLB RATES 01.04.25 - 30.09.25

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

5.4. Treasury Management Practice (TMP1): Credit and Counterparty Risk Management.

This Authority approves the following forms of investment instrument for use as permitted investments as set out in table 1 and table 2.

5.4.1. Treasury risks

All the investment instruments in tables 1 and 2 are subject to the following risks:

1. **Credit and counterparty risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.
2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale, b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1 & 2 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.
3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g., those investing in investment instruments with a view to obtaining a long-term increase in value.
4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This

Authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. It also manages interest rate risk by maintaining a number of discrete investment portfolios which are managed by external fund managers. The separation of equites, multi-asset and bond investments in this way effectively minimises the Council's exposure to interest rate movements.

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

5.4.2. Controls on treasury risks

1. **Credit and counterparty risk:** this Authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.
2. **Liquidity risk:** this Authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
3. **Market risk:** this is a risk that, through adverse market fluctuations in the value of the principle sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, as a cash rich local authority the Council carries an active exposure to market risk, e.g. those investing in investment instruments through the Strategic Reserve Fund with a view to obtaining a long-term increase in value.
4. **Interest rate risk:** this Authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.
5. **Legal and regulatory risk:** this Authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations. This applies to all types of investment instruments.

5.4.3. Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 & 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

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

1. **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High creditworthiness banks and building societies.** See paragraph 4.2 for an explanation of this Authority's definition of high creditworthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high creditworthiness, the Authority will ensure diversification of its portfolio by ensuring that no more than 25% of the total portfolio can be placed with any one institution or group at any one time.
3. **The Council's Current Provider of Banking Services.** In normal circumstances the authority will ensure diversification of its portfolio ensuring that no more than 25% of the total portfolio can be placed with any one institution or group at any one time. In restricted circumstances, however, to be determined on a case by case basis by the Section 95 Officer to the Council, the Council's banker is further authorised to hold an unlimited amount, or up to 100%, of Council funds either in the form of cash or bonds as part of the transition process or portfolio restructuring exercise, in respect of the Strategic Reserve Fund managed fund investments, for a maximum period of up to 7 working days.

5.4.4. Objectives of each type of investment instrument

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

1. Deposits

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

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

b) **Term deposits with high creditworthiness banks and building societies.** See paragraph 4.2 for an explanation of this Authority's definition of high creditworthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Authority will ensure diversification of its portfolio of deposits ensuring that no more than 25% of the total portfolio can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.

c) **Call accounts with high creditworthiness banks and building societies.** The objectives are as for 1b. but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be

earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the Authority has ready access to cash when needed to pay bills.

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

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

2. Deposits with Counterparties Currently in Receipt of Government Support / Ownership

These banks (not applicable currently) would offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this Authority is that such backing would make these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Term deposits with high creditworthiness banks which are fully or semi nationalised.** As for 1b. but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Authority considers that this indicates a low and acceptable level of residual risk.

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

3. Collective Investment Schemes Structured as Open-Ended Investment Companies (OEICS)

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

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this Authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60-day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting better rates of return than available through the DMADF.

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

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF, but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. Securities Issued or Guaranteed by Governments

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or

is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

a. **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF, and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

b. **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF, and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

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

d. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

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

5. Securities Issued by Corporate Organisations

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earning on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category, but corporate organisations can have a wide variety of creditworthiness, so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued.

However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. Other

Property fund. This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants paying their rent / lease etc., a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Diversified Growth Fund. This is a collective investment fund specialising in a diversified investment approach. Rather than holding individual stocks and shares a collective fund offers the advantage of more diversified investment over a wider portfolio of investments and range of asset classes. This can be attractive for authorities who want exposure to the potential for asset classes including listed equities, private equity, high yield and investment grade bonds, structured finance, emerging market bonds, absolute return, insurance linked, commodities, infrastructure and currency assets to rise in value. By their very nature, some of these asset classes are regarded as being higher risk and as such it is not considered prudent to hold individual stocks as a direct investment. The risk profile of the collective investment fund is managed as a whole to smooth out the volatility in terms of the performance of individual investments and across asset classes.

Enhanced Yield Debt or Multi Asset Credit Fund. This is a collective investment fund specialising in enhanced yield debt focused strategies or multi asset credit investment approach. Rather than holding individual stocks and shares a collective fund offers the advantage of targeting a select group of investments and range of asset classes. This can be attractive for authorities who want exposure to the specialist area of enhanced yield debt strategies or multi asset credit asset classes including for example senior secured corporate debt, high yield, mezzanine corporate debt, property debt, infrastructure debt, asset-backed securities and distressed debt. Some of these asset classes are regarded as being both higher risk and by their nature can be more illiquid, as such it is not considered prudent to hold individual stocks as a

direct investment. The risk profile of the collective investment fund is managed as a whole to smooth out the volatility in terms of the performance of individual investments and across asset classes.

Private Debt Fund. This is an investment fund specialising in directly originated senior secured loans to private equity-owned businesses. Private debt provides a spread pick-up versus the syndicated loan markets. The privately negotiated debt deals tend to be structured with strong financial covenants which protect lenders. Lenders in the private credit market can also benefit from origination fees, which benefit banks in the syndicated market.

Strategic Alternative Income Fund. This is a collective investment fund specialising in private market assets. Rather than holding individual stocks and shares a collective fund offers the advantage of targeting a select group of investments and range of asset classes. This can be attractive for authorities who want exposure to the potential for asset classes including infrastructure debt, renewable energy, real estate debt, long lease property and private credit. By their very nature, some of these asset classes are regarded as being higher risk and can be more illiquid, as such it is not considered prudent to hold individual stocks as a direct investment. This type of fund is designed to deliver predictable, long-term cash flows that have explicit and implicit linkage to inflation.

Table 1: Permitted Investments in House – Treasury Management

This table is for use by the in-house treasury management team.

1.1 Deposits

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility (DMADF)	--	term	no	100%	6 months
Term Deposits – local authorities	--	term	no	100%	2 years
Call Accounts – banks and building societies	Green	instant	no	100%	2 years
Term Deposits – banks and building societies	Green	term	no	100%	2 years
Fixed Term Deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	20%	2 years
Collateralised Deposit (see note 2)	UK sovereign rating or note 1	term	no	20%	2 years

1.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	See note 1	term	no	100%	2 years
Banks part nationalised by high credit rated (sovereign rating) countries – non-UK	Sovereign rating or note 1	term	no	20%	2 years
Fixed term deposits with variable rate and variable maturities: - Structured deposits	See note 1	term	yes	20%	2 years

1.3 Collective investment schemes structured as Open-Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1a. Money Market Funds (CNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
1b. Money Market Funds (LVNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
1c. Money Market Funds (VNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
2a. Ultra-Short Dated Bond Funds with a credit score of 1.25	Bond fund rating	T+1 to T+5	yes	20%	90-day weighted average
2b. Ultra-Short Dated Bond Funds with a credit score of 1.5	Bond fund rating	T+1 to T+5	yes	20%	90-day weighted average
3. Bond Funds	Bond fund rating (or alternative measure if not rated)	T+2 or longer	yes	20%	10-year weighted average
4. Gilt Funds	UK sovereign rating	T+2 or longer	yes	20%	10-year weighted average

1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	20%	1 year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	20%	30 years
Bond issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	20%	30 years
Sovereign Bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	yes	20%	30 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	yes	20%	30 years

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of Deposit issued by banks and building societies	Green	Sale T+0	yes	20%	2 year
Commercial Paper other	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+0	yes	20%	90 days
Floating rate notes	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+0	yes	20%	30 years
Corporate Bonds other	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+3	yes	20%	30 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

1.6 Other

	*** Minimum Credit Criteria / fund rating**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Property Funds	--	T+4	yes	20%	30 years
Diversified Growth Funds	-	T+4	Yes	20%	30 years
Enhanced Yield Debt Strategies or Multi Asset Fund	-	T+4	Yes	20%	30 years
Local authority mortgage scheme	Short-term F1, A1, P1, Long-term AA-, Viability B, Support 3			£5M	5 years

Table 2: permitted investments for use by external fund managers – Strategic Reserve Fund and Common Good

2.1 Deposits

	* Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	Max. maturity period
Term Deposits – local authorities	--	term	no	100%	2 years
Call Accounts – banks and building societies	See note 1	instant	no	100%	On call
Term Deposits – banks and building societies	* Short-term F1, A1 P1, Long-term A	term	no	100%	2 years
Collateralised Deposit (see note 2)	UK sovereign rating or note 1	term	no	20%	2 years

2.2 Deposits with counterparties currently in receipt of government support / ownership

	*** Minimum Credit Criteria**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
UK part nationalised banks	UK sovereign rating	Term or instant	no	20%	2 years
Banks part nationalised by high credit rated (sovereign rating) countries – non-UK	UK sovereign rating or AA- long-term rating	Term or instant	no	20%	2 years

2.3 Collective investment schemes structured as Open-Ended Investment Companies (OEICs)

	*** Minimum Fund Rating**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
1a. Money Market Funds (CNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
1b. Money Market Funds (LVNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
1c. Money Market Funds (VNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
2. Ultra-Short Dated Bond funds with a credit score of 1.25	Bond fund rating	T+>1	yes	20%	90 days weighted average
3. Ultra-Short Dated Bond funds with a credit score of 1.5	Bond fund rating	T+>1	yes	20%	10 years weighted average

4. Bond Funds	Bond fund rating (or alternative measure if not rated)	T+>1	yes	20%	10 years weighted average
5. Gilt Funds	Bond fund rating (or alternative measure if not rated)	T+>1	yes	20%	10 years weighted average

2.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	20%	1 year
UK Gilts	UK sovereign rating	Sale T+1	yes	20%	100 years
Bond issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	20%	100 years
Sovereign Bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	yes	20%	100 years
Bonds issued by Multilateral Development Banks	AAA (or state your criteria if different)	Sale T+1	yes	20%	100 years

2.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of Deposit issued by banks and building	*Short-term F1, A1, P1, Long-term A	Sale T+1	yes	20%	1 year
Commercial Paper other	* Short-term F1, A1, P1, Long-term A	Sale T+1	yes	20%	90 days
Corporate Bonds other	* Short-term F1, A1, P1, Long-term A	Sale T+3	yes	20%	75 years
Floating Rate Notes	* Long-term A	Sale T+1	yes	20%	75 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

2.6 Other

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property Funds	-	T+4	Yes	20%	30 years
Diversified Growth Funds	-	T+4	Yes	20%	30 years
Enhanced Yield Debt Strategies or Multi Asset Funds	-	T+4	Yes	20%	30 years
Infrastructure Equity	-	T+4	Yes	20%	50 years
Illiquid or Private Debt Funds	-	T+4	Yes	20%	30 years
Secured Income/Secured Finance		T+4	Yes	20%	30 years

It should be noted that the external fund managers appointed to manage the Council's managed fund portfolios are authorised through agreed investment guidelines to hold permitted investments in the form of non-treasury investments i.e. equity shares, unit trusts and bond holdings.

2.7. Permitted Investments – Non Treasury Investments.

Definition of non-treasury investments

Regulation 9 adds to the normal definition of investments the following categories:-

- a. All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment.
- b. Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
- c. Loans made to third parties are investments.
- d. Investment property is an investment.

However, the following loans are excluded from the definition of investments:

- Loans made by a local authority to another authority or harbour authority using powers contained in Regulation 2(1)(e) of The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

External fund managers appointed to manage the Council's managed fund portfolios are authorised through agreed investment guidelines to hold permitted investments in the form of non-treasury investments as defined above i.e. equity shares, unit trusts and bond holdings.

Under current investment guidelines fund managers are authorised to hold up to 100% of the managed funds either in the form of bonds, equities, property or unit trusts including collective investment vehicles such as diversified growth and multi asset fund investments.

Each type of permitted investment has been detailed in Table 2 above, as part of the permitted investments for use by external cash and managed fund managers.

The Consent includes as an investment any loan issued to a local authority company or other entity formed by as local authority to deliver services, or a third party, subject to a maximum amount of £25M and a maximum duration of up to 30 years.

The Consent includes as an investment any investment property up to a maximum value of £10M per investment and a maximum duration of up to 30 years.

In such cases, individual requests will be considered by the Investment Sub-Committee as a potential investment opportunity on commercial terms in the first instance, and thereafter be the subject of due diligence exercise, if supported in principle.

