

Item: 5

Policy and Resources Committee: 23 February 2023.

Budget and Council Tax Level for 2023/24.

Joint Report by Chief Executive and Head of Finance.

1. Purpose of Report

To consider the Revenue Budget, Council Tax level and the level of contribution from General Fund and other Reserves for financial year 2023/24.

2. Recommendations

The Committee is invited to note:

2.1.

That the Scottish Government has issued grant settlement figures for local government and individual councils for financial year 2023/24, with the provisional revenue grant funding to the Council amounting to £89,066,000, which includes a provisional specific grant allocation of £13,402,000 for provision of ferry services.

2.2.

That the Council's funding was partially increased by £2,841,000 in the contribution to the Local Government financial settlement floor mechanism, which is designed to ensure a consistent minimum increase or maximum decrease in funding across all councils.

2.3.

That Local Government Finance Circular 11/2022, which provides details of the provisional total Local Government revenue and capital funding for 2022/23, refers to a funding package worth over £13.2 billion and includes measures that make up the settlement, as detailed in section 4.3 of this report.

2.4.

That the settlement makes no pronouncement on a Council Tax freeze for financial year 2023/24, with the Council being free to increase the level of Council Tax with no sanction for 2023/24.

2.5.

That services have not been asked to identify any efficiency savings for financial year 2023/24, and no reduction in staffing is proposed.

2.6.

That, although the September 2022 headline rate of Consumer Price inflation was 10.1%, up from 3.1% in September 2021, inflation is currently forecast to fall to 4% or 5% by the end of the current financial year, therefore inflationary pressures will have to be met from within existing service budgets.

2.7.

That, notwithstanding these pressures, and maintaining the 2023/24 budget in cash terms, there is a requirement for significant and real savings to be made, in order that the Council budget can remain sustainable in the medium term.

2.8.

That, to assist in achieving a balanced budget for 2024/25, each Service will require to present, to the relevant committees during 2023/24, service efficiencies, revenue generation opportunities and/or service reductions.

2.9.

The Equality Impact Assessment, attached as Annex 5 to this report, relating to the overall budget proposals.

2.10.

The advice, outlined in section 16 of this report, 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.

2.11.

That, as a consequence of paragraph 2.10 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.

It is recommended:

2.12.

That the General Fund revenue budget for financial year 2023/24 be set at £101,694,650.

2.13.

That powers be delegated to the Head of Finance, in consultation with the S95 Officer and the Chief Executive, to revise the General Fund revenue budget for financial year 2023/24 in respect of any change to the estimated funding level referred to at paragraph 2.1 above.

2.14.

That the Band D Council Tax level for financial year 2023/24 be set at £1,369.21.

2.15.

That the Council's budget uprating assumptions as set out in Annex 1 to this report, be approved.

2.16.

That, whilst recognising the need to balance the budget and bring spending into line with available funding, the following baseline non-recurring service pressures amounting to £705,000, be approved for inclusion in the revenue budget:

- Nursery provision – £255,000.
- Braeburn provision – £450,000.

2.17.

That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to allocate any General Fund underspend from 2022/23 to the following provisions:

- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney for individuals at risk.
- To the setting of the General Fund revenue budget for 2023/24, with excess amounts, if any, being retained for budget setting pressures in 2024/25.

2.18.

That any additional funding secured that is not specific to government initiatives that must be funded, be retained in the non-earmarked General Fund balance.

2.19.

That Corporate Directors should review and increase existing charges by a minimum of 10%, from 1 April 2023, if possible, to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements are 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.

2.20.

That the draw from the Strategic Reserve Fund for 2023/24 be set at £6,350,000.

2.21.

That the draw from the unearmarked General Fund balance for 2023/24 be set at up to £10,631,250.

2.22.

That the policies 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.

2.23.

That powers be delegated to the Head of Finance, in consultation with the S95 Officer 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.

3. Developing the Budget Strategy

3.1.

The Scottish Government published its draft budget for 2023/24 on 15 December 2022. In a letter sent to the COSLA President, the Deputy First Minister confirmed that the Budget document would not contain details of multi-year settlements for local authorities, and it would be a single year budget for 2023/24 once more. A key recommendation made in this report is to also set a one-year budget for 2023/24.

3.2.

The letter goes on to reflect on the “unprecedented challenges” facing Scottish and Local government – with “rising prices and soaring energy bills”, stating:

“Councils, like the Scottish Government and rest of the public sector, are working hard to support people through the cost crisis. In this regard we are hugely grateful to councils for their hard work and we fully appreciate that no part of public life has been immune from taking deeply difficult decisions to live within the current fiscal reality.”.

3.3.

In their response to the Scottish Budget, Scotland’s Council Leaders wrote to the First Minister expressing their collective deep concern about the impacts of the financial settlement, as follows:

“At a special meeting of Leaders on Monday 16th December, it was unanimously agreed that the budget settlement as it stands means another real terms cut to Councils’ core funding, at a time when many in our communities are struggling with the impact of rocketing prices across fuel, food and other bills, and facing unprecedented levels of poverty in a modern era, in an era where Local Government continues to provide the targeted and ongoing support deemed so vital to those most in need.

Council Leaders feel that this budget settlement will have a detrimental impact on vital local services, on our ability to focus the necessary resources and supports to our communities and on those who are already impacted by this cost-of-living crisis.

Leaders added that significantly, it will lead to the loss of jobs, both within Local Authorities and within the local companies who supply goods and services to councils and are reliant on their contracts to employ local people.”.

3.4.

The Convention of Scottish Local Authorities (COSLA) was “extremely disappointed that once again Local Government and the essential services it delivers have not been priorities by the Scottish Government”.

“The reality of the situation is that yet again, the essential services Councils deliver have not been prioritised by the Scottish Government. COSLA asked for £1bn but from our initial assessment of the Budget, we believe that Local Government will see an uplift of only £71m once policy commitments are taken into account” (COSLA news release of 16 December 2022).

3.5.

The Fraser of Allander Institute summarised the settlement as “a real-terms decrease relative to a Gross Domestic Product (GDP) deflator of 4.9%”.

3.6.

With this national back drop, setting the Council’s 2023/24 budget has been difficult, not least because the Council has previously faced significant budget constraints that have required year on year savings; delivering savings of £15,164,200 over the past 12 years to 31 March 2023 as follows:

Financial Year.	Savings total.
2011 to 2018 (7 years).	£11,461,000.
2018 to 2019.	£1,756,700.
2019 to 2020.	£350,000.
2020 to 2021.	£1,022,800.
2021 to 2022.	£573,700.
2022 to 2023.	£nil.

3.7.

The Council's annual budget uplifts since financial year 2011/12 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 continues in the 2023/24 budget setting process.

3.8.

It is proposed that any additional funding secured for 2023/24, that is not specific to government initiatives that must be funded, be retained in the non-earmarked General Fund balance.

3.9.

The reality is that sustained real terms increases in general revenue funding are not being delivered, whilst the use of reserves to balance the budget can only be a solution if the contribution is at a sustainable level. There is therefore a continuing requirement to maximise income from all available sources and to reduce the level of General Fund expenditure to bring it more into line with the financial support received.

3.10.

The draft budget includes a proposal to increase the use of General Fund reserves to maintain, in cash terms, the Council's 2023/24 revenue budget only. Services must bring forward, and deliver efficiencies, revenue generations or service reductions during 2023/24 to balance the 2024/25 budget.

3.11.

In addition to setting the Council Tax level for financial year 2023/24, the Council is required by law to set a balanced revenue budget by 11 March whereby the level of budgeted expenditure cannot be set at a level greater than the known or realistically anticipated total income for that year.

3.12.

Work is ongoing on the updating of the Medium-Term Financial Strategy and Long-Term Financial Plan for the Council. Early indications of the funding gap that the Council could face over a ten-year period are 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.

4. Grant Settlement

4.1.

Local Government Finance Circular 11/2022 was issued on 15 December 2022 and sets out the provisional total Local Government revenue and capital funding for 2023/24.

4.2.

At a national level, the Scottish Government has presented the 2023/24 settlement as a 4.2% cash increase in funding for Local Government of £498 million, however, COSLA's "Budget Reality" was updated and re-issued on 13 January, with the revised version showing only a cash increase of £38 million for revenue, well short of the "£1bn COSLA said was needed to address the multiple challenges councils face".

4.3.

The Scottish Government commitments that Finance Circular 11/2022 intimates have been funded in the settlement are as follows:

- £260 million to support the local government pay deal and also delivers additional funding to ensure that payment of Scottish Social Services Council (SSSC) fees for the Local Government workforce which will continue to be made on a recurring basis.
- £72.5 million increase to the General Revenue Grant.
- £105 million to give effect to the devolution of Non-Domestic Rates Empty Property Relief.
- Maintained key in-year transfers worth over £1 billion and added a further net £102 million of resource to protect key shared priorities particularly around education and social care.
- £50 million capital to help with the expansion of the Free School Meals policy.
- Additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services.
- Consolidation of £30.5 million for the homelessness prevention fund.

4.4.

At a Council level, the settlement has delivered an increase in the revenue grant that will be received of £2,841,000, as illustrated below:

Financial Year and Circular.	Total.
2022/23 (1/2022).	£86,225,000.
2023/24 (11/2022).	£89,066,000.
Estimated Revenue Grant Increase.	£2,841,000.

4.5.

The increase in the revenue grant is represented by:

Description	Total.
2022/23 GAE (Grant Aided Expenditure) plus SINA (Special Islands Needs Allowance)	£1,811,000
2008-24 Change	£2,610,000
Loans and leasing charges	£(218,000)
Total Former Ring-Fenced Grants	£(18,000)
Baselined Redeterminations and in Year Funding	£(1,639,000)
The Floor	£17,000
New Money	£310,000
Other Minor Adjustments	£(32,000)
	£2,841,000

4.6.

The Council remains a contributor to the Floor mechanism for 2023/24 by £1,313,000, representing a slight decrease of £17,000 or 1.3% on 2022/23.

5. Projected Spending Pressures

5.1.

With real terms cuts in the government grant awarded to core Local Government services, the cost of budgeting for inflation has, in recent years, been a significant spending pressure which has had to be partially funded by the Council. The inclusion of a 15% uplift for the high cost of energy prices and a 3% pay award is recommended for 2023/24.

5.2.

As a result of these real-terms cuts, Council services will have to find additional efficiency savings within their approved budgets in 2023/24, as well as long term savings for 2024/25 onwards. The September 2022 headline rate of Consumer Price inflation was 10.1%, up from 3.1% in September 2021, although inflation is currently forecast to fall to 4% or 5% by the end of the current financial year. Annex 1 provides details of recommended budgetary adjustments across the main cost and income subjective groupings. The estimated cost of applying these budgetary adjustments is £6,740,000. Note the proposed 15% inflationary increase in property costs is specifically for energy costs.

5.3.

Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on the Strategic Reserve Fund, services are encouraged to find efficiencies or undertake service redesign within their own service areas to meet any ongoing service pressures.

5.4.

No baseline service pressure bids were invited as part of the budget process for 2023/24. This does not mean that there are not latent pressures within Services, rather, due to challenging budget circumstances, it has not been possible for the Corporate Leadership Team to support the principle of growth at this time. This means that Services will have to continue to manage within historic budget envelopes which may in turn impact on outputs and/or performance. However, it is recommended that the following non-recurring pressure areas with a total cost of £705,000, be approved for inclusion in the revenue budget:

- Nursery provision – £255,000.
- Braeburn provision – £450,000.

5.5.

There are limited options to deal with such a significant spending pressure including:

- An increase in Council Tax.
- An increased draw from reserves, if this can be done in a sustainable manner.
- The cessation of services and cuts in employment.
- An increase in other sources of income.
- A combination of the above.

5.6.

With current Council Tax calculation numbers, each 1% increase in Council Tax would generate approximately £102,000 of revenue for the Council.

5.7.

With reference to section 7.13 below, the Council has provisionally agreed its draw from the Strategic Reserve Fund for 2023/24 at £6,350,000. A separate report to this meeting looks to re-provision earmarked General Fund reserves towards balancing the budget for 2023/24.

6. Council Tax

6.1.

The Council Tax is based upon the capital value of domestic properties (as at 1 April 1991) which is determined by the Assessor. Once the capital value of properties is assessed, properties are allocated to one of eight bands.

6.2.

Some councils generate relatively high levels of income from Council Tax with, at the higher end, 19% of general income raised from Council Tax. In comparison, Orkney generates less than 11% of general income from Council Tax. This is partially historical, with councils having been tied to their 2008/09 Council Tax rates by the freeze and thereafter with the exception of 2022/23, only permitted capped increases. The mix of house property bands is a further factor with fewer high banded properties in the islands meaning the Council Tax base is a lot lower.

6.3.

The budget announcement by the Deputy First Minister on 15 December 2022, confirmed that the Scottish Government will not seek to agree any freeze or cap in locally determined increases to Council Tax, meaning the Council has full flexibility to set the Council Tax rate that is appropriate for Orkney, with the proviso "that councils reflect carefully on the cost pressures facing the public when setting council tax rates".

6.4.

The surcharge on second homes is estimated to generate £242,000 in 2023/24 and continues to be allocated to the Housing Revenue Account. The surcharge on empty properties is estimated to contribute £100,000 to the total Council Tax income in 2023/24.

6.5.

In September each year, the Council submits an annual return to the Scottish Government providing details of Council Tax Band D equivalent properties which is used by the Scottish Government in determining the level of revenue support grant for each Council. The number of Band D equivalent properties in Orkney for the September 2022 return was 8,284 and represents an increase of 50 on the previous year's figure of 8,234.

6.6.

An element of non-collection of Council Tax will inevitably occur and it is considered prudent to make a non-collection allowance of 1.0%, thereby reducing the number of Band D equivalent properties by 83 from 8,284 to 8,201. The allowance for non-collection is consistent with the rate applied in previous years.

6.7.

With a recommended increase in the Band D Council Tax level of 10%, to £1,369.21, the total amount of income expected to be generated is £11,229,000, as set out in Annex 2. By way of comparison:

- A 5% increase to the Council Tax is estimated to generate £11,060,000, which would necessitate an additional draw from General Fund balances of £511,000.
- A 3% increase to the Council Tax is estimated to generate £10,856,000, which would necessitate an additional draw from General Fund balances of £715,000.

6.8.

Annex 2 provides a comparison of 2022/23 Band D rates, and possible 2023/24 increases. A recent information gathering exercise by the Directors of Finance noted most councils were proposing increases of between 4% and 10%. Based on percentages in this table, and the proposed Band D rate for Orkney, Orkney would still be in the lowest quartile of Scottish local authorities.

7. Reserves and Balances

7.1.

Section 93 of the Local Government Finance Act 1992 requires Scottish authorities, in calculating the Council Tax, to take into account any means by which Council expenses may otherwise be met or provided for. This includes General Fund reserves and earmarked portions of the General Fund balance but not other reserves the Council is specifically allowed to hold.

7.2.

The Council currently holds various earmarked reserves within General Fund balances as part of its longer-term financial management strategy. These earmarked reserves, amounting to £44,273,000 as at 31 March 2022, are held to meet specific commitments, specific purposes or for specific Council priorities, as detailed in Annex 3.

7.3.

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

to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term.

7.4.

A separate report to this Committee on the General Fund Reserves Strategy details the use of earmarked and non-earmarked General Fund reserves. Any use of General Fund reserves made in determining the 2023/24 revenue budget, should only be done on the basis of a sustainable strategy, which ensures that future years' revenue budgets are not dependent on the unsustainable continuing use of General Fund reserves. It is recommended that £10,631,250 of General Fund reserves be used to balance the 2023/24 budget. By comparison, £2,621,100 was required to balance the 2022/23 budget.

7.5.

There is no generally recommended target level of uncommitted General Fund Reserves although a number of local authorities do have a target range of between 2% to 4% of their net revenue expenditure. The General Fund Reserves Strategy report recommends that General Fund non-earmarked balances for 2023/24 be set at 2% of the net revenue budget for 2023/24, with a target balance of approximately £2,000,000.

7.6.

There is presently much uncertainty regarding the budget outturn for financial year 2022/23, therefore the final draw on the non-earmarked General Fund Reserve in 2022/23 is not yet known.

7.7.

The Council also has available a source of funding from its Strategic Reserve Fund. In setting the revenue budget for 2022/23, a contribution of £8,262,900 of the investment income or interest that would be earned on the Strategic Reserve Fund was budgeted as a means of cushioning savings targets/requirements and to maintain and protect spending and services which might otherwise have been reduced or removed when setting the budget.

7.8.

The policy recommended for the use of interest earned on the Strategic Reserve Fund has been to establish a Floor of £175,000,000 as at 1 April 2012, which has been inflated by the Retail Price Index (RPI) annually, with sums drawn to support services restricted to what can be accommodated from the headroom above the inflated Floor to maintain, as far as possible, the "real" value of the reserves.

7.9.

With the Consumer Price Index (CPI) now the generally accepted measure of inflation in the United Kingdom, the Strategic Reserve Fund Floor is now calculated with CPI inflation rather than RPI, effective from 1 April 2021.

7.10.

In May 2021, the Investments Sub-committee obtained assurance that the current income focused investment strategy remained appropriate for the Strategic Reserve Fund managed fund investments. While the review confirmed that expected returns in terms of the current strategy were expected to reduce from 5.6% to 5.2% per annum over a rolling three-year period, largely due to the impact of COVID-19 on the global growth forecasts, this level of income is now considered sufficient to support annual distributions of approximately £6,350,000 per annum and still maintain the value of the Strategic Reserve Fund in real terms.

7.11.

As budgets settlements have reduced in real terms, the reliance on the Strategic Reserve Fund has been increasing, as detailed below:

Financial year.	Annual draw from Strategic Reserve Fund.
2014/15	£3,930,000
2015/16	£3,930,000
2016/17	£3,930,000
2017/18	£3,930,000
2018/19	£4,684,000
2019/20	£6,050,000
2020/21	£6,317,200
2021/22	£7,469,900
2022/23	£8,262,900

7.12.

The value of the Strategic Reserve Fund usable reserves has been estimated at £212,112,000 as at 31 March 2023. This value is below the “floor”, therefore it is anticipated that, as at 1 April 2023, there is no additional headroom available for financial year 2023/24. The affordability gap is forecast to further increase to £32,711,000 over the three years to 31 March 2026, as the level of disbursements on the Strategic Reserve Fund continues to exceed the amount of forecast growth in real terms.

7.13.

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, the Policy and Resources Committee recommended:

- That a financial contribution of £6,350,000 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 2023/24.
- That the Strategic Reserve Fund budget for financial year 2023/24, together with indicative budgets for 2024/25 and 2025/26 [which included a contribution towards General Fund services of £6,350,000] be approved.

7.14.

The Council continues to investigate strategic investment opportunities which are anticipated, in the future, to generate returns which will enable the Council to support, and enhance, core services. However, at this time these income streams are unknown. Until such time as accurate forecasts can be made, the Council will ultimately seek to draw on the Strategic Reserve Fund.

7.15.

Having regard to the continued reduction in grant funding, it is recommended that, in the event an underspend on General Fund services is realised in 2022/23, it is applied as follows:

- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney for individuals at risk.
- To the setting of the General Fund revenue budget for 2023/24, with excess amounts, if any, being retained for budget setting pressures in 2024/25.

7.16.

In light of the current financial climate, the importance of sustaining a sufficient reserve position is pivotal to the financial framework of the Council given the very tight budgets which have to be set for Council services and the inherent risk therein.

8. Efficiency Savings for 2023/24

Largely in recognition of the exceptionally difficult period since the pandemic and the acute pressure that services have been under to maintain existing provision, no efficiency savings have been requested as part of the budget setting process for 2023/24.

9. Target Savings and Future Savings Projects

9.1.

The current level of budgeted expenditure is more than can be sustained through the ongoing support from Scottish Government and locally raised revenue from Council Tax and fees and charges. There is also a high level of risk inherent in propping up the budget through contributions from reserves.

9.2.

There is now a requirement, across all Council services, to seek efficiencies, maximise revenues and minimise costs. With reference to section 5 above, Services are again under significant pressure to deliver services within proposed budget inflationary increases for 2023/24. For example, a 1% increase in the budget for the following overheads would result in an additional budget requirement of £170,700:

- Supplies and Services.
- Transport Costs.
- Administration Costs.
- Third Party Payments.
- Transfer Payments.

9.3.

The September 2022 headline rate of Consumer Price inflation was 10.1%, up from 3.1% in September 2021. Inflation is currently forecast to fall to 4% or 5% by the end of the current financial year, therefore inflationary pressures will have to be met from within existing service budgets.

9.4.

Notwithstanding these pressures, and maintaining the 2023/24 budget in cash terms, there is a requirement for significant and real savings to be made if the Council budget is to remain sustainable in the medium term. Each Service will have to present strategies for implementation during 2023/24, to enable the 2024/25 budget to be balanced. This process must start now, if it has not already done so.

10. Charging for Services

10.1.

On 9 December 2014, the Council approved a revised Corporate Charging and Concessions Policy.

10.2.

The importance of charges has increased with the reduction in grant funding and the knowledge that increasing existing charges and introducing new charges are required in order to maintain services or prevent certain services being removed altogether. Inflation, as measured by the Consumer Price Index (CPI) was 10.1% at September 2022, peaking at 11.1% in October, and falling back towards the end of the calendar year. It is therefore recommended that Corporate Directors should look to review and increase existing charges by a minimum of 10% from 1 April 2023, if it is possible to do so.

10.3.

There are however exceptions to this where, for commercial or other reasons, application of the charge would result in a reduction in income or where the charges collected by the Council are set by statute; a committee to which the Council has delegated responsibility, or a national body. Nationally determined charges will continue to be adjusted according to the national changes.

10.4.

The proposed exceptions where the general increase of at least 10% will not apply are as follows:

- Building Warrant and Planning fees – set nationally.
- Harbour Charges – annual increase considered separately by the Harbour Authority Sub-committee.
- Ferry fares – policy is to match Caledonian MacBrayne increase.
- Car Park and Electric Vehicle charges – annual increases should be considered separately by the Development and Infrastructure Committee.
- Residential Care and Home Care – based on cost of service.
- Very Sheltered Housing – based on cost of service.
- Supported Accommodation – based on cost of service.
- Meals At Home Service – full cost recovery
- Licensing fees – annual increase considered separately by the Licensing Committee.
- Ship Sanitation Certification – set nationally.
- Marriage / Civil Partnership – set nationally.
- Roads Inspection Fees – set nationally.
- Trade Waste charges – based on cost of service.
- Homelessness rents – set in accordance with the Rapid Rehousing Transition Plan.
- Selected quarry product sales – based on cost plus.

10.5.

When calculating increases for the Council charges register, for ease of collection the increased charges will be rounded in accordance with the following charging guidance:

Less than £2.00.	10% rounded up to nearest 10p.
£2.00 to £49.99.	10% rounded up to nearest 10p.
£50.00 to £99.99.	10% rounded up to nearest 50p.
£100.00 and over.	10% rounded up to nearest £1.

10.6.

With reference to section 9.2 above, Services have to seek to maximise revenues. This is not always just looking at price increases but could be increasing take up. Services should seek to understand each service cost structure and market and set prices accordingly.

11. Revenue Budget Summary

11.1.

The proposed uprating assumptions to be applied to the existing base budget are set out in Annex 1 and total £6,740,000 for 2023/24. The table below indicates the monetary values where increases are to be applied.

Staff Costs – Non-Teaching	£4,737,900	
Staff Costs – Teaching	£1,368,300	
Property Costs	£1,374,900	
		£7,481,100
Sales	£(81,700)	
Fees and Charges	£(647,300)	
Other Income	£(12,100)	
		£(741,100)
Total Net Uplift		£6,740,000

11.2.

Annex 4 provides an analysis of the financial settlement and shows that there is a net cash increase for 2023/24.

11.3.

A summary of the net budget movement between 2021/22 and 2022/23 is set out below.

	2023/24
Overall Budget Increase	
Movement 2022/23 to 2023/24	£9,078,450.
Represented By:	
Movement in Gross Revenue Grant	£3,736,000.
Non-Domestic Rates	(£1,481,000).
Council Tax.	£1,082,000.
General Fund Reserve contribution	£8,442,550.
Other Reserves increased contribution.	(£2,701,100).
	£9,078,450.

11.4.

The 2022/23 pay settlement, inflationary pressures and the cost of the revised pay and grading structure, for example, will require an increased contribution from the General Fund non-earmarked balances, to set a balanced budget for 2023/24.

11.5.

It is proposed that the budget for 2023/24 be set at £101,694,650 as detailed in Annex 4, along with the calculation of the Council Tax for 2023/24, as detailed in Annex 2.

12. Capital Programme 2022 to 2026

12.1.

A re-profiling of the existing five-year capital programmes for financial years 2020 to 2026, in order to reflect current timescales for completion of individual capital projects was considered by the Policy and Resources Committee on 22 September 2022. The Committee recommended:

- That the sum of £451,000 be accelerated from 2022/23, be reprofiled back to 2021/22 in respect of overspends on projects contained within the General Fund capital programme.
- That the sum of £686,000 be carried forward from 2021/22 to 2022/23 and onwards in respect of slippage on projects contained within the non-General Fund capital programme.

12.2.

The Council has been notified through Finance Circular No. 11/2022 that it will receive £6,529,000 of General Capital Grant in 2023/24. This is an increase of £1,295,000 from 2022/23. It should be noted that this includes £811,000 of capital funding flexibility in respect of the 2022/23 pay settlement – this amount is due to revert to revenue in the future.

12.3.

Capital allocations have fluctuated in recent years as Government has “borrowed” and then “repaid” capital from the local government settlement. The baseline planning assumption for recurring General Capital Grant has had to be reduced from close to £6 million to around £5 million, based on the following trend:

Year.	General Capital Grant.	Increase/ (Decrease).
2016 to 2017.	£5,308,000.	(£2,026,000).
2017 to 2018.	£6,962,000.	£1,654,000.
2018 to 2019.	£6,419,000.	(£543,000).
2019 to 2020.	£7,454,000.	£1,035,000.
2020 to 2021.	£5,046,000.	(£2,408,000).
2021 to 2022.	£5,048,000.	£2,000.
2022 to 2023	£5,234,000.	£186,000.
2023 to 2024	£6,529,000.	£1,295,000

12.4.

Any underspend on loan charges in the year ending 31 March 2023 as a result of capital programme slippage will be applied to repay capital debt, while the General Capital Grant of £6,529,000 in the year to 31 March 2024 will be the main funding source for expenditure on the capital programme. As stated above, the 2022/23 general capital grant award has been augmented by redeterminations during the year, predominately an allocation of £811,000 to meet the local government pay deal. This augmentation will continue in 2023/24 before reverting to general revenue grant from 2024/25.

13. Presumption Against New Commitments

13.1.

In setting the budget for financial year 2022/23, the Council determined that its policies of a presumption against new commitments and a moratorium on staff establishment increases should continue to remain in force for the time being. However, in order to allow for eventualities which might arise, the following principal conditions applied:

- 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.

13.2.

It is proposed that, with the continuing pressure on the budget, the Council should again establish policies of constraint in undertaking new commitments for financial year 2023/24 across General Fund services.

14. Fairer Funding for Ferry Services

The Government has engaged constructively with the Council over ferry support in the lead up to the 2023/24 budget and Finance Circular 11/2022 indicates a specific ring fenced grant of £13,402,000 for Orkney in 2023/24. This is effectively a flat settlement, and takes no account of pay increases, inflationary pressures, fuel costs or the continually aging fleet. The award also effectively removes the allocation of a recurring £1,000,000 specific grant in respect of Orkney Transport.

15. Human Resource Implications

15.1.

There are no proposed efficiency savings that would result in any reduction in staffing during 2023/24.

15.2.

The staffing establishment at 31 January 2023 shows a total of 1,668 FTE staff employed on permanent or temporary contracts, which is an increase from 1,646 FTE at the same point in 2022.

15.3.

On 29 November 2021, the Policy and Resources Committee noted that, should the revised Corporate Management Structure be approved, the Chief Executive would arrange for a report on the Strategic Workforce Plan to be presented to the Policy and Resources Committee by March 2022. The Council's People Plan 2022-26 was recommended for approval at the Policy and Resources Committee on 21 June 2022.

15.4.

The creation of new Workforce Plans across the various Council services is a commitment within the People Plan to be undertaken in year 2023/24. The financial position and outlook will be factor that needs to be taken into consideration in this work.

15.5.

Elements of medium and long-term workforce planning remain challenging when set in the context of significant financial uncertainty and continued single year budgeting.

16. Risk

16.1.

The increasingly stringent financial circumstances facing councils as a result of real term cuts in Government grant allocations, coupled with increased demand for services, a cost of living crisis, heightened regulatory requirements and increasing levels of ring-fenced funding, are placing correspondingly high levels of risk upon councils and, for the forthcoming financial year, the risk remains high.

16.2.

While those services which have been “protected” by the Government through ring-fenced funding carry high levels of risk, there are also risks associated with many “non-protected” services and in relation to the corporate responsibilities and compliance duties which apply to all Council Services.

16.3.

Due to diseconomies of scale, the capacity of the Council to meet such responsibilities is limited by comparison with larger councils and, as a consequence, the level of exposure to risk is greater in the local context. The increased workloads of many sectors of the workforce have been acute over the past 12 months.

16.4.

Inclusion of the specific grant of £13,402,000 for internal ferry services at the first stage of the budget reduces the financial risk to the Council for provision of ferry services in 2023/24. As a flat settlement however, it takes no account of pay increases, inflationary pressures, fuel costs or the continually aging fleet. The award also effectively removes the allocation of a recurring £1,000,000 specific grant in respect of Orkney Transport.

16.5.

There remain significant ring-fenced and earmarked sums within the settlement which, together with pressures on pay and prices, means that there is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing

mismatch between demand and provision however builds upon a gap from previous years and may result in service budget overspends.

16.6.

It is likely, with regard to many areas of the Council's activities, that it will be very difficult to assure Elected Members with confidence that sufficient resources, in terms of service infrastructure, including a motivated and skilled workforce and associated support systems, are in place to meet all legal and compliance obligations let alone the many standards of good practice which apply to services. This leads to an increased likelihood of failures or perceived failures within services and clear challenges in terms of meeting performance expectations of the Council and its many stakeholders.

16.7.

Similarly, the requirement to make efficiencies, maximise revenues and reduce costs, and look for strategic savings will create challenges for the Council's stakeholders.

16.8.

The Council's Long-Term Financial Plan for 2018 to 2030 identifies a range of cumulative funding gaps over a ten-year period from the best case at £23,600,000 to a likely case of £65,700,000 and a worst case of £145,600,000. These projections serve to illustrate that the Council faces a significant challenge over the next ten years in matching the level of expenditure to the available resources. The Council's Medium-Term Financial Strategy and the Long-Term Financial Plan require updating to reflect recent performance, and current assumptions.

16.9.

As Head of the Paid Service, the Chief Executive has a statutory responsibility in terms of section 4 of the Local Government and Housing Act 1989 to report to the Council on the adequacy of the staff resources necessary to carry out the functions of the Council.

17. Equalities Impact

17.1.

An Equality Impact Assessment on the overall budget proposals has been carried out and is attached as Annex 5.

17.2.

As no specific saving proposals are being recommended, individual savings specific Equality Impact Assessments are not required for 2023/24.

18. Corporate Governance

18.1.

This report relates to the Council complying with 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.

18.2.

However, when considering the budget setting issues for 2023/24, cognisance has been 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 within the resources currently available.

18.3.

Accordingly, the proposals outlined in this report will assist in delivering the Council's priorities by allocating resources to those areas of activity which have been highlighted as priorities.

19. Financial Implications

19.1.

The financial implications are detailed throughout the report.

19.2.

A detailed revenue budget for 2023/24, incorporating any Scottish Government changes from the estimated funding settlement and the budget adjustments agreed by the Council, will require to be prepared and thereafter distributed to budget holders to facilitate effective budgetary control arrangements during financial year 2023/24.

20. Legal Aspects

20.1.

