Item: 6

Policy and Resources Committee: 20 June 2023.

Medium Term Financial Strategy.

Joint Report by Chief Executive, Corporate Director for Enterprise and Sustainable Regeneration and Head of Finance.

1. Purpose of Report.

To consider a revised Medium Term Financial Strategy for the period 2023/24 to 2027/28.

2. Recommendations.

The Committee is invited to note:

2.1.

That the Medium Term Financial Strategy serves as a key planning document for the use of resources over the medium-term.

2.2.

That the Medium Term Financial Strategy draws information from a variety of policies which have been developed to provide the financial framework within which the Council operates, where appropriate.

2.3.

The key principles of the Medium Term Financial Strategy, as outlined in section 4 to this report.

2.4.

That, based on assumptions made in developing the Medium Term Financial Strategy, the Council Tax increases currently anticipated to be required to achieve the Scottish average during the term of this Council, are set out in section 5 of this report.

It is recommended:

2.5.

That the updated Medium Term Financial Strategy, for the period 2023/24 to 2027/28, attached as Appendix 1 to this report, be approved.

3. Background

3.1.

On 29 November 2016, when considering a summary update of the key financial elements of the existing Medium Term Financial Strategy 2016/17 to 2019/20, the Policy and Resources Committee recommended:

- That the planning period for the Medium-Term Resource Strategy should be extended to five years to cover the period 2017/18 to 2021/22.
- That any residual funds identified through the review of General Fund earmarked balances should be redirected before any additional contributions were made from the Strategic Reserve Fund.
- That any contribution from the Strategic Reserve Fund to the General Fund should be considered at each budget setting process, having regard to the performance of the Strategic Reserve Fund against the “floor”, prior to any funds being committed.

3.2.

On 28 February 2017, the Policy and Resources Committee recommended approval of an updated Medium Term Resource Strategy for the period 2017/18 to 2021/22.

3.3.

This Medium Term Financial Strategy covers the period 2023/24 to 2027/28, which aligns to the Council Plan, and the term of this Council.

3.4.

The details contained in the Medium Term Financial Strategy assist in promoting the Council’s priorities by allocating resources to those areas of activity which have been highlighted as priorities as a result of public and staff engagement exercises, the Council Plan, the Local Outcomes Improvement Plan and the key resource information relating to the Council and the wider Orkney economy.

4. Medium Term Financial Strategy

4.1.

The Medium Term Financial Strategy serves as a key planning document for the use of resources over the medium-term period 2023/24 to 2027/28. It is a useful tool for planning purposes rather than a definitive statement of resourcing for the next five years. It allows for the clear alignment of resources to the Council’s spending priorities. The priorities of the Council will feed into the allocation of revenue and capital resources for each service over the period of the Medium Term Financial Strategy and will be focused on the Council priorities set out in the Council Plan.

4.2.

Notwithstanding the contents of the Medium Term Financial Strategy, when considering the budget setting issues for 2024/25, cognisance will be taken of the Council's duty to meet statutory obligations, together with the declared key priorities of the Council, and how these might be progressed with the resources identified through up to date settlement information.

4.3.

The following underlying principles, set out in the Medium Term Financial Strategy, underpin the Strategy:

- Resources will be redirected within the Council in accordance with a clear strategy based on Risk, Council Priorities, Funding and Performance levels.
- Ongoing reassessment and reconfiguration will determine the sustainable level of expenditure that can be incurred on services over each of the next five years.
- Sustainable use of General Fund balances and strategic reserves to manage the timing of baseline savings.
- Sustainable use of General Fund balances and strategic reserves to invest in income generating opportunities which will help bridge the identified funding gap for each of the next five financial years.
- Phased introduction of identified Change Programme savings to help bridge the identified funding gap.
- A maximum level of capital expenditure that can be incurred each year, recognising that any expenditure over and above what can be funded from General Capital Grant, designated reserves or capital receipts will need to be financed through borrowing, which will in turn create an ongoing revenue cost pressure.

4.4.

The following key factors are worthy of noting:

- The Council has made savings in excess of £4.5 million over the period of the last Medium Term Financial Strategy.
- These savings have been required to deal with service pressures in addition to Scottish Government funding reductions.
- The 2022/23 budget included a contribution from reserves of £15.6 million, which is unsustainable.
- The ability to continue to make incremental savings is reducing, and therefore more fundamental changes to service delivery and/or levels are required.
- The Council can invest in projects and initiatives which will identify and deliver cost savings and/or additional income generating opportunities.
- The indicative budget forecasts estimate a funding gap of £27.1 million for the five-year period by 2027/28.

4.5.

Options available to bridge this funding gap remain broadly similar to earlier iterations of this strategy, namely:

- To increase Council Tax to national average during term of this Council.
- To maximise fee income generation.
- To maximise external funding streams.
- To continue lobbying for fairer a settlement from the Scottish Government.
- To continue to search for efficiencies.
- To continue to look at the way we deliver our services, including innovative service redesign.
- To continue to build capacity through effective partnership working.
- To continue to ensure that the draw on reserves is sustainable.
- To limit any Service growth to cases where very exceptional circumstances arise.

5. Council Tax

5.1.

On 23 February 2023, when considering the Council tax level for 2023/24, the Policy and Resources Committee recommended that the Chief Executive should submit a report, to the Policy and Resources Committee prior to setting the budget for 2024/25, outlining a strategy to bring Council Tax up to the national average within the term of this Council.

5.2.

The Scottish average Council Tax for 2023/24 is £1,410.38. If it is assumed that other councils will increase Council Tax by between 5.5% and 8% per annum, in order to achieve the Scottish average, the Council will need to increase its Council Tax as detailed in following table:

Council Tax	Council Tax Increase 23/24	Band D 2023/24 £	Council Tax Increase 24/25	Band D 2024/25 £	Council Tax Increase 25/26	Band D 2025/26 £	Council Tax Increase 26/27	Band D 2026/27 £	Council Tax Increase 27/28	Band D 2027/28 £
Average	5.40%	1410.38	8.06%	1524.07	7.03%	1631.22	5.52%	1721.20	5.49%	1815.75
Orkney Island Council	10.00%	1369.21	10.00%	1506.13	8.00%	1626.62	6.00%	1724.22	5.30%	1815.60

6. Human Resource Implications

6.1.

As part of Our People Our Plan (OPOP), the Council has put in place a structure to deliver local services for the 21st Century. OPOP saw a two-phased restructure being implemented during 2021/22 and 2022/23, creating over 70 new posts. At present there are no up to date workforce plans in place, but it is recognised that apart from exceptional circumstances, the revised, and approved establishment will be required to deliver this Medium Term Financial Strategy.

6.2.

It is noted that there are significant financial pressures, and any service redesign and efficiencies developed will minimise the need for any redundancies, and employees where possible will be redeployed to fill vacancies which the Council is struggling to employ to.

7. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

8. Island Communities Impact

As the strategy being reviewed in terms of this report has been assessed as being unlikely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in Orkney, a full Island Communities Impact Assessment has not been undertaken.

9. Corporate Governance

9.1.

This report relates to the Council complying with governance and its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

9.2.

Section 3 of the Financial Regulations provides guidelines for officers and elected members in relation to the Council's Financial Planning arrangements.

10. Financial Implications

10.1.

Financial implications are included throughout this report, and the Medium Term Financial Strategy, attached at Appendix 1.

10.2.

The Medium Term Financial Strategy serves as a planning document for the use of resources over the medium-term and is a useful tool for planning purposes rather than a definitive statement of resourcing over its term.

11. Legal Aspects

11.1.

In terms of Section 95 of the Local Government (Scotland) Act 1973, the Council is under a duty to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has responsibility for the administration of those affairs.

11.2.

In terms of Section 1 of the Local Government in Scotland Act 2003, the Council is under a duty to make arrangements which secure best value. In doing so, the Council must be able to demonstrate that it is making the best use of public resources.

12. Contact Officers

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Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration, extension 2521, Email gareth.waterson@orkney.gov.uk

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13. Appendix

Appendix 1: Medium Term Financial Strategy 2023/24 to 2027/28.

Appendix 2: Equality Impact Assessment.