Such loans and property investments are often made for service reasons and for which specific statutory provision exists. Where this is the case, the relevant Services Committee will give consideration to such requests, which may include for example loans at an interest rate below the market rate subject to the state aid implications being addressed.

All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. Annual strategies and reports will recognise all loans to third parties as investments. In such cases, these loans will be categorised, identifying the service reason together with details of those loans carrying a below market interest rate and the impact these advances have on investment returns in future reports.

5.5. Treasury Management Practice (TMP1): Credit and Counterparty Risk Management

Orkney Islands Council, including Strategic Reserve Fund, Charitable and Common Good Funds Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	100%, maximum 6 months.	100%, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi–UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi-UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	100% and maximum 2 years.	100% and maximum 2 years.
c. Money Market Funds (MMFs) (LVNAV) **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	20%	20%

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Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
d. Ultra-short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	20%	20%
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high, and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	20%, maximum 100 years.	20%, maximum 100 years.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	20% and maximum 75 years.	20% and maximum 75 years.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low, and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

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Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
a. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	20% and maximum 75 years.	20% and maximum 75 years.

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Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property-based investment may counterbalance/compliment the wider cash portfolio. Property holding will be revalued regularly and reported annually with gross and net rental streams.	£10M and maximum of 30 years	n/a
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval, and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£5M and maximum 30 years.	n/a
c. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£25M and maximum 30 years.	n/a
d. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	100%	n/a

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Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
e. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Specific managed fund investment guidelines	n/a
f. Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest. Under this scheme the Council would be required to place up to £5M on deposit with a participating bank for a period of between 3 to 5 years.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's.	£5M and maximum 5 years.	n/a

The monitoring of investment counterparties - The status of counterparties will be monitored regularly. The Authority receives credit rating and market information from MUFG Corporate Markets, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Authority's policy to use external fund managers for part of its investment portfolio. The fund managers are contractually committed to keep to the Authority's investment strategy. The limits for permitted investments have been established in consultation with external fund managers and are consistent with the terms of their appointment. The performance of each manager is reviewed at least quarterly by the Head of Finance and the managers are contractually required to comply with the annual investment strategy.

5.6. Approved Countries for Investments

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

Based on lowest available rating

AAA

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

AA+

- Canada
- U.S.A.

AA

- Abu Dhabi (UAE)
- Finland
- Qatar

AA-

- **U.K.**

A+

- Belgium
- France

5.7. Treasury Management Scheme of Delegation

1. **Full Council**

- Approval of annual strategy, following recommendation from Policy and Resources Committee.

2. Policy and Resources Committee

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Recommending approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Recommending budget for consideration and approval by the responsible body (the full Council).
- Recommending division of responsibilities;
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body (the full Council).

3. Investments Sub-committee

- Receiving and reviewing regular monitoring reports and acting on recommendations.

5.8. The Treasury Management Role of The Section 95 Officer

The S95 (responsible) officer:

- Selecting external service providers, and agreeing terms of appointment, in consultation with the Investments Sub-committee.
- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

ORKNEY
ISLANDS COUNCIL

Contract Standing Orders

February 2026 Version 11.0.

Version Control.

Version.	Updated by.	Date.	Details of change.
1.0.		November 2013.	Approved by General Meeting of the Council on 10 December 2013.
2.0.	Gary Butler.	17 January 2014.	Updated to include revised European Union (EU) Advertising thresholds.
3.0.	Rosemary Colsell.	21 June 2016.	Updated and revised to include the provisions of the Procurement Reform (Scotland) Act 2014 and the Procurement Scotland Regulations 2016. Approved by General Meeting of the Council 5 July 2016.
4.0.	Rosemary Colsell.	11 October 2017.	Revision to reflect new requirements at Clause 37.3.
5.0.	Rosemary Colsell.	22 March 2018.	Revision to reflect new Thresholds.
6.0	Rosemary Colsell	November 2019	Updated to reflect new procedures
7.0	Rosemary Colsell	20 January 2020.	Updated to reflect new EU Thresholds
8.0	Rosemary Colsell	6 July 2021.	Updated to reflect EU Exit and new internal procedures
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10.0	Rosemary Colsell	Draft 20 February 2024	Updated to reflect new guidance, Thresholds and internal procedures.
11.0	Rosemary Colsell	Draft 17 February 2026 and following approval on 10 March 2026.	Updated to reflect new guidance, thresholds, internal procedures and management restructure.

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1. Introduction

1.1. The purpose of Contract Standing Orders (CSOs) is to set clear rules for the procurement of Supplies, Services and Works for the Council. Following the rules should ensure that the Council is fair and accountable in its dealings with Contractors and in the award of Contracts. CSOs are intended to ensure that the Council obtains value for money for the Council taxpayer. Value for money is defined as the optimum combination of whole life cost and quality (or fitness for purpose) to meet the end users' requirements.

1.2. The CSOs are compiled in accordance with the Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015, the Procurement (Scotland) Regulations 2016, the Concession Contracts (Scotland) Regulations 2016, the Utilities Contracts (Scotland) Regulations 2016 and the Public Contracts (Scotland) Amendment Regulations 2016.

1.3. The CSOs are to be read in conjunction with the statutory guidance and policy notes as detailed below.

- Procurement Reform (Scotland) Act 2014: statutory guidance (www.gov.scot), Guidance on procurement strategies and annual reports, the sustainable procurement duty, community benefit, tenders and award of contracts.
- Fair work and procurement - Public sector procurement - gov.scot. Addressing Fair Work Practices, including the Real Living Wage, in Procurement.
- Update to procurement of care and support services: SPPN 07/2016 - gov.scot.
- Changes to procurement legislation at the end of the EU Exit Transition Period: SPPN 11/2020 - gov.scot.
- Public procurement update - Fair Work First implementation: SPPN 1/2024 - gov.scot
- Public procurement - prompt payment in the supply chain: SPPN 2/2022 - gov.scot
- Public procurement - taking account of climate and circular economy considerations: SPPN 3/2022 - gov.scot
- Public procurement - updates to thresholds derived from the GPA: SPPN 4/2025 - gov.scot derived from the Government Procurement Agreement: (www.gov.scot).

1.4. All Contracts that are awarded by the Council, regardless of value shall be subject to an obligation to seek best value and be able to demonstrate transparency, equal treatment, non-discrimination and proportionality.

1.5. CSOs are designed to protect the interests of the Council and protect the interests of officers involved in procurement. CSOs enable officers to act confidently for the Council in the pursuit of best value. It is the responsibility of the Chief Executive and Corporate Directors to ensure that officers within their jurisdiction or Service have a good understanding and where applicable a working knowledge of these CSOs.

1.6. Relevant UK and Scottish legislation override these CSOs only in so far as to ensure compliance with said legislative requirements.

1.7. The Head of Corporate Governance may approve guidance notes on tendering and procurement matters for Contracts awarded by the Council. Guidance notes will be compiled by the Service Manager (Procurement).

1.8. The Service Manager (Procurement) will publish a Corporate Procurement Manual to be read by officers in conjunction with the Contract Standing Orders and a control copy will be placed on the staff portal.

2. Definitions and Interpretation

2.1. Definition of terms is as follows:

Abnormally Low Tenders.	As defined within the Public Contracts (Scotland) Regulations 2015 and any subsequent Scottish Government Guidance when available.
Chief Officer.	The Chief Officer – Health and Social Care procuring the Supplies, Services or Works.
Contract.	An agreement between the Council and any Contractor made by formal agreement or by issue of acceptance or an official order for Supplies, Services or Works.
Contract Documents.	Documents to be used in the tendering procedure and where different those that are intended to form part of any Contract following a tendering procedure. The Contract Documents include, but are not restricted to, the Single Procurement Document (SPD), the invitation to tender, the instructions to tenderers, terms and conditions of contract, the specification and technical requirements, pricing schedule, form of tender, certificate of bona fide tendering and any Bills of Quantities and include any such documents or their equivalents using e-procurement.
Contractor(s).	Includes any sole trader, partnership or company (limited or unlimited) or any duly incorporated trade, professional or commercial body.
Delegated Authority.	Officers who have been given formal written authority by their Corporate Director or Chief Officer to manage procurement exercises within a specified value range on behalf of the Council.
Director	The Director procuring the Supplies, Services or Works.
Dual Stage Procedure.	The below threshold procedure which is equivalent to the threshold Restricted Procedure.
European Single Procurement Document (ESPD).	The standard form document which replaced the pre-qualification questionnaire, to be used for procurements linked to the European Structural and Investment Funds (ESIF) programmes.
Fair Work First	Fair Work First is the Scottish Government's flagship policy for driving high quality and fair work across the labour market in Scotland by applying fair work

	criteria to grants, other funding and contracts being awarded by and across the public sector, where it is relevant to do so.
Fair Work First Guidance	Outlines the Scottish Government's Fair Work First approach and exemplifies the Fair Work First criteria in practice. It should be used by those involved in awarding public sector grants, sponsorship and other funding, and contracts, and those seeking to access/accessing such funding and/or contracts.
Framework Agreement.	An overarching agreement with supplier(s) to establish terms governing individual contracts that may be awarded during the life of the agreement ('call-offs'), concluded in accordance with Section 34 of the Public Contracts (Scotland) Regulations 2015.
Government Procurement Agreement	The United Kingdom is a signatory to the World Trade Organisation's (WTO) Government Procurement Agreement (the GPA) and this remains as the UK is now a signatory in its own right following the end of the EU Transition Period.
Health and Social Care Services.	A public contract or framework agreement for social and other specific services listed in Schedule 3 of the Public Contracts (Scotland) Regulations 2015.
Health and Social Care Services Threshold.	£663,540 indicative value excluding 20% VAT £552,950.
Life-Cycle Costing.	All consecutive or interlinked stages, including research and development to be carried out, production, trading and its conditions, transport, use and maintenance, throughout the existence of the product or the works or the provision of the service, from raw material acquisition or generation of resources to disposal, clearance and end of service or utilisation.
Over Threshold Regulated Procurement	Supplies, Services or Works contracts with a value over the procurement threshold.
Procurement.	The process leading to the award of a public contract or framework agreement or establishment of a dynamic purchasing system for the acquisition of works, supplies or services from an economic operator.
Procurement Plan.	A summary of the planned procurement providing sufficient information to ensure that all relevant Council Policies have been followed, including the governance, identified budget, Contract Standing Orders, the Financial Regulations and the Sustainable Procurement Policy requirements.

Public Contracts Scotland (PCS) portal.	The Scottish Government's official national advertising portal for public sector contract opportunities www.publiccontractsscotland.gov.uk.
Relevant Officer	The Officer who has been delegated by either the Chief Executive, the Directors or the Chief Officer to carry out this instruction as part of their duties.
Quick Quote.	An online quotation facility which allows the Council to obtain competitive quotes electronically for: • Low value requirements between £10,000 and £50,000; and • Unregulated Works Contracts (below the value of £2,000,0000), depending on complexity of contract (as defined in Clause 19).
Quotation.	A formal offer to supply or purchase supplies or provide services where the estimated value of the contract is below £50,000 or to execute works with a value of above £2,000,000 for works.
Regulated Procurement.	As defined by the Procurement Reform (Scotland) Act 2014 a regulated procurement for Supplies or Services Contracts with a value of £50,000 or above and for Works Contracts over £2,000,000 and less than the relevant Thresholds.
Regulations.	The Public Contracts (Scotland) Regulations 2015, the Procurement Reform (Scotland) Act 2014, the Procurement (Scotland) Regulations 2016 and / or the Concession Contracts (Scotland) Regulations 2016 as the context requires, but where the Council is acting as a Harbour Authority and chooses to do so, the Utilities Contracts (Scotland) Regulations 2016.
Single Procurement Document (SPD).	The standard form document which replaces the European Single Procurement Document (ESPD) introduced by the new WTO/GPA Public Procurement Directive (Directive 2014/241/WTO/GPA) which replaced the pre-qualification questionnaire. The SPD is the particular form which has been approved by the Scottish Government.
Single Stage Procedure.	The below Threshold procedure which is equivalent to the Threshold Open Procedure.
Supplies.	Goods or the hire of goods and for any siting or installation of those goods.
Sustainable Procurement Impact Assessment (SPiA)	A Sustainable Procurement Impact Assessment (SpiA) will be carried out for all relevant goods, services and works contracts where there is potential to minimise the use of carbon-based energy and its associated emissions.

