

Minute

Policy and Resources Committee

Tuesday, 27 February 2024, 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, Gwenda M Shearer, Gillian Skuse, Jean E Stevenson, Ivan A Taylor, Mellissa-Louise Thomson, Owen Tierney and Duncan A Tullock.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Oliver D Reid, Chief Executive.
- Stephen Brown, Chief Officer, Orkney Health and Social Care Partnership.
- Karen Greaves, Corporate Director for Strategy, Performance and Business Solutions.
- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- James Wylie, Corporate Director for Education, Leisure and Housing.
- Gavin Mitchell, Head of Legal and Governance.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Pat Robinson, Service Manager (Accounting).

Observing

- Kenny MacPherson, Head of Property, Asset Management and Facilities (for Items 1 and 2).
- Alex Rodwell, Head of Improvement and Performance.
- Glen Thomson, Service Manager (Property and Capital Projects) (for Items 1 and 2).
- Kirsty Groundwater, Communications Team Leader.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Heather N Woodbridge.

1. Adjournment

Following the preliminaries, the Leader advised that, in light of additional information received from the Scottish Government, after publication of the papers for this meeting, she proposed that the meeting be adjourned, to enable officers to update members in respect of matters relating to the proposed Council Tax freeze and associated financial implications.

The meeting was thereafter adjourned and reconvened at 10:45.

2. Capital Programme Affordability

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 Committee:

Noted:

2.1. That development of capital projects could be funded by several sources, as follows:

- Scottish Government General Capital Grant and other specific grants.
- Capital grants from other external sources.
- Capital receipts generated through the sale of assets.
- Capital contributions from internal reserves.
- Capital financed from current revenue income or surpluses.
- Borrowings from the Loans Fund.

2.2. That the annual award of General Capital Grant allowed the funding of the undernoted annual improvement programmes, totalling £3,921,000, with the remaining balance spent in the year of receipt to lower the level of borrowings required to deliver the capital programme:

- Corporate Asset Replacement – £1,351,000.
- Road Asset Replacement Programme – £950,000.
- IT Replacement Programme – £420,000.
- Plant and Vehicle Replacement Programme – £1,200,000.

2.3. That the General Capital Grant awarded for financial year 2024/25 from the Scottish Government had seen a reduction of £1,234,000 on the previous year, to £4,640,000, which reduced the affordability of the capital programme going forward.

2.4. That the loan charges budget to repay debt was baselined at £3,500,000 with effect from 1 April 2024 and must cover the cost of any General Fund borrowing to finance capital spend as well as management of the capital programme, at a cost of £200,000.

2.5. That, in addition to the sum of £200,000 charged in respect of delivery of the capital programme, a further sum of £200,000 was set aside in the Capital Project Appraisal Fund, established to provide revenue budgets for Services to develop capital project appraisals when existing revenue budgets were no longer sufficient to fund those costs.

2.6. That Services accessed the Capital Project Appraisal Fund through initial approval by the Capital Planning and Asset Management sub-group and then final approval by the Corporate Leadership Team.

2.7. That the undernoted trading accounts of the Council did not have access to the loan charges budget to repay their debt, therefore any borrowings incurred on capital projects must be paid for from within their own budgets, including payment of principal, interest and debt management fees:

- Housing Revenue Account.
- Scapa Flow Oil Port.
- Miscellaneous Piers and Harbours.
- Quarry Service.
- Strategic Reserve Fund.

2.8. That the charges detailed at paragraphs 2.4 and 2.5 above, left a net loan charges budget of £3,100,000, which equated to headroom for General Fund Services to borrow a maximum of £32,000,000 over the next five years, from 1 April 2024 to 31 March 2029.

3. General Fund Reserves Strategy

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:

3.1. That the Council should be clear on the purpose for holding any reserves and the protocols for their use.

3.2. The broad range of reserve levels within which local authorities might reasonably operate depending on their particular circumstances.

3.3. That, as at 31 March 2023, the Council held reserves balances, totalling £37,554,605, as detailed in section 4 of the report by the Head of Finance.

3.4. That, during the budget setting process for financial year 2023/24, it was recognised that an allocation from General Fund balances, totalling £8,843,200, would be required to fund General Fund services.

3.5. The effect of recognising the commitment detailed at paragraph 3.4 above, namely, to further reduce the non-earmarked General Fund balance from £11,638,994 to £2,795,794.

3.6. That the Council's Reserves Strategy set a target for the non-earmarked General Fund balances at 2% of net budgeted expenditure.

3.7. The purpose for holding each of the Council's earmarked reserves and the non-earmarked General Fund Balances, as set out in Appendix 1 to the report by the Head of Finance.

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

3.8. That the non-earmarked General Fund Balance for 2024/25 be set at 2% of the net revenue budget for 2024/25, with a minimum balance of approximately £2,250,000 as a contingency for in-year pressures.

3.9. That, should the Council return an overspend position for 2023/24, any uncommitted balances held within earmarked funds should be returned to non-earmarked General Fund reserves, to meet in-year overspends and retain the 2% contingency balance for non-earmarked General Fund balances.