Appendix 1

Orkney Islands Council

Medium Term Financial Strategy 2023/24 to 2027/28

www.orkney.gov.uk

Contents

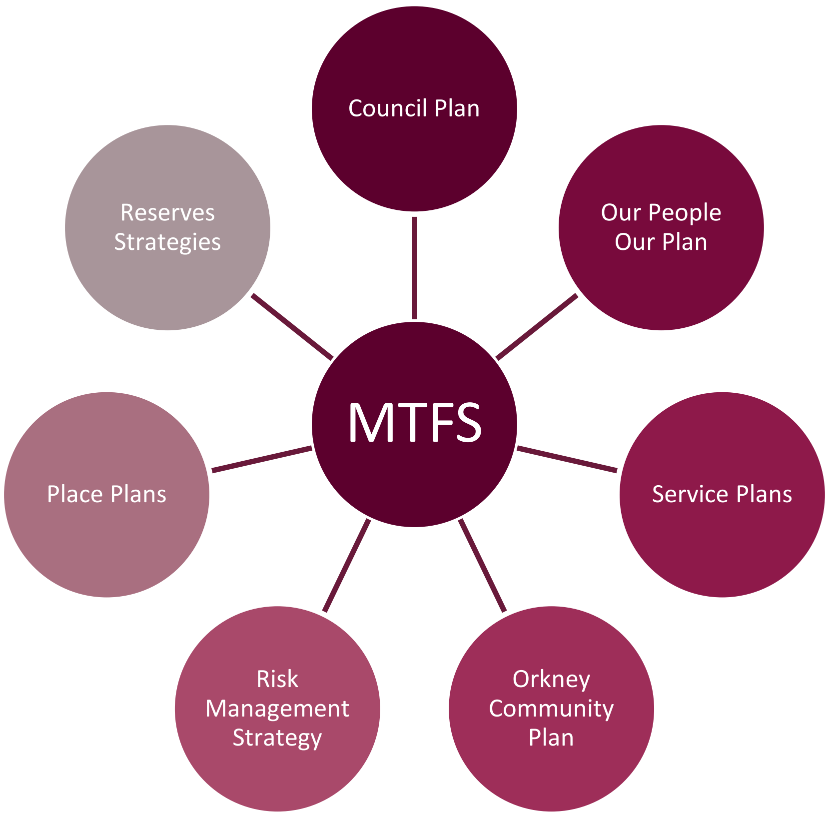
Background

The previous Medium-Term Financial Strategy (MTFS) was presented to the Policy and Resources Committee at its meeting of 28 February 2017, covering the period 2017/18 to 2021/22. This Medium-Term Financial Strategy covers the period 2023/24 to 2027/28, which aligns to the Council Plan.

Medium-term financial planning is challenging within our complex fiscal landscape: global economic conditions, political priorities, and local needs must be evaluated, and certain assumptions made to project beyond the 'known' funding period. It serves as a planning document for the use of resources over the medium-term and is a useful tool for planning purposes rather than a definitive statement of resourcing over its term.

The role of the Medium-Term Financial Strategy is to provide a medium-term perspective on the Council finances, supporting a broad approach to budget evaluation and formation.

The Medium-Term Financial Strategy draws information from a variety of policies which have been developed to provide the financial framework within which the Council operates, for example:



In reality the limiting factor for the Medium-Term Financial Strategy is funding, and, as much as the Medium-Term Financial Strategy draws on Council policies and plans, ultimately the funding envelope restricts the ambition of these plans. Political objectives and service improvements generally must be delivered from within existing budgets.

However, taking a longer-term view of the Council's finances over a period of five years allows Members to understand the role that each annual budget setting exercise has in contributing to the Council achieving its corporate objectives and political aspirations whilst securing a financially sustainable Council.

Improved financial planning and financial management of the Council's revenue and capital resources means that services have a longer timescale to plan for future changes in budget levels, as they can see what may happen to budgets through to 2027/28.

Whilst the principal financial focus is on maintaining General Fund services and their associated revenue budgets, linkages are made in relation to the Council's Capital Programme and Non-General Fund Services, where appropriate.

Principles of the Medium-Term Financial Strategy

- Resources will be redirected within the Council in accordance with a clear strategy based on risk, Council priorities, funding, and performance levels.
- Ongoing reassessment and reconfiguration will determine the sustainable level of expenditure that can be incurred on services over each of the next five years.
- Sustainable use of General Fund balances and strategic reserves to manage the timing of baseline savings.
- Sustainable use of General Fund balances and strategic reserves to invest in income generating opportunities which will help bridge the identified funding gap for each of the next five financial years.
- Phased introduction of identified Service redesign savings to help bridge the identified funding gap.
- A maximum level of capital expenditure that can be incurred each year, recognising that any expenditure over and above what can be funded from General Capital Grant, designated reserves or capital receipts will need to be financed through borrowing, which will in turn create an ongoing revenue cost pressure.

Current Situation

The Economy

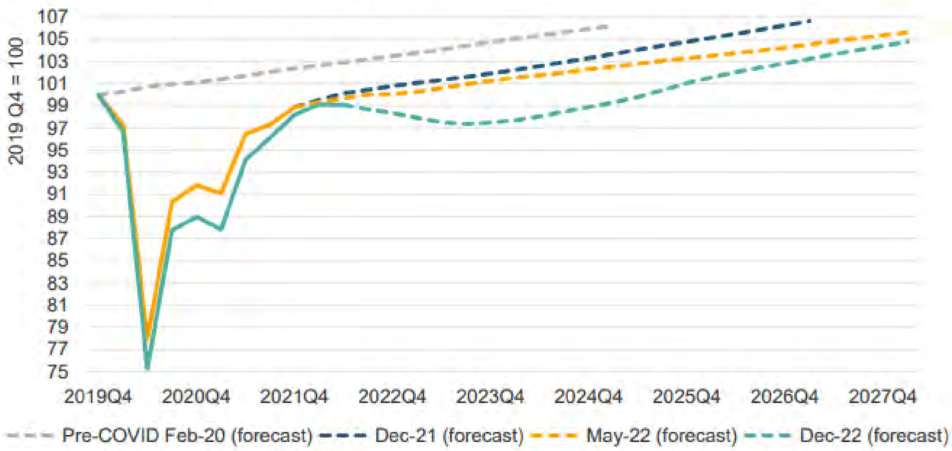
The economy is facing inflation rates not experienced since the early 1980s, with rates being pushed up by supply shortages in fuel and materials, with energy prices and food inflation being of particular concern to the more vulnerable members of our society. The Scottish Government provide much of our funding, and they are unlikely to raise that funding to meet increasing pressures. Ultimately there will be real-term funding reductions. With interest rates at levels not seen since 2008, resulting in increased costs of borrowing, we will need to make difficult decisions to deliver this plan. With political uncertainty and unpredictable international relations there is greater economic, and therefore financial uncertainty over the medium term.

Service pressures and increasing demand for services has meant the Council had to make significant budget savings in response to unprecedented reductions in Government funding since 2011. Brexit, the Covid pandemic, and the cost-of-living crisis have exacerbated the situation. Funding pressures are likely to be extreme during the life of this Medium-Term Financial Strategy.

The outlook for 2023 has improved in recent months however remains subdued. At a global level, some economic headwinds have eased from last year with notable improvements in global supply chains and falls in global commodity price inflation. However, their impacts alongside tighter monetary policy across central banks are expected to weaken growth prospects over the next few years.

At a Scotland level, latest forecasts in March 2023 from the Fraser of Allander Institute predict output to fall 0.7% in 2023 (revised up from -1% in February), before growing 0.9% in 2024 and 1.7% in 2025. The Scottish Fiscal Commission predicts avoiding statistical recession.

Figure 3: Scottish GDP, outturn and forecast



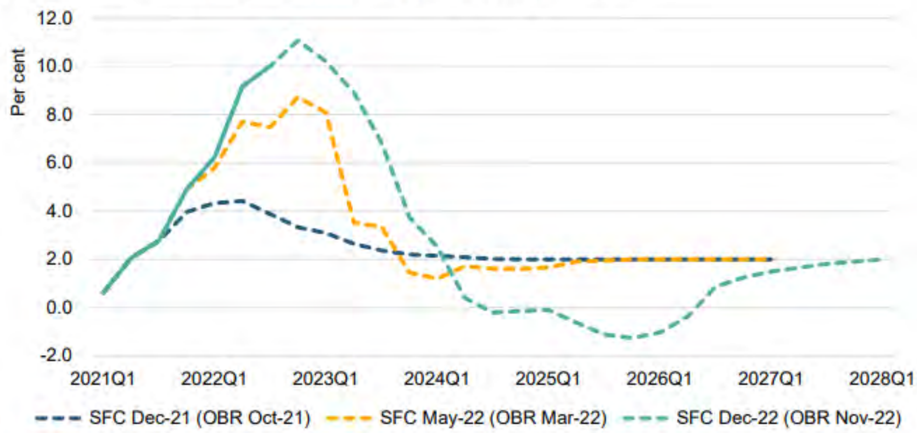
Source: Scottish Fiscal Commission. Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 (link). Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link). Scottish Fiscal Commission (2020) Scotland's Economic and Fiscal Forecasts – February 2020 (link).
Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

Overall, economic activity has strengthened at the start of 2023 having remained broadly flat over the second half of 2022, resulting in the outlook for 2023 being revised up from previous estimates.

Inflation is measured by the Consumer Price Index. The Consumer Price Index (CPI) rose by 8.7% in the 12 months to April 2023, down from 10.1% in February and from a recent peak of 11.1% in October 2022. The October 2022 peak was the highest annual inflation rate since 1981 (the CPI National Statistic series begins in January 1997).

Inflation is forecast to fall sharply this year; however economic growth is expected to remain subdued as households and businesses continue to face challenges from higher prices and higher interest rates.

Figure 1: Consumer Price Index inflation, year-on-year growth



Source: Scottish Fiscal Commission, Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 (link), Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 (link). Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

Scotland's labour market continues to perform strongly with unemployment falling to 3.0% in the period December 2022 to February 2023. High, but falling vacancy rates and recruitment challenges also continue to persist, creating upward pressure on starting salaries and average earnings growth.