Tender.	A formal offer to supply or purchase supplies, execute works or provide services where the estimated value of the contract is £50,000 (excluding Value Added Tax (VAT)) or more.
Tender Evaluation Panel	Established ahead of the tender period and consisting of at least two people with demonstrable technical ability to evaluate tenders.
Tender Opening Board	As described in Clause 37.2.
Threshold	The threshold for determining the application of the Regulations pursuant to the Public Contracts (Scotland) Regulations 2015 is £207,720 (indicative value excluding 20% VAT £173,100) for Supplies and Services contracts and £5,193,000 (indicative value excluding 20% VAT £4,327,500) for Works contracts. Pursuant to the Utilities Contracts (Scotland) Regulations 2016 the threshold is £415,440 (indicative value excluding 20% VAT £346,200) for Supplies and Services contracts and £5,193,000 (indicative value excluding 20% VAT £4,327,500) for Works contracts. The remaining threshold values for small lots and the light touch regime for services remain unchanged. These are aligned with the World Trade Organisation and Government Procurement Agreement.
Unregulated Works Procurement.	A contract for Works with a value of between £50,000 and £2,000,000, being a procurement not covered by the Regulations and procured utilising the Council's database of pre-approved contractors.
Works.	Building construction, building maintenance or engineering works.

2.2. In interpreting these CSOs, any reference to any legislation, regulations or guidance shall be to that legislation, regulations or guidance as the same may be updated, amended, supplemented or replaced from time to time.

3. Compliance with Contract Standing Orders

3.1. Contracts awarded by the Council must comply with CSOs.

3.2. Officers are required to comply with these CSOs, the Scheme of Delegation to Officers, the Scheme of Administration and the Council's Financial Regulations. The Chief Executive, Corporate Directors and Chief Officer will have in place policies, practices, procedures and training which ensure compliance. Failure to comply with the Scheme of Delegation to Officers, the CSOs and the Council's Financial Regulations may result in disciplinary action.

4. Conduct of Officers and Members

4.1. Members must abide by the Councillors Code of Conduct published by the Standards Commission for Scotland available at: https://www.standardscommissionscotland.org.uk/.

4.2. Officers must comply with the Code of Conduct for Employees of Orkney Islands Council available on the Council portal.

5. Ethical Standards

5.1. In all dealings with Contractors, the Chief Executive, Directors, and all officers must preserve the highest standards of honesty, integrity, impartiality and objectivity. In particular, officers engaged in procurement matters must:

5.1.1. Be fair, efficient, firm and courteous.

5.1.2. Maintain the highest possible standards of integrity in all business relationships.

5.1.3. Acquire and maintain current technical knowledge.

5.1.4. Achieve appropriate professional standards in the management of contracts.

5.1.5. Foster appropriate standards of professional competence amongst those for whom they are responsible.

5.1.6. Comply with the law, guidance on professional practice and contractual obligations.

5.1.7. Declare any personal interest which may affect or be seen by others to affect impartiality.

5.1.8. Respect the confidentiality of information received in the course of duty and ensure that information given in the course of duty is honest and clear; and

5.1.9. Respond promptly, courteously and efficiently to suggestions or enquiries, including Freedom of Information (FOI) request obligations according to Council policies.

5.1.10. Not knowingly work with suppliers that trade in slavery, prostitution or illegal drugs, or who breach International Labour Organisation conventions.

5.1.11. Not offer, give or agree to give anything, to any person an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of the procurement agreement or for showing or refraining from showing favour or disfavour to any person in relation to said Agreement which may constitute an offence under the Bribery Act 2010.

5.1.12. Take all reasonable steps, in accordance with good industry practice, to prevent fraud by Council Staff and the Supplier (including its shareholders, members and directors) in connection with the procurement of supplies, services and shall in the first instance notify their Line Manager, Head of Service or Director immediately if they have reason to suspect that any fraud has occurred or is occurring or is likely to occur. Reporting in all cases should be in accordance with the Council's Corporate Anti-Fraud Policy and Whistle Blowing Policy.

6. Authority to Procure

6.1. No officer may manage a Procurement exercise unless authority has been delegated to them by the Chief Executive, Director or Chief Officer.

6.2. The diversity of the work involved in procurement necessitates that officers are competent in a wide variety of generic procurement skills in addition to the specific technical skills and knowledge required when procuring specific Supplies, Services and Works. Officers with delegated authority to invite and manage Procurement exercises will be required to undertake specific procurement training.

6.3. The Service Manager (Procurement) is responsible for the training of officers in procurement matters and will maintain a list of officers with Delegated Authority to manage a Procurement exercise.

6.4. As part of the authorisation process, the Relevant Officer must complete a Procurement Plan. Where the value of the contract is under £50,000 (an Unregulated Procurement), authority to proceed should be requested from the relevant Head of Service. Where the value of the contract is £50,000 or above, (Regulated Procurement), authority to proceed should be sought from the relevant Director or Chief Officer or, in the case of the Chief Executive's Service, the Chief Executive.

7. Separation of Duties

7.1. The roles of the client / budget holder and the officer with delegated authority to manage a Procurement exercise must not be performed by the same officer. The Chief Executive and Directors will ensure separation of these key roles within the Procurement process.

8. Suspension, Variation and Revocation

8.1. These CSOs may be varied or revoked by the Council. Any variation to, or revocation of CSOs, will be effective on the first working day after the conclusion of the General Meeting of the Council at which it was approved.

8.2. CSOs or any part of them may be suspended by the Council in respect of a Contract on receiving a joint recommendation from the Chief Executive or Director, and the Head of Finance/Section 95 Officer, that there are special circumstances which justify such a suspension and that it is in the interests and within the powers of the Council to do so.

8.3. The Head of Corporate Governance will be able to vary these CSOs in the following operational circumstances:

8.3.1. To reflect changes in job titles, reorganisations of Council Services and vacancies in posts.

8.3.2. To change references to any piece of legislation where the legislation is repealed and to insert references to new pieces of legislation where the new pieces of legislation largely re-enact the provisions of the repealed legislation; and

8.3.3. To change the financial values of the Threshold where referred to in these CSOs.

8.4. The Service Manager (Procurement) will be responsible for ensuring that an up to date control copy of CSOs is placed on the Council's staff intranet and that, for the purposes of transparency, an additional copy is published on the Council's website.

9. Value of Contract

9.1. The financial values stated throughout these CSOs represent the total value of the Contract over its whole life and are not, for example, the estimated annual value of the Contract.

9.2. Where the Contract is for Supplies or Services, the value of the Contract shall include all options under the Contract. For example, if the Contract allows the Council to either purchase additional Supplies or Services, or to extend the Contract beyond its original term, the financial implications of these must be included in the value of the Contract, even if the likelihood of taking up these options is small.

9.3. It is not permitted to deliberately divide any procurement exercise into two or more Contracts if the intention in doing so is to avoid the application of the financial thresholds in these CSOs or the Regulations.

9.4. All financial values stated in these CSOs are exclusive of VAT unless otherwise stated,

9.5. Wherever VAT may be payable under a contract, an allowance for VAT shall be included in the calculation of the estimated value of the contract for the purposes of determining whether the contract equals or exceeds the new threshold values.

10. Financial Provision

10.1. Before inviting Tenders or Quotations or recommending the acceptance of Tenders, the Chief Executive, Directors and the Head of Corporate Governance will be required to be satisfied that all necessary Council approvals are in place and sufficient budgetary provision has been made or will be made to cover the contractual commitment by the Council.

11. Equalities and Prevention of Discrimination

11.1. Before entering into a Contract the Chief Executive, Directors or the Head of Corporate Governance will obtain from the Contractor an assurance, in writing, that to the best of the Contractor's knowledge the Contractor has complied with all statutory requirements under the Equality Act 2010.

11.2. The assurance referred to in CSO 11.1 may be obtained as part of the selection process as contained in the SPD which includes a requirement to comply with relevant Social Laws.

11.3. Contracts awarded by the Council will contain a condition obliging the Contractor to comply with all duties arising from the Equality Act 2010.

12. Fair Work First

12.1 Fair Work First award criteria must be considered for inclusion in award criteria for the procurement of supplies, services and works where it is appropriate to do so and in accordance with the Fair Work First Guidance as referred to in SPPN 01/2024 at CSO 1.3.

12.2. Fair Work First asks businesses bidding for a public contract to commit to adopting the following:

- Appropriate channels for effective voice, such as trade union recognition.
- Investment in workforce development.
- No inappropriate use of zero hours contracts.
- Action to tackle the gender pay gap and create a more diverse and inclusive workplace.
- Providing fair pay for workers (for example, including a mandatory requirement for payment of the real Living Wage where appropriate).
- Offer flexible and family friendly working practices for all workers from day one of employment.
- Oppose the use of fire and rehire practices.

13. Form of Contract

13.1. Except in circumstances where the Chief Executive, Director and the Head of Corporate Governance agree otherwise, every Contract shall be:

13.1.1. In the name of the Council.

13.1.2. In writing and in an approved form, using either the Council's standard conditions of Contract or, where applicable, government contracts or other specialist or professional body's terms and conditions e.g. Scottish Building Contracts Committee (SBCC), Association of Consulting Engineers (ACE), New Engineering Contract (NEC).

13.1.3. Signed by the Chief Executive, the Head of Corporate Governance or other officer with written delegated authority to sign Contracts on behalf of the Council in accordance with the Scheme of Delegation to Officers for procurement matters; and

13.1.4. Subject to the laws of Scotland.

13.2. The Contract Documents in respect of all Contracts will be prepared by the Chief Executive, Directors or the Head of Corporate Governance. When it is appropriate to do so, the Chief Executive, Directors and the Head of Corporate Governance may make use of Contract Documents prepared by the Government Procurement Service, Scottish Procurement, Scotland Excel and other framework agreement providers where permitted by those bodies to do so. It is the Chief Executive's, Director's and the Head of Corporate Governance's responsibility to ensure that the Contract Documents are suitable for the Contract.

13.3. All Procurement documents must clearly state that the Freedom of Information (Scotland) Act 2002 applies to Contracts awarded by the Council. This is to ensure that Contractors are aware that the Council may be required, as a matter of law, to release information to third parties.

14. Exemptions and Exceptions

14.1. Supplies, Services and Works shall be acquired by effective competition, including adequate publicity of the Contract, unless there are justifiable reasons to the contrary.

14.2. These CSOs will not apply to a Contract where:

14.2.1. The value of the Contract is less than £10,000 for Supplies and Services and Works.

14.2.2. It is a Contract of employment (Note: this exemption will not apply to Contracts for temporary staff or interim managers supplied by recruitment agencies, or an equivalent organisation).

14.2.3. The Contract is for care or housing support services or other forms of support or self-directed service as determined by the Self Directed Support legislation and relevant guidance, where the service user has the freedom to determine the identity of the service provider.

14.2.4. The Contract relates to the transfer, acquisition or disposal of an interest in heritable property including a licence to occupy or use heritable property.

14.2.5. Tenders are invited on behalf of any consortium, or similar body, of which the Council is a member, in accordance with any such method adopted by such a body.

14.2.6. The Contract relates to the appointment of legal counsel to act on behalf of the Council.

14.2.7. The Council funds an external operator to provide Services on a non-contractual basis e.g. grant funded arrangements with the third sector. In such cases the principles of Following the Public Pound shall apply.

14.3. The Council may make an exception from these CSOs where:

14.3.1. The Council is satisfied that there are special circumstances justifying an exception from these CSOs or any part of them.

14.3.2. In the opinion of the Chief Executive or Directors, action is urgently required to prevent danger to life, serious risk to health, or damage to property.

14.3.3. It is a Contract for the provision of health, special education and / or social care services, and where, in the opinion of the Chief Executive, Directors, Chief Officer or Chief Social Work Officer, it is considered that to undertake a competitive tendering exercise would have an adverse effect on the quality and continuity of service for service users and their relatives.

14.3.4. Where the Contract is an extension to an existing Contract and is not a Regulated Procurement, an over Threshold Procurement or an Unregulated Works Procurement (in which case see CSOs 17 and 19), and which has been identified by the Relevant Officer as necessary and being so urgent as not to permit the invitation to tenders.

14.3.5. In the opinion of the Chief Executive, Directors or Chief Officer it is essential that the Contract is entered into for the settlement of any claim or litigation raised by or against the Council.

14.3.6. The Contract is funded by money provided by the government or another public body (including funds from the National Lottery) and the award of that money to the Council is subject to such conditions that make it impractical for the Council to comply with these CSOs in the letting of the Contract.