Section 93 of the Local Government Finance Act 1992 requires the Council to set the Council Tax and a balanced budget before 11 March each year. Failure to do so could result in the Council being declared by the Scottish Ministers to be in default and directed, by virtue of Section 211 of the Local Government (Scotland) Act 1973, to set a Council Tax and a balanced budget within such time as the Scottish Ministers direct.

20.2.

The Council is required by law to make arrangements which secure best value.

21. Contact Officers

Oliver Reid, Chief Executive, extension 2101, Email oliver.reid@orkney.gov.uk

Erik Knight, Head of Finance, Email erik.knight@orkney.gov.uk

22. Annexes

Annex 1: Budget Uprating Assumptions 2023/24.

Annex 2: Council Tax Calculation 2023/24.

Annex 3: Reserves and Balances as at 31 March 2022.

Annex 4: Estimated Financial Settlement 2022/24.

Annex 5: Equality Impact Assessment – Overall Budget Assessment.

Annex 1.

Budget Uprating Assumptions

Budget Element.	2021 to 2022.	2022 to 2023.	2023 to 2024.
Staff Costs Non-Teaching.	2.0%.	2.0%.	7.0%.
Pension Costs Non-Teaching.	0.0%.	0.0%.	0.0%.
Staff Costs Teaching.	2.0%.	1.0%.	8.0%.
Pension Costs Teaching.	0.0%.	0.0%.	0.0%.
Property Costs (specifically energy costs).	1.0%.	1.0%.	15.0%.
Supplies and Services	2.0%.	0.0%.	0.0%.
Transport Costs.	1.0%.	0.0%.	0.0%.
Administration Costs	1.0%.	0.0%.	0.0%.
Third Party Payments	1.0%.	0.0%.	0.0%.
Transfer Payments	1.0%.	0.0%.	0.0%.
Third Sector	1.0%.	10.0%.	0.0%.
Other Costs	1.0%.	0.0%.	0.0%.
Trading Organisations and Orkney Ferries.	2.0%.	1.0%.	0.0%.
Internal Transport	1.0%.	1.0%.	0.0%.
Sales.	3.0%.	5.0%.	10.0%.
Fees and Charges.	3.0%.	5.0%.	10.0%.
Other Income.	3.0%.	5.0%.	10.0%.
Total Uplift for Inflation.	£1,689,200.	£1,631,200.	£6,740,000.

Annex 2.

Council Tax Calculation for 2023 to 2024

Non-Domestic Rates.	£11,473,000.
Revenue Support Grant.	£61,479,000.
Council Tax.	£11,329,000.
Use of Reserves.	£17,413,650
Proposed Budget for 2023 to 2024.	£101,694,650.
Less Use of Reserves.	-£17,413,650.
	£84,281,000.
Less Financial Settlement.	-£72,952,000.
Less Empty Properties Income.	-£100,000.
Expenditure to be met by Council Tax.	£11,229,000.
Band D Properties Forecast.	8,272.
Assumed Collection Rate.	99%.
Number of Band D Equivalent Tax Payers.	8,201.
Band D Council Tax for 2023 to 2024.	£1,369.21.

Council Tax Comparison 2022 to 2023

Scotland Average Band	£1,347
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	Band D	3%	5%	7%	10%
Midlothian	£1,442.60	£1,485.88	£1,514.73	£1,543.58	£1,586.86
Glasgow City	£1,428.00	£1,470.84	£1,499.40	£1,527.96	£1,570.80
Dundee City	£1,419.03	£1,461.60	£1,489.98	£1,518.36	£1,560.93
Aberdeen City	£1,418.62	£1,461.18	£1,489.55	£1,517.92	£1,560.48
East Ayrshire	£1,416.61	£1,459.11	£1,487.44	£1,515.77	£1,558.27
Argyll & Bute	£1,408.76	£1,451.02	£1,479.20	£1,507.37	£1,549.64
Stirling	£1,384.58	£1,426.12	£1,453.81	£1,481.50	£1,523.04
South Ayrshire	£1,383.96	£1,425.48	£1,453.16	£1,480.84	£1,522.36
North Ayrshire	£1,382.97	£1,424.46	£1,452.12	£1,479.78	£1,521.27
City of Edinburgh	£1,378.75	£1,420.11	£1,447.69	£1,475.26	£1,516.63
Highland	£1,372.29	£1,413.46	£1,440.90	£1,468.35	£1,509.52
Moray	£1,362.56	£1,403.43	£1,430.68	£1,457.93	£1,498.81
Inverclyde	£1,357.81	£1,398.54	£1,425.70	£1,452.86	£1,493.59
Renfrewshire	£1,354.88	£1,395.53	£1,422.62	£1,449.72	£1,490.37
Perth & Kinross	£1,351.00	£1,391.53	£1,418.55	£1,445.57	£1,486.10
East Dunbartonshire	£1,348.25	£1,388.70	£1,415.66	£1,442.63	£1,483.08
Clackmannanshire	£1,343.77	£1,384.08	£1,410.96	£1,437.83	£1,478.15
East Lothian	£1,341.69	£1,381.94	£1,408.77	£1,435.61	£1,475.86
Aberdeenshire	£1,339.83	£1,380.02	£1,406.82	£1,433.62	£1,473.81
East Renfrewshire	£1,335.11	£1,375.16	£1,401.87	£1,428.57	£1,468.62
West Dunbartonshire	£1,332.36	£1,372.33	£1,398.98	£1,425.63	£1,465.60
Fife	£1,319.22	£1,358.80	£1,385.18	£1,411.57	£1,451.14
West Lothian	£1,314.71	£1,354.15	£1,380.45	£1,406.74	£1,446.18
Scottish Borders	£1,291.53	£1,330.28	£1,356.11	£1,381.94	£1,420.68
Falkirk	£1,274.60	£1,312.84	£1,338.33	£1,363.82	£1,402.06
Dumfries & Galloway	£1,259.30	£1,297.08	£1,322.27	£1,347.45	£1,385.23
North Lanarkshire	£1,257.89	£1,295.63	£1,320.78	£1,345.94	£1,383.68
Orkney Islands	£1,244.73	£1,369.21	£1,369.21	£1,369.21	£1,369.21
Angus	£1,242.14	£1,279.40	£1,304.25	£1,329.09	£1,366.35
South Lanarkshire	£1,233.00	£1,269.99	£1,294.65	£1,319.31	£1,356.30
Na h-Eileanan Siar	£1,229.29	£1,266.17	£1,290.75	£1,315.34	£1,352.22
Shetland Islands	£1,206.33	£1,242.52	£1,266.65	£1,290.77	£1,326.96

Annex 3.

Reserves and Balances as at 31 March 2022

General Fund	£	Balance as at 31/03/22 £
Non-Earmarked Balance.		10,043,700.
Capital Fund.		507,800.
Capital Receipts Reserve.		836,900.
Repairs and Renewals Fund.		9,150,000.
Local Works and Services Contingency Fund.	111,800.	
Workforce Management and Management Support Fund.	1,587,000.	
Renewable, Redevelopment and Regeneration Fund.	9,937,800.	
Recreation and Cultural Services Project Fund.	65,200.	
Development Grants Fund.	1,656,100.	
Outwith Orkney Placements Fund.	1,000,000.	
Capital Projects Appraisal Fund.	737,400.	
Crown Estate Fund.	1,897,200.	
Redeterminations Flexibility Fund.	1,931,300.	
Business Support Fund.	2,795,500.	
Integration Joint Board General Fund Balances.	500,000.	
Sustainable and Green Transport Fund.	82,900.	
Islands Deal Fund.	1,432,400.	
Total Earmarked Reserves.		23,734,600.
Total General Fund Reserves.		44,273,000.

Annex 4.

Financial Settlement 2023 to 2024

Financial Settlement Details.	2022 to 2023.	2023 to 2024.
Total Estimated Expenditure.	£94,468,000.	£97,338,000.
Funded by:		
Assumed Council Tax.	£8,243,000.	£8,272,000.
Ring-fenced Grants.	£15,528,000.	£16,114,000.
Non-Domestic Rates.	£12,954,000.	£11,473,000.
General Revenue Funding.	£57,743,000.	£61,479,000.
Totals.	£94,468,000.	£97,338,000.
Government Grants:		
Ring-fenced Grants.	£15,528,000.	£16,114,000.
Non-Domestic Rates.	£12,954,000.	£11,473,000.
General Revenue Funding.	£57,743,000.	£61,479,000.
Totals.	£86,225,000.	£89,066,000.
Grant Movement.	£1,746,000.	£2,841,000.
Grant Movement.	2.07%.	3.29%.
Council Budget Calculation:		
Non-Domestic Rates.	£12,954,000.	£11,473,000.
Revenue Support Grant.	£57,743,000.	£61,479,000.
Council Tax.	£10,247,000.	£11,329,000.
Use of Strategic Reserve Fund.	£8,262,900.	£6,350,000.
Use of Other Reserves	£788,200.	£432,400.
Use of General Fund Reserve	£2,621,100.	£10,631,250.
Totals.	£92,616,200.	£101,694,650.
Budget Movement.	£1,410,000.	£9,078,450.
Budget Movement.	1.5%.	9.8%.



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.	Setting the budget and Council Tax levels for 2023 to 2024.
Service / service area responsible.	Enterprise and Sustainable Regeneration.
Name of person carrying out the assessment and contact details.	Erik Knight, Head of Finance.
Date of assessment.	2 February 2023
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New following the grant settlement from the Scottish Government and setting of the Council budget from 2023 to 2024.

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	<p>To set the budget and Council Tax levels for financial year 2023 to 2024.</p> <p>Whilst there are no proposed budget cuts this year, with real term cuts in government grants awarded to core Local Government services, the cost of budgeting for inflation has in recent years been a significant spending pressure which has had to be partially funded by the Council.</p> <p>Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on Reserves, services are encouraged to find compensatory savings or undertake service</p>

	redesign within their own service areas to meet any service pressure bids.
Is the function / policy / plan strategically important?	Yes.
State who is, or may be affected by this function / policy / plan, and how.	Users of Council services will be affected by changes in service provision or charges because of real terms cuts in awarded grants and the ongoing spending pressures as a result of these.
How have stakeholders been involved in the development of this function / policy / plan?	As no budget cuts are being proposed in this year's draft budget no additional consultation of stakeholders has taken place. It is considered that the views expressed by stakeholders in previous years remain valid, including, for example, the views of trade unions that the Council should increase the draw on its reserves as a means of maintaining service levels.
Is there any existing data and / 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).	<p>Under the Equality Act 2010 the Council has a general equality duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between equality groups. Carrying out equality impact assessments allows the Council to demonstrate that it is meeting these duties.</p> <p>According to 'Making fair financial decisions: Guidance for decision makers' published by the Equality and Human Rights Commission in January 2015, the general equality duty does not prevent members from making difficult decisions, nor does it stop members from making decisions which may affect one group more than another. The duty enables the council to demonstrate that it is making financial decisions in a fair, transparent, and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes could have on people with different protected characteristics. Financial proposals should always be subject to a thorough assessment which should be considered before a decision is made. If members are presented with a proposal that has not been assessed for its impact on equality, they should question whether this enables them to consider fully the proposed changes and their likely impacts.</p> <p>Many residents in Orkney are geographically disadvantaged by their distance from a major centre of population, except for the more easily accessible parts of the region, as they do not have access to all the services that their counterparts in a town/city centre may have. Combinations of</p>

	<p>circumstances such as low income, disability, poor quality accommodation and no private transport can exacerbate access deprivation for vulnerable people, making it more difficult for them to access services.</p> <p>Feedback from Trade Unions in relation to the use of reserves, has been to urge Elected Members to make full use of reserves to prevent vulnerable groups, particularly disabled people and the elderly, from being disproportionately affected by cuts.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>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.</p>	<p>(Please complete this section for proposals relating to strategic decisions).</p> <p>Almost any change to a council service has some socio-economic impact. This is because the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services. Poor social and economic circumstances affect people's health and quality of life.</p> <p>Steps such as paying the Scottish Living Wage go some way to help tackle levels of child poverty by making more money available to help families bring up their children. Generally, this benefits lower-paid workers and their families.</p> <p>Women have been identified as being disproportionately vulnerable to socio-economic impacts and elements of welfare reform are likely to have a disproportionate impact on women and lone parents.</p> <p>Reduced services for children, young people and older people can place additional burdens of care on women. Women are more likely than men to manage reduced family budgets, have primary caring responsibilities and act as the buffers, going without to protect their children from the worst effects of poverty and continue to report higher levels of concern about their financial situation.</p> <p>A high percentage of women in Orkney work part time in the public, voluntary and community sectors. The continued reduction in the public and voluntary workforces impact disproportionately on this group.</p> <p>Inevitably, the overall effect of the combination of age, disability and deprivation means that changes to support services are likely to increasingly impact disproportionately on women and lone parent families.</p>

	<p>Children in out-of-work households are at greater risk of poverty although there are a significant number of children nationally who are classed as living in poverty who live in households where someone is working (in-work poverty). Children of lone parents, children with disabilities and those in large families are at greater risk of living in poverty.</p> <p>There is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision builds upon a gap from previous years.</p> <p>By retaining core services focused on supporting the most vulnerable children, including those with specialist needs, and families, councils can continue to address the greatest levels of disadvantage and tackle inequality.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p> <p>There are proposals that present charges should be reviewed and increased by a minimum of 10% from April 2023, if possible, to do so. These charges relate to a very wide range of services with the following exceptions, where alternative arrangements are required or proposed:</p> <ul style="list-style-type: none"> • Building Warrant and Planning fees. • Harbour charges. • Ferry fares. • Car park charges. • Residential care and Home care. • Very Sheltered Housing. • Supported accommodation. • Licensing fees. • Ship sanitation certification. • Marriage / civil partnership. • Roads Inspection Fees. • Trade waste charges. • Homelessness rents. • Selected quarry products. <p>The summary below provides more information relating to people in Orkney by protected characteristic. It is important to note that intersectionality (the complex and cumulative way in which the effects of multiple protected characteristics have on the experiences of</p>

	<p>individuals or groups) is of particular relevance when considering inequalities and socio-economic disadvantage. Inevitably any potential changes to way in which services are delivered because of the budget, will impact on particular groups. Further work will be required to assess the impacts on a service-by-service basis.</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>Most of the population of Orkney is White Scottish (79.4%) or White Other (19.9%) which includes Other British, Irish, Polish, and White Other. The remaining 0.7% of the population is non-white; 0.4% Asian, Asian Scottish, or Asian British and 0.3% Other ethnic groups. Whilst these figures are low in comparison to the Scotland average, we see that the ethnic make-up of Orkney has become more diverse over the past 10 years and is likely to continue to increase in diversity.</p>
<p>2. Sex: a man or a woman.</p>	<p>There is an even gender split for the population of Orkney comprising 49.9% Male and 50.1% female (2011 Census).</p> <p>Research shows that men are more likely to work full time than women, while women are more likely to hold part time positions than men.</p> <p>Whilst employment rates in Orkney are significantly higher than the regional and national average and the balance between full and part time working in Orkney (70% and 30% respectively) is broadly in line with the regional average, there is a higher tendency for part time working in the local authority area than nationally.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>The size of the current LGBT community in Orkney is not known currently. The official UK Government estimate is that 6% of the population identify as gay, lesbian, or bisexual. Research shows that one in six LGBT people have been discriminated against when using a public service in the last three years (Stonewall Scotland).</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>There is no reliable information on the numbers of people in Scotland who have transitioned from one sex to another.</p>
<p>5. Pregnancy and maternity.</p>	<p>N/A.</p>
<p>6. Age: people of different ages.</p>	<p>Orkney's demographic is changing and in line with the rest of Scotland the shift is towards an older average age with significance increases in the over 65's bracket. As people get older, they are more likely to acquire a disability or to need higher levels of support, therefore proposals impacting older people are also likely to have impacts for</p>

	<p>those with disabilities and those with caring responsibilities. Similarly, proposals impacting children and young people may also have impacts for those with caring responsibilities.</p> <p>Some proposals are potentially more likely to affect specific age groups (e.g. older people and children and young people) as they are heavier users of services, rather than because the Council has disproportionately targeted these groups.</p>
7. Religion or beliefs or none (atheists).	<p>In Orkney, 40.37% of individuals identified as Christian – Church of Scotland, 2.84% as Christian – Roman Catholic and 7.8% as Other Christian. 39.18% of the Orkney population identified as having no religion. There is also representation of Buddhist, Hindu, Jewish, Muslim, Sikh and Other communities within Orkney (Census 2011). The religion or belief makeup of the Orkney population mirrors closely the overall pattern in Scotland.</p>
8. Caring responsibilities.	<p>In Orkney, 9.2% of individuals aged 16 and over identified themselves as an unpaid carer in the 2011 Census. The majority (62%) of carers provided between 1-9 hours of care per week, while 24% provided 50+ hours of care per week. There were more female carers (around 60%) than male in Orkney, the largest numbers were aged 50-64 years old.</p>
9. Care experienced.	<p>Young people can be treated differently because of their care identity - that they have experience of care. In an effort to address the disadvantages faced by people with care experience, OIC is now assessing the impact of any proposals for those with care experience as part of the equality impact assessment process. These steps aim to provide care experienced young people with protection from discrimination and harassment because of their care identity.</p>
10. Marriage and Civil Partnerships.	<p>The Census 2011 shows that 46.59% of Orkney population is married, with 23.79% being single, 16.07% divorced / separated, 13.49% Widowed, and 0.05% in a Civil Partnership.</p>
11. Disability: people with disabilities (whether registered or not).	<p>(Includes physical impairment, sensory impairment, cognitive impairment, mental health)</p> <p>People with a disability are more likely to experience poorer outcomes in terms of employment, income, and education. They are more likely to face discrimination and negative attitudes and often experience greater difficulties in accessing housing and transport. The 2011 Census figures show that 6.5% of the population</p>

	in Orkney reported a disability; around half (51%) were sensory impairments, 32.8% related to a physical disability, 2.2% to a learning disability and 3% as having a mental health condition.
12. Socio-economic disadvantage.	Tackling deprivation and reducing inequalities remains a priority and as such it is recognised that fuel poverty is a significant issue across Orkney. In addition, evidence suggests that child poverty in Orkney is variable, and the Isles locality has the greatest level of housing deprivation. Whilst Orkney does not have data zones within the greatest areas of deprivation across Scotland within the SIMD analysis, it is acknowledged that in remote and rural settings SIMD may be a less useful marker of deprivation.

3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	Whilst there are no direct saving proposals being considered at this time, it is recognised that there are real terms cuts in the awarded grant. This will likely mean that services will need to consider changes or possible redesign to ensure demands continue to be met. Almost any change to a council service has some socio-economic impact. This is because of the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services.
How could you minimise or remove any potential negative impacts?	It is to be noted that the Third Sector in Orkney is a key and valued resource and Elected Members have recognised the sterling work of the Third Sector over the period of the Pandemic and the difficulties encountered in fundraising activities and a 10% increase for 2022/23 is therefore recommended. Third Sector organisations work closely with community groups including those considered most vulnerable and the provision of an increase in funding to support these organisations will help to reduce levels of disadvantage and tackle inequality within Orkney.
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?	Yes.
What action is to be taken?	Services will need to undertake detailed Equality Impact Assessments where compensatory savings or service redesign is required to meet any service pressure bids.
Who will undertake it?	Individual Service leads.
When will it be done?	As necessary.
How will it be monitored? (e.g. through service plans).	Service Plan reporting through the appropriate Committee.

Signature:



Date: 12 February 2023

Name: ERIK KNIGHT

(BLOCK CAPITALS).

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