Orkney context

Within Orkney, the funding reduction, together with the need to accommodate service pressures, has seen the delivery of efficiency savings totalling £4.5m over the period of the previous Medium-Term Financial Strategy across the Council's General Fund (GF) services as follows:

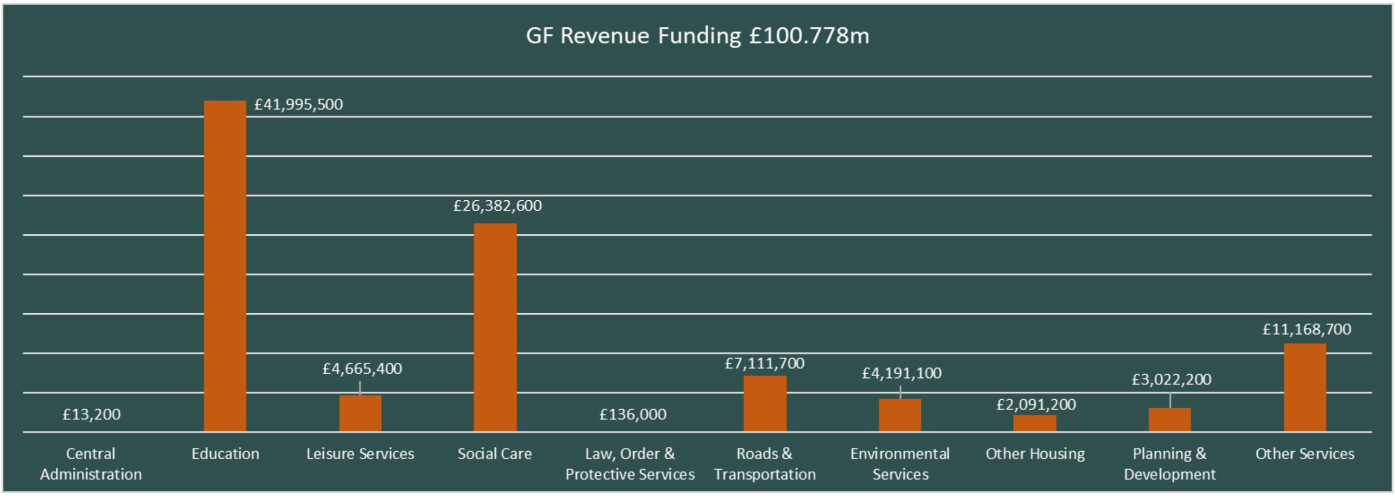
Year	Savings
2017 to 2018	£842,000
2018 to 2019	£1,756,700
2019 to 2020	£350,000
2020 to 2021	£1,022,800
2021 to 2022	£573,700
Total	**£4,545,200**

The Council's annual budget uplifts in recent years have reflected a prudent approach, with minimal uplifts due to the constrained financial position. This approach has resulted in all Council services having to find additional efficiency savings within their approved budgets to cover the impact of price increases. This prudent approach has had, and will have, to continue in the 2023/24, and later, budget setting process.

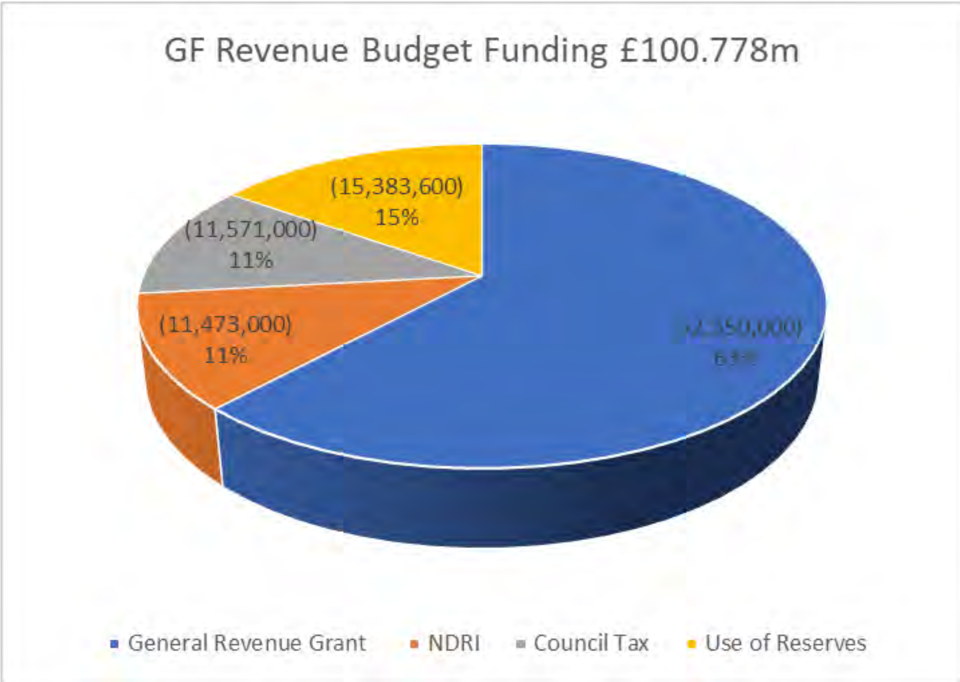
The annual budget process also identifies increases in service demand over and above service budgets. There are also inflationary pressures which must be considered. For modelling purposes, the value of service pressures to build into future projections is very important. Since 2017/18, a total of £34.2m has been added to the baseline budget across the Council's General Fund services as follows:

Year	Inflation	Pressures	Total
2017 to 2018	£532,400	£3,609,200	£4,141,600
2018 to 2019	£1,712,200	£3,305,600	£5,017,800
2019 to 2020	£2,719,600	£1,005,800	£3,725,400
2020 to 2021	£2,813,000	£Nil	£2,813,000
2021 to 2022	£1,689,200	£4,108,200	£7,797,400
2022 to 2023	£1,710,500	£3,103,100	£4,813,600
2023 to 2024	£5,219,000	£705,000	£5,924,000
Total	**£16,395,900**	**£15,836,900**	**£34,232,800**

The 2023/24 General Fund budget of £100.778m is allocated across the following services:



This budget is funded from the following sources:

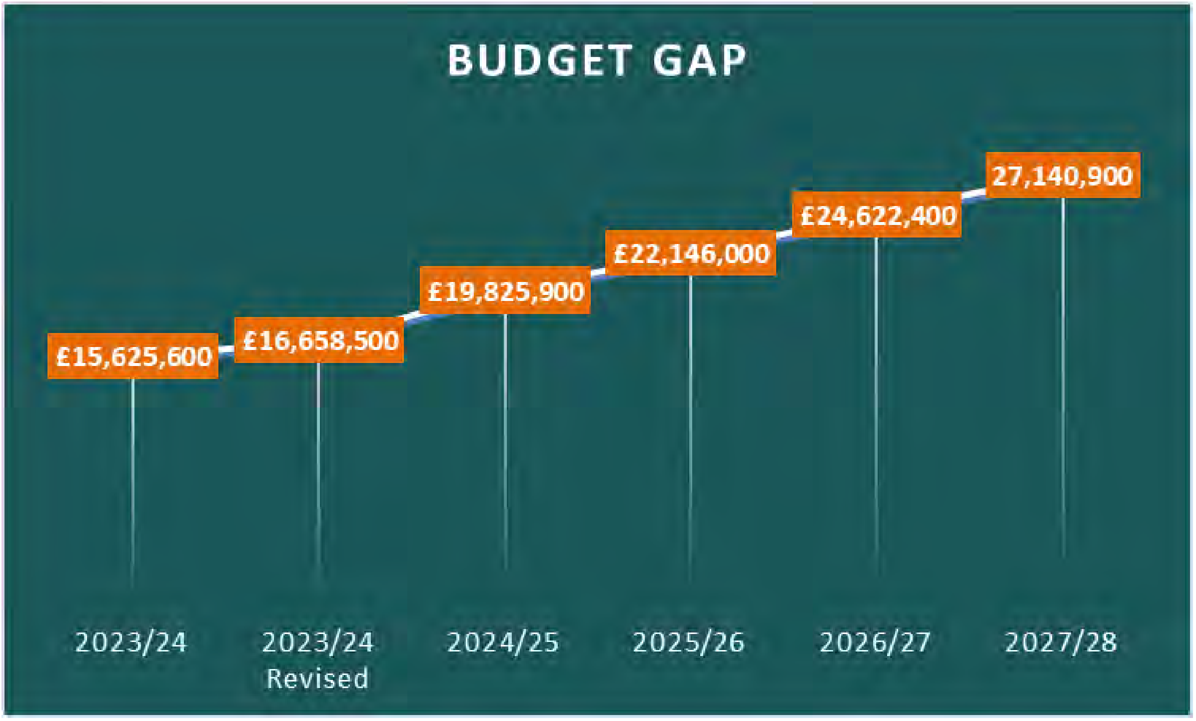


The key financial risk areas facing the Council over the medium term are summarised below:

- Scottish Government funding reductions.
- Pay awards.
- General inflation (including energy costs).
- Ageing population.
- Housing shortages.
- Recruitment and retention.
- Increasing levels of need.
- Increased cost of borrowing.

The 2023/24 budget setting process identified that services must bring forward, and deliver, efficiencies, revenue generations or service reductions during 2023/24 to balance the 2024/25 budget.

The funding gap that the Council could face over the period of this strategy is significant.