14.4. Where exceptions are sought in respect of Contracts with a value of greater than £10,000 the Chief Executive and Directors will comply with the Non-Competitive Action (NCA) procedure set out at Appendix 1.

14.5. Where an NCA procedure is used, a proportionate financial and insurance assessment shall be carried out prior to the NCA being requested.

14.6. The Head of Corporate Governance will maintain a central register of exceptions.

15. Contracts below £10,000

15.1. Where the contract value is less than £10,000 for Supplies and Services or Works, the Chief Executive, Directors and Chief Officer will proceed in a manner which they consider to be the most expedient to the efficient management of their Service whilst ensuring that the Contract represents value for money to the Council.

15.2. The Chief Executive and Directors may dispense with the need to obtain competitive quotations and instead maintain a written record of price checking or benchmarking where the value of the Contract is less than £10,000 in the case of Supplies and Services or Works.

16. All Contracts for Supplies and Services or Works having a value of £10,000 or above – Procurement Plan

16.1. Where a contract value is £10,000 or higher, the relevant Officer will ensure that a Procurement Plan is completed by the service lead and that an Officer with Delegated Authority is identified to undertake the procurement.

16.2. The Procurement Plan will describe the procurement planned and provide sufficient information to ensure that all relevant Council Policies have been followed, including the governance, identified budget, Contract Standing Orders, the Financial Regulations and the Sustainable Procurement Policy requirements.

16.3. The Relevant Officer will ensure that the Procurement Plan is authorised by the relevant Managers prior to the procurement exercise commencing. The Procurement Plan is to be submitted to the Service Manager (Procurement) in the first instance for authorisation who will forward to the Head of Corporate Governance and thereafter to the relevant Head of Service, Director or Chief Officer for further approval in accordance with the values detailed at CSO 6.4 above.

17. Unregulated Procurements with a contract value of between £10,000 and £50,000 for Supplies and Services or Works

17.1. Where the value of the Contract is between £10,000 and £50,000 for Supplies and Services and Works, the Chief Executive and Directors will invite a minimum of three written quotations from prospective Contractors with the experience and expertise to meet the requirement for Supplies, Services or Works. In circumstances where fewer than three quotations are obtained a written record shall be retained as to the reasons for this.

17.2. Technical and financial checks by means of the SPD (Scotland) shall not be necessary for Contracts below £50,000. Instead a selection procedure relevant and proportionate to the subject matter and value of the contract shall be incorporated into the invitation to quote documentation.

17.3. Quotations may be invited and returned by either the Quick Quote system or by an open quotation contract advertisement placed on the PCS portal or, in very exceptional circumstances, by hard copy or email.

17.4. Route 1 Introduction | Procurement Journey (or equivalent) will be used when obtaining quotations where the Contract is for Supplies or Services and the Contract is between £10,000 and £50,000.

18. Regulated Procurements (with a contract value of £50,000 or above for Supplies and Services or more than £2,000,000 for Works, and below the Thresholds)

18.1. Route 2 of the Procurement Journey (or equivalent) and accompanying documentation as appropriate shall be used for all Regulated Procurement exercises.

18.2. The SPD is to be used in all cases for Regulated Procurements.

18.3. The ESPD is still to be used when handling procurements linked to European Structural and Investment Funds (ESIF) programmes. EU law continues to apply to ESIF procurements which start after the end of the EU exit Transition Period. This means that public bodies should use the European Single Procurement Document for ESIF procurements instead of the new Single Procurement Document.

18.4. Electronic procurement ("E-procurement") must be used as the default position for all Regulated Procurements. Where e-procurement is being used, it shall be the responsibility of the Contractor to obtain the invitation to tender through the e-procurement system.

19. Unregulated Works Procurements (Works contracts with a value of between £50,000 and £2,000,000)

19.1. Where the value of the Works Contract is between £50,000 and £2,000,000, the Chief Executive and Directors will advertise the contract in accordance with CSO 22 and invite a minimum of three tenders from pre-approved Contractors with the experience and expertise to meet the requirement for Works. In circumstances where fewer than three tenders are obtained a written record shall be retained as to the reasons for this.

19.2 The SPD is to be used in all cases for unregulated Works procurements with a contract value between £50,000 and £2,000,000, unless the Dynamic Purchasing System is utilised (see CSO Clause 32).

19.3. Unregulated procurements for works may be invited and returned by either Quick Quote system or by an Open or restricted procedure contract notice placed on the PCS portal or, in very exceptional circumstances, by hard copy or email.

19.4. The use of this procedure for unregulated procurements is permitted where the procurement is of a standard nature and is not complex as defined in clause 19.5 below.

19.5. Complex procurements are procurements which are not routinely undertaken by the Council and may have unusual technical, legal or financial requirements.

19.6. Complex procurements will be required to follow the requirements for Regulated Procurements CSO Clause(s) 18.1, 18.2, 18.3, 18.4.

20. Regulated Procurements (with a contract value at and above the Thresholds for Supplies and Services or Works)

20.1. Route 3 Introduction | Procurement Journey (or equivalent) and accompanying documentation as appropriate shall be used for all Over Threshold Regulated procurement exercises.

20.2. The SPD is to be used in all cases for Over Threshold Regulated Procurements.

20.3. E-procurement must be used as the default position for all WTO/GPA Regulated Procurements. Where e-procurement is being used, it shall be the responsibility of the Contractor to obtain the invitation to tender through the e-procurement system.

20.4. All contract notices for Over Threshold Regulated Procurements will be passed for approval and issued by the Service Manager (Procurement).

21. Contracts for Health and Social Care Services

21.1. Where a Contract is for Health and Social Care services and is above the Health and Social Care Services Threshold, the procurement regime set out in Chapter 3 of the Public Contracts (Scotland) Regulations 2015 shall apply.

21.2. Where a Contract is for Health and Social Care Services with a value below the Health and Social Care Services Threshold, the Council may choose to award without seeking offers. However, there is still a requirement to comply with the WTO/GPA principles of transparency, equal treatment, non-discrimination, proportionality and mutual recognition where relevant.

21.3. Subject to the terms of Clauses 21.1 and 21.2 above, where a Contract is for Health and Social Care Services and has a value below £50,000, the Council may choose to award without seeking offers.

21.4. In instances as described above where there is award of a contract without competition, a non-competitive action form must be completed and authorised by the Chief Executive prior to contract award in accordance with CSOs Clause 14 and as set out in Appendix 1.

22. Publicity of Contract Opportunities

22.1. The Council is under a duty to ensure that, for each Contract that it intends to award, the Contract is given a degree of advertising which is sufficient to ensure open competition and to meet the requirements of the principles of equal treatment, non-discrimination and transparency. Contracts that are Regulated Procurements and those that exceed the Threshold must comply with the advertising requirements set out in the Regulations.

22.2. The following minimum advertising procedures will apply:

22.2.1. Contract Notice for Supplies and Services where the Contract is or above £50,000 will be uploaded on the PCS portal and advertised in the local newspaper or appropriate additional means where there is a local market for a minimum duration of one week.

22.2.2. Contracts for Works where the Contract is or above £50,000 will be advertised in the local newspaper for a minimum duration of one week.

22.2.3. In addition to the advertising requirements at CSO 22.2, where the value of a Contract for Works exceeds £2,000,000 the contract notice will be uploaded on the PCS portal.

22.2.4. A Contract Notice for Supplies and Services or Works where the Contract exceeds the Thresholds will be uploaded to the new Find a Tender System via the PCS Portal.

22.3. The requirement to publish notices on Public Contracts Scotland (PCS), which comes from the Procurement Reform (Scotland) Act 2014, remains. Whilst public bodies are no longer be required to publish notices in the Official Journal of the European Union (OJEU), these notices are now published on a new UK e-notification system called Find a Tender System (FTS) instead.

22.3.1. FTS has been developed to comply with international agreements such as the GPA, which requires relevant procurements in the UK to be advertised through a single point of access available free of charge. To meet this requirement to publish on FTS, public bodies should continue to use PCS.

22.4. In addition to the advertising requirements referred to in CSO 22.2, or where it is felt that insufficient interest may be generated, the Chief Executive, Directors and Chief Officer may decide to advertise the Contract opportunity in any other way.

22.5. In exceptional circumstances, for example where using market knowledge it is known that there is no capacity locally to meet the requirements of a Contract, the Chief Executive, Director or Chief Officer may dispense with the requirement to advertise in the local newspaper.

22.6. All Contract Notices published on the PCS portal will be subject to the prior approval of the Service Manager (Procurement) for Over Threshold Regulated Procurements.

22.7. Contract notices advertising Contracts will include the selection and award criteria to be used to evaluate submissions for both the SPD selection stage and the award criteria stage of both Open and Restricted Procedure procurements.

22.8. Where a Contract is to be awarded following a restricted procedure or competitive procedure with negotiation, a call for competition may be made by means of a prior information notice, published in accordance with the Regulations.

23. Procedures

23.1. Where the estimated value of any Contract is likely to be equal to the value of a Regulated Procurement or exceed the Threshold, the Chief Executive and Directors or Chief Officer will be responsible for determining whether or not the Regulations apply and will refer the matter to the Service Manager (Procurement) who will provide guidance and assistance in determining the appropriate Contract award procedure.

23.2. Where it is established that the full procedural requirements of the Regulations apply, the Chief Executive and Directors will ensure that the Contract is advertised, tendered, evaluated and awarded in accordance with the Regulations.

23.3. Where other competitive routes are available to the Council for consideration such as the Dynamic Purchasing System, Competitive Dialogue, Negotiated Procedure without Prior Publication, Competitive Procedure with Negotiation, and Innovation Partnership, the Chief Executive, Directors or Chief Officer will refer the matter to the Service Manager (Procurement) and the Head of Corporate Governance who will provide guidance and assistance in determining the appropriate Contract award procedure and the specific Regulation(s) that will apply.

23.4. The Relevant Officer will determine in consultation with the Service Manager (Procurement) where the use of lotting strategies is appropriate and would have the effect of ensuring that the Contract opportunity is accessible to small and medium-sized enterprises.

24. Commodity Strategy

24.1. The Relevant Officer in consultation with the Service Manager (Procurement) will ensure that an appropriate Commodity Strategy is prepared for each individual Regulated Procurement and Over Threshold Regulated Procurement.

24.2. The Commodity Strategy must be prepared by officers with the appropriate Delegated Authority and be proportionate to risk, value and the strategic importance of the commodity to the Organisation.

24.3. The preparation of the Commodity Strategy will ensure that proportionate consideration is given to planning, Sustainable Procurement and Risk Management prior to commencement of the procurement. See more at: Develop Commodity/Service Strategy | Procurement Journey.

24.4. A Commodity Strategy is not required for mini-competitions carried out or work packages called off under Framework Agreements established by external agencies, by the Council; or for work packages placed under the Council's framework arrangements. This CSO will apply in instances where the justification to utilise these arrangements has been authorised by the Chief Executive, Directors and Chief Officer as appropriate.

25. Contract Award Criteria

25.1. For Regulated Procurements and Over Threshold Regulated procurements, award criteria must in all cases be advertised and awarded on the basis of the most economically advantageous tender (MEAT). It is not permissible to award on the basis of cost only.

25.2. For Procurements over the value of £10,000 for Supplies and Services, and for Works over the value of £50,000, Contracts shall be awarded on the basis of the Tender which is: the MEAT using both quality and cost award criteria unless there are exceptional reasons that are proportionate and related to the subject matter of the contract and always in the context overall of best value.

25.3. Contracts may in exceptional circumstances be awarded on the basis of a fixed price or cost where economic operators may compete on quality criteria only.

25.4. Procurement of Works under the value £50,000 may in exceptional circumstances be awarded on the basis of cost or price but always in the context of best value. Prior to utilising this CSO, a risk assessment shall be undertaken which evidences overall best value and is recorded on the contract award recommendation report as referred to in CSO 40.

25.5. When developing the Contract Documents, the Chief Executive and Directors will include award criteria that relate directly to and are proportionate to, the subject matter of the Contract.

25.6. The award criteria will be clearly defined in the Contract Documents and in the contract notice so that Contractors have a common understanding and will, depending on the subject matter of the Contract, include:

25.6.1. Quality / technical merit.

25.6.2. Qualification and experience of staff assigned to performing the contract, where the quality of the staff assigned can have a significant impact on the level of performance of the contract.