3.10. That powers be delegated to the Head of Finance, in consultation with the Chief Executive and Corporate Directors, to make the adjustments to reserves balances, taking account of the 2023/24 year-end position and ongoing budget pressures for 2024/25.

4. Strategic Reserve Fund – Budget Review and Long-Term Forecast

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

Noted:

4.1. That the Strategic Reserve Fund contributed £6,350,000 to the General Fund for financial year 2023/24.

4.2. That, on 19 December 2022, when reviewing the level of disbursements from the Strategic Reserve Fund used to support General Fund Services and other Council priorities for financial year 2023/24 onwards, indicative budgets for 2024/25 and 2025/26 of £6,350,000 were approved.

4.3. That the Strategic Reserve Fund Managed Funds investments were forecast to underperform against the approved budget for financial year 2023/24, as indicated in the probable outturn column of Appendix 1 to the report by the Head of Finance.

4.4. That, after allowing for distributions of £7,830,000 during financial year 2023/24, the value of the Strategic Reserve Fund was estimated to decrease by £7,086,000 to £222,191,000 as at 31 March 2024.

4.5. That the existing distribution commitments of £12,510,000 for financial years 2024/25 to 2026/27, and the sum of £53,000,000 proposed to be allocated to support General Fund Services over the same period, were reflected in the 3-year budget and the 10-year forecast, attached as Appendices 1 and 2 respectively to the report by the Head of Finance.

4.6. That the “floor” established at £175,000,000, at 1 April 2012 and indicated in the 10-year forecast, attached as Appendix 2 to the report by the Head of Finance, was unlikely to be regained as commitments on the Strategic Reserve Fund were unlikely to diminish.

4.7. That, while less volatility existed, uncertainty remained within the global economy and therefore instability could be anticipated from investment returns over the short to medium term.

4.8. That the strategies for local investments and externally managed fund investments continued to be reviewed regularly.

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

4.9. That a financial contribution of up to £20,000,000 from the Strategic Reserve Fund to the General Fund be used as a planning assumption as part of the Council's budget setting process for financial year 2024/25.

4.10. That the Strategic Reserve Fund allocation to General Fund services for financial year 2024/25, amounting to £20,000,000, be notionally allocated to preventative services.

4.11. That the Strategic Reserve Fund budget for financial year 2024/25, together with indicative budgets for 2025/26 and 2026/27, attached as Appendix 1 to this Minute, be approved.

4.12. That the long-term 10-year budget forecast for the Strategic Reserve Fund, attached as Appendix 2 to this Minute, be endorsed as a financial planning document.

4.13. That a very prudent approach be taken when considering requests for future disbursements from the Strategic Reserve Fund, with the Strategic Reserve Fund being considered as a last resort funding source by Services.

5. Budget and Council Tax Level for 2024/25

After consideration of a joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance, together with Equality Impact Assessments, copies of which had been circulated, the Committee:

Noted:

5.1. That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2024/25, with the provisional revenue grant funding to the Council amounting to £95,596,000, which included a provisional specific grant allocation of £15,829,000 for provision of ferry services.

5.2. That the Council's funding had been reduced by a contribution to the Local Government financial settlement floor mechanism, designed to ensure a consistent minimum increase or maximum decrease in funding across all councils, of £976,000, down by £312,000 from £1,288,000 in 2023/24.

5.3. That Local Government Finance Circular 8/2023, which provided details of the provisional total Local Government revenue and capital funding for 2024/25, referred to a funding package worth over £13.9 billion and included multiple measures that made up the settlement, as detailed in section 4.2 of the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance.

5.4. That the settlement included funding for a Council Tax freeze for financial year 2024/25, funded to the equivalent of a 5% net increase in Council Tax.

5.5. That services had been asked to identify efficiency savings for financial year 2024/25, which were summarised in section 8 of the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance and amounted to £2,463,700.

5.6. That the September 2023 headline rate of Consumer Price inflation was 6.7%, down from 10.1% in September 2022.

5.7. That there was a requirement for significant and real savings to be made, in order that the Council budget could remain sustainable in the short to medium term.

5.8. That, to assist in achieving a balanced budget for 2025/26, efficiency targets had been suggested for each service, as noted in section 9.4 of the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance.

5.9. The Equality Impact Assessment, attached as Appendix 7 to the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance, relating to the overall budget proposals.

5.10. The advice, outlined in section 15 of the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance, regarding risks to the Council's ability to continue to meet, in a secure manner, all of its responsibilities and the expectations placed upon it.

5.11. That, as a consequence of paragraph 5.10 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Alexander G Cowie, the Committee resolved:

5.12. That the public be excluded from the meeting in respect of discussion of the matters contained in Appendices 2 and 5 of the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance, on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1, 4, 6 and 8 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

Officers responded to questions from elected members on the detail contained within Appendices 2 and 5 to the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance regarding unavoidable service pressures and proposed efficiency savings.

Upon conclusion of discussion of the matters contained in Appendices 2 and 5 to the joint report by the Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance and, thereby, the exclusion of the public, the Committee thereafter resolved to **recommend to the Council**:

5.13. That the General Fund revenue budget for financial year 2024/25 be set at £112,424,000.

5.14. That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive, to revise the General Fund revenue budget for financial year 2024/25 in respect of any change to the estimated funding level referred to at paragraph 5.1 above.