The general recognition that further spending reductions need to be considered in a strategic manner and in the context of potential future income streams are evident. This includes the various wind farm projects being progressed by the Strategic Projects team over the medium-to-long term.

The results of a recent public engagement exercise showed a general willingness to:

- Continue to increase income from Council charges in line with CPI.
- Protect essential, statutory, services.
- Review service standards.

However, the budget survey, including several charging lines, received a disappointing 157 responses, representing less than 1% of the electorate.

Investment returns

Financial markets have been volatile in recent years, the sharp fall in March 2020 was a result of the Covid-19 pandemic, and the subsequent bounce back in 2021 was relatively quick. Analysts are predicting that the bounce back from the war in Ukraine will be slower due to, initially, the supply side economics encountered coming out of Covid (including transportation costs), the fuel and energy costs increases and lastly the wage increases, and cost of living crisis further exacerbating the UK economy. Brexit will also mean the UK will have a slower recovery than European Union partners. As a result, the forecast for recovery of the managed funds is also predicted to be slower, and restoration of fund values have been spread over 24 months – from Quarter 3 2022/23 to Quarter 2 2024/25. The market may however perform better or worse than forecast, and these estimates need to be considered in the context of the uncertainty that remains within the global economy.

The Council aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low to give priority to security of its investments. This is in keeping with the nature of the Strategic Reserve Fund, which is to provide for the benefit of Orkney and its inhabitants, whilst having regard to the Fund’s long-term commitments in terms of the terminal decline and decommissioning of the Flotta Oil Terminal in the future.

The key issue now is high inflation and the impact it is having on bank base rates, with the Bank of England currently forecast to increase base rates further during 2023, from its current rate of 4.50%, to bring inflation under control.

The ongoing conflict between Russia and Ukraine is still impacting on the world economy, as is the heightened tensions between China, Taiwan, and the United States of America, which has the potential to have wider and more negative economic impact.

Strategy and Assumptions

A funding gap of £15.6m or 15.5% exists in the 2023/24 General Fund budget, funded by a draw on both General Fund and Strategic Reserve Fund (SRF) reserves. Pressures on investment returns on Strategic Reserve Fund income and falling General Fund balances makes this approach untenable in the medium term.

With savings of £4.5m already delivered since 2017/18, it is accepted that the previous incremental approach to finding service savings is at an end.

Options available to bridge the funding gap are as follows:

- Increasing Council Tax to national average during term of this Council.
- Fee income generation.
- Access external funding streams.
- Lobby for fairer settlement, in total and in focused areas.
- Efficiency measures, and reduction in bureaucracy.
- Service redesign.
- Capacity building within communities – working with NHS Orkney and 3rd sector.
- Recycle in year savings, other reserves, and balances, for example advance use of wind farm revenues from Strategic Reserve Fund.

Financial projections set out in the funding gap graph, above, contain assumptions which in turn bring risks and uncertainties. Changes in these assumptions can have a material effect on the outcome. The projections make assumptions in three broad categories:

- Issues known about or which are reasonably foreseen which create upward cost pressure e.g., pay pressure; indexation; known policy change commitments; etc.
- Issues which can be anticipated as areas of budget risk but where the extent of the risk is uncertain e.g., the cost of the ageing population; waste tonnages; etc.
- Issues which could create cost pressures but are speculative at this stage e.g., national insurance; superannuation; energy prices etc.

With much political and economic uncertainty around both the scale and timing of any funding reductions, it is not possible to provide a definitive medium-term budget. The projections produced contain several assumptions which are considered most likely.

Price increase assumptions	2024/25	2025/26	2026/27	2027/28
Staff costs	2%	2%	2%	2%
Property costs	15%	3%	3%	3%
Budget uplifts	3%	3%	3%	3%
CPI on charges	7%	4%	2%	2%

Notes:

- Staff costs – assuming wage increases will fall back in line with projected inflation.
- Property costs – 15% in 2024/25 represents known pressure re energy costs.
- Budget uplifts – acknowledging we cannot continue to restrict budgets.
- CPI on charges – per CPI inflation, with 2025/26.

It is worth emphasising that assumptions reflecting the best case would produce a budget better than predicted, and assumptions reflecting the worst case would deliver a budget poorer than predicted. Multiple scenario assumptions are limited in their value and are not included in the Medium-Term Financial Strategy and it is expected that readers understand that this is a prediction, and the outcome could be better or worse as more "knowns" are identified.

Council Tax

The Council Tax level for 2023/24 was recommended by the Policy and Resources Committee on 23 February 2023 and agreed by Council on 7 March 2023. It was also agreed that the Chief Executive should submit a report, to the Policy and Resources Committee prior to setting the budget for 2024/25, outlining a strategy to bring Council Tax up to the national average within the term of this Council.

The Scottish average Council Tax for 2023/24 is £1,410.38. If we assume other councils will have to increase Council Tax by between 5.5 and 8% per annum, to achieve the Scottish average, the Council will need to increase its Council Tax as detailed in following table:

Council Tax	Council Tax Increase 23/24	Band D 2023/24 £	Council Tax Increase 24/25	Band D 2024/25 £	Council Tax Increase 25/26	Band D 2025/26 £	Council Tax Increase 26/27	Band D 2026/27 £	Council Tax Increase 27/28	Band D 2027/28 £
Average	5.40%	1410.38	8.06%	1524.07	7.03%	1631.22	5.52%	1721.20	5.49%	1815.75
Orkney Island Council	10.00%	1369.21	10.00%	1506.13	8.00%	1626.62	6.00%	1724.22	5.30%	1815.60

The assumption being that other authorities will have to table significant increases, as they do not have reserves to draw on, other local authorities below the average are also seeking to meet the average, but as all local authorities increase Council Tax, attaining the average will ultimately see significant rises locally. An increase of 10% in Council Tax levels for 2024/25 would generate approximately £1.1m additional revenue.

Fee income generation

The Council has budgeted to achieve income of £10m from fees and charges, sales, rents and lettings to external customers in 2023/24. The Council needs to access, perhaps with reference to other local authorities, what we could be charging for but currently do not.

The Council has an approved Charging and Concessions Policy which provides a clear framework to monitor and review service charging. The policy describes several charging options that could increase fee income revenues.

4 ways to increase revenue:

- Increase the number of customers.
- Increase the average transaction size.
- Increase the frequency of transactions per customer.
- Raising prices.

Services need to assess the unit costs for each service delivery and seek to maximise the return to the Council. They also need to have a pricing strategy for the revenue streams which achieve the desired outcome for the service and ensure the sustainability of the Service provision, and ultimately Council finances.

The Corporate Charging Consultative Group was established to review the charging policy and consider changes to existing charges and where appropriate the introduction of new service charges. It has a key role to play as the Council looks to increase the level of income generated through charging to recover a greater proportion of the cost of providing certain services thereby reducing the need for service reductions elsewhere.

Access external funding streams

The Council will continue to make the case for additional external funding wherever possible to reduce the net cost of Council services. Applying for specific grant funding for revenue and capital spend needs to be maximised, to reduce the borrowing requirement on capital projects, and to protect Council budgets.

The employment of dedicated grants officers may, quite quickly, pay for itself as there is an ‘art’ to completing successful funding applications that, as a Council, we need to improve on.

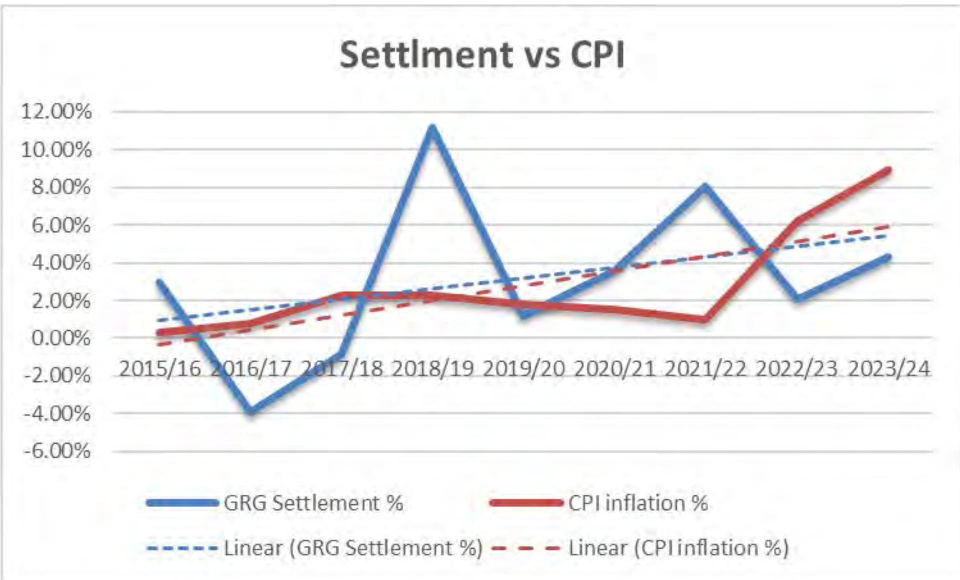
Lobby for fairer settlement

Longer term, there will be an ongoing dialogue with Scottish Government to ensure a fair settlement for Orkney. Orkney is the poor relation when measured against other island groups. Lobbying to the Scottish Government should be done in a focused, and in total to attempt to reduce the disparity.