25.6.3. Design, functional characteristics and aesthetics.

25.6.4. Sustainability and community benefit / social issues where appropriate.

25.6.5. Innovation.

25.6.6. Maintenance, including on-going technical support and after sales support.

25.6.7. Delivery or period of completion.

25.6.8. Price.

25.6.9. Life Cycle Costing which shall be objectively verifiable, non-discriminatory and indicated in the procurement documentation.

25.7. The Chief Executive, Directors and Chief Officer will decide on an overall ratio or split between criteria and allocate weightings and sub-criteria as appropriate.

26. Contract Payments

26.1. Proposed payment arrangements under a Contract must be discussed and agreed by the Head of Finance/Section 95 Officer in advance of any Contract being entered into. However, the Head of Finance/Section 95 Officer may issue guidance on approved payment arrangements.

27. Restricted or Dual Stage Procedure

27.1. The Chief Executive or Directors may approve the use of a Restricted or Dual Stage Procedure which, subject to CSO 33 electronic tendering, will be advertised and conducted in accordance with CSOs 22 and 27.

27.2. The contract notice will contain sufficient information to enable potential tenderers to determine whether they are interested in bidding for the Contract. The information contained within the contract notice will include the title and a short description of the proposed Contract, the duration, estimated commencement date, the estimated value and the selection criteria used. The contract notice shall also indicate whether e-procurement is to be used and contain a link to https://www.publiccontractsscotland.gov.uk/.

27.3. The contract notice will specify a date and time by which requests to be selected to tender must be received. For the selection stage, this must be no sooner than 30 days from the date the contract notice is published unless reductions in timescales are available. For the tender stage, this must be no sooner than 30 days from the invitation to tender is issued. Where the submission of tenders electronically is permitted, the minimum time limit for receipt of tenders can be reduced to 25 days. Where the Contract exceeds the Threshold, the timescales referred to in the Regulations will apply.

27.4. The Chief Executive, Director or Chief Officer will issue an SPD to all Contractors responding to the contract notice via the PCS portal.

27.5. The Relevant Officer will ensure that the SPD Supporting Statements that are issued to all Contractors responding to the contract notice are tailored to, and are relevant and proportionate to, the subject matter of the proposed Contract.

27.6. No Contractor will be invited to submit a Tender unless they have successfully complied with the technical and financial checks in CSO 34 and have met the selection criteria to be invited to tender set out in the SPD.

27.7. The Relevant Officer will select a sufficient number of Contractors to be invited to tender. To ensure genuine competition, the number of Contractors selected to be invited to tender shall be not less than five, unless agreed otherwise by the Chief Executive, Directors or Chief Officer. In circumstances where fewer than five Contractors submit an SPD, all of the Contractors that have met the selection criteria shall be invited to tender.

27.8. The Chief Executive, Director or Chief Officer will send invitations to tender, in writing, simultaneously to each Contractor selected to tender and the invitation to tender will be accompanied by the Contract Documents. The invitation to tender shall state the requirements in CSOs 35 and 36.

27.9. As a minimum, the invitation to tender will include the following:

27.9.1. Instructions to tenderers.

27.9.2. Final date and time for the receipt of tenders by the Council.

27.9.3. Where e-procurement is not being used, the address to which tenders must be sent.

27.9.4. Terms and conditions of Contract.

27.9.5. The specification which clearly describes what is required.

27.9.6. The award criteria to be used in the evaluation of tenders.

27.9.7. Tender response requirements.

27.9.8. Form of tender.

27.9.9. Certificate of bona fide tendering.

27.9.10. Compliance Statement as appropriate.

28. Open or Single Stage Procedure

28.1. The Relevant Officer may approve the use of an Open or Single Stage Procedure which, subject to CSO 33 electronic tendering, will be conducted and advertised in accordance with CSOs 22 and 28.

28.2. The contract notice will contain sufficient information to enable any potential tenderer to determine whether they are interested in bidding for the Contract. The information contained within the contract notice will include the title and a short description of the proposed Contract, the duration, estimated commencement date, the estimated value, the selection criteria used and community benefits clauses where they are being used. The contract notice shall also indicate if e-procurement is being used and provide a link to https://www.publiccontractsscotland.gov.uk/.

28.3. The contract notice will specify a date and time by which tenders must be submitted. The date and time specified will be no sooner than 35 days from the date the contract notice is published. Where the submission of tenders electronically is permitted, the minimum time limit for receipt of tenders can be reduced to 30 days. Where the Contract exceeds the Threshold, the timescales referred to in the Regulations will apply.

29. Use of Framework Agreements provided by External Agencies

29.1. The Chief Executive, the Directors and Chief Officer will consider the use of Framework Agreements established by other bodies as part of the route to procurement decision.

29.2. Where a market outwith the framework suppliers is established and where the contract value is below that of a Regulated Procurement or an Over Threshold Regulated Procurement, the Chief Executive, Directors and Chief Officer will determine if the Contract should be advertised directly to the known suppliers in addition to the call off contract opportunity sourced through a Framework Agreement.

29.3. Where a Framework Agreement is provided by a Framework Provider other than the Council, a check should be undertaken by the Service Manager (Procurement), in consultation with the Head of Corporate Governance, to determine the Council's eligibility to use that Framework Agreement prior to its use.

29.4. Where it has been clearly identified that the Council is eligible to utilise the Framework Agreement, the procedures for the use of that Framework Agreement must be strictly complied with in all instances.

29.5. The duration of the individual contracts based on a Framework Agreement do not need to coincide with the duration of that Framework Agreement but might as appropriate be shorter or longer.

29.6. When a contract is to be awarded under a Framework Agreement, authorisation must be sought as appropriate in compliance with these CSOs.

29.7. A contract award notice will be published on conclusion of a call-off from a Framework Agreement. A contract award letter will also be issued to the provider, and the Contract will be entered in the Contracts Register.

30. Concluding a Framework Agreement

30.1. The Council may establish a Framework Agreement with any number of economic operators, subject to the terms of the Regulations.

30.2. The Council must advertise the Contract in accordance with these CSOs, depending on the value of the Contract.

30.3. The period of such arrangements shall not exceed four years without specific justification which must be published when the requirement is advertised.

30.4. Where the Council concludes a framework agreement with more than one economic operator, a specific contract may be awarded:

30.4.1. By direct award in accordance with the terms laid down in the framework agreement without re-opening competition; or

30.4.2. Where the terms of the Framework Agreement permit, by carrying out a mini competition prior to award.

30.5. Where a contract is for the supply of goods or materials or the provision of services or works by means of a call off contract within a framework agreement, and where that framework agreement allows for direct award of call-off contracts without further competition, formal tendering shall be carried out only once prior to the commencement of such arrangement.

30.6. Once awarded, a framework agreement shall remain closed to the admission of new contractors / suppliers / service providers for the lifetime of the Framework Agreement.

30.7. The Council must not use a framework agreement improperly or in such a way as to prevent, restrict or distort competition.

31. Extensions to Existing Contracts

31.1. Subject to CSOs 31.2 to 31.5, where the Relevant Officer considers that an existing Contract should be extended and the option to extend is given to the Council in terms of the Contract, the Chief Executive, Directors or Chief Officer may authorise the take-up of that option.

31.2. Where the Contract does not make provision for the extension of the Contract, the Relevant Officer shall not extend the Contract, unless the use of the procedure in CSO 31.3 has been followed.

31.3. Contracts awarded as Regulated Procurements and Over Threshold Regulated Procurements may only be extended where the procedure in Regulation 72 of the Public Contracts (Scotland) Regulations 2015 is followed.

31.4. For the purposes of CSO 31.1 an extension of a Contract includes the option to increase the number of Supplies, Services or amount of Works as well as the option to lengthen the duration of the Contract.

31.5. Where the Contract does not make provision for the extension of the Contract and the initial Contract was below the Threshold, the total value of the Contract, including the value of the extension will not exceed the Threshold.

31.6. Where the Contract has been established for a low value supply, service or works below £10,000 or a Contract has been established following approval of a non-competitive action and is not a Regulated Procurement, subsequent variations to that Contract should not exceed 50% of the initial value of the Contract.

32. Dynamic Purchasing System

32.1. Establishment of a Dynamic Purchasing System (DPS) should be considered in instances where goods, services or works are commonly used by the organisation and which are readily available on the market.

32.2. The Relevant Officer shall ensure that the DPS is set up and run in accordance with the information available on the Dynamic Purchasing System (DPS) | Procurement Journey.

32.3. The Relevant Officer shall ensure that the DPS is open at all times during its operation for new suppliers to join.

32.4. The Relevant Officer may keep a list of Contractors who have been appointed to a Dynamic Purchasing System managed by the Authority and who may be invited to tender for Contracts for Supplies and Services up to maximum value of £50,000 and for Works up to £2,000,000.

32.5. The selection of tenderers from the Contractors appointed to the Dynamic Purchasing System will be the responsibility of the Chief Executive, Directors or Chief Officer.

32.6. The Dynamic Purchasing System will contain the names of the Contractors that wish to be included on the list and whose inclusion on the list has been approved by the Relevant Officer. The Relevant Officer will not include a Contractor on the list unless a

satisfactory review has been carried out to establish the technical capability of the Contractor and an assessment of the financial standing carried out by the Head of Finance/Section 95 Officer.

32.7. The Relevant Officer will review the Contractors appointed to the Dynamic Purchasing System at least once every five years and undertake an assessment of insurance and financial standing on an annual basis.

32.8. The advertisement inviting applications to be appointed to the Dynamic Purchasing System will indicate the categories of Supplies, Services and Works to be included in the Dynamic Purchasing System and will be advertised in accordance with CSO 22.

32.9. The Relevant Officer will maintain records detailing the following:

32.9.1. The rejection or exclusion of Contractors from the Dynamic Purchasing System and the reasons for such exclusion or rejection; and

32.9.2. Arrangements to monitor the financial status of Contractors included on the approved list.

32.10. In the event that a Contractor is removed from the Dynamic Purchasing System or has an application to be added to the Dynamic Purchasing System refused, the Contractor shall be advised of the decision forthwith and the Relevant Officer shall keep a record listing the name and address of the Contractor and explaining the reasons why that Contractor has been removed from the Dynamic Purchasing System or why the application was refused.

32.11. The Relevant Officer will ensure that no Contractor has been excluded from, or included on, the Dynamic Purchasing System by reasons of consideration of non-commercial matters within the meaning of Section 17 of the Local Government Act 1988 or any statutory modification or re-enactment thereof.

32.12. The Relevant Officer may suspend a Contractor from a Dynamic Purchasing System in circumstances where the Relevant Officer has serious concerns regarding the Contractor’s ability to provide the Supplies, Services or Works in relation to which the Contractor is appointed to the Dynamic Purchasing System. The suspension will allow the Relevant Officer to carry out investigations regarding the Contractor’s fitness to remain appointed to the Dynamic Purchasing System. The suspension shall be for a period not exceeding six months or until the end of the investigation, whichever is sooner, at which point the Relevant Officer must either reinstate the Contractor to the Dynamic Purchasing System or remove the Contractor from the Dynamic Purchasing System and CSO 32.9 will apply.

32.13. The Service Manager (Procurement) is to be consulted prior to consideration of the setup of a new Dynamic Purchasing System.

32.14. Notices for contracts awarded under a Dynamic Purchasing System, where the System was put in place prior to 31 December 2020, will require to be published on FTS. The PCS advertising portal will ensure that this happens.

33. Electronic Tendering

33.1. Unless the Relevant Officer has agreed otherwise, tendering exercises shall be conducted by electronic means, provided that:

33.1.1. Electronic tendering is to take place using a system which has been approved by the Head of Corporate Governance; and

33.1.2. To use electronic tendering would not significantly restrict or distort competition.

33.2. Where electronic tendering is in use the contract notice will be published in accordance with CSO 22 and will provide information as to the internet address which offers unrestricted and full access by electronic means to the Contract Documents.

33.3. This CSO 33.3 shall replace CSOs 35, 36 and 37 in their entirety and where electronic tendering is in use the Relevant Officer will ensure that:

33.3.1. No Tender submitted by electronic means will be considered unless it is received in the format requested by the Council and at the electronic address specified by the Council before the deadline for the receipt of tenders.

33.3.2. Each tender is kept unopened in a single secure electronic mailbox that cannot be opened before the deadline for the receipt of tenders; and

33.3.3. For each tendering exercise the electronic tendering system shall, and if required for audit purposes, produce a record to show the time and date of the receipt of tenders.

33.4. Managers with Delegated Procurement Authority to a Level 4 in consultation with the Service Manager (Procurement) may extend the deadline for the submission of tenders by notifying all tenderers of the extension in the following circumstances:

33.4.1. Before Tenders are received by the Council.

33.4.2. Following the receipt of Tenders but before the Council has opened the tenders due to the functionality of the e-procurement system, and

33.4.3. Independent evidence has been obtained by the Council that the electronic tender advertising portal used was not operational immediately prior to and during the submission of tender deadline due to technical reasons.

33.5. Where an extension of the deadline for the submission of Tenders has been granted in accordance with CSO 33.4, tenderers that have submitted Tenders may be given the opportunity to re-submit their Tenders. Where tenderers are permitted to re-submit Tenders, the same opportunity will be extended to all tenderers.

33.6. Tenders with a value of over £50,000 that have been submitted by electronic means in accordance with this CSO 33 will be opened by the appropriately qualified Service Manager (Procurement) or equivalent Service Manager in the Capital Projects or Engineering teams all with Delegated Procurement Authority (DPA) and two officers one of whom must be on a salary grade of I or above.

33.7. When recording Tenders that have been submitted by electronic means, the Tender Opening Board must check the following:

33.7.1. That the Form of Tender has been signed and dated by the tenderer.

33.7.2. That the Certificate of Bona Fide Tendering has been signed and dated by the tenderer.

33.7.3. That the Price schedule has been completed.

33.8. If a Tender is incomplete, or does not conform to the Contract Documents, the Relevant Officer may decide to disqualify the Tender. If the Tender is disqualified the Relevant Officer must inform the tenderer at the earliest opportunity that the Tender has been disqualified and the reasons for disqualification.

33.9. Formal Tender opening procedures are not required for receipt of tenders for selection stage of the Restricted Procedure, establishment of a Dynamic Purchasing System or for the establishment of a Framework Agreement where no pricing is fixed at the initial stage.

33.10. For the avoidance of doubt, for Regulated Procurements, formal Tender opening procedures are required for all Open Procedure Tender submissions, and for subsequent call offs or mini-competitions from a Framework Agreement or works packages awarded via the Dynamic Purchasing System in accordance with CSOs 33.6 and 33.7 above.

34. Technical and Financial Checks

34.1. No Contractor may be awarded a Contract unless, following a review of the proposed Contractor, the Relevant Officer is satisfied as to:

34.1.1. The technical capability of the proposed Contractor; and

34.1.2. The financial standing of the proposed Contractor.

34.2. The assessment of the financial standing of proposed Contractors will be undertaken by the Head of Finance/Section 95 Officer.

34.3. It shall not be necessary to review the financial standing of a Contractor where the estimated value of the Contract is £50,000 or below.

34.4. It shall not be necessary to review the financial standing of a Contractor where a Contract is awarded either following a further competition under a Framework Agreement or a Dynamic Purchasing System. Further review of the financial standing of a contractor will not be necessary where a periodic financial review is undertaken as a condition of the contractor’s appointment to the Framework Agreement or Dynamic Purchasing System.

34.5. For the avoidance of doubt, it shall be necessary to undertake a proportionate review of the financial standing and insurance requirements prior to award of a Contract subject to a Non-Competitive Action in accordance with CSO 14.

34.6. The Relevant Officer will keep a record showing the results of each check of technical capacity and financial standing of Contractors.

34.7. Where the budget has increased following evaluation of the tenders there will be a requirement for a further review of the financial standing of the contractor by the Head of Finance/Section 95 Officer in accordance with 34.2 above.

35. Receipt and Custody

35.1. For hard copy Tenders the envelope containing the tender will be addressed to the Chief Executive as specified in the Contract Documents in whose custody it shall remain until the time arranged for its opening.

35.2. CSO 35.1 will not apply where e-procurement is used. Where e-procurement is in use CSO 33 will be complied with.

36. Late Tenders

36.1. Tenders received after the closing date and time specified in the Contract Documents will not be considered. Late Tenders will be returned to the Tenderer with a covering letter explaining why the Tender is not being considered. Late Tenders may be opened to ascertain the name of the tenderer but no details of the tender shall be disclosed.

37. Opening of Hard Copy Tenders

37.1. Tenders must be opened, simultaneously, in the presence of an Elected Member and two officers, one of whom must be on a salary grade of I or above.

37.2. When opening the Tenders, the Tender Opening Board comprising the Elected Member and two officers in accordance with CSO 37.1. must check the following:

37.2.1. That the Form of Tender has been signed and dated by the tenderer.

37.2.2. That the Certificate of Bona Fide Tendering has been signed and dated by the tenderer.

37.2.3. That the Price schedule has been completed.

37.3. If a Tender is incomplete, or does not conform to the Contract Documents, the Relevant Officer may decide to disqualify the Tender. If the Tender is disqualified the Chief Executive, Directors or Chief Officer must inform the tenderer at the earliest opportunity that the Tender has been disqualified and the reasons for disqualification.

37.4. Electronic tenders received via an electronic post box will be opened and recorded in accordance with CSOs 33.6 to 33.8.

38. Tender Evaluation

38.1. All Contracts will be awarded in accordance with the published award criteria and no others.

38.2. Tenders will be evaluated by a Tender Evaluation Panel which consists of at least two officers (three officers where the subject matter is more complex) with demonstrable technical ability to evaluate tenders.

38.3. Officers are required to complete a conflict of interest form for each individual tender evaluation prior to consideration and acceptance as a member of the Tender Evaluation Panel.

38.4. As a matter of good practice, no member of the Tender Evaluation Panel shall assess both the quality and price aspects of a Tender.

38.5. In instances where evaluation of price requires expert analysis, additional advice shall be sought from the service area.

38.6. Where an Abnormally Low Tender is identified, the Service Manager (Procurement) and Legal Services will be consulted prior to any decision made as to the treatment of the Abnormally Low Tender submission.

39. Checking of Tenders and Post Tender Negotiations

39.1. All Tenders shall be subject to checking by the Relevant Officer who will prepare a written report in respect of all Tenders received in a form that complies with CSO 39 and that contains a specific recommendation as to the acceptance of the successful Tender or Tenders and the reasons for the award recommendation.

39.2. Between the last date and time for the receipt of Tenders and the date on which a decision is taken as to which, if any, Tender is to be accepted, the Relevant Officer may choose to enter into post tender negotiations. Post tender negotiations will only be undertaken in circumstances where the Relevant Officer has identified the tenderer who has submitted either the lowest price or most economically advantageous tender, and where the Relevant Officer is satisfied that there is scope for improvement in the Tender received and that such negotiations will be in the best interests of securing better value for money or improved terms to the Council. Post tender negotiations may only be used where that Tenderer is clearly identified. Post tender negotiation shall not be used to put other tenderers at a disadvantage or distort competition.

39.3. Where it is considered possible that post tender negotiations might apply, a clear indication will be given to prospective Contractors in the contract documents that post tender negotiation might be considered.

39.4. Between the last date and time for the receipt of Tenders and the date on which a decision is taken as to which, if any, Tender is to be accepted, the Relevant Officer may contact a tenderer in respect of any Contract to validate or to clarify the terms of the Tender.

39.5. Notwithstanding the other terms of this CSO 39, where examination of the Tenders reveals obvious errors and discrepancies which would affect the tender figures, errors will be dealt with as follows:

39.5.1. Any obvious arithmetical errors will be rectified by the Relevant Officer checking the tenders, and the amount of tender shall be held to be correct so rectified and the tenderer informed of the corrected amount.

39.5.2. Where there is an obvious and genuine error in rates occurring, the tenderer will be given the opportunity of either confirming that he / she agrees with their tender being considered with the error remaining or withdrawing their tender. This procedure must be undertaken in writing. In the event that the tenderer decides to withdraw his / her tender, it will not be considered for acceptance. The tenderer must not be given the opportunity to submit an amended tender.

39.5.3. Tenders which include Bills of Quantities must be checked for arithmetical accuracy, and where inaccuracies are found, the tenderer must be given the opportunity to correct them in accordance with any applicable Code of Practice e.g. ACE, NEC, Institution of Civil Engineers (ICE) or Joint Contracts Tribunal (JCT).

39.6. A written record will be kept by the Relevant Officer where post tender negotiation has been used. The written record will include the justification for authorising post tender negotiations, the nature of the negotiations and the outcome of the negotiations.

40. Content of Award Recommendation Reports

40.1. For all Contracts established through a competitive procedure, a Contract Award Recommendation Report will be prepared for consideration and approval by the Director or Chief Officer of the relevant service area, or in the case of the Chief Executive's Service, by the Head of Corporate Governance, detailing the following information:

40.1.1. The nature of the requirements of the Contract and date that the Procurement Plan was completed and authorised.

40.1.2. The tendering procedures adopted.

40.1.3. A comparative digest of offers received.

40.1.4. For unregulated procurements for Supplies and Services and Works, the reason, where applicable, for receiving less than three quotations:

40.1.5. For procurement of works with a value of under £50,000, where the award criteria is based solely on cost/price, a summary of the risk assessment undertaken and the outcome of this.

40.1.6. Identification of Abnormally Low Tenders where applicable and actions taken.

40.1.7. A statement to confirm that the CSOs have been complied with.

40.1.8. A statement to confirm that a Sustainable Procurement Impact Assessment has been carried out where this is applicable.

40.1.9. Confirmation that the Contract is within budget and details of budget ledger code and where applicable, capital approval.

40.1.10. Details of any clarifications carried out and where post tender negotiation has been used a written record of the justification for its use, and the nature and outcome of the negotiations.

40.1.11. Benefits and savings available; and

40.1.12. A recommendation on the award of the Contract or Contracts.

41. Acceptance

41.1. Contracts will be signed by the Chief Executive, the Head of Corporate Governance or other officer with delegated authority to sign Contracts on behalf of the Council in accordance with CSO 13.1.

41.2. In relation to all Contracts, the Chief Executive, Directors, Chief Officer and the Head of Corporate Governance will keep a written record showing the assessment of each Tender against the published award criteria. The written record will demonstrate why the successful Tender was chosen and a statement to confirm that the Council's CSOs have been complied with.

41.3. All Tenderers will be informed in writing of the success or otherwise of their Tender as soon as reasonably practicable after the approval of the Contract Award Recommendation Report prepared in accordance with CSO 40.

41.4. Where the Contract exceeds the Threshold and the full procedural requirements of the Regulations apply, no Tender will be accepted until the mandatory standstill period has expired and the Chief Executive, Directors and Chief Officer are satisfied that no valid challenge has been received in relation to the Contract award decision.

41.5. The mandatory standstill period is a period of at least 10 calendar days between the date of dispatch of the letters issued (by email) and the date when it is proposed to enter into the Contract.

41.6. Where a challenge is made to the Contract award decision before the Contract is made, the Chief Executive, Directors or Chief Officer will refer the matter to the Head of Corporate Governance for consideration.

42. Contracts Register

42.1. The Service Manager (Procurement) will maintain a central register of all Contracts and ensure that an up to date web-based contracts register for contracts with value of £50,000 or more are available via the https://www.publiccontractsscotland.gov.uk portal. To meet the Council's statutory requirements of transparency the live Contracts Register is publicly available via the PCS Portal.

42.2. The Contract information that shall be entered into the register is as follows:

42.2.1. The date of the award of contract.

42.2.2. The name and address of the Contractor.

42.2.3. A description of the purpose of the Contract.

42.2.4. The duration of the Contract.

42.2.5. The estimated value of the Contract including any extensions available.

42.2.6. The start date.

42.2.7. The end date for the contract, or the circumstances in which the contract will end.

42.2.8. The duration of the potential extension periods to the Contract; and

42.2.9. Any other information relating to the Contract which the Chief Executive considers to be material.

42.3. The Council shall maintain a single, centrally managed internal contracts register for the purposes of business planning which shall be managed by the Council's Procurement Team.

42.4. The Chief Executive, Directors and Chief Officer shall provide a plan to the Service Manager (Procurement) no later than 1 April each year showing their plans for contracting activity in the following two calendar years, in order to allow for the publication of the Council's Annual Procurement Strategy and Plan by 31 December of each year.

42.5. For the purpose of maintaining a register in accordance with CSO 42, the Relevant Officer will send a copy of all Contract award letters to the Service Manager (Procurement).

43. Contract Award Notice

43.1. For the purpose of transparency, where the Contract has been advertised in accordance with CSO 22.2, the Relevant Officer will publish a Contract Award Notice on the PCS portal.