5.15. That any additional funding secured for 2024/25, that was not specific to government initiatives that must be funded, be retained in the non-earmarked General Fund balance and used to reduce the exceptional draw on reserves.

5.16. That, should the Deputy First Minister and Cabinet Secretary for Finance confirm to the Council, by no later than 10 March 2024, that the funding compromise and commitments set out in her letter to CoSLA Leaders dated 21 February 2024, as they applied to Orkney Islands Council would be made available to the Council without restrictions adversely impacting on how those commitments could be applied to the Council budget, the Band D Council Tax level for financial year 2024/25 be frozen and maintained at the same level as for 2023/24.

5.17. That powers be delegated to the Chief Executive, in consultation with the Leader and Depute Leader and the Corporate Director for Enterprise and Sustainable Regeneration, to determine that the overall level of Scottish Government funding to the Council confirmed by the Deputy First Minister by 10 March 2024 was sufficient to maintain the Council Tax at 2023/24 levels and deliver a balanced budget, as set out in her letter to CoSLA Leaders outlining her compromise offer.

5.18. That, in the event of such confirmation of sufficient additional funding as detailed in the Deputy First Minister's letter not being received by the Council by 10 March 2024, the Band D Council Tax level for financial year 2024/25 be increased by 10% and be set at £1,506.13, in line with the Council's medium term financial strategy and to ensure the Council met its statutory responsibility to set a balanced budget for 2024/25.

5.19. That the Council's budget uprating assumptions, as set out in Appendix 3 to this Minute, be approved.

5.20. That, whilst recognising the need to balance the budget and bring spending into line with available funding, known unavoidable service pressures amounting to £3,264,500, attached as Appendix 4 to this Minute, be approved for inclusion in the revenue budget for 2024/25.

5.21. That the service efficiencies, summarised below, totalling £2,463,700, be approved for inclusion in the revenue budget for 2024/25:

- Reduction in employer's pension contribution rate from 17% to 15% – £959,300.
- Re-introduction of 1% reduction in staff budgets in respect of anticipated staff turnover – £815,500.
- Impact of interest rate movement in loan charge receipts – £128,000.
- Introduction of 100% surcharge on Second Homes Council Tax – £300,000.
- Other miscellaneous amounts – £260,900.

5.22. That the savings targets, split between each Directorate, as detailed in Appendix 5 to this Minute, be approved for inclusion in the revenue budgets for 2025/26 to 2027/28.

5.23. That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive:

- To allocate any General Fund underspend from 2023/24 to the setting of the General Fund revenue budget for 2024/25.
- To determine where any General Fund overspends from 2023/24 will be funded from General Fund earmarked reserves balances, while ensuring that the non-earmarked General Fund reserves balance, amounting to 2% of the overall revenue budget for 2024/25 is in place.

5.24. That Corporate Directors should review and increase existing charges by a minimum of 6.7%, from 1 April 2024, if possible, to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements were required or proposed:

- Building warrant and planning fees.
- Harbour charges.
- Ferry fares.
- Car park and electric vehicle charges.
- Residential care and home care.
- Very sheltered housing.
- Supported accommodation.
- Meals At Home Service
- Licensing fees.
- Ship sanitation certification.
- Marriage / civil partnership.
- Roads inspection fees.
- Trade waste charges.
- Homelessness rents.
- Selected quarry product sales.

5.25. That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to determine further variations in charges during 2024/25 where it was deemed expedient to do so.

5.26. That the draw from the Strategic Reserve Fund for 2024/25 be set at £20,000,000.

5.27. That the policy of presumption against new commitments should continue to remain in force across General Fund services, with the following conditions:

- Exceptions might be considered for new commitments which are 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.

- The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.

5.28. That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive, to prepare and distribute a detailed budget incorporating all the budget adjustments agreed by the Council, and any settlement updates and/or clarifications unknown at the date of this meeting.

6. Conclusion of Meeting

At 13:23 the Chair declared the meeting concluded.

Signed: (Leader's signature).

SRF Draft 3 year budget - 2024/27	2023/24 Budget Estimate £000's	2023/24 Probable Outturn £000's	2024/25 Budget Estimate £000's	2025/26 Budget Estimate £000's	2026/27 Budget Estimate £000's
Investment Activities - local investments	(204)	(162)	(162)	(162)	(162)
- managed funds	(24,687)	(20,000)	(13,142)	(12,182)	(11,781)
- loans fund	37	965	789	639	454
- other, including strategic projects	3,856	3,863	1,591	860	697
Property Investments	(751)	(841)	(841)	(841)	(841)
Renewable Energy	(138)	(314)	(276)	(276)	(276)
Scapa Flow Oil Port	1,200	1,600	0	0	0
Loan Charges - interest and debt management	(46)	(37)	(46)	(46)	(46)
Loan Charges - CFCR	119	0	119	119	119
Other	14	10	10	10	10
Net budget surplus	(20,600)	(14,916)	(11,958)	(11,879)	(11,826)
	10.9%	10.1%	3.6%	1.8%	1.4%
less allocation to protect value of fund @ CPI	28,907	21,725	7,999	3,670	2,748
Balance available for disbursement	8,307	6,809	(3,959)	(8,209)	(9,078)
Disbursements:					
General Fund Services	6,350	6,350	20,000	18,000	15,000
Community Development Fund (CDF)	0	333	333	334	0
Contribution to capital projects - HRA	0	0	0	0	0
Contribution to capital projects - General Fund	0	0	8,070	0	0
Contribution to the Island Games	300	125	747	0	0
North Isles Landscape Partnership Scheme	0	157	0	0	0
Islands Deal	0	0	266	266	100
Contribution to other projects, incl. revenue strategic projects	450	865	1,000	1,000	394
	7,100	7,830	30,416	19,600	15,494
Deficit/(Surplus) on SRF (in real terms)	15,407	14,639	26,457	11,391	6,416
Deficit/(Surplus) on SRF (actual)	(13,500)	(7,086)	18,458	7,721	3,668
Cashflow - Opening Balance	(18,590)	(21,443)	(17,530)	(15,964)	(15,129)
Surplus/(Deficit) on year	13,500	7,086	(18,458)	(7,721)	(3,668)
Less: Non-cash - Managed Funds Income	(24,687)	(14,200)	(13,142)	(12,182)	(11,781)
Fund Transfers - Inflow/(Outflow)	11,187	7,114	31,600	19,903	15,449
Other Movements	3,807	3,913	1,566	835	672
Cashflow - Closing Balance	(14,783)	(17,530)	(15,964)	(15,129)	(14,457)
	2023/24 Budget Estimate £000's	2023/24 Probable Outturn £000's	2024/25 Budget Estimate £000's	2025/26 Budget Estimate £000's	2026/27 Budget Estimate £000's
SRF Balance Sheet					
Investment Properties	20,766	19,227	19,346	19,465	19,584
Local Investments	10,256	8,902	8,862	8,822	8,782
Managed Funds Investments	257,729	252,735	234,277	226,556	222,888
OIC Loans Fund Deposit/(Advance)	(14,783)	(17,530)	(15,964)	(15,129)	(14,457)
Provisions	(38,185)	(42,109)	(43,625)	(44,410)	(45,032)
Net Accruals	1,994	966	966	966	966
Net Assets	237,777	222,191	203,862	196,270	192,731
Less: Unusable Reserves	11,911	9,626	9,755	9,884	10,013
	225,866	212,565	194,107	186,386	182,718
Represented by: Useable Reserves					
Strategic Reserve Fund	206,552	194,654	175,699	167,587	163,553
Flotta Terminal Decline Fund	7,821	6,138	6,359	6,474	6,564
Conservation Fund	195	198	198	198	198
Travel Fund	105	107	107	107	107
Talented Performers Fund	62	63	63	63	63
Orkney Memorial Fund	462	434	434	434	434
Talented Young Persons Fund	11	9	9	9	9
Renewable Energy Fund	9,533	9,797	10,073	10,349	10,625
Capital Receipts Reserve	1,125	1,165	1,165	1,165	1,165
	225,866	212,565	194,107	186,386	182,718
Target Minimum Balance or "Floor" for SRF	248,964	254,285	263,439	268,181	271,936
Useable Headroom	(23,098)	(41,720)	(69,332)	(81,795)	(89,218)
	-10.2%	-19.6%	-35.7%	-43.9%	-48.8%

SRF Draft 10 year budget projection - 2024/34 Best Case

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Investment Activities - local investments	(162)	(162)	(162)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
- managed funds	(13,142)	(12,182)	(11,781)	(12,482)	(12,554)	(12,991)	(13,444)	(13,911)	(13,911)	(14,394)
- loans fund	789	639	454	320	302	270	252	233	233	213
- other, including strategic projects	1,591	860	697	711	725	740	754	770	770	785
- Strategic Project wind farms income					(6,630)	(6,630)	(6,630)	(6,630)	(6,630)	(6,630)
Property Investments	(841)	(841)	(841)	(858)	(875)	(892)	(910)	(929)	(929)	(947)
Renewable Energy	(276)	(276)	(276)	(282)	(287)	(293)	(299)	(305)	(305)	(311)
Scapa Flow Oil Port	0	0	0	(21)	(42)	(63)	(84)	(105)	(105)	(126)
Loan Charges - interest and debt management	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)
Loan Charges	119	119	119	119	119	119	119	119	119	119
Other	10	10	10	0	0	0	0	0	0	0
Net budget surplus	(11,958)	(11,879)	(11,826)	(12,688)	(19,438)	(19,937)	(20,438)	(20,954)	(20,954)	(21,487)
	3.6%	1.8%	1.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
less allocation to protect value of fund @ RPI	7,999	3,670	2,748	3,654	3,649	3,805	3,967	4,134	4,134	4,306
Balance available for disbursement (in real terms)	(3,959)	(8,209)	(9,078)	(9,034)	(15,789)	(16,132)	(16,471)	(16,820)	(16,820)	(17,181)
Disbursements:										
General Fund Services	20,000	18,000	15,000	11,300	11,526	11,757	11,992	12,231	12,231	12,476
Community Development Fund	333	334	0	0	0	0	0	0	0	0
Contribution to capital projects - HRA	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - General Fund	8,070	0	0	0	0	0	0	0	0	0
Contribution to the Island Games	747	0	0	0	0	0	0	0	0	0
North Isles Landscape Partnership Scheme	0	0	0	0	0	0	0	0	0	0
Islands Deal	266	266	100	100	100	100	100	100	100	0
Contribution to other projects, incl. revenue strategic project	1,000	1,000	394	0	0	0	0	0	0	0
Total Planned Disbursements	30,416	19,600	15,494	11,400	11,626	11,857	12,092	12,331	12,331	12,476
Deficit/(Surplus) on SRF (in real terms)	26,457	11,391	6,416	2,366	(4,163)	(4,275)	(4,379)	(4,489)	(4,489)	(4,705)
Deficit/(Surplus) on SRF (actual)	18,458	7,721	3,668	(1,288)	(7,812)	(8,080)	(8,346)	(8,623)	(8,623)	(9,011)
Cashflow - Opening Balance	(17,530)	(17,530)	(16,695)	(16,023)	(15,082)	(13,523)	(12,586)	(11,630)	(11,630)	(10,655)
Surplus/(Deficit) on year	(18,458)	(7,721)	(3,668)	1,288	7,812	8,080	8,346	8,623	8,623	9,011
Less: Non-cash - Managed Funds Income	(13,142)	(12,182)	(11,781)	(12,482)	(12,554)	(12,991)	(13,444)	(13,911)	(13,911)	(14,394)
Fund Transfers - Inflow/(Outflow)	31,600	19,903	15,449	11,194	4,742	4,911	5,098	5,288	5,288	5,383
Other Movements	1,566	835	672	941	1,559	937	956	975	975	994
Cashflow - Closing Balance	(15,964)	(16,695)	(16,023)	(15,082)	(13,523)	(12,586)	(11,630)	(10,655)	(10,655)	(9,661)
Fund Transfer Inflow	31,600	51,503	66,952	78,146	82,888	87,799	92,897	98,185	103,473	108,857
Lost Invest Income	885	2,376	3,450	4,256	4,747	5,045	5,342	5,649	5,963	6,279
										43,993

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SRF Balance Sheet										
Investment Properties	19,346	19,465	19,584	19,703	19,822	19,941	20,060	20,179	20,179	20,298
Local Investments	8,862	8,822	8,782	8,742	8,102	8,102	8,102	8,102	8,102	8,102
Managed Funds Investments	234,277	226,556	222,888	224,176	231,988	240,068	248,414	257,037	257,037	266,048
OIC Loans Fund Deposit/(Advance)	(15,964)	(15,129)	(14,457)	(15,082)	(13,523)	(12,586)	(11,630)	(10,655)	(10,655)	(9,661)
Provisions	(43,625)	(44,410)	(45,032)	(45,933)	(46,852)	(47,789)	(48,745)	(49,720)	(49,720)	(50,714)
Net Accruals	966	966	966	966	966	966	966	966	966	966
Net Assets	203,862	196,270	192,731	192,572	200,503	208,702	217,167	225,909	225,909	235,039
Less: Unusable Reserves	9,755	9,884	10,013	10,132	10,251	10,370	10,489	10,608	10,608	10,727
	194,107	186,386	182,718	182,440	190,252	198,332	206,678	215,301	215,301	224,312
Represented by: Useable Reserves										
Strategic Reserve Fund	175,699	167,587	163,553	162,862	170,253	177,904	185,812	193,988	193,988	202,543
Flotta Terminal Decline Fund	6,359	6,474	6,564	6,695	6,829	6,966	7,105	7,247	7,247	7,392
Conservation Fund	198	198	198	198	198	198	198	198	198	198
Travel Fund	107	107	107	107	107	107	107	107	107	107
Talented Performers Fund	63	63	63	63	63	63	63	63	63	63
Orkney Memorial Fund	434	434	434	434	434	434	434	434	434	434
Talented Young Persons Fund	9	9	9	9	9	9	9	9	9	9
Renewable Energy Fund	10,073	10,349	10,625	10,907	11,194	11,487	11,785	12,090	12,090	12,401
Capital Receipts Reserve	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165
	194,107	186,386	182,718	182,440	190,252	198,332	206,678	215,301	215,301	224,312
Target Minimum Balance or "Floor" for SRF	263,439	268,181	271,936	277,375	282,923	288,581	294,353	300,240	300,240	306,245
Useable Headroom	(69,332)	(81,795)	(89,218)	(94,935)	(92,671)	(90,249)	(87,675)	(84,939)	(84,939)	(81,933)
	-35.7%	-35.7%	-48.8%	-52.0%	-48.7%	-45.5%	-42.4%	-39.5%	-39.5%	-36.5%

SRF Draft 10 year budget projection - 2024/34 Most Likely

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Investment Activities - local investments	(162)	(162)	(162)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
- managed funds	(13,142)	(12,182)	(11,677)	(12,084)	(11,624)	(11,490)	(11,328)	(11,136)	(11,136)	(10,912)
- loans fund	789	639	454	320	302	270	252	233	233	213
- other, including strategic projects	1,591	860	697	711	725	740	754	770	770	785
- Strategic Project wind farms income					(6,630)	(6,630)	(6,630)	(6,630)	(6,630)	(6,630)
Property Investments	(841)	(841)	(841)	(858)	(875)	(892)	(910)	(929)	(929)	(947)
Renewable Energy	(276)	(276)	(276)	(282)	(287)	(293)	(299)	(305)	(305)	(311)
Scapa Flow Oil Port	0	0	0	(21)	(42)	(63)	(84)	(105)	(105)	(126)
Loan Charges - interest and debt management	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)
Loan Charges	119	119	119	119	119	119	119	119	119	119
Other	10	10	10	0	0	0	0	0	0	0
Net budget surplus	(11,958)	(11,879)	(11,722)	(12,290)	(18,508)	(18,435)	(18,322)	(18,179)	(18,179)	(18,005)
	3.6%	1.8%	1.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
less allocation to protect value of fund @ RPI	7,999	3,670	2,720	3,512	3,317	3,269	3,211	3,142	3,142	3,062
Balance available for disbursement (in real terms)	(3,959)	(8,209)	(9,002)	(8,778)	(15,191)	(15,166)	(15,111)	(15,037)	(15,037)	(14,943)
Disbursements:										
General Fund Services	20,000	20,000	20,000	20,400	20,808	21,224	21,649	22,082	22,082	22,523
Community Development Fund	333	334	0	0	0	0	0	0	0	0
Contribution to capital projects - HRA	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - General Fund	8,070	0	0	0	0	0	0	0	0	0
Contribution to the Island Games	747	0	0	0	0	0	0	0	0	0
North Isles Landscape Partnership Scheme	0	0	0	0	0	0	0	0	0	0
Islands Deal	266	266	100	100	100	100	100	100	100	0
Contribution to other projects, incl. revenue strategic project	1,000	1,000	394	0	0	0	0	0	0	0
Total Planned Disbursements	30,416	21,600	20,494	20,500	20,908	21,324	21,749	22,182	22,182	22,523
Deficit/(Surplus) on SRF (in real terms)	26,457	13,391	11,492	11,722	5,717	6,158	6,638	7,144	7,144	7,580
Deficit/(Surplus) on SRF (actual)	18,458	9,721	8,772	8,210	2,400	2,889	3,427	4,002	4,002	4,518
Cashflow - Opening Balance	(17,530)	(17,530)	(16,695)	(16,023)	(15,082)	(13,523)	(12,586)	(11,630)	(11,630)	(10,655)
Surplus/(Deficit) on year	(18,458)	(9,721)	(8,772)	(8,210)	(2,400)	(2,889)	(3,427)	(4,002)	(4,002)	(4,518)
Less: Non-cash - Managed Funds Income	(13,142)	(12,182)	(11,677)	(12,084)	(11,624)	(11,490)	(11,328)	(11,136)	(11,136)	(10,912)
Fund Transfers - Inflow/(Outflow)	31,600	21,903	20,449	20,294	14,024	14,379	14,755	15,139	15,139	15,430
Other Movements	1,566	835	672	941	1,559	937	956	975	975	994
Cashflow - Closing Balance	(15,964)	(16,695)	(16,023)	(15,082)	(13,523)	(12,586)	(11,630)	(10,655)	(10,655)	(9,661)
Fund Transfer Inflow	31,600	53,503	73,952	94,246	108,270	122,649	137,403	152,542	167,680	183,111
Lost Invest Income	885	2,432	3,705	4,917	5,946	6,799	7,662	8,548	9,445	10,351
										60,689

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SRF Balance Sheet										
Investment Properties	19,346	19,465	19,584	19,703	19,822	19,941	20,060	20,179	20,179	20,298
Local Investments	8,862	8,822	8,782	8,742	8,102	8,102	8,102	8,102	8,102	8,102
Managed Funds Investments	234,277	224,556	215,784	207,574	205,174	202,285	198,858	194,856	194,856	190,338
OIC Loans Fund Deposit/(Advance)	(15,964)	(15,129)	(14,457)	(15,082)	(13,523)	(12,586)	(11,630)	(10,655)	(10,655)	(9,661)
Provisions	(43,625)	(44,410)	(45,032)	(45,933)	(46,852)	(47,789)	(48,745)	(49,720)	(49,720)	(50,714)
Net Accruals	966	966	966	966	966	966	966	966	966	966
Net Assets	203,862	194,270	185,627	175,970	173,689	170,919	167,611	163,728	163,728	159,329
Less: Unusable Reserves	9,755	9,884	10,013	10,132	10,251	10,370	10,489	10,608	10,608	10,727
	194,107	184,386	175,614	165,838	163,438	160,549	157,122	153,120	153,120	148,602
Represented by: Useable Reserves										
Strategic Reserve Fund	175,699	165,587	156,449	146,260	143,439	140,121	136,256	131,807	131,807	126,833
Flotta Terminal Decline Fund	6,359	6,474	6,564	6,695	6,829	6,966	7,105	7,247	7,247	7,392
Conservation Fund	198	198	198	198	198	198	198	198	198	198
Travel Fund	107	107	107	107	107	107	107	107	107	107
Talented Performers Fund	63	63	63	63	63	63	63	63	63	63
Orkney Memorial Fund	434	434	434	434	434	434	434	434	434	434
Talented Young Persons Fund	9	9	9	9	9	9	9	9	9	9
Renewable Energy Fund	10,073	10,349	10,625	10,907	11,194	11,487	11,785	12,090	12,090	12,401
Capital Receipts Reserve	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165
	194,107	184,386	175,614	165,838	163,438	160,549	157,122	153,120	153,120	148,602
Target Minimum Balance or "Floor" for SRF	263,439	268,181	271,936	277,375	282,923	288,581	294,353	300,240	300,240	306,245
Useable Headroom	(69,332)	(83,795)	(96,322)	(111,537)	(119,485)	(128,032)	(137,231)	(147,120)	(147,120)	(157,643)
	-35.7%	-35.7%	-54.8%	-67.3%	-73.1%	-79.7%	-87.3%	-96.1%	-96.1%	-106.1%

SRF Draft 10 year budget projection - 2024/34 Worst Case

	2024/25 Year 1 Budget Estimate £000's	2025/26 Year 2 Budget Estimate £000's	2026/27 Year 3 Budget Estimate £000's	2027/28 Year 4 Budget Estimate £000's	2028/29 Year 5 Budget Estimate £000's	2029/30 Year 6 Budget Estimate £000's	2030/31 Year 7 Budget Estimate £000's	2031/32 Year 8 Budget Estimate £000's	2032/33 Year 9 Budget Estimate £000's	2033/34 Year 10 Budget Estimate £000's
Investment Activities - local investments	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)	(162)
- managed funds	(13,142)	(12,239)	(11,652)	(10,939)	(10,005)	(9,196)	(8,174)	(6,929)	(5,449)	(3,721)
- loans fund	789	639	454	434	405	376	347	316	286	254
- other, including strategic projects	1,591	860	697	976	994	1,012	1,031	1,050	1,069	1,089
- Strategic Project wind farms income	0	0	0	0	(6,630)	(6,630)	(6,630)	(6,630)	(6,630)	(6,630)
Property Investments	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)	(841)
Renewable Energy	(276)	(276)	(276)	(276)	(276)	(276)	(276)	(276)	(276)	(276)
Scapa Flow Oil Port	0	0	0	0	0	0	0	0	0	0
Loan Charges - interest and debt management	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)
Loan Charges	119	119	119	119	119	119	119	119	119	119
Other	10	10	10	10	10	10	10	10	10	10
Net budget surplus	(11,958)	(11,936)	(11,697)	(10,725)	(16,432)	(15,634)	(14,622)	(13,389)	(11,920)	(10,204)
	3.6%	1.8%	1.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
less allocation to protect value of fund @ RPI	7,999	3,689	2,713	3,604	3,247	2,939	2,549	2,072	1,505	843
Balance available for disbursement (in real terms)	(3,959)	(8,247)	(8,984)	(7,121)	(13,185)	(12,695)	(12,073)	(11,317)	(10,415)	(9,361)
Disbursements:										
General Fund Services	18,906	21,624	24,914	28,204	31,494	34,784	38,074	41,364	44,654	47,944
Community Development Fund	333	334	0	0	0	0	0	0	0	0
Contribution to capital projects - HRA	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - General Fund	8,070	0	0	0	0	0	0	0	0	0
Contribution to the Island Games	747	0	0	0	0	0	0	0	0	0
North Isles Landscape Partnership Scheme	0	0	0	0	0	0	0	0	0	0
Islands Deal	266	266	100	100	100	100	100	100	100	100
Contribution to other projects, incl. revenue strategic project	1,000	1,000	394	394	394	394	394	394	394	394
Total Planned Disbursements	29,322	23,224	25,408	28,698	31,988	35,278	38,568	41,858	45,148	48,438
Deficit/(Surplus) on SRF (in real terms)	25,363	14,977	16,424	21,577	18,803	22,583	26,495	30,541	34,733	39,077
Deficit/(Surplus) on SRF (actual)	17,364	11,288	13,711	17,973	15,556	19,644	23,946	28,469	33,228	38,234
Cashflow - Opening Balance	(17,530)	(17,530)	(16,695)	(16,023)	(15,072)	(14,103)	(13,116)	(12,110)	(12,110)	(11,085)
Surplus/(Deficit) on year	(17,364)	(11,288)	(13,711)	(17,973)	(15,556)	(19,644)	(23,946)	(28,469)	(33,228)	(38,234)
Less: Non-cash - Managed Funds Income	(13,142)	(12,239)	(11,652)	(10,939)	(10,005)	(9,196)	(8,174)	(6,929)	(5,449)	(3,721)
Fund Transfers - Inflow/(Outflow)	30,506	23,527	25,363	28,912	25,561	28,840	32,120	35,398	38,677	41,955
Other Movements	1,566	835	672	951	969	987	1,006	1,025	1,044	1,064
Cashflow - Closing Balance	(15,964)	(16,695)	(16,023)	(15,072)	(14,103)	(13,116)	(12,110)	(11,085)	(11,066)	(10,021)
Fund Transfer Inflow	30,506	54,033	79,396	108,308	133,869	162,709	194,829	230,227	268,904	310,859
Lost Invest Income	854	2,415	3,871	5,472	7,087	8,701	10,498	12,489	14,675	17,055
										83,119

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SRF Balance Sheet										
Investment Properties	19,346	19,465	19,584	19,703	19,822	19,941	20,060	20,179	20,298	20,417
Local Investments	8,862	8,822	8,782	8,742	8,702	8,662	8,622	8,582	8,542	8,502
Managed Funds Investments	235,371	224,083	210,372	192,399	176,843	157,199	133,253	104,784	71,556	33,322
OIC Loans Fund Deposit/(Advance)	(15,964)	(15,129)	(14,457)	(13,506)	(12,537)	(11,550)	(10,544)	(9,519)	(8,475)	(7,411)
Provisions	(43,625)	(44,410)	(45,032)	(45,933)	(46,852)	(47,789)	(48,745)	(49,720)	(50,714)	(51,728)
Net Accruals	966	966	966	966	966	966	966	966	966	966
Net Assets	204,956	193,797	180,215	162,371	146,944	127,429	103,612	75,272	42,173	4,068
Less: Unusable Reserves	9,755	9,884	10,013	10,132	10,251	10,370	10,489	10,608	10,727	10,846
	195,201	183,913	170,202	152,239	136,693	117,059	93,123	64,664	31,446	(6,778)
Represented by: Useable Reserves										
Strategic Reserve Fund	176,793	165,114	151,037	132,657	116,691	96,634	72,273	43,386	9,737	28,921
Flotta Terminal Decline Fund	6,359	6,474	6,564	6,695	6,829	6,966	7,105	7,247	7,392	7,540
Conservation Fund	198	198	198	198	198	198	198	198	198	198
Travel Fund	107	107	107	107	107	107	107	107	107	107
Talented Performers Fund	63	63	63	63	63	63	63	63	63	63
Orkney Memorial Fund	434	434	434	434	434	434	434	434	434	434
Talented Young Persons Fund	9	9	9	9	9	9	9	9	9	9
Renewable Energy Fund	10,073	10,349	10,625	10,901	11,177	11,453	11,729	12,005	12,281	12,557
Capital Receipts Reserve	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,165
	195,201	183,913	170,202	152,229	136,673	117,029	93,083	64,614	31,386	- 6,848
Target Minimum Balance or "Floor" for SRF	263,439	268,181	271,936	277,375	282,923	288,581	294,353	300,240	300,240	306,245
Useable Headroom	(68,238)	(84,268)	(101,734)	(125,146)	(146,250)	(171,552)	(201,270)	(235,626)	(268,854)	(313,093)
	-35.0%	-35.0%	-59.8%	-82.2%	-107.0%	-146.6%	-216.1%	-364.4%	-855.0%	4619.5%

Appendix 3.**Budget Uprating Assumptions**

Budget Element.	2022 to 2023.	2023 to 2024.	2024 to 2025.
Staff Costs Non-Teaching.	2.0%.	7.0%.	2.0%.
Pension Costs Non-Teaching.	0.0%.	0.0%.	0.0%.
Staff Costs Teaching.	1.0%.	8.0%.	2.0%.
Pension Costs Teaching.	0.0%.	0.0%.	0.0%.
Property Costs (specifically energy costs).	1.0%.	15.0%.	3.0%.
Supplies and Services	0.0%.	0.0%.	3.0%.
Transport Costs.	0.0%.	0.0%.	3.0%.
Administration Costs	0.0%.	0.0%.	3.0%.
Third Party Payments	0.0%.	0.0%.	3.0%.
Transfer Payments	0.0%.	0.0%.	3.0%.
Third Sector	10.0%.	0.0%.	3.0%.
Other Costs	0.0%.	0.0%.	3.0%.
Trading Organisations and Orkney Ferries.	1.0%.	0.0%.	3.0%.
Internal Transport	1.0%.	0.0%.	3.0%.
Sales.	5.0%.	10.0%.	6.7%.
Fees and Charges.	5.0%.	10.0%.	6.7%.
Other Income.	5.0%.	10.0%.	6.7%.
Total Uplift for Inflation.	£1,631,200.	£6,740,000.	£1,843,600

Appendix 4.

Unavoidable Service Pressures

Pages 1993 to 1996.

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 1, 4, 6 and 8 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 1. Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority.
- Paragraph 4. Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority.
- Paragraph 6. Information relating to the financial or business affairs of any particular person (other than the authority).
- Paragraph 8. The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

Appendix 5.

Savings Targets

Directorate	2025/26 £000s	2026/27 £000s	2027/28 £000s	Total £000s
Enterprise and Sustainable Regeneration	126	189	252	567
Education, Leisure and Housing	768	1,152	1,535	3,455
Neighbourhood Services and Infrastructure	458	687	916	2,061
Strategy, Performance and Business Solutions	179	268	358	805
Totals	2,000	3,000	4,000	9,000