Per Head Difference	Total Revenue Funding £'000	Ferries Grant £'000	Assumed Council Tax £'000	Net of Ferries & C. Tax Funding £'000	Population #	Per Head £
Orkney	89,066	13,402	8,272	67,392	22,540	2,990
Shetland	102,757	17,496	8,333	76,928	22,940	3,353
Eilean Siar	108,270	0	9,666	98,604	26,640	3,701

A focused analysis of the settlement figures against existing service costs will identify specific areas where the Council, its location and/or demographics, result in disproportionate funding shortfalls. A strategic approach to lobbying the Scottish Government may be beneficial.

It is unlikely that the Scottish Government settlement will match in real terms the funding pressures faced by the Council, but it is not unreasonable to assume a cash increase over the period of the Medium-Term Financial Strategy, this is estimated at 1% increase year on year. In addition, the £811,000 of General Capital Grant Scottish Government "fix" for the 2022/23 pay settlement will revert to revenue funding in 2024/25.



The above graph shows that the settlement has more or less ran alongside CPI historically, albeit in recent years the settlement has failed to keep up. It should also be noted that the peaks in 2018/19 and 2021/22 reflect the ring fencing of certain funding streams – and therefore limiting the ability of the Council to allocate resources to meet local need. In real terms the General Revenue Grant (GRG) has reduced in value.

The "New Fiscal Framework", which has been much talked about but so far, has not delivered many new funding streams.

In accordance with the Scottish Government Medium-Term Financial Strategy (May 2023), the Scottish Government is expecting real terms reduction in the resource Block Grant of 0.1% in 2024-25, and a small real terms increase of 1.1% from 2025-26 onwards. In total the Scottish Government expects its overall funding resource to grow by 6.8% in real terms from 2023/24 to 2027/28. However, its spending requirements indicate that there is a funding shortfall of 2% (£1 billion) in 2024/25 rising to 4% (£1.9 billion) in 2027/28.

The pressures are even worse for capital, where we are facing a 7% real terms fall in our Barnett capital funding over the medium-term between 2023-24 and 2027-28, with around a 16% gap in 2025/26.

Protectionism of some services further limits local solutions to the funding shortfall.

Efficiency measures

There will be a need for services to continue to find savings and efficiencies. However, given the level of savings delivered through the Change Programme, and subsequently, since 2011, it is anticipated that significant service redesign is required to continue to meet the needs of the people of Orkney within the funding available.

A better way to create efficiencies:

- Can we restructure services to take advantage of current and projected trends?
- Understand which activities drive value.
- When cost cutting in existing functions is appropriate, explore both radical approaches to restructuring and more traditional tactics.
- Don't overlook the substantial benefits that can come simply from identifying key activities and making them more effective.

There is also a requirement to review, update, replace or remove significant policies, procedures, and processes (including reviewing risk assessments) which stifle the effectiveness and creativity of our staff – and in turn restrict efficient service delivery. Many require updating to align with technological advances and the enhanced capabilities of IT systems, or combat recruitment issues.

Some processes have been built up over 50 years and need overhauled and brought up to date, with deference to governance and scrutiny requirements, without being onerous, inefficient and expensive to administer.

Reducing the friction created through bureaucracy will speed up the Council dynamic. Officers want autonomy and trust. The Council needs a way to let officers move quickly and make decisions. Giving officers access to holistic and homogeneous systems will create efficiencies which, over time, should deliver crystalising savings.

Information systems	Systems which interact with each other	Reports generated from systems	Analysis tools	Manual systems
• Need to be up to date with technological developments	• Need to share data with minimum intervention	• Need to remove manual manipulation	• Need to be able to run effectively from data exported	• Need to be stripped down and build up again where/if required

Service redesign

There is an opportunity to redesign services in the post COVID era. Increased use of technology will give services the ability to focus the resources in the correct areas and take account of changes in the way stakeholders work, rest and play, for example, the impact of hybrid working, or the changing demographics of the community. This will include an integrated approach to software development which makes the performance of tasks more intuitive for both internal and external users.

Is the current operating model fit for purpose:

- An effective operating model is a key element to create value and deliver services in constantly changing environment.
- It should be based on strategic direction not legacy.
- Top-down design; bottom-up validation.

Services should consider the service experience through the customer's eyes.

Effective data sharing with other local authorities, particularly other island authorities, may reveal conflicting service delivery methods which we can learn from.

Ask ourselves "why does the OIC exist?" If we were redesigning services from the bottom-up what would the provision look like, and what would the Council add in over and above the minimum requirement for that service's delivery?

Building capacity within communities

The Community Empowerment (Scotland) Act 2015 introduces a range of opportunities for communities to become more engaged and involved in the delivery of local services. For example, communities can request property asset transfers to take direct responsibility for Council properties for community purposes. Communities can also make participation requests where it is felt that the voices of certain communities are not being heard.

The significant demographic pressures which public bodies face are particularly acute in Orkney. Increased community, third sector and voluntary participation will be necessary to manage the expected increase in demand for services that will materialise. With significant synergy and overlap in service provision within Orkney by the Council, NHS Orkney and the third sector, there is room for more joined up working. This will require re-prioritisation of resources to provide more integrated and outcome-focussed services which will ensure that the reducing public resources available will deliver the value the Council seeks through its partnering arrangements.

Use of reserves and balances

The pressure to draw more from reserves to preserve services and jobs is recognised. With volatile Strategic Reserve Fund investment returns in recent years, and with the value below the Council's agreed investment floor valuation, it is not possible to adopt a higher risk strategy and increase the draw on reserves.

Any additional contribution sourced from the Strategic Reserve Fund will further cede ground against the Strategic Reserve Fund floor. Investment value 'bounce back', and oil port surpluses being realised at projected levels, will have a significant bearing on whether headroom is restored over the next five years.

The Council has General Fund reserves consisting of non-earmarked and earmarked reserves. As part of the annual budget setting process these reserves are reviewed to assess the appropriateness of maintaining each of these earmarked balances. During the 2023/24 budget setting process £10.6m of earmarked reserves were returned to non-earmarked reserves. It is anticipated that the introduction of new charges, efficiencies or service redesign will generate in-year savings that can be recycled for the 2024/25 budget onwards.

The Council can utilise its reserves and balances to invest in projects and initiatives to generate ongoing investment income, with such investments being assessed on a rate of return basis. The wind farm developments being developed by the Council are expected to generate a return, albeit only from 2027/28 (or 2028/29) onwards Given the pressures faced by the Council it could decide to advance amounts from the Strategic Reserve Fund to meet current need.

Any residual General Fund balances identified through the review process in future years will be redirected before consideration of any additional contributions are made from the Strategic Reserve Fund.

Service pressures and service growth

Service pressures and a desire to grow services is included in every strategy and plan generated. It is expected that throughout the period of this Medium-Term Financial Strategy any pressures or growth ambitions are achieved from within approved budgets, in addition to generating budget underspends which can be allocated corporately to ensure the delivery of all Council services.

Only in very exceptional circumstances should service pressures or growth be approved without being self-funded or able to secure ongoing external funding.

Budget allocation

In order to deliver a fair and systematic approach to the allocation of financial resources across the Council, it is necessary to analyse key resource information to ensure that future service budgets better reflect the relative importance of such information.

Four key elements are used to assist in decision-making about the future allocation of resources:

Risk (including statutory, reputational, and political risk) is seen as a significant element. Some services must be delivered by law, however, significant discretion over the level of service exists, with some services having more scope than others to reduce current service levels before a critical level is reached in terms of capacity to deliver even a basic level of service or fail to meet their statutory obligations.

Council Priorities are very important in shaping local services to local needs. However, the flexibility to redirect resources away from other statutory requirements, ring-fenced funding and Scottish Government policies and priorities is limited.

Budget to Funding can be explained as the level of funding provided through the settlement which should be closely linked to how much is spent on a particular service area, however, factors such as demography, need and other funding pressures are also considered. For example, some benchmarking information might be readily available to show how the Council compares with other local authorities - number of child placements, cost of child placements, number and cost of independent living packages with 2 to 1 or more support, spend for km of road, cost per child for education, etc.

Councils have some discretion to reallocate funding based on their local priorities and this is reflected in the current allocation of budget within the Council which has evolved over many years through political choice during the budget setting processes.

Performance levels should be kept under review. The Council must continue to deliver the best possible services from within the resources made available to it and look for continuous improvement wherever possible. The ability to achieve high performance may reduce, however, as funding levels reduce.

With reduced funding levels and a mix of performance levels across Council services, there could be a need to redirect resources from areas of very high performance to areas where performance needs to improve. It is also important not to create a culture in which poor performance is considered the norm and is rewarded.

Non General Fund

The following section explains, subject to the general strategy and assumptions, outlined above, how other sections of the Council's finances are expected to perform.