43.2. A Contract Award Notice must be published on the PCS portal for all Over Threshold Regulated Procurements, Regulated Procurements, all Health and Social Care Contracts including direct awards, all Framework Agreement call-offs and purchases under a Dynamic Purchasing System or Negotiated Procedure where appropriate.

43.3. Where the Contract exceeds the Threshold and is subject to the Regulations a Contract Award Notice must be published no later than 30 days after the award of the Contract.

43.4. For Regulated Procurements and for Over Threshold Regulated Procurements which are equal to or greater than £4,000,000 the contract must include the following:

43.4.1. A summary of the community benefit requirement that will be included in the contract, or

43.4.2. Where the public body does not intend to include any such requirements, a statement of its reasons for not including any such requirements.

43.4.3. Where community benefits are included in a Regulated Procurement and / or an Over Threshold Regulated Procurement the Council must include in the Contract Award Notice a statement of the benefits it considers will be derived from those requirements.

44. Specifications

44.1. Where there is a recognised British, or International Standard applicable to any Contract which is current at the date of Tender, the Contract Documents shall require that the Supplies and Services shall meet the requirement of that standard.

44.2. The Relevant Officer shall avoid reference within specifications which has the effect of favouring or eliminating any particular Contractors by specifying a particular material or a specific make. In exceptional circumstances such references may be justified e.g. where the subject matter of the proposed Contract makes the use of such references indispensable. In circumstances where the use of such references becomes indispensable, it will be accompanied by the words 'or equivalent'.

45. Assignation, Sub-Contracting, Termination and Variation

45.1. In every Contract there shall be included a provision whereby the Contractor shall be prohibited from transferring or assigning its interest to any persons without the prior consent of the Council.

45.2. The sub-contracting of any part of a Contract except to the extent permitted in writing by the Relevant Officer shall be prohibited.

45.3. The Relevant Officer may terminate any Contract or part of a Contract or agree to vary or amend the terms of any Council Contract but only following consultation with the Head of Finance/Section 95 Officer and the Head of Corporate Governance being satisfied that it is reasonable and in the best interests of the Council to exercise that power.

46. Liquidated and Ascertained Damages

46.1. Where the value of a Contract exceeds £100,000 or for complex procurements assessed on a case by case basis, the Chief Executive, Directors and Chief Officer will consider whether it is appropriate for the Contract to include a provision for liquidated and ascertained damages. The amount to be specified in the Contract will be determined by the Relevant Officer in consultation with the Head of Finance/Section 95 Officer. The assessment of liquidated and ascertained damages will be a pre-determined and genuine estimate of loss to the Council.

47. Performance Bonds

47.1. Where the contract value exceeds £1,000,000 the Relevant Officer will consider whether it is appropriate to provide for performance bonds. The amount for each performance bond will be approved by the Head of Finance/Section 95 Officer. The bond will be in a form that is acceptable to the Head of Finance/Section 95 Officer and the Head of Corporate Governance.

48. Insurance

48.1. The Relevant Officer will ensure that appropriate risk management measures are in place to protect the Council, and that Contractors hold adequate insurance for the period of the Contract. The level of insurance cover held by Contractors will be considered on a case by case basis and will be commensurate with the scale, complexity and associated risks of the Contract.

48.2. The Chief Executive, Directors, or Chief Officer will consult with the Head of Finance/Section 95 Officer where there is any doubt regarding the level of insurance cover that is required to be held by Contractors.

49. Prevention of Collusion and Corrupt or Illegal Practices

49.1. In every written Contract a clause shall be inserted to secure that the Council shall be entitled to cancel the Contract and to recover from the Contractor the amount of any loss resulting from such cancellation if the Contractor or the Contractor’s representative (whether with or without the knowledge of the Contractor), shall have practised collusion in tendering for the Contract or shall have employed any corrupt or illegal practices either in the obtaining or performance of the Contract.

50. Sustainable Procurement

50.1. Before undertaking a regulated procurement exercise the Relevant Officer shall take into account the social, economic and environmental impacts of the proposed Contract and whether the Contract will contribute to the achievement of sustainable development in accordance with the Sustainable Procurement Duty and the Council's Sustainable Procurement Policy.

50.2. For any procurement equal to or greater than £4,000,000 in value, the Council must consider whether to impose community benefit requirements as part of the procurement.

50.3. The Relevant Officer will consider, under CSO 50.1, factors that are relevant and proportionate to the proposed Contract, including but not limited to sustainable procurement award criteria.

50.4. The Relevant Officer will consider under CSO 50.1 whether the Contract is determined as either a 'relevant' or 'priority' contract in terms of impact on Climate Change in accordance with the Scottish Government's Sustainable Procurement Tools Guidance.

50.5. The Relevant Officer will ensure that a Sustainable Procurement Impact Assessment (SPiA) is carried for all procurement exercises for all relevant goods, services and works contracts where there is potential to minimise the use of carbon-based energy and its associated emissions.

51. Consultants

51.1. The appointment of consultants is subject to these CSOs, unless the appointment is exempt in terms of CSO 14.2 or subject to an exception as per CSO 14.3, and the Council's Financial Regulations.

51.2. The Relevant Officer will ensure that effective contract management arrangements are established to ensure the delivery of cost effective consultancy services which meet the Contract, i.e. the work required is completed on time, within budget and to specification.

51.3. Where it is appropriate and possible to do so, the Relevant Officer shall procure that ownership of Intellectual Property Rights in reports and other documents generated by consultants shall be assigned to the Council on such terms as the Council may reasonably require.

52. Procurement Strategy

52.1. The Chief Executive, Directors and Chief Officer will ensure that a Procurement Strategy is published to set out how the Council intends to ensure that its procurement activities deliver value for money and contribute to the achievement of the Council's broader aims and objectives in line with Scotland's Public Procurement Strategy.

52.2. The Council will in its Procurement Strategy help promote the positive impacts that public procurement can have on Scotland's economy and public services.

52.3. The Chief Executive, Directors and Chief Officer will ensure that Consultation and Publication of a Procurement Strategy is carried out and that, in order to be meaningful

and effective, engagement must be proportionate, manageable, and forward looking enough to allow time to incorporate findings into individual requirement contracting / Procurement Strategies.

52.4. By 1 April of each year, the Council will review and update the Procurement Strategy in accordance with the Statutory Guidance as at CSOs 1.3 which shall contain the following:

52.4.1. How it intends to ensure that its regulated procurements will contribute to the carrying out of its functions and the achievement of its purposes.

52.4.2. How it intends to ensure that its regulated procurements will deliver value for money.

52.4.3. How it intends to ensure that its regulated procurements will be carried out in compliance with its duties under section 8 of the Procurement Reform (Scotland) Act 2014:

52.4.3.1. Treat relevant economic operators equally and without discrimination.

52.4.3.2. Act in a transparent and proportionate manner.

52.4.3.3. Sustainable procurement duty.

52.4.4. How it intends to comply with the Council's general policy on:

52.4.4.1. The use of community benefits requirements.

52.4.4.2. Consulting and engaging with those affected by its procurements.

52.4.4.3. The living wage being paid to persons involved in producing, providing or constructing the subject matter of regulated procurements.

52.4.4.4. The promotion of compliance with Health and Safety legislation.

52.4.4.5. The procurement of fairly and ethically traded goods and services.

52.4.5. How it intends its approach to regulated procurements involving the provision of food to:

52.4.5.1. Improve the health, wellbeing and education of communities in the authorities area; and

52.4.5.2. Promote the highest standards of animal welfare.

52.4.6. How the Council intends to ensure that, so far as reasonably practicable, the following payments are made no later than 30 days after the invoice (or similar claim) relating to the payment is presented:

52.4.6.1. Payments due by the Council to a contractor.

52.4.6.2. Payments due by a contractor to a sub-contractor.

52.4.6.3. Payments due by a sub-contractor to a sub-contractor.

52.5. The Council recognises its obligation to consult stakeholders including businesses, third sector organisations, communities and citizens who may have an interest in the Council's contracting for services. In support of this, it will develop a communication plan to ensure appropriate engagement with all sectors in Orkney, and will, where reasonably practicable, include an annual 'meet the buyer event' to provide a platform for market consultation and engagement with suppliers.

53. Procurement Annual Report

53.1. The Chief Executive, Directors and Chief Officer will ensure that the Council's procurement activity complies with the relevant legislation and that the decisions it takes in the context of its procurement activities are in accordance with the legislation and its own procurement objectives.

53.2. The Chief Executive, Directors and Chief Officer will ensure that the Procurement Strategy is reviewed annually and the revised Procurement Strategy and Procurement Annual Report are published on an annual basis and in accordance with the Statutory Guidance as at 1.3.

54. Collaborative Procurement

54.1. The Council may enter into a joint procurement exercise with another public body, which in its entirety, is carried out jointly and in the name of all the public bodies concerned and shall be jointly responsible for ensuring that applicable legislation is complied with. This also applies in cases where one public body manages the procedure, acting on its own behalf and on the behalf of the other public bodies concerned.

55. Prevent Duty

55.1. The Chief Executive, Directors and Chief Officer will ensure that Tendering and Contract documentation will include a requirement for all Contractors to the Council to support the Council's PREVENT duty to prevent radicalisation and support counter-terrorism where appropriate to the subject matter of the Contract.

Appendix 1

Non Competitive Action (NCA)

1. It is Council policy that Contracts for Supplies, Services and Works should be awarded on the basis of value for money following a genuine and effective competition. This policy recognises that there may be occasions where it is appropriate to award a Contract without following a genuine and effective competition. This procedure is known as NCA and can only be applied in exceptional circumstances and after a financial and insurance assessment has been carried out.

2. Officers should refer to CSO 14 where the exemptions and exceptions are detailed; please note that an NCA is not required where the value of the Contract is less than £10,000 for Supplies and Services and Works.

   Where the NCA refers to the procurement of Services, Supplies or Works under a new Contract instead of an extension or variation to an existing Contract, CSO 16 applies and a Procurement Plan is required.

3. An NCA will only be approved when a genuine business need exists which outweighs the need to subject the requirement to competition. Evidence in support of the NCA must stand up to scrutiny or challenge.

4. Only the Chief Executive or their designated substitute has the authority for final approval of an NCA.

5. Prior to seeking authority from the Chief Executive for an NCA, advice and guidance must be sought from the Head of Finance / Section 95 Officer, Service Manager (Procurement) and the Head of Corporate Governance to ensure that there is sufficient information contained within the request to enable the Chief Executive to consider the NCA.

6. The Chief Executive, in consultation with the Head of Finance/Section 95 Officer, the Head of Corporate Governance and the Service Manager (Procurement), as appropriate, will decide whether or not to authorise the request to proceed without competition.

7. Following approval, a scanned copy of the NCA Form must in all cases be sent to the Service Manager (Procurement) for inclusion on the NCA register.

8. Where a request for NCA is rejected then a competition will be necessary. The level of competition will depend on the value, nature and complexity of the purchase.

Request for Non-Competitive Action NCA xxx

Note: Once completed and signed by the Director or Chief Officer seeking the Exception, this form must be sent to the Chief Executive for Approval.

Details of the Service seeking Non-Competitive Action		
1. Name		
2. Service		
Details of NCA exception request		
3. Contractor's Name		
4. Contract Title		
5. Type of Contract	Supplies/Services/Works	
6. Value (excluding VAT)		
7. Duration		
8. Is the request an amendment to an existing contract?		Yes/No
9. If Yes, was the original contract competitively tendered?		NA
10. Has a financial and insurance assessment been carried out?		Yes/No
11. Justification for non-competitive action		
12. Include reference to CSOs – Clause 14 Exemptions and Exceptions – detailing the exemption or exception referred to in the NCA request (including full details and explanation as necessary)		

Signature by Director/Chief Officer seeking approval of NCA.	In submitting this NCA, I confirm that the information that I have submitted above is accurate and that the exception/exemption relied on is appropriate.
Name of Director/Chief Officer seeking approval of NCA.	
Date	
Reviewed by Head of Finance/Section 95 Officer, including any comments. Signature and Date.	
Head of Finance/Section 95 Officer (Print name).	
Reviewed by Service Manager (Procurement), including any comments. Signature and Date.	
Service Manager (Procurement) (Print name).	
Reviewed by Head of Corporate Governance, including any comments. Signature and Date.	
Head of Corporate Governance (Print name).	
I approve the exception requested / I am unable to agree to the exception request (please delete or highlight as applicable)	
Signature	
Chief Executive (Print name).	
Date	

Minute

Police and Fire Sub-committee

Tuesday, 18 November 2025, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors David Dawson, Duncan A Tullock, Alexander G Cowie, Raymond S Peace and Mellissa-Louise Thomson.