Treasury management

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

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

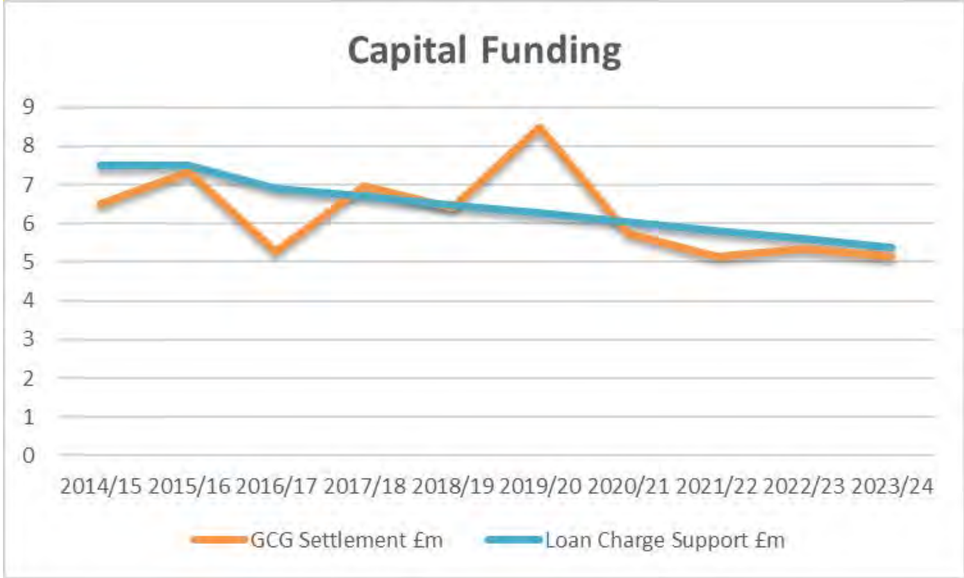
The Council agrees a Treasury Management Strategy annually. It details who the Council can invest with and the maximum amount that can be invested. These limits are based on credit ratings supplied by independent credit rating agencies.

The Local Government Investment (Scotland) Regulations 2010 came into force with effect from 1 April 2010 and permits local authorities to make investments subject to them gaining the consent of Scottish Ministers. Finance circular 5/2010 subsequently set out the terms of that consent and requires local authorities to "have regard to" the 'Prudential Code for Capital Finance in Local Authorities' and the Treasury Management in the Public Services: Code of Practice and Cross-sectorial Guidance Notes' when managing their investments.

Capital programme

Capital investment priorities are based upon Corporate Asset Management Planning principles. CIPFA's (Chartered Institute of Public Finance and Accountancy) Prudential Code for Capital Finance sets out a best practice approach for determining a capital investment strategy and aims to ensure that spending plans are affordable, prudent, and sustainable. The Code requires councils to take account of asset management and option appraisal factors to comply with Best Value. A long-term capital strategy will be developed to improve forward planning beyond the current timescale of the rolling 5-year capital programme.

When the Council takes on additional borrowing to fund capital expenditure it must be sure that it can afford to meet the principal and interest repayment costs. The following graph shows the decreasing support in General Capital Grant (GCG) and Loan Charges support provided by the Scottish Government in the annual settlement.



Falling Loan Charges support means that, after the application of grant funding contributions, the cost of new investment in service infrastructure will require to be funded from efficiency savings and/or income generation going forward. Loan charges are not charged direct to individual services but managed as a corporate cost.

The Council's existing capital programme includes approved capital project expenditure of £61,538,000 over the 3-year period 2023 to 2026 which, after allowing for £45,449,000 in respect of use of reserves, capital receipts, capital grants and revenue contributions, leaves an identified capital financing borrowing requirement of £16,089,000.

The capital programme is currently being developed for future years. Revenue implications of the Capital Programme should be incorporated into future years' revenue budgets to fully integrate the revenue and capital budget processes. Preference should be given to those projects which deliver revenue savings and can be crystalised into revenue budgets.

The Council's net capital financing requirement is forecast to increase from £66,335,000 to £74,359,000 over the 3-year period from 2023 to 2026, being a net increase of £8,024,000 after allowing for the repayment of principal.

The Council's authorised limit for external debt is scheduled to be maintained at £85,000,000 over the 3-year period 2023 to 2026 and the operational boundary for external debt is also being maintained at £70,000,000 across the same period. As a key prudential indicator, the authorised limit represents a control on the maximum level of borrowing and as a limit beyond which external debt is prohibited. This limit is set and revised by the Council. As such, this represents a level of external debt that could be afforded in the short term but is not sustainable over the longer term. The graph above shows cash reductions in the General Capital Grant, and Loan Charges support, in addition to real term reductions.

Housing Revenue Account

The Housing Revenue Account expenditure budget for 2023/24 is set at £4,367,400, an increase of £156,300 or 3.7% over the previous year's figures. The Housing Revenue

Account is financed almost entirely by rents and other charges paid by Council tenants and cannot be funded in any way from the General Fund and revenue raised through the Council Tax.

The Council is required to maintain a separate Housing Revenue Account covering income and expenditure in respect of specified houses, buildings, and land. There is a legal requirement for Housing Revenue Account income and expenditure to be in balance at the end of each financial year.

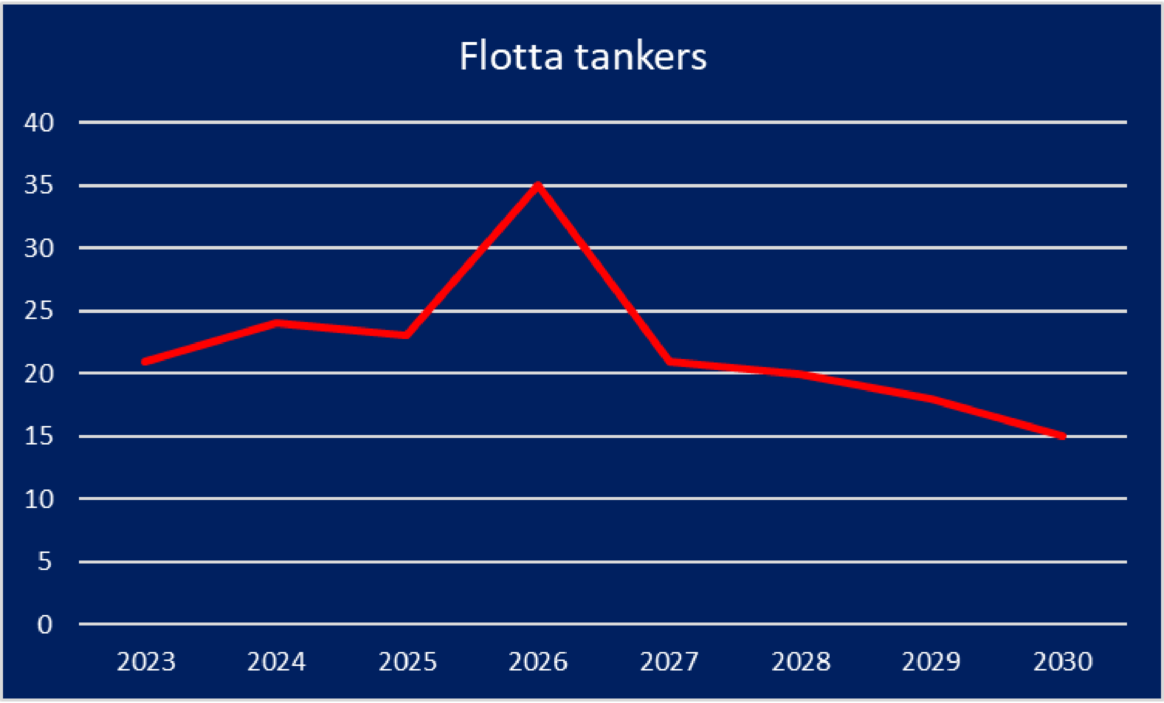
The Housing Revenue Account capital programme must be met from existing resources or funded through prudential borrowing. The Loan Charges budget in respect of repayment of debt has decreased by £6,300 to £1,718,400 for 2023/24.

Scapa Flow Oil Port

The Council maintains a separate trading account for Scapa Flow Oil Port in terms of Section 67 of the Orkney County Council Act 1974 which requires the Council to keep separate accounts in respect of the harbour undertaking to distinguish capital from revenue and income from expenditure.

The current Flotta Oil Terminal operator requires a 24-hour, seven day per week harbour operation to facilitate tanker movements. From the point of view of the Council, this means that there is a requirement to continue to resource this activity accordingly to maintain an appropriate level of service.

The income levels for the Scapa Flow Oil Port account are dependent on tanker throughput. The current terminal operator has provided estimates of tanker numbers, which indicate a decrease in the number of tankers from historic levels. The income projections for 2023/24 were based on tanker predictions of 21 tankers for the year.



In general, Scapa Flow Oil Port is expected to trade profitably and deliver a return to the Strategic Reserve Fund. A net income budget of £211,000 was set for 2023/24.

Miscellaneous Piers and Harbours

The Council maintains a separate trading account for Miscellaneous Piers and Harbours to distinguish it from the General Fund services. This is to demonstrate to harbour users that the dues paid for using the Council's piers and harbours is ring-fenced for the provision of harbour services or applied to the maintenance of the piers and harbours. A budget surplus of £1.66m is anticipated for the Miscellaneous Piers and Harbours Account for financial year 2023/24.

Income projections for the account are based on a similar level of trade to previous years with the application of increased charges in line with the budget strategy. In recent years, the level of cruise liner visits heavily influences the level of harbour operations the Harbour Authority can undertake. A forecast 222 liners are expected in Orkney in 2023, how the Council can maximise the benefit the passenger footfall creates and meet the costs of the wider impact to Council Services is under investigation.

Miscellaneous Piers and Harbours are required to operate within their budget provision and any surpluses built up over previous periods.

Orkney College

Unlike most other colleges of further and higher education, Orkney College remains part of Orkney Islands Council. The expenditure budget for 2023/24 is £6,101,500, an increase of £63,700 on the previous year. This is matched by increased income from fees and charges and grant funding.

Orkney College is an academic partner in the University of the Highlands and Islands although it is incorporated under the Council.

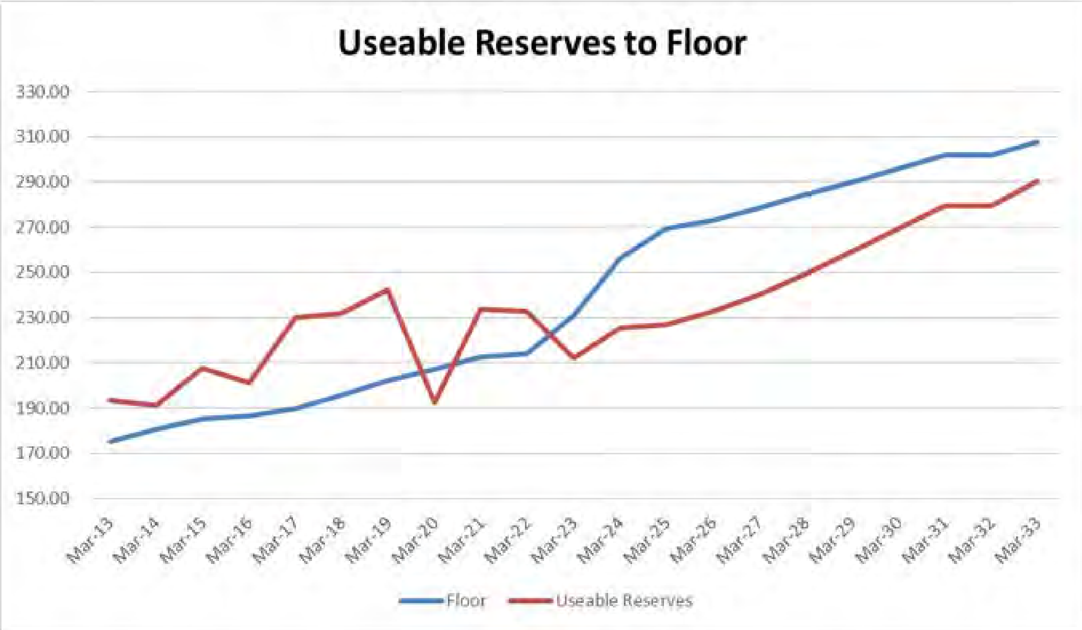
The Post 16 Education (Scotland) Act 2013 established Regional Strategic Bodies, which receive funding from the Scottish Funding Council. UHI, as a Regional Strategic Body, is the principal funder of Orkney College. In addition, Orkney College claims grants from various external bodies such as Highland and Islands Enterprise, Skills Development and the Student Awards Agency for Scotland.

Orkney College aims to realise a surplus each financial year or at the very least to achieve a break-even position.

Strategic Reserve Fund

The Council considered the Strategic Reserve Fund revenue budget in December 2022. The approved contribution from the Strategic Reserve Fund for 2023/24 was set, together with indicative budgets for 2024/25 and 2025/26, at £6.35m.

In setting a budget for financial year 2023/24, it was accepted that the "floor" for the Strategic Reserve Fund, £230,978,000, had already been breached, and as such the General Fund contribution from the Strategic Reserve Fund should be reduced in line with the Investment Strategy Review carried out by Hymans Robertson in May 2021, to £6,350,000.



Considering performance of the Strategic Reserve Fund investments, the Strategic Reserve Fund long term projections limit the contribution to £6.35m throughout the period of the Medium-Term Financial Strategy.

The contribution to the General Fund from the Strategic Reserve Fund is treated as a funding source and allows the Council to supplement the funding received from the Scottish Government and the taxes raised locally from Non-Domestic Rates and Council Tax.

Orkney Islands Council Pension Fund

The Council is the administering authority for the Orkney Islands Council Pension Fund. As with all other service areas, a revenue budget has been prepared and approved.

The main expenditure items are staff costs, third party payments for the pension fund software system and professional advisers' costs.

An actuarial valuation of the assets and liabilities of the Pension Fund, required every third year by the Administration regulations, is currently being undertaken. The results of this valuation could result in higher/lower employer contributions required from the Council.

Early discussions with the Council's actuaries show favourable funding levels which could deliver cash savings. A 1% reduction in the employers' rate would equate to a saving of approximately £0.84m to the General Fund.

Reserves strategy

In determining long term financial plans and preparing budgets, the Council needs to consider the establishment and maintenance of reserves in accordance with its statutory powers. Reserves can be held for three main purposes:

- Working balances to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of General Reserves.
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.
- A means of building up funds often referred to as Earmarked Reserves, to meet known or predicted liabilities.

The General Fund Reserves Strategy was reviewed by the Policy and Resources Committee in February 2023. As at 31 March 2022, the Council held reserves and balances totalling £44,273,000.

As a result of the review, £10.6m of previously earmarked General Fund balances were to be reprovisioned as non-earmarked General Fund balances.

Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option; however, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. The Chartered Institute of Public Finance Accountants (CIPFA) has commented that local authorities should be particularly wary about using one-off reserves to deal with shortfalls in current funding.

There is no generally recommended target level of uncommitted General Fund Reserves although local authorities do tend to have a target range of between 2% to 4% of their net revenue expenditure. The review of the Reserves strategy agreed the non-earmarked General Fund balance be set at 2% of the 2023/24 revenue budget as a contingency for in-year pressures.

Mind the gap

Taking the starting position, identified above, how will the Council achieve a balanced budget over the medium term?

Mind the gap	2023/24 Revised	2024/25	2025/26	2026/27	2027/28
Shortfall with base assumptions	£16,658,500	£19,825,900	£22,146,000	£24,622,400	£27,140,900
SRF Contribution	(6,350,000)	(6,350,000)	(6,350,000)	(6,350,000)	(6,350,000)
GF Reserves & Balances	(9,275,600)	(456,200)	344,800	111,400	
Council tax increases		(1,132,900)	(2,129,800)	(2,937,300)	(3,693,400)
SG settlement increase		(1,559,600)	(2,323,800)	(3,095,600)	(3,875,200)
Sub-total	**£1,032,900**	**£10,327,200**	**£11,687,200**	**£12,350,900**	**£13,222,300**

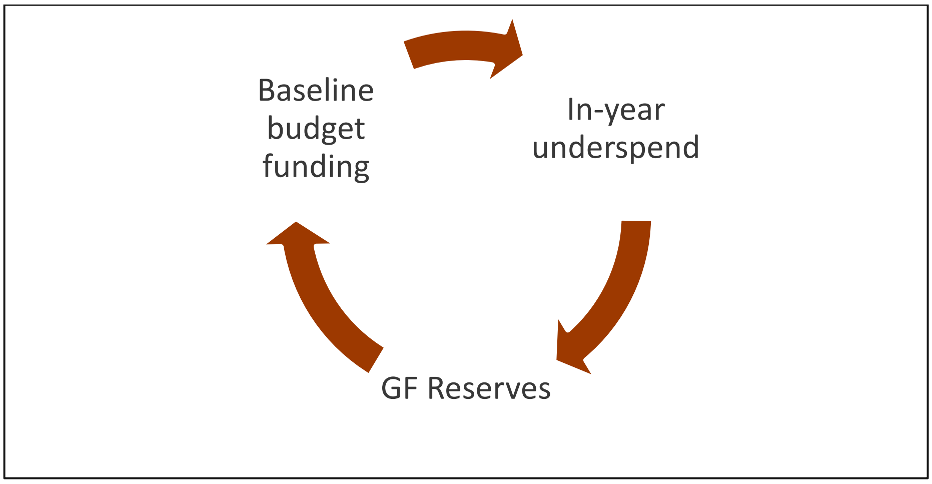
The 2023/24 revised budget reflects the proposed 2023/24 SJC (Scottish Joint Council) and Teachers' pay settlement, and funding award; and one-off items included in the 2023/24 budget setting process.

Mind the gap	2023/24 Revised	2024/25	2025/26	2026/27	2027/28
Sub-total	**£1,032,900**	**£10,327,200**	**£11,687,200**	**£12,350,900**	**£13,222,300**
Advance SRF re Wind Farm				(2,000,000)	(2,000,000)
New Charges	(927,200)	(2,890,900)	(4,160,600)	(6,588,800)	(7,566,000)
Efficiencies & Service Redesign	(1,000,000)	(4,690,200)	(4,571,600)	(4,690,500)	(4,775,600)
Net GF Reserve Movement	894,300	(2,746,100)	(2,955,000)	928,400	1,119,300
Sub-total	**£0**	**£0**	**£0**	**£0**	**£0**

New charges include legislative changes, for example, transient visitor levy, and increased Council Tax changes for second and empty homes. Also exploring cruise liner visitor charges to meet General Fund infrastructure challenges, or how income from Scapa Flow Deep Water Quay can be transferred to Strategic Reserve Fund, and onwards to fund General Fund services. It also includes service reviews of current charges, and ensuring the Council charges where it is able, for example Telecare charges, and day care charges.