Present via remote link (Microsoft Teams)

Councillors Graham A Bevan and Jean E Stevenson.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Hayley Green, Director of Infrastructure and Organisational Development (for Item 1).
- Kenny MacPherson, Head of Property and Asset Management.
- Karen Bevilacqua, Service Manager (Legal Services).
- Donna-Claire Hunter, Service Manager (Safety and Resilience).

In Attendance via remote link (Microsoft Teams)

Scottish Fire and Rescue Service:

- Robert Lennox, Area Commander.
- James Robertson, Station Commander.
- Conrad Omand, Watch Commander.

Police Scotland:

- Inspector David Hall.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor David Dawson.

1. Performance Against Orkney Fire and Rescue Plan

After consideration of a report by Robert Lennox, Local Senior Officer, copies of which had been circulated, and after hearing reports from James Robertson, Station Commander, and Conrad Omand, Watch Commander, the Sub-committee:

Scrutinised the statistical performance of the Scottish Fire and Rescue Services, Orkney Islands area, for the period 1 July to 30 September 2025, detailed in the Quarterly Performance Report, attached as Appendix 1 to the report by the Local Senior Officer, and obtained assurance that progress was being made against the objectives.

2. Conclusion of Meeting

At 14:42 the Chair declared the meeting concluded.

Signed: David Dawson.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 19 November 2025, 14:15.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Pension Fund Sub-committee:

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Rachael A King and Mellissa-Louise Thomson.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, David Dawson and Owen Tierney, Orkney Islands Council.

Trade Union Representative:

Eileen Swanney (Unison).

Present via remote link (Microsoft Teams)

Pension Fund Sub-committee:

Councillors Kristopher D Leask and Heather N Woodbridge.

Pension Board:

Employer Representative:

Karen Ritch, Orkney Ferries Limited.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Robert Adamson, Service Manager (Payroll and Pensions).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Paul Maxton, Solicitor.
- Katie Gibson, Team Manager (Corporate Finance).
- Katrina Tait, Team Manager (Pensions).

Hymans Robertson:

- Chris King, Investment Consultant.

Apology

Pension Board, Trade Union Representative:

- Karen Kent (Unison).

Not Present

Pension Board, Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

1.1. The revenue financial summary statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 September 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £32,695,200.

1.2. The revenue financial service area statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 September 2025, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

1.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that appropriate action was being taken with regard to significant budget variances.

2. Pensions Administration – Performance

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Payroll and Pensions), the Sub-committee:

Scrutinised the Pension Fund administration activities, together with performance against key service standards, for the period 1 April to 30 September 2025, as detailed in sections 3 to 8 of the report by the Head of Finance, and obtained assurance.

3. Orkney Islands Council Pension Fund – Pre/Post Divorce Charges

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Payroll and Pensions), the Sub-committee:

Resolved, in terms of delegated powers, that the CH1 Form Schedule of Charges for the Local Government Pension Scheme, attached as Appendix 1 to this Minute, be approved.

4. Pension Regulator General Code of Practice

Self-Assessment of Compliance

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Scrutinised the Pension Regulator's General Code of Practice self-assessment results and Summary Scorecard including actions points, attached as Appendices 1 and 2 respectively to the report by the Head of Finance, and obtained assurance.

5. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

6. Statement of Managed Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Scrutinised:

6.1. The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 30 September 2025.

6.2. The IFM Investors Infrastructure Climate Change report for 2024, attached as Appendix 2 to the report by the Head of Finance.

6.3. The Baillie Gifford report for the quarter ending 30 September 2025, attached as Appendix 3 to the report by the Head of Finance.

7. Orkney Islands Council Pension Fund – Private Debt Allocation

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to private debt allocation.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Councillor Heather N Woodbridge left the meeting during discussion of this item.

8. Orkney Islands Council Pension Fund – Climate Transition Action Plan

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, that the Climate Transition Action Plan, attached as Appendix 2 to this Minute, be approved.

9. Conclusion of Meeting

At 15:05 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

FORM CH1

Schedule of Charges for the Local Government Pension Scheme (LGPS)

A. Scheme member not yet retired – about to divorce

Procedure	Comments	Cost
Produce CETV quotation (member or Court does not stipulate deadline for production) Produce CETV quotation (member or Court requires within 3 months)	Standard annual entitlement under PSA 1993 (to be provided within 3 months of relevant date) Standard CETV under PSA 1993 (to be provided within deadline requested)	£0 £154.00 *
Additional CETV quotations based on different dates		£154.00 * per additional quote
Provision of other information	If under disclosure of information regulations Otherwise, depending on nature of request	£0 Maximum £154.00 *
Receipt of pension sharing order or consent order where the spouse (the credited member) is under 65	To cover all administration costs from receipt of pension sharing order to completion of pension payments	£854.00
Establish a new pensioner record where the spouse (the credited member) is 65 or over	To cover all administration costs from receipt of pension sharing order to completion of pension payments	£854.00
Assuming all documentation is in place, settle a transfer out (instead of 4)	This only applies if the credited member asks for a transfer out at the outset. Otherwise, the charges in 4 will apply and no additional charge will be levied if the credited member subsequently asks for a transfer-out	£409.00
Objections to order by Scheme	Onus should be on the draftsman of the order to ensure that it is correctly drafted prior to issue	Costs for dealing with inoperable orders will be passed on

B. Scheme member retired – pension in payment – about to divorce

Procedure	Comments	Cost
Assess the value of the Pension in payment, Including any contingent Benefits		£409.00 *
Receipt of pension sharing Order or consent order Where the spouse (the Credited member) is under 65	To cover all administration costs from receipt of pension sharing order to completion of pension payments	£854.00
Establish new pensioner record where the spouse (the credited member) is 65 or over	To cover all administration costs from receipt of pension sharing order to completion of pension payments	£854.00
Assuming all documentation is in place, settle a transfer Out (instead of 2, above)	This only applies if the credited member asks for a transfer out at the outset. Otherwise, the charges in 2 will apply and no additional charge will be levied if the credited member subsequently asks for a transfer out	£409.00

Notes:

1. Any additional costs arising if specialist actuarial, legal, etc advice is requested will be charged in full in addition to the figures quoted above.
2. Where a scheme member has an Additional Voluntary Contribution contract under the LGPS, the insurance company, etc may charge for the provision of information. Any such charges will be charged in full in addition to the figures quoted above.
3. Any reasonable administrative costs incurred or likely to be incurred in complying with an " earmarking order" will be charged to the pensioner member.
4. Any costs incurred in relation to a "pension sharing order" which is made the subject of an application for leave to appeal out of time will be recovered by the authority administering the pension fund.
5. VAT will be payable in addition to all the above charges.
6. All charges are correct at the time of production of this charging schedule (April 2009). The authority administering the pension fund will increase its charges each April by RPI (over the 12 months to the previous September).
7. The standard practice of the authority administering the pension fund is that the full amount of the charges marked with an "*" must be paid, by either party to the divorce, before the relevant action is undertaken. All other charges can either be paid
8. in full at the point of action, by either party to the divorce, or
9. by part payment at the point of action, by either party to the divorce, with the balance being deducted from either the cash value awarded to the ex-spouse (the credited member) under the sharing order or agreement before it is converted into an annual pension value under the LGPS or, if the credit member wishes to immediately transfer the pension credit to another scheme, from the transfer value payable in respect of the credited member, or
10. by deduction in full of either the cash value awarded to the ex-spouse (the credited member) under the sharing order or agreement before it is converted into an annual pension value under the LGPS or, if the credit member wishes to immediately transfer the pension credit to another scheme, from the transfer value payable in respect of the credited member, or
11. by deduction in full of any share of a scheme member's Additional Voluntary Contribution 'pot' awarded to the ex-spouse (the credited member) under the sharing order or agreement.
12. The authority administering the pension fund will, however, comply with the charging requirements specified in an order or agreement.

Appendix 2.

Climate Transition Action Plan

Pages 2694 to 2706.

Resolved that, under section 50A(4) of the Local Government (Scotland) Act 1973, the public were excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part I of Schedule 7A of the Act.

This constitutes a summary of the Appendix in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

Paragraph 6.	Information relating to the financial or business affairs of any particular person (other than the authority).
Paragraph 9.	Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

Minute

Investments Sub-committee

Thursday, 20 November 2025, 14:15.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors Alexander G Cowie, Steven B Heddle, Rachael A King, Mellissa-Louise Thomson and Heather N Woodbridge.

Present via remote link (Microsoft Teams)

Councillors P Lindsay Hall and Kristopher D Leask.

Clerk

- Sandra Cragie, Committees Officer.

In Attendance

- Gareth Waterson, Director of Enterprise and Resources.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Katie Gibson, Team Manager (Corporate Finance).
- Michael Scott, Solicitor.

Hymans Robertson:

- Chris King, Investment Consultant.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee:

Noted:

1.1. The revenue financial summary statement in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 September 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £11,732,300.

1.2. The revenue financial service area statement in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 September 2025, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

1.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtain assurance that appropriate action was being taken with regard to significant budget variances.

2. Treasury Management – Mid-Year Update

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Scrutinised the mid-year update for 2025/26, attached as Appendix 1 to the report by the Head of Finance, prepared by Link Treasury Services, the Council's Treasury Adviser, which covered the following elements of treasury management, and obtained assurance that Treasury Management Practices were operating effectively:

- An economic update for the first half of financial year 2025/26.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators.
- A review of the Councill's investment portfolio for 2025/26.
- A review of the Council's borrowing strategy for 2025/26.
- A review of compliance with Treasury and Prudential Limits for 2025/26.

3. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Heather N Woodbridge, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

4. Strategic Reserve Fund – Private Debt Allocation

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to private debt allocation.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

5. Statement of Managed Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Scrutinised:

5.1. The investment monitoring report for the Strategic Reserve Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 30 September 2025.

5.2. The Barings Global High Yield Credit Strategies Fund ESG report for the quarter ending 30 September 2025, attached as Appendix 2 to the report by the Head of Finance.

5.3. The Schroders Sustainable Investment report for the quarter ending 30 September 2025, attached as Appendix 3 to the report by the Head of Finance.

6. Conclusion of Meeting

At 14:34 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

Minute

Asset Management Sub-committee

Tuesday, 27 January 2026, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors Alexander G Cowie, Steven B Heddle, Kristopher D Leask, Janette A Park, Ivan A Taylor and Heather N Woodbridge.

Present via remote link (Microsoft Teams)

Councillor Mellissa-Louise Thomson.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Kenny MacPherson, Head of Property and Asset Management.
- Graeme Christie, Service Manager (Estates and Property Asset Management).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Glen Thomson, Service Manager (Property and Capital Projects).
- Michael Scott, Solicitor.
- Gwyn Evans, Strategic Projects.

Observing

- Thomas Aldred, Service Manager (ICT).
- Kirsty Groundwater, Team Leader (Communications).

Declaration of Interest

- Councillor Janette A Park – Item 2.

Chair

- Councillor Alexander G Cowie.

1. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Heather N Woodbridge, the Sub-committee resolved that the public be excluded from the meeting for consideration of Item 2, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Proposed Sale of Property

Councillor Janette A Park declared an interest in this item and was not present during discussion thereof.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing a report from the Service Manager (Estates and Property Asset Management), the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to the proposed sale of property.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

3. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

3.1. The revenue financial summary statement in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £368,600.

3.2. The revenue financial service area statement in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 2 to the report by the Head of Finance.

3.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

4. Corporate Asset Maintenance Programmes

Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

4.1. The summary position of expenditure incurred, as at 31 December 2025, against the approved corporate asset maintenance programmes for 2025/26, as detailed in section 1.4 of the report by the Head of Finance.

4.2. The detailed analysis of expenditure figures and programme updates in respect of the approved corporate asset maintenance programmes for 2025/26, attached as Appendix 1 to the report by the Head of Finance.

5. Corporate Asset Improvement Programmes

Capital Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

5.1. The summary position of expenditure incurred, as at 31 December 2025, against the approved corporate asset improvement programmes for 2025/26, as detailed in section 1.4 of the report by the Head of Finance.

5.2. The detailed analysis of expenditure figures and programme updates in respect of the approved corporate asset improvement programmes for 2025/26, attached as Appendix 1 to the report by the Head of Finance.

6. Conclusion of Meeting

At 10:02 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.