Finding innovative solutions to reduce service costs and/or increase revenues is paramount.

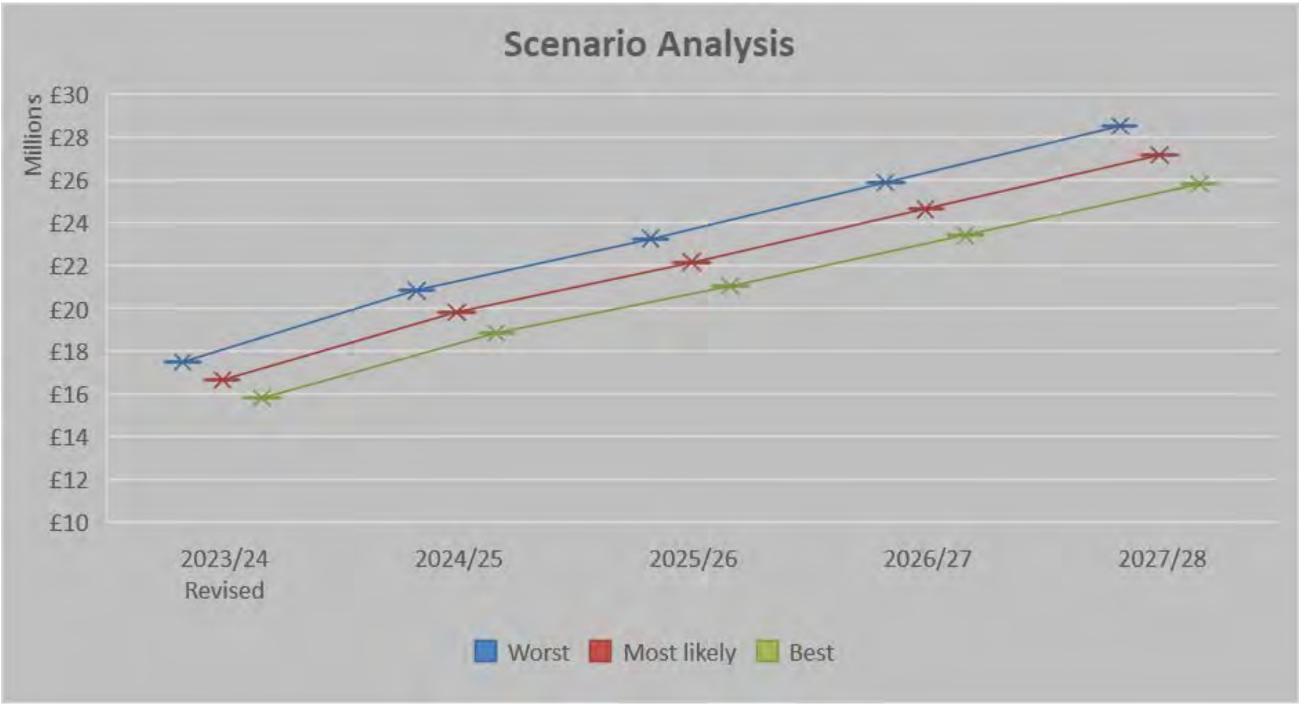
Service Redesign and Efficiencies will require Services to minimise spend over a number of years, deliver actual cash savings as well as improved operating processes which will ensure service provision is not significantly impacted, whilst reflecting the changing service user needs.



Maximising recurring cash savings in 2023/24 will reduce the impact of strategic service redesign changes that will be required from 2024/25 onwards.

The General Fund Reserve movement reflects a rolling level of General Fund reserves, which per recent policy seeks to maintain the balance at 2% of net revenue budgets. From 2026/27 onwards, the more prudent approach of up to 4% of General Fund reserves should be restored.

The risks associated with the assumptions in the Medium-Term Financial Strategy include forecast error, economic performance (including inflation assumptions), changes to Scottish Government spending, political pressure, and demand-led need. The following scenario analysis, very basically, illustrates the variation that could occur.



YEAR	2023/24 Revised	2024/25	2025/26	2026/27	2027/28
Worst	£17,491,400	£20,817,200	£23,253,300	£25,853,500	28,497,900
Most likely	£16,658,500	£19,825,900	£22,146,000	£24,622,400	27,140,900
Best	£15,825,600	£18,834,600	£21,038,700	£23,391,300	25,783,900

To be successful this Medium-Term Financial Strategy requires corporate acceptance across the Council, from elected members down, and from front line staff up.

Other local authorities are quite clear that they are looking at stopping services and consequent staffing reductions. Unlike other local authorities, Orkney is not proposing a list of closures and cuts immediately, but ultimately savings generated through “efficiencies and service redesign” will incorporate some closures or cuts brought forward by Services.

Failure to generate underspends in 2023/24 and 2024/25 may well result in more extreme measures being required. The Medium-Term Financial Strategy has to remain agile and reactive to changes in assumed data, this will be reflected annually in the budget setting process.

Summary

The Medium-Term Financial Strategy has been prepared against a background of significant challenges facing the Council finances. The growing contribution from reserves to meet in-year service costs is no longer sustainable, and baseline budgets need to return closer to funding levels.

The Medium-Term Financial Strategy covers a five-year period for which Government spending plans have yet to be finalised. Funding beyond 2023/24 is still uncertain although it is assumed that real term reductions in both General Revenue Grant and General Capital Grant will continue to add pressure to local authority finances. The Medium-Term Financial Strategy identifies a “likely” funding gap from 2023/24 to 2027/28.

The financial context is increasingly challenging, but the Council has a track record of identifying, delivering, and achieving budget out-turn within the approved budgets supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained.

The Medium-Term Financial Strategy requires services to maximise income streams, minimise costs and redesign services which will feed into the budget setting process and help towards bridging the funding gap.

The Council will ensure that it maintains support to priority front-line services, and it will seek to prioritise those services that are most needed. The Council needs to be satisfied that reducing resources are used to maximum effect and allows the Council to continue to deliver services to users at acceptable performance levels. It will also allow the Council to develop new and better ways of working and improve the efficiency of services it provides.

The ongoing sustainability of the Strategic Reserve Fund is however fundamentally important to the future delivery of services in Orkney and therefore any contributions must have due regard to the long-term sustainability of the Strategic Reserve Fund. Until such time as investments recover from current economic shocks, the Strategic Reserve Fund is operating below the floor established by current policy.

Without the previous draw on the Strategic Reserve Fund, the Medium-Term Financial Strategy requires a process of recycling savings and General Fund reserve balances to achieve the balanced budgets in the medium-term.

This Medium-Term Financial Strategy’s obligations remain broadly similar to the 2017/18 to 2021/22 strategy, namely:

- To increase Council Tax to national average during term of this Council.
- To maximise fee income generation.
- To maximise external funding streams.
- To continue lobbying for fairer a settlement from the Scottish Government.
- To continue to search for efficiencies.

- To continue to look at the way we deliver our services, including innovative service redesign.
- To continue to build capacity through effective partnership working.
- To continue to ensure that the draw on reserves is sustainable.
- To limit any Service growth to cases where very exceptional circumstances arise.

The Corporate Leadership Team will review the strategy in conjunction with the annual revenue budget setting process. The strategy will be reviewed periodically to ensure that it continues to be aligned to overall Council objectives and priorities and that the Council continues to be able to set a balanced budget year on year.

ORKNEY
ISLANDS COUNCIL

Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Medium Term Financial Strategy
Service / service area responsible.	Corporate
Name of person carrying out the assessment and contact details.	Erik Knight, Head of Finance, extension 2127, Email Erik.Knight@orkney.gov.uk
Date of assessment.	2 June 2023
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Existing

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	Development of a financial strategy covering the period 2023/24 to 2027/28
Is the function / policy / plan strategically important?	Yes
State who is, or may be affected by this function / policy / plan, and how.	All OIC stakeholders
How have stakeholders been involved in the development of this function / policy / plan?	No
Is there any existing data and /	No

or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See [The Fairer Scotland Duty Guidance for Public Bodies] for further information.	No, policy decisions taken as a result of this over-arching strategy would need to undertake their own EqIA
Could the function / policy have a differential impact on any of the following equality areas?	(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).
1. Race: this includes ethnic or national groups, colour and nationality.	No
2. Sex: a man or a woman.	No
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	No
4. Gender Reassignment: the process of transitioning from one gender to another.	No
5. Pregnancy and maternity.	No
6. Age: people of different ages.	No
7. Religion or beliefs or none (atheists).	No
8. Caring responsibilities.	No
9. Care experienced.	No
10. Marriage and Civil Partnerships.	No

11. Disability: people with disabilities (whether registered or not).	No
12. Socio-economic disadvantage.	No

3. Impact Assessment	
Does the analysis above identify any differential impacts which need to be addressed?	No
How could you minimise or remove any potential negative impacts?	N/A
Do you have enough information to make a judgement? If no, what information do you require?	Yes

4. Conclusions and Planned Action	
Is further work required?	No
What action is to be taken?	N/A
Who will undertake it?	N/A
When will it be done?	N/A
How will it be monitored? (e.g. through service plans).	N/A

Signature: [redacted] Date: 2 June 2023

Name: ERIK KNIGHT

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk