

Minute

Policy and Resources Committee

Tuesday, 26 November 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors James W Stockan, W Leslie Manson, Stephen G Clackson, Alexander G Cowie, Norman R Craigie, Robin W Crichton, David Dawson, Andrew Drever, Barbara Foulkes, Steven B Heddle, J Harvey Johnston, Rachael A King, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Graham L Sinclair, Magnus O Thomson, Owen Tierney, Duncan A Tullock and Kevin F Woodbridge.

Clerk

- John W Mundell, Interim Chief Executive.

In Attendance

- Gavin Barr, Executive Director of Development and Infrastructure (for Items 1 to 25).
- Gillian Morrison, Executive Director of Corporate Services.
- Sally Shaw, Chief Officer/Executive Director, Orkney Health and Care.
- James Wylie, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Brian Archibald, Head of Marine Services, Engineering and Transportation (for Items 1 to 3 and 22 to 24).
- Peter Diamond, Head of Education (Leisure, Culture and Inclusion) (for Items 13 to 22).
- Karen Greaves, Head of Executive Support.
- Hayley Green, Head of IT and Facilities.
- Roddy Mackay, Head of Planning, Development and Regulatory Services (for Items 10 to 15).
- Gavin Mitchell, Head of Legal Services.
- Darren Richardson, Head of Infrastructure and Strategic Projects (for Items 1 to 4).
- Catherine Diamond, Early Years Lead Officer (for Items 14 to 22).
- Peter Bevan, Engineering Services Manager (for Items 14 and 15).
- Keith Foubister, Works and Inspection Manager (for Items 15 and 16).
- Kenny MacPherson, IT Services Manager (for Items 15 to 17).
- Hazel Flett, Senior Committees Officer.

Observing

- Andrew Groundwater, Head of HR and Performance (for Items 1 to 25).
- Sweyn Johnston, Strategic Projects Director (for Items 10 to 13).
- Rosemary Colsell, Procurement Manager (for Item 9).
- Karen Walter, Early Learning and Childcare Delivery Plan Manager (for Items 14 to 22).
- Meredith Macbeth, Cathedral Mason (for Items 15 and 16).
- Andrew Hamilton, Performance and Best Value Officer (for Items 1 to 4).

Declarations of Interest

- Councillor J Harvey Johnston – Item 13.
- Councillor John T Richards – Item 15.
- Councillor Duncan A Tullock – Items 13 and 21.
- Councillor Kevin F Woodbridge – Item 14.

Chair

- Councillor James W Stockan (for Items 1 to 24).
- Councillor W Leslie Manson (for Items 25 and 26).

1. Disclosure of Exempt Information

The Committee noted the proposal that the public be excluded from the meeting for consideration of Items 21, 22, 23 and 25, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Revenue Expenditure Monitoring

2.1. Policy and Resources

After consideration of a joint report by the Chief Executive, the Executive Director of Corporate Services, the Executive Director of Development and Infrastructure and the Head of Finance, copies of which had been circulated, the Committee:

Noted:

2.1.1. The revenue financial summary statement in respect of the undernoted services for the period 1 April to 30 September 2019, attached as Annex 1 to the joint report by the Chief Executive, the Executive Director of Corporate Services, the Executive Director of Development and Infrastructure and the Head of Finance, indicating an underspend position of £223,800:

- Central Administration.
- Law, Order and Protective Services.
- Other Services.

2.1.2. The revenue financial detail by Service Area statement for the period 1 April to 30 September 2019, attached as Annex 2 to the joint report by the Chief Executive, the Executive Director of Corporate Services, the Executive Director of Development and Infrastructure and the Head of Finance.

2.1.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the joint report by the Chief Executive, the Executive Director of Corporate Services, the Executive Director of Development and Infrastructure and the Head of Finance.

2.2. Summary

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

Noted:

2.2.1. The summary revenue expenditure statement for the period 1 April to 30 September 2019, attached as Annex 1 to the report by the Head of Finance, indicating the following:

- A total General Fund underspend of £1,396,700.
- A surplus in Sources of Funding of £51,500.
- A net Non-General Fund surplus of £6,510,400.

2.2.2. The financial detail across individual Sources of Funding for the period 1 April to 30 September 2019, including significant variances identified as Priority Actions, attached as Annex 2 to the report by the Head of Finance.

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

3. Capital Expenditure Monitoring

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

Noted:

3.1. The detailed analysis of capital expenditure in respect of the General Fund and the Non-General Fund capital programmes, for the period 1 April to 30 September 2019, attached as Appendix 1 to the report by the Head of Finance.

The Committee scrutinised:

3.2. Project updates in respect of the General Fund and the Non-General Fund capital programmes, for the period 1 April to 30 September 2019, attached as Appendix 2 to the report by the Head of Finance, and obtained assurance on progress being made with delivery of the capital programmes.

4. Performance Monitoring

4.1. Chief Executive's Service

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

Scrutinised the performance of the Chief Executive's Service for the reporting period 1 April to 30 September 2019, as set out in section 4 and Annex 1 of the report by the Chief Executive, and obtained assurance.

4.2. Corporate Services

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, the Committee:

Scrutinised the performance of Corporate Services for the reporting period 1 April to 30 September 2019, as set out in section 4 and Annex 1 of the report by the Executive Director of Corporate Services, and obtained assurance.

4.3. Council Delivery Plan

After consideration of a joint report by the Chief Executive and the Executive Director of Corporate Services, copies of which had been circulated, the Committee:

Scrutinised:

4.3.1. Progress made in respect of the targets within the Council Delivery Plan 2018 to 2023 for the reporting period 1 April to 30 September 2019, as set out in Annex 1 to the joint report by the Chief Executive and the Executive Director of Corporate Services.

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

4.3.2. That the undernoted actions that had been progressed to completion, be closed, while continuing to be referenced in future Council Delivery Plan monitoring reports:

- Page 5 – 1.7 Revised Kirkwall Urban Design Framework, incorporating the Your Kirkwall Action Plan.
- Page 9 – 2.4 We will review commissioned services and bring forward recommendations in relation to children's services priorities and long-term sustainability.
- Page 11 – 2.7 We will undertake a review of residential child care provision to reflect the changes brought about in the Children and Young People (Scotland) Act 2014 and bring forward recommendations to establish a residential estate fit for the medium term to include young people potentially up to the age of 25.
- Page 12 – 2.9 We will support our older people's residential care home workforce to provide high quality care to people with dementia by delivering specialist dementia care training to those staff.
- Page 23 – 3.10 We will continue to make representation to influence the Islands Bill and National Islands Plan to achieve the best possible outcome for our Communities.
- Page 26 – 4.1 Develop Orkney as a Low Carbon Energy Systems Innovation Hub, including LNG Distribution, Hydrogen production and usage across all modes of transport and Academic Innovation Centre projects.

- Page 27 – 4.3 Reprioritise economic development activity and funding to focus on inward investment and facilitating projects and support programmes which will have the highest / transformational impact in relation to job creation, inward migration / retention of working age population and community enablement.
- Page 46 – BV1a Develop detailed Council-wide and service workforce plans that consider future workforce needs, current capacity, supply and recruitment, skills, and financial constraints.
- Page 47 – BV1b Implement the Project Management Module on Concerto. Raise awareness of the newly developed Capital Project Appraisal Guidance amongst the Corporate Management Team and others with a role in capital project applications.
- Page 49 – BV2 Review the Council's current self-evaluation arrangements, and develop a revised How Good is Our Council? model encompassing corporate level, as well as service level, self-assessments.
- Page 50 – BV4a Within the new Council Plan 2018 to 2023, and the new 2019 to 2022 service plans, make explicit the intended impact of Council and service priorities and targets on Orkney's communities.
- Page 51 – BV5a Within the context of the Strategic Planning Framework, review the Council's performance management system, in order to ensure its ability to identify the impact of Council services and activities on Orkney's communities.
- Page 52 – BV5b Report Local Government Benchmarking Framework Indicators to Service Committees.

4.3.3. That the undernoted action be closed and deleted from the Council Delivery Plan:

- Page 33 – 4.11 Facilitate the establishment of a sustainable abattoir operator, and the establishment of a long term appropriately scaled abattoir facility.

4.3.4. That the undernoted actions be amended as indicated and retained within the Council Delivery Plan:

- Page 5 – 1.7 Revised Kirkwall Urban Design Framework, incorporating the Your Kirkwall Action Plan – the target date for this action to be extended to 31 March 2023.
- Page 6 – 1.9 Work with Scottish Government and other partners to progress the outcomes of the Inter Isles STAG (Strategic Transport Appraisal Guidelines) Strategic Business Cases in order to develop and then deliver the Outline and final Business Cases for improved inter isles transport services and the associated ferry, air and infrastructure improvements – the target date for this action to be extended to 31 March 2020.
- Page 30 – 4.8 Develop and Implement a World Heritage Site Strategic Masterplan including Gateway facility and core infrastructure projects – the target date for this action to be extended to 31 March 2023.
- Page 32 – 4.10 Ensure appropriate "Islands Project" funding mechanisms (internal and external) are in place to support key industry sectors (pre and post BREXIT), targeting the Shared Prosperity Fund and other distribution mechanisms – the target date for this action to be extended to 31 March 2023.

5. Treasury Management

5.1. Annual Report

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

Noted:

5.1.1. That the Bank of England Base Rate increased to 0.75% on 2 August 2018, with the Public Works Loans Board borrowing rates increasing correspondingly, with shorter term rates increasing more sharply than longer term rates.

5.1.2. That, although there remained much uncertainty over interest rates, with the long-term trend prediction for rates to rise, the Council should be well placed to benefit from savings on loan charges over the longer term.

The Committee scrutinised:

5.1.3. The Annual Treasury Management Review for financial year 2018 to 2019, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance that the Treasury Management Practices had operated effectively.

5.2. Mid-Year Update

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

Scrutinised the mid-year update for financial year 2019 to 2020, attached as Appendix 1 to the report by the Head of Finance, in respect of the following elements of treasury management, and obtained assurance that the Treasury Management Practices had operated effectively:

- Compliance with Treasury and Prudential Limits.
- Prudential and Treasury Indicators for financial 2019 to 2020 as at 30 September 2019.
- Treasury Portfolio as at 30 September 2019.
- Treasury Adviser's overview of the economy and interest rates for the first half of financial year 2019 to 2020.

6. Budget Setting 2020 to 2021 – Efficiency Savings

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

Noted:

6.1. That, as part of the budget setting process for 2020 to 2021, the Senior Management Team had identified savings proposals that, using the criteria set out in section 3.2 of the report by the Head of Finance, had been classified as low risk and uncontroversial.

6.2. That, should the low risk savings be implemented, this would result in the following reductions to baseline budgets:

- 2019 to 2020 – £179,400.
- 2020 to 2021 – £267,600.

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

6.3. That the efficiency savings for 2019 to 2020, identified in Appendix 1 to this Minute and amounting to £179,400, be approved and accordingly removed from Service budgets in the current financial year.

6.4. That the efficiency savings for 2020 to 2021, identified in Appendix 1 to this Minute and amounting to £267,600, be approved as recurring savings and accordingly removed from Service baseline budgets.

7. Orkney Local Access Forum

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

Noted:

7.1. That, on 17 April 2018, the Policy and Resources Committee recommended:

- That the Council's representative on the Orkney Local Access Forum should be a member who was not currently a member of the Development and Infrastructure Committee.
- That Councillor Stephen Sankey be appointed as the Council's representative to the Orkney Local Access Forum.

7.2. That, on 14 May 2019, Councillor Stephen Sankey was appointed as a member of the Development and Infrastructure Committee, resulting in a vacancy for the Council's representative on the Orkney Local Access Forum.

After a secret ballot, the result of which was as follows:

- Councillor John A R Scott – 10 votes.
- Councillor Owen Tierney – 11 votes.

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

7.3. That Councillor Owen Tierney be appointed as the Council's representative on the Orkney Local Access Forum.

7.4. That the appointment, referred to at paragraph 7.3 above, should be for the remainder of the term of this Council, namely to May 2022.

8. Local Government Boundary Commission for Scotland

Review of Electoral Arrangements

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

Noted:

8.1. That, in terms of the Local Government (Scotland) Act 1973, the Local Government Boundary Commission for Scotland (the Commission) was required to conduct reviews of each local authority's electoral arrangements every eight to 12 years.

8.2. That the Islands (Scotland) Act 2018 required the Commission to review the electoral arrangements of the six councils containing inhabited islands.

8.3. That, on 10 September 2019, the Commission launched a public consultation on a review of electoral arrangements, for which responses were required by 2 December 2019.

8.4. That the Commission's proposals for the Orkney Islands Council area made no changes to the existing number of councillors, number of wards or ward names, retaining 21 councillors across six wards.

8.5. That the Commission proposed changes to ward boundaries in Kirkwall and East Mainland, South Ronaldsay and Burray, as detailed on the map attached as Appendix 1 to the report by the Chief Executive, as follows:

- The boundary between the two Kirkwall wards to be amended at Kirkwall Harbour to create a more easily identifiable ward boundary.
- The Kirkwall East boundary to be extended southwards to better reflect local ties and placing Kirkwall airport, currently within the East Mainland, Burray and South Ronaldsay ward, within a Kirkwall ward.

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

8.6. That the Council endorse the proposals made by the Commission relating to the Orkney Islands Council area in respect of changes to ward boundaries in Kirkwall and East Mainland, South Ronaldsay and Burray, detailed at paragraph 8.5 above.

8.7. That the Chief Executive should submit a response to the Commission, on behalf of the Council, in relation to the review of electoral arrangements, by the deadline of 2 December 2019.

9. Driving at Work Policy

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Committee:

Resolved to **recommend to the Council** that the updated Driving at Work Policy, attached as Appendix 2 to this Minute, be approved.

10. Contract Standing Orders – Review

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Committee:

Resolved to **recommend to the Council** that the revised Contract Standing Orders, attached as Appendix 3 to this Minute, be approved.

11. Family Leave for Elected Members

After consideration of a report by the Chief Executive, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Head of Executive Support, the Committee:

Noted:

11.1. The Family Leave Guidance for Councils, attached as Appendix 1 to the report by the Chief Executive, setting out key principles which local authorities may wish to adopt to support elected members during periods of maternity, paternity, shared parental and adoption leave.

11.2. That the Convention of Scottish Local Authorities had endorsed the Family Leave Guidance for adoption by councils on a voluntary basis.

11.3. That, although there was no legal right to family leave of any kind for people in elected public office, adoption of the Guidance would ensure a consistent approach across councils for those elected members who wished to take appropriate leave at the time of birth or adoption and could remove a barrier that deterred women and younger people from standing for election.

11.4. That adoption of the Guidance would not relieve an Elected Member from their statutory obligation to attend at least one meeting of the Council throughout a period of six consecutive months in the absence of separate approval by the Council.

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

11.5. That the Council adopt the Family Leave Guidance for Councils, attached as Appendix 4 to this Minute.

11.6. That, for the purposes of Section 35 of the Local Government (Scotland) Act 1973, the Council should approve the absence by an Elected Member from meetings of the Council for a period of six consecutive months while that Elected Member was on Family Leave, subject to the Elected Member having given prior intimation to the Chief Executive of their wish not to attend Meetings during such period.

12. Climate Change Duties

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Planning, Development and Regulatory Services, the Committee:

Noted:

12.1. That the Climate Change Duties Report, attached as Appendix 1 to the report by the Executive Director of Development and Infrastructure, which covered the period 1 April 2018 to 31 March 2019, summarised the actions that had been undertaken by the Council during that period to fulfil its climate change duties.

12.2. That the Climate Change Duties Report was due for submission to the Sustainable Scotland Network by 30 November 2019.

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

12.3. That powers be delegated to the Executive Director of Development and Infrastructure to amend the Climate Change Duties Report for 2018 to 2019, referred to at paragraph 12.1 above, to take account of matters raised by elected members, and thereafter submit the final report to the Sustainable Scotland Network, by the deadline of 30 November 2019.

The Committee noted:

12.4. That, due to the time constraints involved, the Chief Executive would be requested to exercise emergency powers to authorise submission of the Climate Change Duties Report for 2018 to 2019, referred to at paragraph 12.3 above, prior to approval by the Council.

Councillor Stephen Sankey left the meeting during discussion of this item and rejoined the meeting at this point.

Councillor J Harvey Johnston left the meeting at this point.

13. Orkney's Community Wind Farm Project

Planning Application Procedure

Councillor Duncan A Tullock declared a non-financial interest in this item, in that a close family member was involved in a potential project, and was not present during discussion thereof.

After consideration of a joint report by the Chief Executive and the Executive Director of Development and Infrastructure, copies of which had been circulated, the Committee:

Noted:

13.1. That three wind farm sites were currently being developed as part of Orkney's Community Wind Farm Project, namely:

- Wee Fea, Hoy.
- Quanterness, St Ola.
- Faray.

13.2. That separate planning applications were likely to be submitted for each of the three sites in 2020, with Quanterness likely to be the first to be submitted.

13.3. Options and routes through which any planning application could be determined, as outlined in the flowchart, attached as Appendix 1 to the joint report by the Chief Executive and the Executive Director of Development and Infrastructure.

13.4. That, as each site had a capacity lower than 50 megawatts, planning applications must be submitted to Orkney Islands Council, as local planning authority, rather than direct to Scottish Ministers.

13.5. That Scottish Ministers could, at their discretion, call in a planning application, should the proposed development raise issues of national significance, although it was very rare in practice for Scottish Ministers to call in an application, even in cases where the local authority was the developer or where the local authority had previously notified the application to Scottish Ministers.

13.6. That the applicant could also request Scottish Ministers to call in the planning application upon submission of that application to the local planning authority.

13.7. That a request direct from an applicant to call in a planning application was rare and that it would be a matter for the Minister to decide upon, either accepting that the application should be determined by Scottish Ministers, or returning the application to the local authority for determination.

Councillor W Leslie Manson, seconded by Councillor James W Stockan, moved that:

- Upon submitting the first planning application for sites related to Orkney's Community Wind Farm project, the Chief Executive should make a request to the Scottish Government that, based on national significance, the application be called in for determination by Scottish Ministers.
- Should the Scottish Government accept that request, the same action should be taken for future planning applications relating to Orkney's Community Wind Farm project.

Councillor Robin W Crichton, seconded by Councillor David Dawson, moved an amendment that Orkney Islands Council should determine any planning applications relating to Orkney's Community Wind Farm project.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Robin W Crichton, David Dawson, Steven B Heddle, John A R Scott, Magnus O Thomson and Owen Tierney (7).

For the Motion:

Councillors Alexander G Cowie, Norman R Craigie, Andrew Drever, Barbara Foulkes, Rachael A King, W Leslie Manson, John T Richards, Stephen Sankey, Gwenda M Shearer, Graham L Sinclair, James W Stockan and Kevin F Woodbridge (12).

The motion was therefore carried.

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

13.8. That, upon submitting the first planning application for sites related to Orkney's Community Wind Farm project, the Chief Executive should make a request to the Scottish Government that, based on national significance, the application be called in for determination by Scottish Ministers.

13.9. That, should the Scottish Government accept the request outlined in paragraph 13.8 above, the same action should be taken for future planning applications relating to Orkney's Community Wind Farm project.

14. North Isles Landscape Partnership Scheme

Councillor Kevin F Woodbridge declared a financial interest in this item, in that he operated a business, and had close family members who were members of groups, which could benefit from the North Isles Landscape Partnership Scheme, and was not present during discussion thereof.

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Planning, Development and Regulatory Services, the Committee:

Noted:

14.1. That the North Isles Landscape Partnership Scheme was established in 2015, with a total projected budget of up to £4,524,211, subject to a full funding package being secured, and comprised the undernoted partners:

- Orkney Islands Council.
- Highlands and Islands Enterprise.
- Royal Society for the Protection of Birds.
- Scottish Natural Heritage.

14.2. That, in September 2017, the Council resolved that funding of up to £282,260 be allocated from the Strategic Reserve Fund towards the delivery phase of the North Isles Landscape Partnership Scheme.

14.3. That, to date, funding up to the value of £4,080,904 had been confirmed in respect of the overall budget for the North Isles Landscape Partnership Scheme, with the balance of £363,307 yet to be secured.

14.4. That the current £1,000,000 tranche of the Community Development Fund, which was approved in June 2016, had an uncommitted balance of £434,192 available for community groups to apply for, in a time when match funding was becoming increasingly difficult to secure.

14.5. That one of the principles of the Community Development Fund was that assistance should not be approved to any project which could be subject to financial assistance from any other Council service.

14.6. That some of the capital projects which had provisional funding allocations from the North Isles Landscape Partnership Scheme were being delivered by community groups based in the North Isles.

14.7. That community groups had historically sought project funding from the Community Development Fund.

14.8. That existing and potential future funding streams that the Council provided or administered could be eligible to provide match funding to some of the projects from the North Isles Landscape Partnership Scheme.

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

14.9. That the current cap on Council funding towards the North Isles Landscape Partnership Scheme, referred to at paragraph 14.2 above, be removed.

14.10. That community-led projects which had provisionally secured part-funding from the North Isles Landscape Partnership Scheme be considered eligible to seek co-funding from other Council funding streams, including the Community Development Fund.

15. Kirkwall Surface Water Management Plan

Councillor John T Richards declared a non-financial interest in this item, in that he was a resident within an area of Kirkwall which was affected by surface water flooding, and, although he did not leave the meeting, he took no part in the discussion thereof.

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Engineering Services Manager, the Committee:

Noted:

15.1. That, following publication of the Orkney Local Flood Risk Management Plan in 2016, an action was identified to prepare a Kirkwall Surface Water Management Plan, with its purpose being to provide sufficient information to support development of an agreed strategic approach to management of surface water flood risk within Kirkwall.

15.2. That development in the Junction Road area of Kirkwall was constrained by the surface water flood risk as a result of surcharging of both the combined sewer and the surface water sewer in Junction Road.

15.3. That the option recommended in a flood study report, commissioned by the Council and published in 2013, namely a combined surface water and combined sewer pump station, was not supported by Scottish Water.

15.4. The proposal to procure consultants to model an alternative range of options to reduce surface water flood risk in Kirkwall and allow preparation of a Stage 1 Capital Project Appraisal, at an estimated cost of up to £50,000.

15.5. That, for detailed design and scheme preparation of an approved option, leading to development of a Stage 2 Capital Project Appraisal, a budget of up to £100,000 should be allowed.

15.6. That, on 12 November 2019, when reviewing the draft Kirkwall Surface Water Management Plan, the Development and Infrastructure Committee recommended that the Executive Director of Development and Infrastructure should submit a report, to the Policy and Resources Committee, seeking a budget of up to £150,000 in respect of detailed modelling work and technical design of a scheme to reduce surface water flood risk in Kirkwall.

On the motion of Councillor Robin W Crichton, seconded by Councillor James W Stockan, the Committee resolved to **recommend to the Council:**

15.7. That the Council should engage consultants to model a range of options and produce recommendations to reduce surface water flood risk in Kirkwall, at an estimated cost of up to £50,000, to be funded by a contribution from the Renewables, Redevelopment and Regeneration Fund.

15.8. That, following receipt of the consultant's recommendations, the Executive Director of Development and Infrastructure should submit a Stage 1 Capital Project Appraisal in respect of a scheme to reduce surface water flood risk to Kirkwall, to the next available meeting of the Development and Infrastructure Committee.

15.9. That, subject to positive endorsement of the Stage 1 Capital Project Appraisal by the Development and Infrastructure Committee, the Executive Director of Development and Infrastructure should develop a Stage 2 Capital Project Appraisal, including detailed design, at a further cost of up to £100,000, to be funded by a contribution from the Renewables, Redevelopment and Regeneration Fund.

16. St Magnus Cathedral

Proposed Alterations to West Door and Access

After consideration of a joint report by the Executive Director of Education, Leisure and Housing and the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Education (Leisure, Culture and Inclusion), the Committee:

Noted:

16.1. That, on 11 September 2019, after considering the outcome of a public consultation undertaken during July and August 2019, the St Magnus Cathedral Sub-committee recommended:

- That, in principle, the proposed alterations to the West Door and access at St Magnus Cathedral be approved.
- That, as an exception to process in that the project was fully funded by a third party, the Executive Director of Education, Leisure and Housing should submit, to the Policy and Resources Committee, a Stage 2 Capital Project Appraisal in respect of the proposed alterations to the West Door and access at St Magnus Cathedral.

16.2. That The Society of the Friends of St Magnus Cathedral had indicated it would meet, in full, the costs associated with proposed alterations to the West Door and access at St Magnus Cathedral.

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

16.3. That the Stage 2 Capital Project Appraisal in respect of proposed alterations to the West Door and access at St Magnus Cathedral, attached as Appendix 5 to this Minute, be approved.

16.4. That proposed alterations to the West Door and access at St Magnus Cathedral be added to the capital programme for 2019 to 2020 onwards, at a gross capital cost of £180,000.

17. Replacement Telephone System

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Committee:

Noted:

17.1. That, on 29 June 2019, there was a significant outage following a lightning storm that damaged the BT phone lines that connected to the Council's phone system.

17.2. That the consequential power surge on the BT phone lines was understood to be the reason for failure of the Integrated Services Digital Network interface card, responsible for Direct Dial In lines and a power supply to a unit responsible for 52 extensions within the Council.

17.3. That, following urgent repair work, the Council's telephone system was fully restored on 5 July 2019.

17.4. That, in the event of another failure, further service recovery was threatened by the age of the equipment, in that older systems became harder to recover, and there was now a risk that the Council's telephone system might soon suffer an unrecoverable failure.

17.5. The proposal that the cost of the Council's new telephone system, estimated at £240,000, be funded as follows:

- £80,000 from the IT Capital Replacement programme for financial year 2020 to 2021.
- £160,000 to be re-provisioned from the approved Disaster Recovery capital project, for which alternative delivery options were being explored.

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

17.6. That the Stage 2 Capital Project Appraisal in respect of a replacement telephone system for School Place and connected offices, attached as Appendix 6 to this Minute, be approved.

17.7. That, as an exception to process in that the risk of failure to the existing telephone system was high, provision of a replacement telephone system for School Place and connected offices be added to the capital programme for 2019 to 2020 onwards, at a gross capital cost of £240,000, to be funded as follows:

- £80,000 from the IT Capital Replacement programme for financial year 2020 to 2021.
- £160,000 to be re-provisioned from the Disaster Recovery capital project.

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

After consideration of the draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 17 September 2019, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor James W Stockan, seconded by Councillor Rachael A King, to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 17 September 2019, attached as Appendix 7 to this Minute, as a true record.

19. Human Resources Sub-committee

After consideration of the draft Minute of the Meeting of the Human Resources Sub-committee held on 7 November 2019, copies of which had been circulated, the Committee:

Resolved:

19.1. On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, to approve the Minute of the Meeting of the Human Resources Sub-committee held on 7 November 2019 as a true record.

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

19.2. That the recommendation at paragraph 3 of the Minute of the Meeting of the Human Resources Sub-committee held on 7 November 2019, attached as Appendix 8 to this Minute, be approved.

20. Exclusion of Public

On the motion of Councillor James W Stockan, seconded by Councillor W Leslie Manson, the Committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

21. Asset Management Sub-committee

Councillor Duncan A Tullock declared a non-financial interest in this item, in that a close family member was referred to in the draft Minute of the Meeting of the Asset Management Sub-committee held on 7 November 2019, however as the specific item was not discussed, he did not leave the meeting.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of the draft Minute of the Meeting of the Asset Management Sub-committee held on 7 November 2019, copies of which had been circulated, the Committee:

Resolved:

21.1. On the motion of Councillor W Leslie Manson, seconded by Councillor Robin W Crichton, to approve the Minute of the Meeting of the Asset Management Sub-committee held 7 November 2019 on as a true record.

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

21.2. That the recommendations at paragraphs 5.3 and 8.3 of the Minute of the Meeting of the Asset Management Sub-committee held on 7 November 2019, attached as Appendix 9 to this Minute, be approved.

22. Early Learning and Childcare

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1, 2, 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Executive Director of Education, Leisure and Housing, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Lead Officer Early Years, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to early learning and childcare.

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

Councillor Magnus O Thomson left the meeting at this point.

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Councillor Robin W Crichton left the meeting at this point.

23. MV Golden Mariana – Replacement

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 8 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Marine Services, Engineering and Transportation, the Committee:

Noted:

23.1. That the Council had been searching for a suitable replacement for the 47-year-old MV Golden Mariana for several years through the brokerage/second hand market.

23.2. The Stage 2 Capital Project Appraisal, attached as Appendix 1 to the report by the Executive Director of Development and Infrastructure, which presented three options for the provision of a backup/replacement vessel for the MV Golden Mariana, with the preferred course of action being to purchase a second-hand vessel.

Councillor Robin W Crichton rejoined the meeting at this point.

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

23.3. That the Stage 2 Capital Project Appraisal, in respect of the provision of a replacement vessel for the MV Golden Mariana, attached as Appendix 10 to this Minute, be approved.

23.4. That, as an exception to process, in order to ensure reliability of the ferry service between Westray and Papa Westray, purchase of a second-hand passenger vessel for the Papa Westray route be added to the capital programme for financial year 2019 to 2020 onwards, at an estimated gross capital cost of £1,535,000.

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

Councillor Rachael A King left the meeting at this point.

24. Continuation of Meeting

The Committee **suspended Standing Orders** in order that the meeting might continue beyond 17:00.

Councillors Gwenda M Shearer and James W Stockan left the meeting at this point.

Signed: James W Stockan.

Councillor W Leslie Manson took the Chair for the remainder of the meeting.

25. Local Governance Review

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

After consideration of a joint report by the Chief Executive and the Executive Director of Corporate Services, copies of which had been circulated, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to the Local Governance Review.

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

Councillor James W Stockan rejoined the meeting at this point.

Councillor Robin W Crichton left the meeting during discussion of this item.

26. Conclusion of Meeting

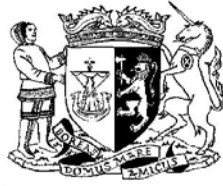
At 17:20 the Chair declared the meeting concluded.

Signed: L Manson.

Appendix 1.

Savings Summary

		2019/20	2020/21
	Savings by Service	Cashable	Baseline
Reference	Chief Executive	£000s	£000s
CACE04	Finance reduction in non-staff budgets	26.0	26.0
CACE05	Administration Buildings – King Street and School Place	5.0	5.0
CACE06	Warehouse Building reduction in non-staff budget	6.0	8.0
OSCE01	Compensatory Pensions	7.5	30.0
OSCE04	External Audit Fees	14.0	14.0
OSCE05	Corporate Management reduction in non-staff budget	70.0	70.0
OSCE07	Chief Executive's surplus staff budget	2.0	2.0
		130.5	155.0
	Corporate Services		
CACS09	Reduction in staffing – vacant hours	5.4	5.4
CACS10	Reduction in IT running costs	10.0	10.0
CACS11	Estates reduction in non-staff budget	5.0	5.0
CACS12	HR and Performance reduction in non-staff budget	0.0	4.0
OSCS02	Registration reduction in non-staff budget	3.5	3.5
OSCS03	Licensing reduction in non-staff budget	8.5	8.5
CHACS01	Reduction in photocopying costs across Council General Fund	5.0	5.0
		37.4	41.4
	Development and Infrastructure		
CADI01	Concerto – Key management system	0.0	6.5
CADI02	Business Support non-staff budgets	2.0	6.0
CADI03	Energy and Utilities non-staff budgets	6.5	6.5
TRDI05	Travel Centre non-staff budgets	0.0	5.0
DVDI05	Regeneration Support non-staff budgets	3.0	5.0
DVDI06	Renewables Support non-staff budgets	0.0	1.2
		11.5	30.2
	Education, Leisure and Housing		
EDELH03	Kirkwall Grammar School revised rateable value	0.0	40.0
LSELH02	Kirkwall Sports Centre/Stromness Academy	0.0	1.0
		0.0	41.0
	Totals	179.4	267.6



ORKNEY
ISLANDS COUNCIL

Driving at Work Policy

October 2019

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1.0. Introduction

1.1 Orkney Islands Council recognises the importance of protecting employees and others from the hazards associated with work related driving.

1.2. This document outlines the Council's corporate policy for work-related driving using Council and employees' own vehicles. In general terms, it describes what we are aiming to achieve and how we will do it. Linked policies include:

- Health and Safety Policy.
- Health and Safety Risk Assessment Policy.
- Substance Misuse Policy.
- Lone Working Policy.
- Smoking Policy.
- Use of Council Vehicles Outside Normal Hours Policy.
- Travel Policy.

1.3. All of the above policies are available on the Council Portal, or from your line manager.

2.0. Legal Requirements

2.1. Implementation of the Driving at Work Policy will ensure that the Council meets its legal obligations under the Health and Safety legislation.

2.2. We also expect all employees to observe the normal rules of the road as set out in the Highway Code.

3.0. Scope

3.1. This policy and guidance will apply to:

- Any driving activity undertaken during the course of work – this relates to the use of fleet plant and vehicles, pooled cars and private cars but will also include motorcycles and bicycles and all other categories of vehicles. Driver of fleet plant and vehicles will also need to comply with the specific instructions and guidance relating to these vehicles.

3.2. It **excludes** commuting from home to your normal place of work but **includes** travel direct from home to a location that is not your normal work base.

3.3. The Driving at Work Handbook relates to the arrangements and procedures for fleet drivers and vehicles but the guidance it contains is also useful for private car drivers.

4.0. Risk Assessment

4.1. The risk assessment procedure will apply to work related driving as it does in respect of any other work activity. Details of the Council's policy and guidance on Risk Assessment can be obtained from the Council's Portal or from line managers.

4.2. The most effective form of risk control is to eliminate the hazard. Therefore, it is important to consider whether a work-related driving activity is necessary. In the case of fleet operations driving may be unavoidable but the use of private vehicles may be avoidable by video or tele-conferencing or other means. There are sound environmental reasons for avoiding the use of carbon emitting vehicles.

4.3. Where journeys are unavoidable then factors relating to the Driver, the Vehicle and the Journey should all be considered in terms of risk.

5.0. Green and Active Travel

5.1. Walking and cycling, known collectively as active travel, can be incorporated into our daily lives with little effort or cost. It is the easiest and most cost-effective way to exercise and carry out purposeful journeys such as getting to and from work. Active travel can therefore provide health benefits, save money and create a nicer environment to live in by reducing the number of cars on our roads and thus reduce harmful CO2 emissions.

5.2. More information on Green Travel can be found in Orkney's [Green Travel Plan](#).

6.0. Driving Requirements and Responsibilities

6.1. The following requirements relate to the driver of a vehicle and should be considered as part of the risk assessment outlined in section 4.

6.2. It is the responsibility of the driver to ensure that their licence is valid and that it covers the class of vehicle to be driven on Council business.

6.3. All drivers are expected to comply with road traffic legislation and the appropriate sections of the Highway Code.

6.4. Drivers must report all traffic offences, licence endorsements, pending prosecutions and relevant medical conditions to their line manager to allow the employer to assess if there is any higher risk associated with the employee undertaking their duties.

6.5. Each Executive Director is responsible for conducting a check on the driving licences of employees in their service who are required to drive a vehicle on Council business as outlined in this procedure.

6.6. When recruiting employees who may be required to drive Council vehicles, it is a requirement of the Council that these employees hold a full valid UK driving licence.

6.7. All drivers who are prosecuted or issued with a fixed penalty notice as a result of committing a motoring offence whilst driving on Council business are personally responsible for payment of any financial penalty resulting from a conviction.

Authorisation for Council employees driving Council vehicles.

6.8. Employees will not be allowed to drive / operate a Council vehicle unless authorised to do so by their line manager.

6.9. As part of the authorisation process the employee must provide original documented evidence which will be examined as outlined in the procedure.

6.10. Vehicles will only be used for the purposes of Council business, and by such persons and in such a manner as the Chief Executive or Executive Director directs. Private use of Council vehicles / plant is not permitted. Use of Council vehicles and plant for personal matters is regarded as a disciplinary matter. The cost of any loss, damage or liability, incurred by the Council, by an employee using a vehicle without permission will be recovered from the individual.

6.11. Travel to or from work in a Council vehicle will not normally be permitted unless it is an emergency or there is an overriding operational reason, such as standby duties previously agreed by the employee's line manager. The unofficial or unauthorised use of a Council vehicle including the carrying of unauthorised passengers is prohibited in accordance with the Use of Council Vehicles Outside Normal Hours Policy.

6.12. All use of vehicles will be recorded in such logbooks, defects books and drivers hours' log as the Chief Executive or Executive Director, in consultation with the Fleet Manager, may require.

6.13. Reimbursement will only be made in respect of mileage. Reimbursement of any expenses for the authorised business use of a private vehicle will be made at the agreed rates for Elected Members and staff who are properly insured in respect of that vehicle for business use. A VAT fuel receipt must be retained to support any claim for reimbursement.

6.14. If drivers do not produce the required documentation they will be unable to drive vehicles or carry any Council goods or passengers and this will also result in mileage claims not being paid, if this is applicable.

6.15. Drivers of fleet vehicles will be provided with a copy of the Council's Drivers' Handbook which contains advice and information on a variety of road safety topics. Managers and supervisors of fleet drivers should ensure that the contents of the handbook are discussed with drivers at workplace meetings to reinforce the road safety and operational requirements relating to fleet vehicles.

6.16. Managers should ensure that all drivers are provided with a copy of the Council's Driving at Work Handbook.

6.17. In addition to a vocational licence, all drivers of goods vehicles over 3.5 tonnes and all passenger carrying vehicle (PCV) drivers are required to hold a Certificate of Professional Competence (CPC). One exemption from Driver CPC is for vehicles used for the non-commercial carriage of passengers or goods for personal use. All drivers of goods vehicles over 3.5 tonnes must complete 35 hours periodic training every five years after the initial period until they stop driving.

6.18. All drivers must carry their driving licence, and their CPC if relevant, with them whilst driving on Council business.

Authorisation for Council employees driving Private Vehicles on Council business

6.19. Employees will not be allowed to drive a vehicle on Council business unless authorised to do so by their line manager.

6.20. As part of the authorisation process the employee must provide original documented evidence which will be examined.

6.21. Where the employee uses more than one private vehicle for driving on Council business, they will be asked to provide proof of insurance for business use and a valid MOT certificate for each vehicle.

6.22. Managers should ensure that all drivers are provided with a copy of the Council's Driving at Work Handbook.

Authorisation for Council employees driving a Hire Car on Council business in Orkney

6.23. Car hire should only be permitted, where it can be proven to be the most cost-effective method of transportation. Car hire should be restricted and should only be granted in the interest of personal safety, when time is constrained or where suitable public transport is not available.

6.24. An employee must be approved to hire a car and specific authorisation must be obtained from a Head of Service prior to the date of travel using the Temporary Hire Car Insurance Request form.

6.25. When hiring a car within Orkney (including in the North and South Isles), the employee has to ensure the company is on the list of approved self-drive operators maintained by the Council and the employee must have insurance to drive the vehicle.

6.26. Car hire outwith Orkney is detailed in the Travel Policy.

Members of Voluntary Organisations driving Council Vehicles

6.27. Voluntary Organisation drivers will only be permitted to drive a Council vehicle if their name appears on the Authorised Driver Database which is updated and distributed to the Services which have vehicles used by the Voluntary Sector. This

will be in accordance with the Code of Practise for the Use of Orkney Islands Council Vehicles by the Voluntary Sector Organisations.

7.0. Health and Disability

7.1. All drivers must be able to satisfy the eyesight requirements set out in the Highway Code. If glasses or other corrective appliances are required to achieve this then they must be worn when driving.

7.2. Some medical conditions or disabilities may affect a driver's entitlement to hold a driving licence for certain categories of vehicle. It is the driver's responsibility to seek advice from their doctor if suffering from any illness or disability which may affect their driving ability. If a driver has a medical condition or disability which may affect their ability to drive or hold a vocational licence they must inform their line manager and the DVSA immediately. This includes where an existing condition deteriorates or a new condition develops.

7.3. A medical test must be carried out on all drivers applying for a vocational driving licence prior to being granted a provisional licence / licence. After the age of 45 a medical has to be carried out every five years until the age of 65 when it becomes an annual requirement.

7.4. Employees must not consume alcohol or drugs (other than appropriate use of prescribed drugs and proprietary medicines) in the course of the working day or shift, including paid or unpaid breaks and should ensure that their performance is not impaired by alcohol, drugs or prescribed drugs and proprietary medicines consumed outwith working hours.

7.5. Managers must refer staff who drive at work to Occupational Health if they suspect or receive a report which indicates that they have a health problem which could affect their ability to drive safely. The employee will be reassigned to non-driving duties pending the receipt and consideration of an Occupational Health report.

8.0. Vehicles

8.1. The following requirements relate to vehicles / plant and should be considered as part of the risk assessment process outlined in section 4.

Suitability

8.2. The Council is responsible for the procurement, supply, maintenance and repair of fleet vehicles and plant for Council services.

8.3. The Council will ensure that all vehicles meet the specification for operational usage set out by the ordering service and are fit for purpose when submitting requests for new and / or replacement assets.

8.4. Subject to compliance with this policy, drivers of private vehicles including motorcycles and bicycles can claim for mileage travelled on Council business. Details on the claiming of mileage can be obtained from your line manager.

Condition

8.5. Fleet vehicles are maintained by the Council but drivers are required to carry out regular basic safety checks in accordance with the Drivers Checks and Defect Reporting arrangements in the Drivers Handbook.

8.6. Drivers of private cars should also carry out regular basic safety checks in respect of:

- Tyre pressure.
- Tyre tread wear.
- Lights and reflectors.
- Oil, water and windscreen washer levels.
- Seatbelts and head restraints.
- Windscreen wipers.

Safety features and information

8.7. All drivers should refer to the vehicle manufacturers' manual to determine:

- Recommended tyre pressures.
- How to adjust headlamp beam to compensate for load weight.
- How to adjust head restraints to compensate for the effects of whiplash.

8.8. Seatbelts should always be worn when driving. If adult passengers are being carried on Council business, then they should be advised to wear a seatbelt (it is the passengers' responsibility to comply with the law in this respect).

8.9. If children are carried as passengers on Council business then seat belts and child car seats should be used in accordance with the guidance found at www.gov.uk/child-car-seats-the-rules.

9.0. The Journey

9.1. The following risk information and guidance relates to journeys and journey planning and should be considered as part of the risk assessment procedure outlined in section 4.

Routes and Scheduling

9.2. Where possible routes which are regularly used should be planned to avoid risk (for example refuse collection routes to avoid crossing busy roads to empty bins).

9.3. Sufficient time must be allowed to complete journeys safely. Suitable breaks from continuous driving should be undertaken. The Highway Code recommends generally a 15-minute break after 2 hours continuous driving.

9.4. Drivers of heavy goods vehicles or passenger goods vehicles must not drive for more than 4 hours without a sufficient break period and in any working day the

maximum amount of driving permitted is 10 hours. This applies to driving on and off the public road.

9.5. Where relevant heavy goods vehicles are to be driven on the Scottish Mainland, drivers must first speak to the Fleet Manager to discuss the use of tachographs.

Distance

9.6. Managers should consider whether long road journeys such as those to attend business on mainland Scotland can be avoided using alternative forms of public transport in accordance with the travel policy.

9.7. Where long journeys are unavoidable then consideration should be given to means of preventing driver fatigue. This should include scheduling breaks and possibly organising overnight accommodation for the driver. A risk assessment needs to be undertaken and approved prior to the start of any journey.

9.8. Regardless of any time constraints, all drivers should be made aware that if they feel tired whilst driving, they must stop in a safe place and take a suitable rest. They should not recommence the journey until the feeling of tiredness has passed.

Weather

9.9. Drivers should consider weather and tidal conditions before they embark on journeys and managers should apply the same criteria about their risk assessment of the pending journeys. Weather hazards include snow, ice, flooding, wave over-topping and debris. Drivers and managers should pay attention to local and national weather forecasts and in particular any weather warnings that may be issued for and on route to the anticipated travel location.

9.10. Drivers should not be expected to make non-essential (non-emergency) journeys when weather conditions are exceptionally difficult. If the weather deteriorates during the course of a journey, then the driver should determine whether it is safer to complete the journey or return to the work base.

9.11. Journeys should, wherever possible, be rescheduled to take account of adverse weather conditions.

9.12. During winter months the weather can change suddenly. It is important therefore that drivers take great care before setting out and returning on a journey and ensure that the vehicle is equipped for conditions that may arise. In this respect it is important to:

- Check that windscreen washers have sufficient screen-wash.
- Clear all windows of ice.
- Remove all loose snow from the vehicle, including the roof.
- Ensure that tyre pressures are correct and that tyre tread has plenty of depth.

9.13. Particular attention should be given to the crossing of the Churchill Barriers at times of high winds and tide. Drivers and managers should check whether the Churchill Barriers are open and / or are likely to close and be mindful of the return journey. For those who have access to social media / Portal, etc., details can be found on the OIC Updates Facebook page, OIC Roads Twitter feed and on the Council's Portal home page.

9.14. During periods of inclement weather, Police Scotland will offer advice to motorists which will be categorised as follows: Travel with caution; High risk of disruption or Avoid travel on the roads. These will not be issued in isolation and will come with a descriptor and links where additional advice can be sought. Usually, these warnings will follow warnings issued by the MET Office National Severe Weather Warning Service. Drivers and line managers should ensure that where warnings are issued appropriate risk assessments are carried out. Further advice is contained within the Travel Policy.

10.0. Transporting Passengers

10.1. Vehicles and plant owned or hired by the Council must only be used to carry goods and passengers on properly authorised Council business. Authority is only given when:

- The journey / operation is for official council business and / or,
- The employee is acting on the instructions of an authorised officer of the Council.

10.2. Only the following authorised passengers will be carried in Council vehicles:

- Council employees engaged in work for and on behalf of the Council.
- Persons, not Council employees, who are properly authorised and who are engaged on work for and on behalf of the Council.
- Persons being carried in the event of an emergency.
- Persons being transported as part of a Council service.

11.0. Insurance for Council Vehicles

11.1. The Council maintains insurance for its motor fleet and hired-in plant. Cover is strictly for Council business only, with no other use being permitted.

11.2. The only exception to this is vehicles which are covered for use by certain approved Voluntary Charitable or Welfare Groups.

11.3. Motor Certificates are available on request from the Council's Insurance Officer.

12.0. Minibus Driving

12.1. Minibuses are defined as a motor vehicle designed or adapted to carry more than 8 but not more than 16 seated passengers in addition to the driver. A Council minibus will not be regarded as a public service vehicle (PSV) if it is not operated for hire and reward.

12.2. All employees who drive a Council minibus must hold a category D1 driving licence. In addition some non-profit making operations that fall into the definition of hire and reward may be undertaken under the cover of a section 19 or 22 permit which may avoid the requirement for the operator to hold a Public Service Vehicle Operator (PSVO) licence. Consult the Fleet Manager if you require clarification.

12.3. Where identified by way of risk assessment, additional training such as the Minibus Driver Awareness Scheme (MIDAS) should be provided for Council minibus drivers.

13.0. Motorcycles and Bicycles

Motorcycles

13.1. The Council will authorise the use of a motorcycle for work related driving subject to:

- The driver holding a current licence relating to the class of vehicle.
- The motorcycle being maintained in a roadworthy condition.
- The driver wearing a helmet and other protective clothing to comply with legal requirements and the relevant sections of the Highway Code.
- Compliance with all other relevant aspects of this policy with particular reference to the requirement for risk assessment and the need for insurance cover including business use.

Bicycles

13.2. The use of bicycles for work purposes is permitted subject to the cyclist wearing the following outlined in the Highway Code:

- A cycle helmet which conforms to current regulations is the correct size and securely fastened.
- Appropriate clothes for cycling, avoiding clothes which may get tangled in the chain or wheels or obstruct the lights.
- Light coloured or fluorescent clothing easily visible to other road users both during normal daylight and poor light.
- Reflective clothing and / or accessories (belt, arm or ankle bands) in the dark.

13.3. The bicycle must be maintained in a roadworthy condition and be suitably adjusted to fit the physical requirements of the rider as outlined in the Highway Code.

13.4. The cyclist should also conform to all other requirements set out in sections 59 to 82 of the Highway Code.

14.0. Use of Mobile Phones in Vehicles

14.1. On 1 December 2003 it became an offence under the Road Vehicles (Construction and Use) Regulations 1986 to use a hand-held mobile phone while driving a vehicle.

14.2. It is also an offence for an employer to encourage or permit employees to use hand held mobile phones while driving.

14.3. The following guidance is found in the Highway Code and applies to all Council staff who drive vehicles in the course of their work:

To use a mobile phone whilst driving you must have hands-free access, such as:

- A bluetooth headset.
- Voice command.
- A dashboard holder or mat.

The device must not block your view of the road and traffic ahead.

You must stay in full control of your vehicle at all times. The police can stop you if they think you're not in control because you're distracted, and you can be prosecuted.

All work-related phone calls, both received and made, must be of as short duration as possible. Conference calls and such like are specifically prohibited.

The law still applies to you if you're stopped at traffic lights or queuing in traffic.

15.0. Smoking in Vehicles

15.1. The Council's Smoking Policy prohibits smoking in all Council-owned vehicles or in leased or private vehicles during work duties.

15.2. All Council-owned vehicles must have the prescribed legal notice displayed to indicate that smoking is not permitted in the vehicle.

16.0. Accidents and Support

Accident Procedure

16.1. If a driver is involved in an accident whilst driving at work which has caused injury to persons, property, other vehicles and animals (horse, cattle, sheep, pig, goat or dog) not carried in a vehicle then the driver must stop and report the incident to the police.

16.2. In the event of a serious accident whilst driving at work the driver should:

- Stop the vehicle in a safe place, turn off the engine and switch on the hazard lights.
- Call the appropriate emergency services if required.
- Take photographs where appropriate and safe to do so.
- Complete the accident card.
- Tear off the right-hand side of the card and pass to the other driver.
- Contact his or her line manager; the Fleet Manager; and the Insurance Officer.

- Not attempt to move the vehicle until advised by the Police and it has been checked that it is safe to drive.

16.3. The driver is also legally required to supply personal details and details of their insurance to the Police and other drivers; if the insurance information is not available in the vehicle then the Police must be notified of the details within 24 hours. The driver should not admit liability.

Accident Reporting

16.4. All accidents involving driving at work, which result in damage and / or personal injury to the driver and passengers must be recorded on the Council's Accident / Incident form and forwarded to the Council's Safety and Contingencies service. Line managers must also be informed at the earliest opportunity.

16.5. Line managers should investigate accidents involving driving at work to determine whether there was an underlying occupational risk. The risk assessment process outlined in sections 4 to 8 should be reviewed to include any additional control measures identified to help prevent a recurrence.

16.6. In the event of an incident involving a Council fleet vehicle an incident report should be completed by the Service Manager responsible for the vehicle / driver and forwarded to the Fleet Manager. This would then be reviewed by the Fleet Manager who would advise the lead officer if further investigation is required. If further investigation is required the lead officer, supported by the Fleet Manager would focus on the immediate and underlying causes of the accident, from which an accident investigation report would be produced, this would be reviewed and any remedial action(s) implemented by the relevant Executive Director in consultation with the Head of Service and Safety and Contingencies service.

Post-accident Support

16.7. Line managers should ensure that appropriate information on sources of external counselling is provided to drivers who are involved in work related driving accidents, depending on the severity of the incident and the potential impact the incident may have on the drivers' ability to resume normal duties. In certain circumstances it may be necessary to consider reassignment to non-driving duties for a period of time.

17.0. Reversing

17.1. Nearly a quarter of deaths involving vehicles at work occur during reversing. Many other reversing accidents do not result in injury but can cause costly damage to vehicles, equipment and premises. Most of these accidents can be avoided by taking simple precautions.

17.2. The best way to avoid reversing accidents is to remove the need for reversing altogether. Where reversing is unavoidable, routes should be organised to minimise the need for reversing. In locations where reversing cannot be avoided:

- Reversing areas should be planned out and clearly marked.

- People who do not need to be in reversing areas should be kept well clear.
- Consider using a trained signaller (also known as a banksman) both to keep the reversing area free of pedestrians and to guide you as the driver. A banksman will be mandatory for certain reversing tasks which will be identified in the job risk assessment and method statement.
- You should ensure your banksman is visible to you and is wearing highly visible clothing such as an appropriate reflective vest.
- If you lose sight of your banksman you should stop your vehicle immediately.

For further advice and guidance on reversing of vehicles, please follow the link below: <http://www.hse.gov.uk/workplacetransport/information/reversing.htm>.

18.0. Document Control Sheet

Review / approval history.

Date.	Name.	Position.	Version Approved.
11 October 2016.	General Meeting of the Council.	n/a.	Version 1.0.
tbc.	General Meeting of the Council.	n/a	Version 1.1.

Change Record Table.

Date.	Author.	Version.	Status.	Reason.
October 2019.	Alan Tait and Les Donaldson.	1.1.	Final.	Reviewed and updated earlier version.

Appendix 1: Safe Driving Summary

Drivers are responsible for ensuring that their vehicle is always in a roadworthy condition and that they comply with the relevant Legislation and Council policy. In addition, they should:

- Drive safely and in accordance with the Highway Code.
- Be aware of and comply with Health and Safety requirements.
- Observe speed limits.
- Ensure that they hold a valid and current licence for the category of vehicle they drive.
- Remove any identification lanyards whilst driving. The force of an airbag inflating is fairly severe, so any plastic or metal object in the chest / torso area has the potential to cause injury if it gets pushed back into the body.
- You should not have any loose material in the cab/ front of the vehicle / in your lap when driving for work as these may cause injury in the event of an accident.
- Ensure the safety and comfort of passengers.
- Report any accidents whilst driving at work.
- Inform the Council immediately in the event of any change in medical condition or medication that a GP may reasonably judge as impacting on an employee's ability to undertake his/her duties.
- Notify the Council immediately when a change occurs and / or in advance of accepting employment or any change to roles or responsibilities.
- Inform the Council and the DVLA of any medical condition or disability that affects their ability to drive.
- Maintain control of the vehicle at all times.
- Take particular care when reversing and only reverse when it is absolutely necessary.
- Ensure that the vehicle is insured for business use.
- Report defects immediately.
- Keep the vehicle clean.
- Present the vehicle promptly for safety checks / servicing.
- Always ensure that the vehicle is correctly loaded.
- Comply with the Regulations in respect of Drivers' Hours and the keeping of work records, where appropriate.
- Advise their line manager of any work, especially driving, that they undertake for another employer.
- In the event of an accident or breakdown, not put themselves or any passengers at risk.
- Carry out regular vehicle maintenance checks

Drivers should not:

- Consume alcohol or drugs (other than appropriate use of prescribed drugs and proprietary medicines) in the course of the working day or shift, including paid or unpaid breaks and should ensure that their performance is not impaired by alcohol consumed prior to starting work.
- Drive a vehicle whilst ill or taking medication unless a doctor has confirmed it is safe to do.
- Drive with poor eyesight. If prescribed, spectacles or corrective lenses must be worn.
- Use a mobile phone whilst driving unless by means of a hands-free kit, or Bluetooth.
- Drive or continue to drive if they are tired.
- Use any vehicle or operated equipment for any other purpose than in connection with their duties.



Contract Standing Orders

November 2019 Version 6.0

Version Control.

Version.	Updated by.	Date.	Details of change.
1.0.		November 2013.	Approved by General Meeting of the Council on 10 December 2013.
2.0.	Gary Butler.	17 January 2014.	Updated to include revised European Union (EU) Advertising thresholds.
3.0.	Rosemary Colsell.	21 June 2016.	Updated and revised to include the provisions of the Procurement Reform (Scotland) Act 2014 and the Procurement Scotland Regulations 2016. Approved by General Meeting of the Council 5 July 2016.
4.0.	Rosemary Colsell.	11 October 2017.	Revision to reflect new requirements at Clause 37.3.
5.0.	Rosemary Colsell.	22 March 2018.	Revision to reflect new Thresholds.
6.0	Rosemary Colsell	November 2019	Updated to reflect new procedures

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1. Introduction

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

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

1.3. The CSOs are to be read in conjunction with the Procurement Reform (Scotland) Act 2014 statutory guidance in recognition of the duty of Public Authorities to have regard to the guidance as detailed below.

- Procurement Reform (Scotland) Act 2014: statutory guidance, Guidance on procurement strategies and annual reports, the sustainable procurement duty, community benefit, tenders and award of contracts.
<https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/5/>
- Addressing Fair Work Practices, including the Real Living Wage, in Procurement: <https://www.gov.scot/publications/addressing-fair-work-practices-including-real-living-wage-procurement-best/>
- Procurement of Health and Social Care Services: <https://www.gov.scot/publications/guidance-procurement-care-support-services-2016-best-practice/>
- Scottish Procurement Policy Note (SPPN) 07/2016 Update to Guidance on the Procurement of Care and Support Services (Best Practice): <https://www.gov.scot/Topics/Government/Procurement/policy/SPPNSSPANS/policy-notes/SPPN2016/CareSupportServicesBestPractice>

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

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

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

1.7. The Executive Director of Corporate Services may approve guidance notes on Tendering and procurement matters for Contracts awarded by the Council. Guidance notes will be compiled by the Procurement Manager.

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

2. Definitions and Interpretation

2.1. Definition of terms is as follows:

Abnormally Low Tenders.	As defined within the Procurement (Scotland) Regulations 2015 and any subsequent Scottish Government Guidance when available.
Chief Officer.	The Chief Officer – Health and Social Care procuring the Supplies, Services or Works.
Contract.	An agreement between the Council and any Contractor made by formal agreement or by issue of acceptance or an official order for Supplies, Services or Works.
Contract Documents.	Documents to be used in the tendering procedure and where different those that are intended to form part of any Contract following a tendering procedure. The Contract Documents include, but are not restricted to, the European Single Procurement Document (ESPD), the invitation to tender, the instructions to tenderers, terms and conditions of contract, the specification and technical requirements, pricing schedule, form of tender, certificate of bona fide tendering and any Bills of Quantities and includes any such documents or their equivalents using e-procurement.
Contractor(s).	Includes any sole trader, partnership or company (limited or unlimited) or any duly incorporated trade, professional or commercial body.
Delegated Authority.	Officers who have been given formal written authority by their Executive Director or Chief Officer to manage procurement exercises within a specified value range on behalf of the Council.

Dual Stage Procedure.	The below EU threshold procedure which is equivalent to the EU Threshold Restricted Procedure.
EU Threshold.	The threshold for determining the application of the Regulations. In the case of the Procurement (Scotland) Regulations 2016 the threshold is £181,302 (Supplies and Services) and £4,551,413 (Works). In the case of the Utilities Contracts (Scotland) Regulations 2016 the threshold is £ 363,424 for Supplies and Services and £4,551,413 for Works.
EU Regulated Procurement.	Goods, Services or Works contracts with a value over the EU Threshold.
European Single Procurement Document (ESPD).	The standard form document introduced by the new EU Public Procurement Directive (Directive 2014/241/EU) which replaces the pre-qualification questionnaire, the particular form of which has been approved by the Scottish Government.
Executive Director.	The Executive Director procuring the Supplies, Services or Works.
Executive Director of Corporate Services.	The Executive Director of Corporate Services and the Procurement Manager as directly delegated in writing by the Executive Director of Corporate Services to undertake procurement activities in accordance with these CSOs.
Framework Agreement.	An overarching agreement with supplier(s) to establish terms governing individual contracts that may be awarded during the life of the agreement ('call-offs'), concluded in accordance with Section 34 of the Public Contracts (Scotland) Regulations 2015.
Health and Social Care Services.	A public contract or framework agreement for social and other specific services listed in Schedule 3 of the Public Contracts (Scotland) Regulations 2015.
Health and Social Care Services EU Threshold.	£615,278 (€750,000).
Life-Cycle Costing.	All consecutive or interlinked stages, including research and development to be carried out, production, trading and its conditions, transport, use and maintenance, throughout the existence of the product or the works or the provision of the service, from raw material acquisition or generation of resources to

	disposal, clearance and end of service or utilisation.
Procurement.	The process leading to the award of a public contract or framework agreement or establishment of a dynamic purchasing system for the acquisition of works, supplies or services from an economic operator.
Public Contracts Scotland (PCS) portal.	The Scottish Government's official national advertising portal for public sector contract opportunities www.publiccontractsscotland.gov.uk .
Quick Quote.	An online quotation facility which allows the Council to obtain competitive quotes electronically for: <ul style="list-style-type: none"> • Low value requirements between £10,000 and £50,000; and • Unregulated Works Contracts (below the value of £2,000,000), depending on complexity of contract (as defined in Clause 17).
Quotation.	A formal offer to supply or purchase supplies or provide services where the estimated value of the contract does not exceed £50,000 or to execute works with a value of £2,000,000 for works.
Regulated Procurement.	As defined by the Procurement Reform (Scotland) Act 2014 and referred to as the Reform Act 'slice' a regulated procurement for Goods or Services Contracts with a value of over £50,000 and for Works Contracts over £2,000,000 and less than the relevant Official Journal of the European Union (OJEU) Thresholds.
Regulations.	The Public Contracts (Scotland) Regulations 2015, the Procurement Reform (Scotland) Act 2014, the Procurement (Scotland) Regulations 2016 and / or the Concession Contract (Scotland) Regulations 2016 as the context requires, but where the Council is acting as a Harbour Authority and chooses to do so, the Utilities Contracts (Scotland) Regulations 2016.
Single Stage Procedure.	The below EU threshold procedure which is equivalent to the EU Threshold Open Procedure.

Supplies.	Goods or the hire of goods and for any siting or installation of those goods.
Tender.	A formal offer to supply or purchase supplies, execute works or provide services where the estimated value of the contract is £50,000 (excluding Value Added Tax (VAT)) or more.
Tender Evaluation Panel	At least two people should be established and consist of individuals with demonstratable technical ability to evaluate tenders
Tender Opening Board	As described in Clause 31.6
Unregulated Works Procurement.	A contract for Works with a value of between £50,000 and £2,000,000, being a procurement not covered by the Regulations and procured utilising the Council's database of pre-approved contractors.
Works.	Building construction, building maintenance or engineering works.

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

3. Compliance with Contract Standing Orders

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

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

4. Conduct of Officers and Members

4.1. Members must abide by the Councillors' Code of Conduct published by the Standards Commission for Scotland available at: <http://www.standardscommissionscotland.org.uk/codes-of-conduct/councillors-code-of-conduct>.

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

5. Ethical Standards

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

- 5.1.1. Be fair, efficient, firm and courteous;
- 5.1.2. Maintain the highest possible standard of integrity in all business relationships;
- 5.1.3. Acquire and maintain current technical knowledge;
- 5.1.4. Achieve appropriate professional standards in the management of contracts;
- 5.1.5. Foster appropriate standards of professional competence amongst those for whom they are responsible;
- 5.1.6. Comply with the law, guidance on professional practice and contractual obligations;
- 5.1.7. Declare any personal interest which may affect or be seen by others to affect impartiality;
- 5.1.8. Respect the confidentiality of information received in the course of duty and ensure that information given in the course of duty is honest and clear; and
- 5.1.9. Respond promptly, courteously and efficiently to suggestions or enquiries, including Freedom of Information (FOI) request obligations according to Council policies.
- 5.1.10. Not knowingly work with suppliers that trade in slavery, prostitution or illegal drugs, or who breach International Labour Organisation conventions.
- 5.1.11. Not offer, give or agree to give anything, to any person an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of the procurement agreement or for showing or refraining from showing favour or disfavour to any person in relation to said Agreement which may constitute an offence under the Bribery Act 2010.
- 5.1.12. Take all reasonable steps, in accordance with good industry practice, to prevent fraud by Council Staff and the Supplier (including its shareholders, members and directors) in connection with the procurement of supplies, services and shall in the first instance notify their Line Manager, Head of Service or Executive Director immediately if they have reason to suspect that any fraud has occurred or is occurring or is likely to occur. Reporting in all cases should be in accordance with the Council's Corporate Anti-Fraud Policy and Whistle Blowing Policy.

6. Authority to Procure

- 6.1. No officer may manage a Procurement exercise unless authority has been delegated to them by the Chief Executive, Executive Director or Chief Officer.
- 6.2. The diversity of the work involved in procurement necessitates that officers are competent in a wide variety of generic procurement skills in addition to the specific technical skills and knowledge required when procuring specific Supplies, Services and Works. Officers with delegated authority to invite and manage Procurement exercises will be required to undertake specific procurement training.

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

7. Separation of Duties

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

8. Suspension, Variation and Revocation

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

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

8.3. The Executive Director of Corporate Services will be able to vary these CSOs in the following operational circumstances:

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

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

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

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

9. Value of Contract

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

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

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

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

10. Financial Provision

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

11. Equalities and Prevention of Discrimination

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

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

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

12. Form of Contract

12.1. Except in circumstances where the Executive Director of Corporate Services and the Head of Legal Services agree otherwise, every Contract shall be:

12.1.1. In the name of the Council;

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

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

12.1.4. Subject to the laws of Scotland.

12.2. The Contract Documents in respect of all Contracts will be prepared by the Chief Executive or Executive Directors. When it is appropriate to do so, the Chief Executive and Executive Directors may make use of Contract Documents prepared by the Government Procurement Service, Scottish Procurement, Scotland Excel and

other framework agreement providers where permitted by those bodies to do so. It is the Chief Executive and Executive Director's responsibility to ensure that the Contract Documents are suitable for the Contract.

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

13. Exemptions and Exceptions

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

13.2. There shall be an exemption from these CSOs where:

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

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

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

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

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

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

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

13.3. There shall be an exception from these CSOs where:

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

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

13.3.3. It is a Contract for the provision of health, special education and / or social care services, and where, in the opinion of the Chief Executive, Executive Directors,

Chief Officer or Chief Social Work Officer, it is considered that to undertake a competitive tendering exercise would have an adverse effect on the quality and continuity of service for service users and their relatives;

13.3.4. Where the Contract is an extension to an existing Contract and is not a Regulated Procurement, an EU Procurement or an Unregulated Works Procurement (in which case see CSO 17), and which has been identified by the Chief Executive, Executive Directors or Chief Officer as necessary and being so urgent as not to permit the invitation to tenders;

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

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

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

13.5. The Executive Director of Corporate Services will maintain a central register of exceptions.

14. Contracts below £10,000

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

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

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

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

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

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

15.4. Route 1 of the Procurement Journey (or equivalent) (<https://www.procurementjourney.scot/node/20>) will be used when obtaining quotations where the Contract is for Supplies or Services and the Contract is between £10,000 and £50,000.

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

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

16.2. The ESPD is to be used in all cases for Regulated Procurements.

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

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

17.1. Where the value of the Works Contract is between £50,000 and £2,000,000, the Chief Executive and Executive Directors will advertise the contract in accordance with CSO 20 and invite a minimum of three tenders from pre-approved Contractors with the experience and expertise to meet the requirement for Works. In circumstances where fewer than three tenders are obtained a written record shall be retained as to the reasons for this.

17.2 The ESPD is to be used in all cases for unregulated Works procurements with a contract value between £50,000 and £2,000,000, unless the Dynamic Purchasing System is utilised (see CSO Clause 30).

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

17.4. The use of this procedure for unregulated procurements is permitted where the procurement is of a standard nature and is not complex as defined in clause 17.5 below.

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

17.6. Complex procurements will be required to follow the requirements for Regulated Procurements CSO Clause(s) 16.1, 16.2, 16.3.

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

18.1. Route 3 of the Procurement Journey (or equivalent) and accompanying documentation as appropriate shall be used for all EU Regulated procurement exercises.

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

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

18.4. All contract notices for EU Regulated Procurements will be passed for approval and issued by the Procurement Manager.

19. Contracts for Health and Social Care Services

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

19.2. Where a Contract is for Health and Social Care Services with a value below the Health and Social Care Services EU Threshold, the Council may choose to award without seeking offers, however there is still a requirement to comply with the Treaty on the Functioning of the European Union (TFEU) principles of transparency, equal treatment, non-discrimination; proportionality and mutual recognition where relevant.

19.3. Subject to the terms of Clause(s) 19.1 and 19.2 above, where a Contract is for Health and Social Care Services has a value below £50,000, the Council may choose to award without seeking offers.

19.4. In instances as described above where there is award of a contract without competition, a non-competitive action form must be completed and authorised by the Executive Director of Corporate Services prior to contract award in accordance with CSOs Clause 13 and as set out in Appendix 1.

20. Publicity of Contract Opportunities

20.1. The Council is under a duty to ensure that for each Contract that it intends to award the Contract is given a degree of advertising which is sufficient to ensure open competition and to meet the requirements of the principles of equal treatment, non-discrimination and transparency. Contracts that are Regulated Procurements

and those that exceed the EU Threshold must comply with the advertising requirements set out in the Regulations.

20.2. The following minimum advertising procedures will apply:

20.2.1. Contract Notice for Supplies and Services where the Contract exceeds £50,000 will be uploaded on the PCS portal;

20.2.2. Contracts for Works where the Contract exceeds £50,000 will be advertised in the local newspaper for a minimum duration of one week;

20.2.3. In addition to the advertising requirements at CSO 20.2, where the value of a Contract for Works exceeds £2,000,000 the contract notice will be uploaded on the PCS portal;

20.2.4. Contract Notice for Supplies and Services and Works where the Contract exceeds EU Thresholds will be uploaded in the OJEU via the PCS portal.

20.3. In addition to the advertising requirements referred to in CSO 20.2, or where it is felt that insufficient interest may be generated, the Chief Executive, Executive Directors and Chief Officer may decide to advertise the Contract opportunity in any other way.

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

20.5. All Contract Notices published on the PCS portal will be subject to the prior approval of the Procurement Manager for EU Regulated Procurements.

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

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

21. Procedures

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

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

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

21.4. The Chief Executive, Executive Directors and Chief Officer will determine in consultation with the Procurement Manager where the use of lotting strategies is appropriate and would have the effect of ensuring that the Contract opportunity is accessible to small and medium-sized enterprises.

22. Commodity Strategy

22.1. The Chief Executive, Executive Directors and Chief Officer in consultation with the Procurement Manager will ensure that an appropriate Commodity Strategy is prepared for each individual Regulated Procurement and EU Regulated Procurement.

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

22.3. The preparation of the Commodity Strategy will ensure that proportionate consideration is given to planning, Sustainable Procurement and Risk Management prior to commencement of the procurement. See more at: <https://www.procurementjourney.scot/route-2/route-2-develop-strategy>.

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

23. Contract Award Criteria

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

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

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

23.4. For Procurement of Works under the value £50,000 may in exceptional circumstances be awarded on the basis of cost or price and always in the context of best value. Prior to utilising this CSO, a risk assessment shall be undertaken which evidences overall best value and is recorded on the contract award recommendation report as referred to in CSO 38.

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

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

23.6.1. Quality / technical merit;

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

23.6.3. Design, functional characteristics and aesthetics;

23.6.4. Sustainability and community benefit / social issues where appropriate;

23.6.5. Innovation;

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

23.6.7. Delivery or period of completion;

23.6.8. Price;

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

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

24. Contract Payments

24.1. Proposed payment arrangements under a Contract must be discussed and agreed by the Director of Finance in advance of any Contract being entered into. However the Director of Finance may issue guidance on approved payment arrangements.

25. Restricted or Dual Stage Procedure

25.1. The Chief Executive or Executive Director may approve the use of a Restricted or Dual Stage Procedure which, subject to CSO 31 electronic tendering, will be advertised and conducted in accordance with CSOs 20 and 25.

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

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

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

25.5. The Chief Executive, Executive Directors or Chief Officer will ensure that the ESPD Supporting Statements that are issued to all Contractors responding to the contract notice are tailored to, and are relevant and proportionate to, the subject matter of the proposed Contract.

25.6. No Contractor will be invited to submit a Tender unless they have successfully complied with the technical and financial checks in CSO 32 and have met the selection criteria to be invited to tender set out in the ESPD.

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

25.8. The Chief Executive, Executive Director or Chief Officer will send invitations to tender, in writing, simultaneously to each Contractor selected to tender and the invitation to tender will be accompanied by the Contract Documents. The invitation to tender shall state the requirements in CSOs 33 and 34.

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

25.9.1. Instructions to tenderers;

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

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

25.9.4. Terms and conditions of Contract;

25.9.5. The specification which clearly describes what is required;

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

25.9.7. Tender response requirements;

25.9.8. Form of tender;

25.9.9. Certificate of bona fide tendering;

25.9.10. Compliance Statement as appropriate.

26. Open or Single Stage Procedure

26.1. The Chief Executive, Executive Directors or Chief Officer may approve the use of an Open or Single Stage Procedure which, subject to CSO 31 electronic tendering, will be conducted and advertised in accordance with CSOs 20 and 26.

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

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

27. Use of Framework Agreements provided by External Agencies

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

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

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

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

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

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

28. Concluding a Framework Agreement

28.1. The Council may establish a Framework Agreement with either one or a minimum of three economic operators, where there are three economic operators to satisfy the selection criteria.

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

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

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

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

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

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

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

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

29. Extensions to Existing Contracts

29.1. Subject to CSOs 29.2 to 29.5, where the Chief Executive, Executive Directors or Chief Officer consider that an existing Contract should be extended and the option

to extend is given to the Council in terms of the Contract, the Chief Executive or Executive Directors may authorise the take-up of that option.

29.2. Where the Contract does not make provision for the extension of the Contract, the Chief Executive, Executive Directors or Chief Officer shall not extend the Contract, unless the use of the procedure in CSO 29.3 has been followed.

29.3. Contracts awarded as Regulated Procurements and EU Regulated Procurements may only be extended where the procedure in Section 72 of the Public Contracts (Scotland) Act 2015 is followed.

29.4. For the purposes of CSO 29.1 an extension of a Contract includes the option to increase the amount of Supplies, Services or Works as well as the option to lengthen the duration of the Contract.

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

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

30. Dynamic Purchasing System

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

30.2. The Chief Executive, Executive Directors or Chief Officer shall ensure that the DPS is set up and run in accordance with the information available on the [Procurement Journey website at Dynamic Purchasing Systems](https://www.procurementjourney.scot/dynamic-purchasing-systems-dps).
<https://www.procurementjourney.scot/dynamic-purchasing-systems-dps>

30.3. The Chief Executive, Executive Directors or Chief Officer shall ensure that the DPS is open at all times during its operation for new suppliers to join.

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

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

30.6. The Dynamic Purchasing System will contain the names of the Contractors that wish to be included on the list and whose inclusion on the list has been approved by the Chief Executive, Executive Directors or Chief Officer. The Chief Executive, Executive Directors or Chief Officer will not include a Contractor on the list unless a

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

30.7. The Chief Executive, Executive Directors or Chief Officer will review the Contractors appointed to the Dynamic Purchasing System at least once every five years and undertake an assessment of insurance and financial standing on an annual basis.

30.8. The advertisement inviting applications to be appointed to the Dynamic Purchasing System will indicate the categories of Supplies, Services and Works to be included in the Dynamic Purchasing System and will be advertised in accordance with CSO 20.

30.9. The Chief Executive, Executive Directors or Chief Officer will maintain records detailing the following:

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

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

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

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

30.12. The Chief Executive, Executive Directors or Chief Officer may suspend a Contractor from a Dynamic Purchasing System in circumstances where the Chief Executive, Executive Directors or Chief Officer have serious concerns regarding the Contractor's ability to provide the Supplies, Services or Works in relation to which the Contractor is appointed to the Dynamic Purchasing System. The suspension will allow the Chief Executive, Executive Directors or Chief Officer to carry out investigations regarding the Contractor's fitness to remain appointed to the Dynamic Purchasing System. The suspension shall be for a period not exceeding six months or until the end of the investigation, whichever is sooner, at which point the Chief Executive, Executive Directors or Chief Officer must either reinstate the Contractor to the Dynamic Purchasing System or remove the Contractor from the Dynamic Purchasing System and CSO 30.9 will apply.

30.13. The Procurement Manager is to be consulted prior to consideration of the set up of a new Dynamic Purchasing System.

31. Electronic Tendering

31.1. Unless the Chief Executive, Executive Directors or Chief Officer have agreed otherwise, tendering exercises shall be conducted by electronic means, provided that:

31.1.1. Electronic tendering is to take place using a system which has been approved by the Executive Director of Corporate Services; and

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

31.2. Where electronic tendering is in use the contract notice will be published in accordance with CSO 20 and will provide information as to the internet address which offers unrestricted and full access by electronic means to the Contract Documents.

31.3. This CSO 31.3 shall replace CSOs 33, 34 and 35 in their entirety where electronic tendering is in use the Chief Executive, Executive Directors or Chief Officer will ensure that:

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

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

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

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

31.4.1. Before Tenders are received by the Council;

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

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

31.5. Where an extension of the deadline for the submission of Tenders has been granted in accordance with CSO 31.4, tenderers that have submitted Tenders may be given the opportunity to re-submit their Tenders. Where tenderers are permitted to re-submit Tenders, the same opportunity will be extended to all tenderers.

31.6. Tenders with a value of over £50,000 that have been submitted by electronic means in accordance with this CSO 31 will be opened by an Elected Member and two officers one of whom must be on a salary grade of G9 or above.

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

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

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

31.7.3. That the Price schedule has been completed;

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

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

31.10 For the avoidance of doubt, for regulated procurement, formal Tender opening procedures are required for all Open Procedure Tender submissions, and for subsequent call offs or mini-competitions from a Framework Agreement or works packages awarded via the Dynamic Purchasing System in accordance with CSOs 31.6 and 31.7 above.

32. Technical and Financial Checks

32.1. No Contractor may be awarded a Contract unless, following a review of the proposed Contractor, the Chief Executive, Executive Directors or Chief Officer are satisfied as to:

32.1.1. The technical capability of the proposed Contractor; and

32.1.2. The financial standing of the proposed Contractor.

32.2. The assessment of the financial standing of proposed Contractors will be undertaken by the Head of Finance.

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

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

undertaken as a condition of the contractor's appointment to the Framework Agreement or Dynamic Purchasing System.

32.5. The Chief Executive, Executive Directors or Chief Officer will keep a record showing the results of each check of technical capacity and financial standing of Contractors.

33. Receipt and Custody

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

33.2. CSO 33.1 will not apply where e-procurement is used. Where e-procurement is in use CSO 31 will be complied with.

34. Late Tenders

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

35. Opening of Hard Copy Tenders

35.1. Tenders must be opened, simultaneously, in the presence of an Elected Member and two officers, one of whom must be on a salary grade of G9 or above.

35.2. When opening the Tenders, the Tender Opening Board comprising the Elected Member and two officers in accordance with CSO 35.1. must check the following:

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

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

35.2.3. That the Price schedule has been completed;

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

35.4. Electronic tenders received via an electronic post box will be opened and recorded in accordance with CSOs 31.6 to 31.8.

36. Tender Evaluation

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

36.2. Tenders will be evaluated by a Tender Evaluation Panel which consists of at least two officers with demonstrable technical ability to evaluate tenders.

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

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

36.5. In instances where evaluation of price requires expert analysis additional advice to be sought from the service area.

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

37. Checking of Tenders and Post Tender Negotiations

37.1. All Tenders shall be subject to checking by the Chief Executive, Executive Directors or Chief Officer who will prepare a written report in respect of all Tenders received in a form that complies with CSO 38 and that contains a specific recommendation as to the acceptance of the successful Tender or Tenders and the reasons for the award recommendation.

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

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

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

37.5. Notwithstanding the other terms of this CSO 37, where examination of the Tenders reveals obvious errors and discrepancies which would affect the tender figures, errors will be dealt with as follows:

37.5.1. Any obvious arithmetical errors will be rectified by the Chief Executive, Executive Directors or Chief Officer checking the tenders and the amount of tender shall be held to be correct so rectified and the tenderer informed of the corrected amount;

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

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

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

38. Content of Award Recommendation Reports

38.1. For all Contracts established through a competitive procedure, a Contract award recommendation report will be prepared for consideration and approval by the Chief Executive, Executive Director of Corporate Services, the Executive Director or Chief Officer of the relevant service area detailing the following information:

38.1.1. The nature of the requirements of the Contract;

38.1.2. The tendering procedures adopted;

38.1.3. A comparative digest of offers received;

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

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

38.1.6. Identification of Abnormally Low Tenders where applicable and actions taken;

38.1.7. A statement to confirm that CSOs have been complied with;

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

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

38.1.10. Benefits and savings available; and

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

39. Acceptance

39.1. Contracts will be signed by the Chief Executive, the Executive Director of Corporate Services, the Head of Finance or the Head of Legal Services or other officer with delegated authority to sign Contracts on behalf of the Council in accordance with CSO 12.1.

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

39.3. All Tenderers will be informed in writing of the success or otherwise of their Tender as soon as reasonably practicable after the approval of the Contract award recommendation report prepared in accordance with CSO 38.

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

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

39.6. Where a challenge is made to the Contract award decision before the Contract is made, the Chief Executive or Executive Directors will refer the matter to the Head of Legal Services for consideration.

40. Contracts Register

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

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

40.2.1. The date of the award of contract;

40.2.2. The name and address of the Contractor;

- 40.2.3. A description of the purpose of the Contract;
- 40.2.4. The duration of the Contract;
- 40.2.5. The estimated value of the Contract including any extensions available;
- 40.2.6. The start date;
- 40.2.7. The end date for the contract, or the circumstances in which the contract will end;
- 40.2.8. The duration of the potential extension periods to the Contract; and
- 40.2.9. Any other information relating to the Contract which the Executive Director of Corporate Services considers to be material.
- 40.3. The Council shall maintain a single, centrally managed internal contracts register for the purposes of business planning which shall be managed by the Council's Procurement Team.
- 40.4. The Chief Executive, Executive Directors and Chief Officer shall provide a plan to the Procurement Manager no later than 1 April each year showing their plans for contracting activity in the following two calendar years, in order to allow for the publication of the Council's Annual Procurement Strategy and Plan by 31 December of each year.
- 40.5. For the purpose of maintaining a register in accordance with CSO 40, the Chief Executive, Executive Directors or Chief Officer will send a copy of all Contract award letters to the Procurement Manager.

41. Contract Award Notice

- 41.1. For the purpose of transparency, where the Contract has been advertised in accordance with CSO 20.2, the Chief Executive, Executive Directors or Chief Officer will publish a Contract award notice on the PCS portal.
- 41.2. A contract award notice must be published on the PCS portal for all EU Regulated Procurements, Regulated Procurements, for all Health and Social Care Contracts including direct awards, all Framework Agreement call-offs and purchases under a Dynamic Purchasing System or Negotiated Procedure where appropriate.
- 41.3. Where the Contract exceeds the EU Threshold and is subject to the Regulations a contract award notice must be published no later than 48 days after the award of the Contract.
- 41.4. For Regulated procurements and for EU Regulated Procurements which are equal to or greater than £4,000,000 the contract must include the following:
- 41.4.1. A summary of the community benefit requirement that will be included in the contract, or

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

41.4.3. Where community benefits are included in a Regulated Procurement and / or an EU Regulated Procurement the Council must include in the award notice a statement of the benefits it considers will be derived from those requirements.

42. Specifications

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

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

43. Assignment, Sub-Contracting, Termination and Variation

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

43.2. The sub-contracting of any part of a Contract except to the extent permitted in writing by the Chief Executive, Executive Directors or Chief Officer shall be prohibited.

43.3. The Chief Executive, Executive Directors or Chief Officer may terminate any Contract or part of a Contract or to agree to vary or amend the terms of any Council Contract but only following consultation with the Head of Finance and the Head of Legal Services being satisfied that it is reasonable and in the best interests of the Council to exercise that power.

44. Liquidated and Ascertained Damages

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

45. Performance Bonds

45.1. Where the contract value exceeds £1,000,000 the Chief Executive, Executive Directors or Chief Officer will consider whether it is appropriate to provide for performance bonds. The amount for each performance bond will be approved by the Head of Finance. The bond will be in a form that is acceptable to the Head of Finance and the Head of Legal Services.

46. Insurance

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

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

47. Prevention of Collusion and Corrupt or Illegal Practices

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

48. Sustainable Procurement

48.1. Before undertaking a regulated procurement exercise the Chief Executive, Executive Directors or Chief Officer shall take into account the social, economic and environmental impacts of the proposed Contract and whether the Contract will contribute to the achievement of sustainable development in accordance with the Sustainable Procurement Duty and the Council's Sustainable Procurement Policy <https://www.orkney.gov.uk/Service-Directory/P/sustainable-procurement.htm>.

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

48.3. The Chief Executive, Executive Directors or Chief Officer will consider under CSO 39.1, only factors that are relevant and proportionate to the proposed Contract.

49. Consultants

49.1. The appointment of consultants is subject to these CSOs and the Council's Financial Regulations. Due to their specialist and fixed term nature consultancy appointments are closely scrutinised. Therefore, prior to the commencement of a procurement exercise, the Chief Executive, Executive Directors or Chief Officer shall obtain specific Committee approval to appoint a consultant unless this applies to construction or engineering projects.

49.2. The Committee report which seeks approval for the appointment of a consultant will include:

49.2.1. A summary of the requirements, including the expected benefits and when they are likely to be delivered;

49.2.2. Details of any alternatives to consultancy e.g. in-house expertise;

49.2.3. The estimated start and end date of the proposed Contract;

49.2.4. The maximum estimated value of the Contract over its lifetime.

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

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

50. Annual Procurement Strategy

50.1. The Chief Executive or Executive Directors and Chief Officer will ensure a Procurement Strategy is published to set out how it intends to ensure that its procurement activity delivers value for money and contributes to the achievement of the authority's broader aims and objectives in line with Scotland's National Outcomes.

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

50.3. The Chief Executive or Executive Directors and Chief Officer will ensure that Consultation and Publication of an Annual Procurement Strategy is carried out and that in order to be meaningful and effective, engagement must be proportionate, manageable, and forward looking enough to allow time to incorporate findings into individual requirement contracting / Procurement Strategies.

50.4. By 1 April of each year, the Council will therefore develop an annual corporate Procurement Strategy in accordance with the Statutory Guidance as at CSOs 1.3 which shall contain the following:

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

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

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

50.4.3.1. Treat relevant economic operators equally and without discrimination;

50.4.3.2. Act in a transparent and proportionate manner;

50.4.3.3. Sustainable procurement duty.

50.4.4. The Council's general policy on:

50.4.4.1. The use of community benefits requirements;

50.4.4.2. Consulting and engaging with those affected by its procurements;

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

50.4.4.4. The promotion of compliance with Health and Safety legislation;

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

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

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

50.4.5.2. Promote the highest standards of animal welfare.

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

50.4.6.1. Payments due by the authority to a contractor;

50.4.6.2. Payments due by a contractor to a sub-contractor;

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

50.5. The Council recognises its obligation to consult stakeholders including businesses, third sector organisations, communities and citizens who may have an

interest in the Council's contracting for services. In support of this it will, develop a communication plan to ensure appropriate engagement with all sectors in Orkney, and will include an annual 'meet the buyer event' to provide a platform for market consultation and engagement with suppliers.

51. Procurement Annual Report

51.1. The Chief Executive or Executive Directors and Chief Officer will ensure that its procurement activity complies with the relevant legislation and that the decisions it takes in the context of its procurement activity are in accordance with the legislation and its own procurement objectives.

51.2. The Chief Executive or Executive Directors and Chief Officer will ensure that the Procurement Strategy is reviewed annually and the revised Procurement Strategy and Procurement Annual Report is published as soon as reasonably practical after April 2018 and thereafter on an annual basis and in accordance with the Statutory Guidance as at 1.3.

52. Collaborative Procurement

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

53. Prevent Duty

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

Appendix 1

Non Competitive Action (NCA)

1. It is Council policy that Contracts for Supplies, Services and Works should be awarded on the basis of value for money following a genuine and effective competition. This policy recognises that there may be occasions where it is appropriate to award a Contract without following a genuine and effective competition. This procedure is known as NCA and can only be applied in exceptional circumstances.
2. NCA will only be approved when a genuine business need exists which outweighs the need to subject the requirement to competition. Evidence in support of the NCA must stand up to scrutiny or challenge.
3. The Executive Director of Corporate Services has the authority to approve an NCA.
4. When seeking authority for NCA, the Chief Executive and Executive Directors will ensure that there is sufficient information contained within the request to enable the Executive Director of Corporate Services to consider the NCA.
5. The Executive Director of Corporate Services, in consultation with the Head of Finance, the Head of Legal Services and the Procurement Manager, as appropriate, will decide whether or not to authorise the request to proceed without competition.
6. Following approval a scanned copy of the NCA Form must in all cases be sent to the Procurement Manager for inclusion on the NCA register.
7. Where a request for NCA is rejected then a competition will be necessary. The level of competition will depend on the value, nature and complexity of the purchase.

Request for Non-Competitive Action

Note: Once completed and signed by the Executive Director seeking the Exception this form must be sent to the Executive Director of Corporate Services for Approval.

Details of the Service seeking Non-Competitive Action.			
1.	Name:		
2.	Service:		
Details of NCA exception request.			
1.	Contractors Name:		
2.	Contract Title:		
3.	Type of Contract (Supplies / Services / Works):		
4.	Value (excluding VAT):		
5.	Duration:		
6.	Is the request an amendment to an existing contract?	Yes.	No.
7.	If yes, was the original contract competitively tendered?	Yes.	No.
8.	Justification for Non-competitive Action (expand as necessary):		
9.	Include reference to CSOs - Clause 13 Exemptions and Exceptions – detailing the exemption or exception referred to in the NCA request (including full details and explanation as necessary):		
Executive Director seeking approval for NCA:			
Signature:		Date:	
I approve the exception requested.			
I am unable to agree to the exception request.			
Signature:		Date:	
Executive Director of Corporate Services.			



Family Leave Guidance for Councils

Introduction

This Guidance sets out some key principles which Local Authorities may wish to adopt to support Elected Members during periods of maternity, paternity, shared parental and adoption leave. **There is no legal right to family leave of any kind for people in elected public office.**

The objective of this guidance is to ensure that insofar as is possible, Elected Members can take appropriate leave at the time of birth or adoption, that both parents are able to take leave, and that reasonable and adequate arrangements are in place to provide cover for portfolio-holders and others in receipt of Special Responsibility Allowances (SRA) during any period of leave taken.

This Guidance is to be implemented on a voluntary basis and confers no contractual, nor worker / employment status. The Guidance can be amended or withdrawn at any time. Councillors continue to retain their status as office holders. The rights as set out in this Guidance extend to (1) maternity, paternity, shared parental and adoption leave and (2) pay during maternity, paternity, shared parental and adoption related leave only. Individuals who are employees or workers of the Local Authority will be entitled to any additional rights associated with family leave by virtue of their employment status and associated policies. No such additional rights, over and above what is set out in this Guidance, shall apply to Elected Members and nothing in this Guidance shall render Elected Members as employees or workers.

Improved provision for new parents will contribute towards increasing the diversity of experience, age and background of Local Authority councillors. It will also assist with retaining experienced councillors – particularly women – and making public office more accessible to individuals who might otherwise feel excluded from it.

1. Leave Periods

1.1 Members giving birth are entitled to up to 6 months maternity leave from 28 days before their due date.

1.2 In addition, where the birth is premature, the Member is entitled to take leave during the period between the date of the birth and the due date in addition to the 6 months' period.

1.3 Members shall be entitled to take a maximum of 2 weeks paternity leave if they are the biological father or nominated carer of their partner/spouse following the birth of their child(ren).

1.4 A Member who has made Shared Parental Leave arrangements through their employment is requested to advise the Council of these at the earliest possible opportunity. Every effort will be made to replicate such arrangements in terms of leave from the Council.

1.5 Where both parents are Members leave may be shared up to a maximum of 26 weeks. Special and exceptional arrangements may be made in cases of prematurity.

1.6 A Member who adopts a child through an approved adoption agency shall be entitled to take up to six months' adoption leave from the date of placement.

1.7 Any Member who takes maternity, shared parental or adoption leave retains their legal duty under the Local Government Act 1973 to attend a meeting of the Council within a six month period unless the Council Meeting agrees to an extended leave of absence prior to the expiration of that six month period.

1.8 Any Member intending to take maternity, paternity, shared parental or adoption leave will be responsible for ensuring that they comply with the relevant notice requirements of the Council, both in terms of the point at which the leave starts and the point at which they return. (It is recommended that a minimum of 28 days' notice is provided to take leave. A MatB1 form or an adoption matching certificate should be provided when applying for maternity and adoption leave respectively).

1.9 Any Member taking leave should ensure that they respond to reasonable requests for information from the Council as promptly as possible, and that they keep officers and colleagues informed and updated in relation to intended dates of return and requests for extension of leave.

1.10 In the event of an Elected Member taking family-related leave, Councils are encouraged to consider:

- how to ensure there is minimal impact on the relevant ward by arranging, where possible, reasonable and appropriate cover to ensure the needs of constituents continue to be met; and
- providing what additional support may be required to facilitate an Elected Member's return from family related leave to ensure they feel supported and ready to return to the Council.

2. Basic Allowance

2.1 All Members shall continue to receive their Basic Allowance in full whilst on maternity, paternity or adoption leave.

3. Special Responsibility Allowances

3.1 Members entitled to a Special Responsibility Allowance (SRA) shall continue to receive their allowance in full in the case of maternity, paternity, shared parental or adoption leave where this is possible within the constraints of the Local Governance (Scotland) Act 2004 (Remuneration) and amendments thereto. Where this is not possible local arrangements should be made that best support both the Elected Member on leave and their replacement.

3.2 The payment of SRA, whether to the primary SRA holder or a replacement, during a period of maternity, paternity, shared parental or adoption leave shall continue for a period of six months, or until the date when the Member taking leave is up for election (whichever is soonest). At such a point, the position will be reviewed, and will be subject to a possible extension for a further six-month period.

3.3 Should a Member appointed to replace the Member on maternity, paternity, shared parental or adoption leave already hold a remunerated position, the ordinary rules relating to payment of more than one SRA shall apply.

3.4 Unless the Member taking leave is removed from their post whilst on leave, or unless the Party to which they belong loses control of the Council during their leave period, they shall

return at the end of their leave period to the same post, or to an alternative post with equivalent status and remuneration which they held before the leave began.

4. Resigning from Office and Elections

4.1 If a Member decides not to return at the end of their maternity, paternity, shared parental or adoption leave they must notify the Council at the earliest possible opportunity. All allowances will cease from the effective resignation date.

4.2 If an election is held during the Member's maternity, paternity, shared parental or adoption leave and they are not re-elected, or decide not to stand for re-election, their basic allowance and SRA if appropriate will cease from the Monday after the election date when they would technically leave office.

ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 2

Capital Programme: General Fund

Client Service: Education, Leisure and Housing

Project Name: Proposed Alterations to West Door and Access at St Magnus Cathedral

1. Background

The existing vestibule was constructed as part of the improvements undertaken around 1920 to 1921. It is noted that while the doors are currently operational, they are extremely heavy and have the potential to cause an accident to the unwary user. The desk unit containing the light switches and public address (PA) equipment was installed following a design by Ferrey and Mennim, Cathedral Architect, around 1983 to 1984.

Due to the weight issues with the internal doors, very often a door leaf is wedged open which does cause problems on windy days with draughts being generated. In the past, leaving doors open has caused issues with changes in pressure and resulted in some of the glazing suffering damage in other sections of the Cathedral.

Access to the Cathedral is via the external plat and steps, with disabled access provided via a small door on the south side of the Nave. It is envisaged that when this work is completed, the Cathedral entrance will become accessible to all.

The Society of the Friends of St Magnus Cathedral has had an ambition to replace the existing vestibule and doors in order to enhance the entrance of the Cathedral which has led to the proposals that have been developed.

2. Proposal

The proposal is to remove the existing vestibule and the desk area located at the West Door. This would then be replaced with a new glazed oak screen with automatic doors which will improve the visual entrance to the Cathedral and to also allow easy access to the Cathedral, all as detailed on the plans attached as Annexes 3 to 6.

For larger functions, such as weddings, funerals and other civic ceremonies, the proposed new set of double glazed doors would be provided in line with the central aisle, as shown on Annexes 3 and 4. The glazed aspect of the door would allow for all users to get a clear view of the Nave when they enter the vestibule rather than the current 'dark' area that exists at the moment.

The proposal will see the existing desk which contains the public address (PA) system and light switching being relocated. The PA will be updated with a modern installation and along with the light switching will be located in a new control box in the rear of the North Transept.

As part of the access requirements, there will require to be changes to the external plat to allow a fully accessible solution via the West door. It is proposed to provide a ramp access from Palace Road rising up to the current top step at the main Cathedral door. There are several solutions to this with the preferred option being a ramp with a small plat outside the West Door with decreasing steps fading out towards Palace Road.

3. Public Consultation

A Public Consultation was undertaken between 2 July and 7 August 2019 with a public presentation of the proposals undertaken by Council Officers and the Cathedral Architect on 2 July 2019. This was followed by public display of the proposed plans from 3 July until 7 August 2019. A follow-up consultation meeting was held in the St Magnus Centre on 7 August 2019.

A total of 71 comments were received of which 64% were in favour, 23% had positive comments, but had some further concerns or queries, and 13% were not in favour of the project.

The key points raised by those consultees with additional concerns can be summarised as follows:

- Lacking symmetry on the West Front.
- Removal and preservation of current vestibule.
- Automatic door mechanism suitability for the Orkney weather.
- Latin inscription concerns.
- Stone selections for new sections.
- Disabled parking area and level access.
- Parking access for funeral and wedding vehicles.
- Requirement for handrails.

During the consultation the issue that was most raised was the requirement for handrails on both the new steps and the current steps to the existing apron and this will be accommodated within the project and can be seen on the proposed external drawing in Annex 3.

The element of inscription shown on the original proposal also provided comment and it was felt that this was not necessary, and that the element would be better to be glazed, which has been incorporated into final design.

The concern raised over the weather proofing of the internal doors is a relevant one and it is also a concern for the Council and the detailing and specification of the internal vestibule doors including the door gear has been carefully developed to ensure the correct solution is installed.

In terms of parking access this has been reviewed as part of the design and the existing disabled spaces will remain as any changes will cause access issues to the remaining areas of the Kirk Green due to the potential changes in level. The query over the symmetry has been thought over by the design team previously

and, due to the level difference from the Kirk Green on the north side of the plat and the West Door, would mean a more unmanaged quantity of steps, or indeed if a ramp was to be installed heading to the north, this would result in a very long ramp and would continue on past the War Memorial gate. Therefore, this proposal has not been included with the design.

4. Land Purchase Requirement

There is no requirement to purchase land for this project.

5. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	Under the Royal Charter granted in 1486 the heritage possession of St Magnus Cathedral was passed to the Magistrates, Council and Community of Kirkwall, which reverted to Orkney Islands Council in 1975. St Magnus Cathedral is A listed which the Council, as owner, has a duty to maintain in suitable condition .
2.	Meets Corporate Priority / Community Planning Goal	To protect and promote Orkney's unique culture and community events.
3.	Protects Existing Assets	The proposed project will enhance the visitor experience of the Cathedral and provide access for all to the Cathedral by the main door.
4.	Minimises Capital Cost	The project has been designed to ensure best value and funding has been secured for the project from the Society of Friends of St Magnus Cathedral.
5.	Maximises Investment from External Sources	The project will be fully funded by the Society of Friends of St Magnus Cathedral.
6.	Beneficial Impact on Revenue Expenditure	There will be additional revenue costs as the automatic doors will require to be maintained, however there will be benefits as the draughts will be reduced thereby reducing the heating costs, however this will be difficult to record.
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	Under the Royal Charter granted in 1486 the heritage possession of St Magnus Cathedral was passed to the Magistrates, Council and

	Criteria	Response
		Community of Kirkwall, which reverted to Orkney Islands Council in 1975. St Magnus Cathedral is A listed which the Council, as owner, has a duty to maintain in suitable condition .
(b)	Protects or Enhances Discretionary Provision	Not Applicable
8.	Re-use of Derelict Land or Building	The project will enhance the visitor experience through the internal vestibule and assist with reduction of draughts and therefore heat loss.
9.	Promote or Enhance Orkney's Environment	The project will have no effect on Orkney environment.
10.	Promote or Enhance Orkney's Heritage	The project will enhance the visitor experience and create a more welcoming entrance than the current 'dark' vestibule and allow for more visitors to benefit from an accessibility aspect.
11.	Economic Prosperity or Sustainable Communities	The project will provide opportunities for local construction companies to tender for the works.
12.	Enhances Council operations or Improves Health and Safety	The project will reduce the health and safety risk that currently exists with the existing heavy double swing doors.

6. Financial Implications

The cost for the project is £180,000. The Society of the Friends of St Magnus Cathedral has generously agreed to fund all the costs for this project.

There will be a minimal revenue cost increase for the project will increase of approximately £230 per annum due to servicing requirements for the automatic doors which will be largely offset through the reduction in heat loss through the vestibule.

The breakdown of the figures is included in Annex 1 (capital) and Annex 2 (revenue)

7. Risk Assessment

Risk of not proceeding

- Issues may arise from the existing heavy double swing doors.
- The West Door will not be accessible for all.

Risk of proceeding

- Project creep jeopardises progress and affordability of project.
- Resources are not available to manage the project putting project at risk.
- Revenue costs will increase in the future due to additional maintenance requirements because of the project.
- Archaeology discovered within the site delaying the project.
- Statutory consents for the proposed design are not approved.
- Limited Market Interest affects project value for money.

8. Conclusion

Access and visitor welcome will be greatly enhanced by the installation of the internal vestibule and access plat. It has been a long ambition of the Society of the Friends of St Magnus to provide this solution and they have generously agreed to fund the works.

9. Recommendations

It is recommended that the proposed alterations to West Door and Access at St Magnus Cathedral, at a capital cost of £180,000 be approved and the project added to the capital programme for 2019/20 and 2020/21.

10. Accountable Officers

James Wylie, Executive Director of Education, Leisure and Housing, extension 2433, Email james.wylie@orkney.gov.uk.

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk.

Peter Diamond, Head of Education (Leisure, Culture and Inclusion), extension 2436, Email peter.diamond@orkney.gov.uk.

Clare Gee, Cultural Services Manager, extension 2716, Email clare.gee@orkney.gov.uk

Ian Rushbrook, Capital Programme Manager, extension 2713, Email ian.rushbrook@orkney.gov.uk.

11. Appendices

- Annex 1 – Financial Assessment of Capital Expenditure.
- Annex 2 – Financial Assessment of Revenue Expenditure.
- Annex 3 – West End Project – Steps and Slope Plan – as Proposed.
- Annex 4 – Scheme Design – Plan, Section & Elevations.
- Annex 5 – West End Plan.
- Annex 6 – Elevation Looking West.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme:	General Fund
Client Service:	Education, Lesiure and Housing
Project Name:	Proposed Alterations to West Door and Access at St Magnus Cathedral

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	-	-	-	-	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	155.0	-	100.0	55.0	-	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultant	14.0	-	9.0	5.0	-	-	-	
- In-house	11.0	-	7.0	4.0	-	-	-	
Gross Capital Expenditure	180.0	-	116.0	64.0	-	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	180.0	-	116.0	64.0	-	-	-	1
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Recievable, etc.	180.0	-	116.0	64.0	-	-	-	
Net Capital Cost of Project	-	-	-	-	-	-	-	
Net Council Capital Expenditure	-	-	-	-	-	-	-	
Net Present Value	-	-	-	-	-	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

Notes

1 The Society of the Friends of St Magnus Cathedral have generously agreed to fund the costs of this project

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme:

General Fund

Client Service:

Education Lesiure and Housing

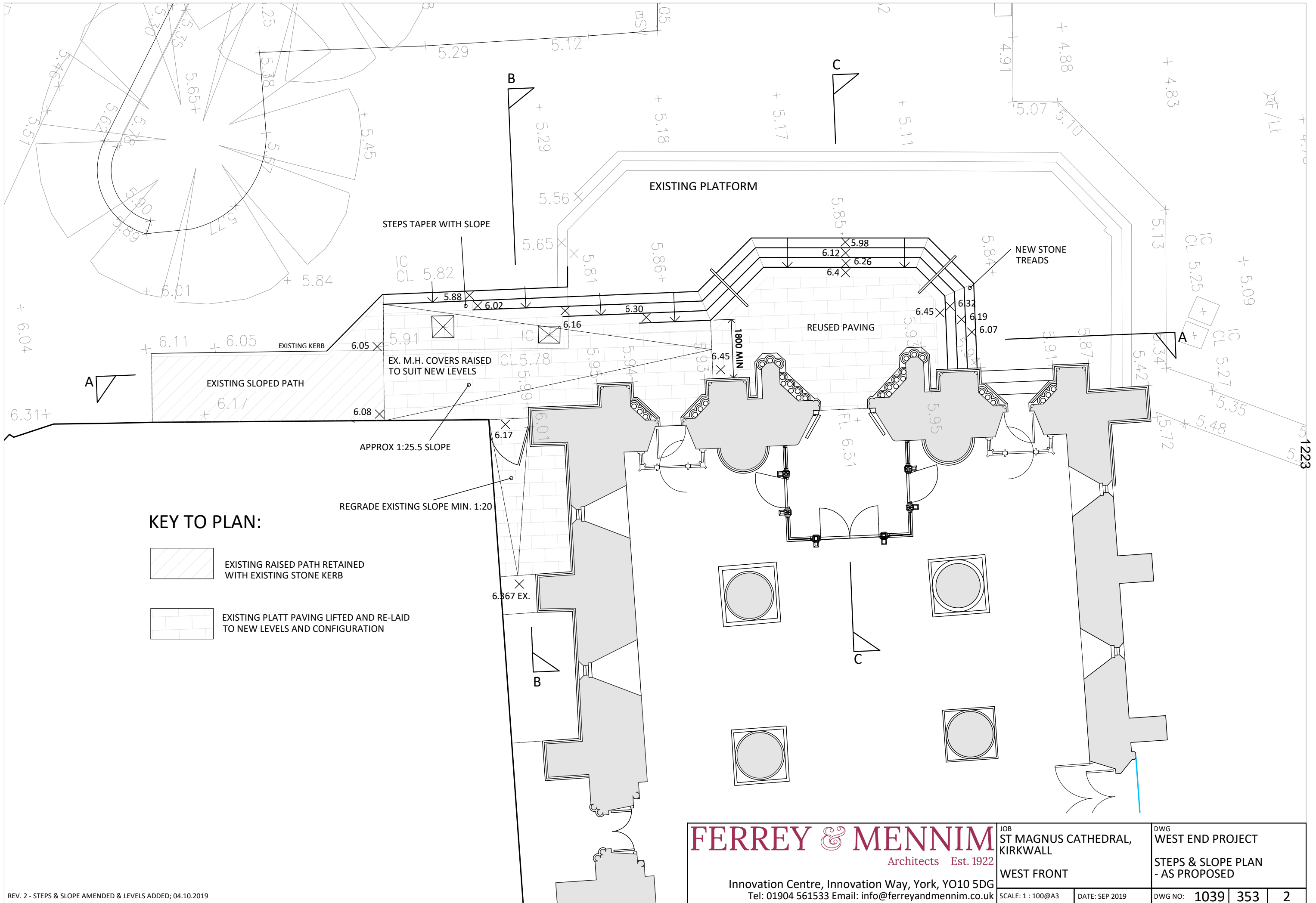
Project Name:

Proposed Alterations to West Door and Access at St Magnus Cathedral


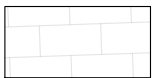
		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Full Year Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	-	-	-	-	-	-	-	1
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	-	-	-	-	-	-	-	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure / (Saving)	-	-	-	-	-	-	-	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	-	-	-	-	-	-	-	
Net Revenue Expenditure / (Saving) of Project	-	-	-	-	-	-	-	
Increase / (Reduction) in Revenue Costs	-	-	-	-	-	-	-	
Net Present Value	-	-	-	-	-	-	-	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	

Notes

1. Auto door testing will be required at 6 monthly intervals at a cost of £230 per annum. Any remedials that result from the testing will be covered by reactive repair budget



KEY TO PLAN:

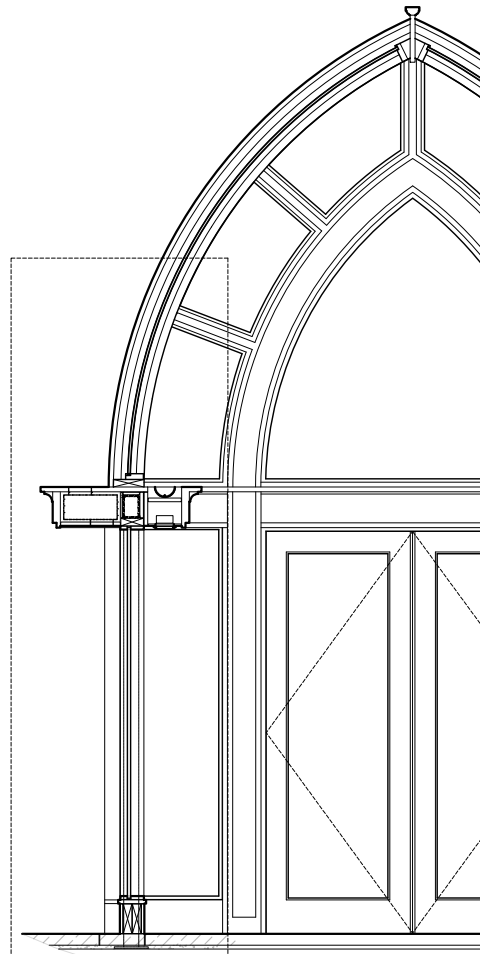
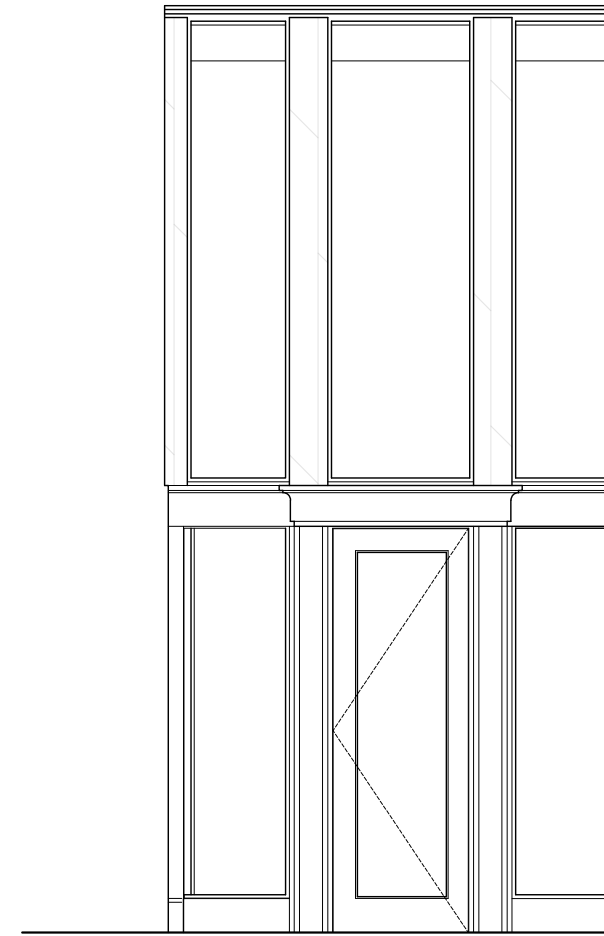
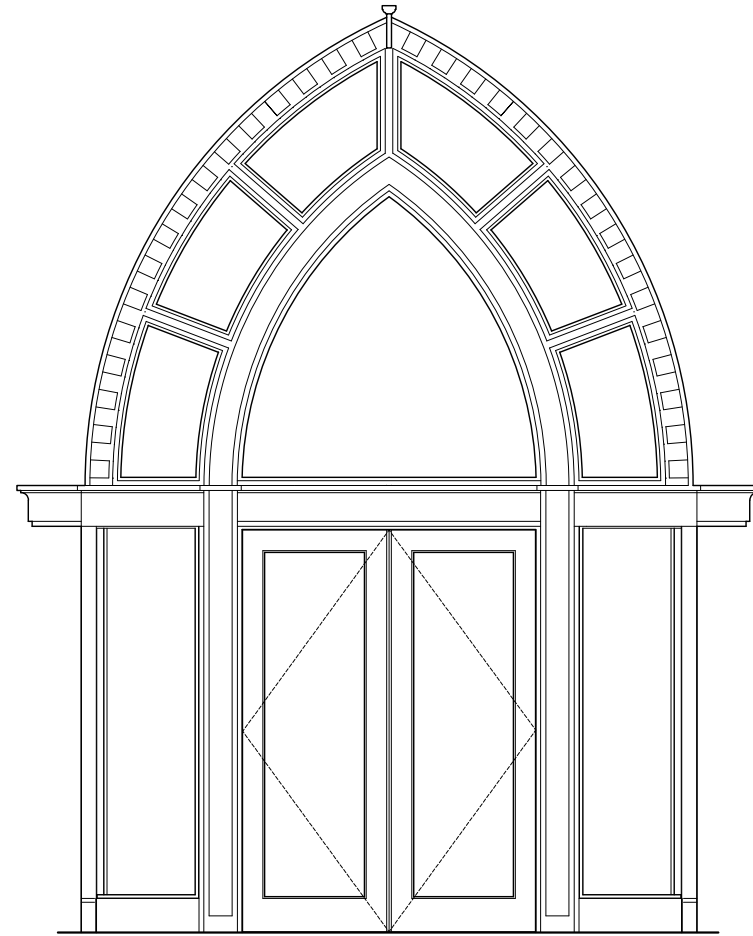
-  EXISTING RAISED PATH RETAINED WITH EXISTING STONE KERB
-  EXISTING PLATT PAVING LIFTED AND RE-LAID TO NEW LEVELS AND CONFIGURATION

<p>FERREY & MENNIM Architects Est. 1922</p> <p>Innovation Centre, Innovation Way, York, YO10 5DG Tel: 01904 561533 Email: info@ferreyandmennim.co.uk</p>		<p>JOB ST MAGNUS CATHEDRAL, KIRKWALL</p>		<p>DWG WEST END PROJECT</p>	
		<p>WEST FRONT</p>		<p>STEPS & SLOPE PLAN - AS PROPOSED</p>	
<p>SCALE: 1 : 100@A3</p>		<p>DATE: SEP 2019</p>		<p>DWG NO: 1039 353 2</p>	

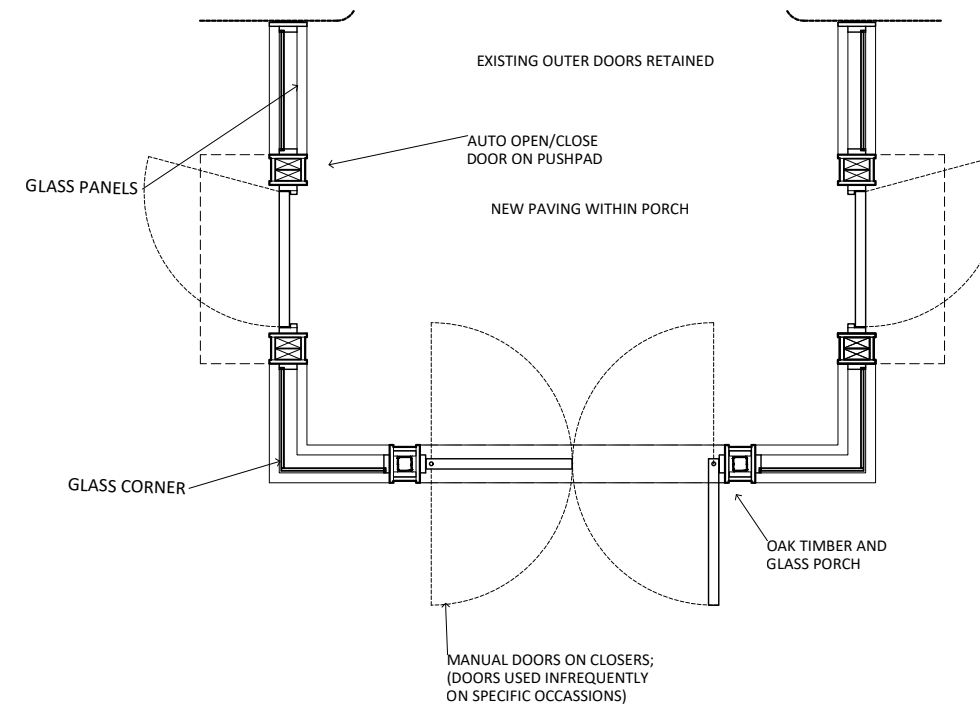
NOTES

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SEE DETAIL
DRAWING 1039 - 359



REV B - gable glazing amended October 2019
REV A - gable glazing amended; re-used carvings omitted August 2019

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Architects Est. 1922

JOB
ST MAGNUS CATHEDRAL,
KIRKWALL

DWG
SCHEME DESIGN

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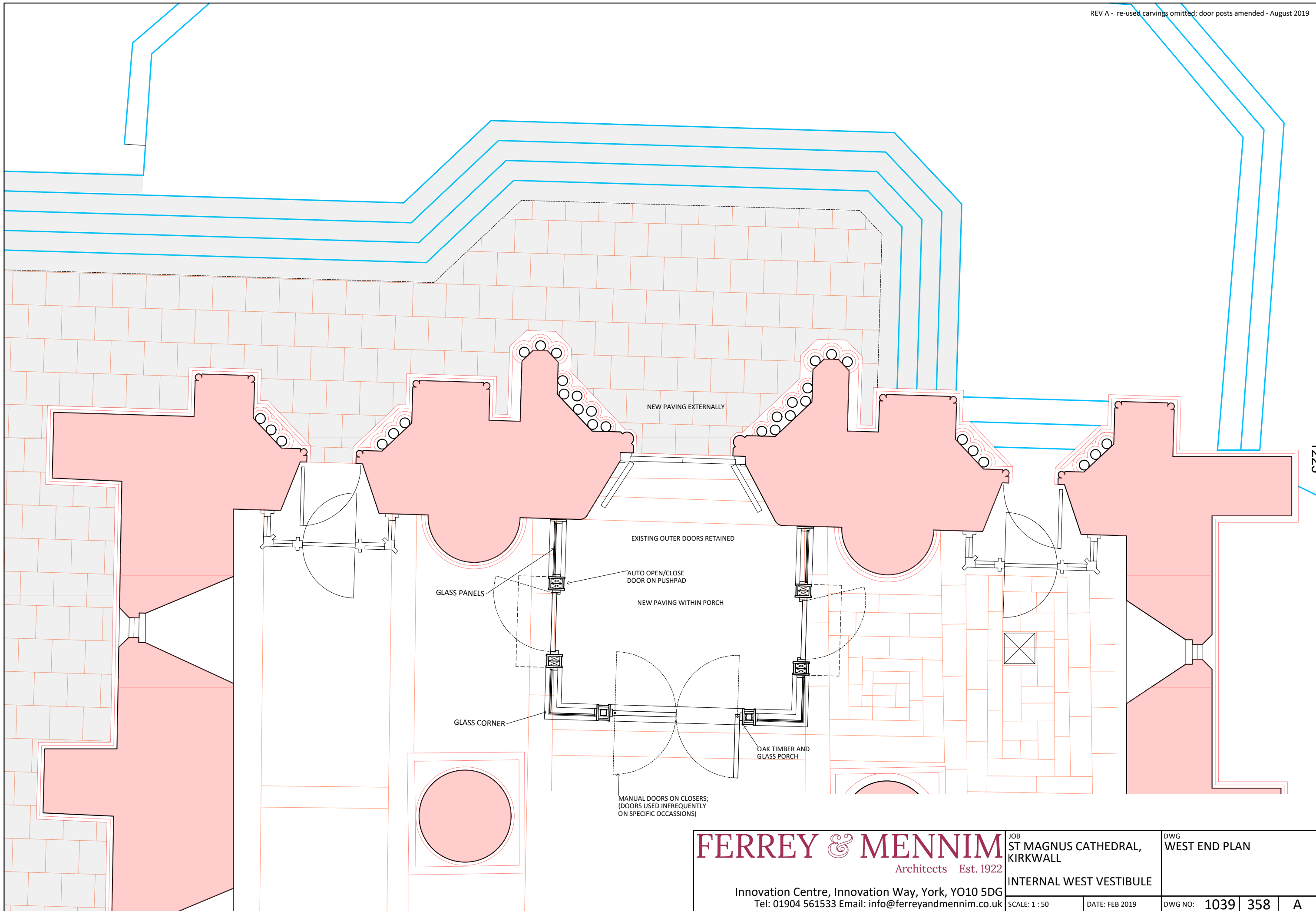
INTERNAL WEST VESTIBULE

PLAN, SECTION, & ELEVATIONS

SCALE: 1 : 50

DATE: FEB 2019

DWG NO: 1039 355 B



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Tel: 01904 561533 Email: info@ferreyandmennim.co.uk

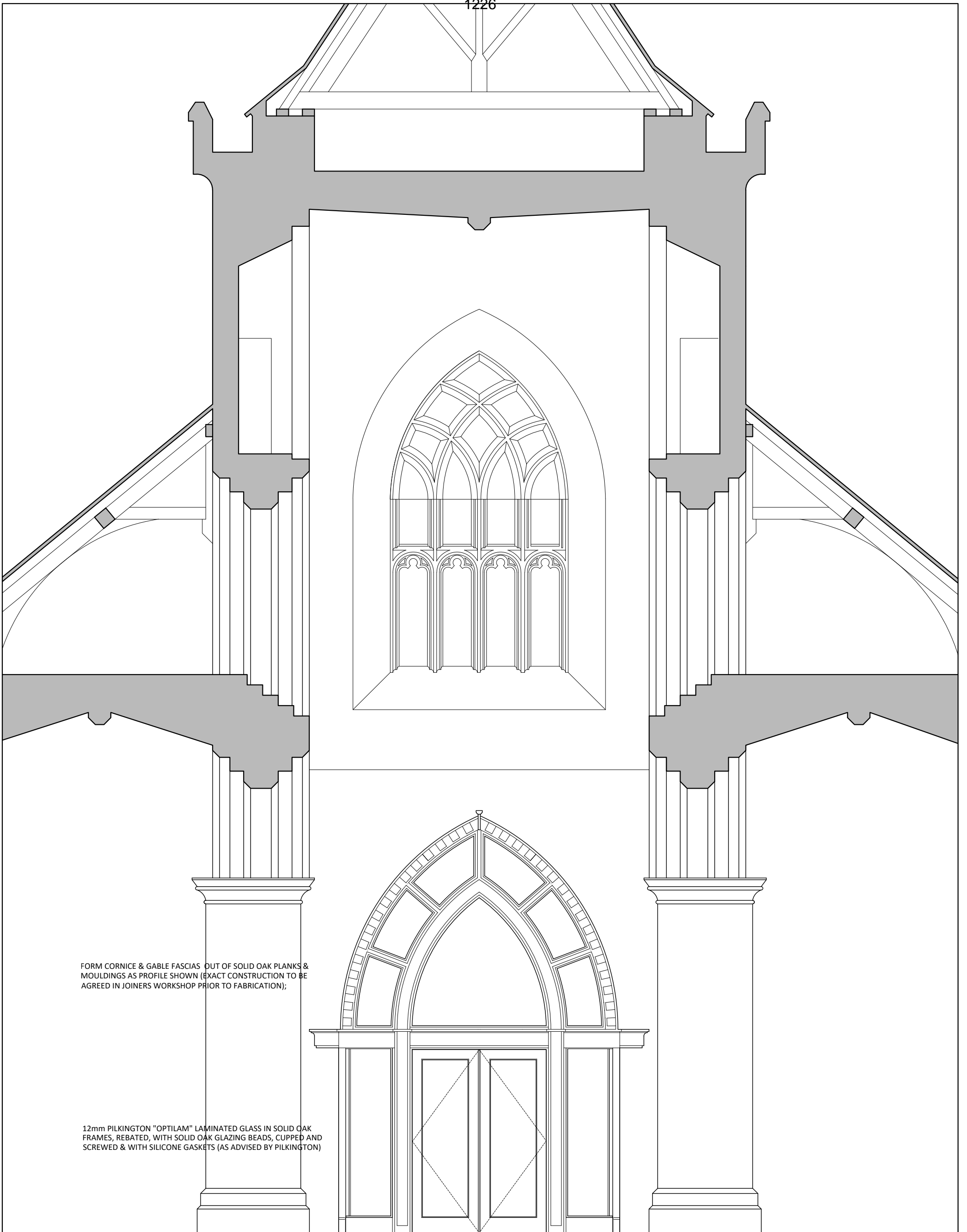
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KIRKWALL

INTERNAL WEST VESTIBULE

DWG
WEST END PLAN

SCALE: 1 : 50	DATE: FEB 2019	DWG NO: 1039	358	A
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1226



FORM CORNICE & GABLE FASCIAS OUT OF SOLID OAK PLANKS & MOULDINGS AS PROFILE SHOWN (EXACT CONSTRUCTION TO BE AGREED IN JOINERS WORKSHOP PRIOR TO FABRICATION);

12mm PILKINGTON "OPTILAM" LAMINATED GLASS IN SOLID OAK FRAMES, REBATED, WITH SOLID OAK GLAZING BEADS, CUPPED AND SCREWED & WITH SILICONE GASKETS (AS ADVISED BY PILKINGTON)

FERREY & MENNIM
Architects Est. 1922

Innovation Centre, Innovation Way, York, YO10 5DG
Tel: 01904 561533 Email: info@ferreyandmennim.co.uk

JOB
ST MAGNUS CATHEDRAL,
KIRKWALL
INTERNAL WEST VESTIBULE

DWG
ELEVATION LOOKING WEST

REV B - gable glazing amended October 2019
REV A - gable glazing amended; re-used carvings omitted August 2019

SCALE: 1:50 DATE: FEB 2019 DWG NO: 1039 356 B

STAGE 2 CAPITAL PROJECT APPRAISAL

Capital Programme: General Fund
Client Service: Corporate Services
Project Name: Replacement Telephone System for School Place and connected Council Buildings

1. Background

- 1.1 BT has announced that in 2025 it shall cease the Public Switch Telephone Network (PSTN) and the Integrated Services Digital Network (ISDN) phone line services in the UK, in preference to moving phone lines to be delivered via the Internet – known as Session Initiation Protocol, or SIP.
- 1.2 As the Council's main phone system is not SIP capable, this system will require to be replaced with a new system that is compatible with SIP ahead of the 2025 end date. Work was scheduled to start this upgrade in 2020/21, and complete well in advance of the switch over to SIP.
- 1.3 However, the operational performance of the telephone system has been poor recently with a significant outage taking place on 29 June 2019 following a lightning storm that damaged the BT phone lines that connect to the OIC Phone System. The consequential power surge on these phone lines is understood to be the reason for the failure of the ISDN interface card responsible for Direct Dial In (DDI) lines and a power supply to a unit responsible for 52 extensions.
- 1.4 With three major sections of the system affected, the impact on normal service was severe. Business Continuity arrangements were instigated to mitigate disruption where possible, including the deployment of a small pool of four emergency phone handsets in Customer Services. These handsets have no facility for call transfer to staff internally and struggled to cope with the ensuing volume of calls to handle.
- 1.5 The telephone system was restored on 5 July 2019 but further instabilities in service recurred which required further repair work on 16 July 2019 to completely resolve the incident. The key issues concerning this incident to recognise are:
 - Phone systems using copper phone lines are vulnerable to surge damage typical of lightning storms.
 - Any loss of service affecting telephony has an immediate critical impact on operations ("too important to fail"), regardless of the supplier/vendor Service Level Agreement.
 - Service recovery is threatened by the age of equipment. Older systems become harder to recover and there is a real risk that this system may soon suffer an unrecoverable failure.

- 1.6 Given the problems in June 2019, an urgent review of telephony provision was carried out and reported to the Information Services Programme Board (ISPB) in September 2019. The ISPB approved the principle of bringing forward the planned replacement of the telephone system. On 12 November 2019 the Senior Management Team agreed that a Stage 2 Capital Project Appraisal should be prepared for consideration by the Policy and Resources Committee.
- 1.7 It has already been assumed that £80,000 will be allocated to this project from the IT Capital Replacement Budget for financial year 2020/21, subject to approval by the Asset Management Sub-committee. As it is likely that the overall costs of a new telephone system may be significantly closer to an estimate of £240,000, additional capital funding of £160,000 is being sought.

2. Options Available

- 2.1 **Do nothing until later in 2020/21, as originally planned** - to remain with the current timeline to replace the system would expose the Council to continued risk of a total loss of service for a substantial period of time, certainly into 2021/22.
- 2.2 **Bring forward the replacement telephone system, funded from within the existing annual IT Capital Replacement Budget** – to take the full amount from the annual IT Capital Replacement Budget of £420,000 would have a highly detrimental impact on other projects urgently planned for the rest of 2019/20, and into 2020/21. This would risk the stable delivery of IT Services in the Council and create a further risk that the Council fails to meet its obligations with regards to service availability and cybersecurity.
- 2.3 **Bring forward the replacement telephone system, with additional funding** – by bringing forward £80,000 of funding from the 2020/21 annual IT Capital Replacement Budget to this project, with an allocation of new capital funding to bridge the estimated shortfall of £160,000, a new SIP based telephone solution would be implemented at the earliest opportunity.

3. Land Purchase Requirement

None required.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	<p>The Council must be able to be contacted by the public and by other Agencies as and when required. Similarly, the Council must be able to contact others.</p> <p>Whilst there is an announced cessation of ISDN phone line services as used by the Council it is not expected that the requirement to handle telephone calls will disappear over the next 10 years.</p> <p>There is a need to migrate to a new telephone system to fulfil a statutory obligation.</p>
2.	Meets Corporate Priority / Community Planning Goal	<p>Orkney Islands Council shares its missions and values with The Orkney Partnership and the Council Plan supports the strategic priorities of the Community Plan. Critical to this is the shared mission, which is “working together for a better Orkney”.</p> <p>The Council's strategic priorities for 2018 – 2023 are:</p> <ul style="list-style-type: none"> • Connected Communities. • Caring Communities. • Thriving Communities. • Enterprising Communities. • Quality of Life. <p>Communication with service users and citizens is vital in order to meet these priorities.</p>
3.	Protects Existing Assets	Not applicable.
4.	Minimises Capital Cost	<p>A full procurement exercise will be completed in order to get the best value telephone system that is available, and which meets our specification.</p> <p>Current estimate is that capital funding of £240,000 in total will be required.</p>
5.	Maximises Investment from External Sources	None available.

	Criteria	Response
6.	Beneficial Impact on Revenue Expenditure	Service charges are market driven and, therefore, there is no absolute pricing model. However all available market information describes the services currently used by Orkney Islands Council, namely ISDN, as “costly” in comparison to the equivalent costs of the SIP services being recommended. Therefore it is expected that switching to SIP is an opportunity to reduce revenue expenditure on telephone lines and calls. Until this can be evidenced, it is assumed that this project will be revenue neutral.
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	Essential communication tool.
(b)	Protects or Enhances Discretionary Provision	Essential communication tool.
8.	Re-use of Derelict Land or Building	Not Applicable – no additional land or buildings required.
9.	Promote or Enhance Orkney's Environment	Council services promote and enhance Orkney's environment.
10.	Promote or Enhance Orkney's Heritage	Council services promote and enhance Orkney's heritage.
11.	Economic Prosperity or Sustainable Communities	Council services promote economic prosperity and sustainable communities.
12.	Enhances Council operations or Improves Health and Safety	Business critical for the safe, reliable and efficient provision of all Council operations, including health and safety.

5. Financial Implications

- 5.1 The financial implications of the proposals are detailed in the Financial Assessment of Capital and Revenue Expenditure attached at Annexes 1 and 2.
- 5.2 There is not anticipated to be any change to annual running costs as the project is to provide a replacement for an existing system.

6. Risk Assessment

6.1 Risks if project progressed:

- Budgeted project capital cost exceeded.
- Project creep jeopardises progress and affordability of project.

- Actual revenue costs exceeds current costs, leading to ongoing affordability issues.
- Transition to a new telephone system causes disruption.

6.2 Risks if project does not proceed:

- Existing telephone system ceases operation and cannot be repaired.
- Major impact on the ability of the Council to carry out its statutory duties.

7. Conclusion

7.1 A Council needs to be contactable, and to be able to contact others. Whilst there are several ways to do this, including face to face, by mail, by email and by other on-line tools, contact via a telephone call remains a key requirement.

7.2 Any telephone system needs to be fit for purpose, reliable and efficient. The current OIC system has reached the end of its useful life and repairs are unlikely to be possible should there be another major system failure.

8. Recommendation

8.1 It is recommended that a replacement telephone system be added to the capital programme for 2019/20 and 2020/21, at a capital cost of £240,000.

9. Accountable Officers

9.1 Gillian Morrison, Executive Director of Corporate Services, Ext 2161
gillian.morrison@orkney.gov.uk

9.2 Hayley Green, Head of IT and Facilities, Ext 2309
hayley.green@orkney.gov.uk

9.3 Kenny MacPherson, ICT Service Manager, Ext 3007
Kenny.macpherson@orkney.gov.uk

10. Annexes

10.1 Annex 1 – Financial Assessment of Capital Expenditure.

10.2 Annex 2 – Financial Assessment of Revenue Expenditure.

PROJECT APPRAISAL REPORT - STAGE 2
FINANCIAL ASSESSMENT OF CAPITAL EXPENDITURE

Committee: Policy and Resources

Capital Programme: General Fund

Project Name: Telephone System for School Place and connected Council Buildings

CAPITAL COSTS	Total £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £000	2022/23 £ 000	Onwards	Notes
1. Initial Costs (at inflated prices)							
Site / Property Acquisition	-	-	-	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	
Construction / Improvements							
o Internal Alterations	-	-	-	-	-	-	
o Extension	-	-	-	-	-	-	
o External works	-	-	-	-	-	-	
Information Technology Costs	240.0	80.0	160.0	-	-	-	1
Plant & Equipment	-	-	-	-	-	-	
Vehicles	-	-	-	-	-	-	
Professional Fees - Consultant	-	-	-	-	-	-	
- D&I	-	-	-	-	-	-	
Gross Capital Expenditure	240.0	80.0	160.0	-	-	-	
2. Initial Funding (at inflated prices)							
Government Grants	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	
Total Grants Recievable, etc.	-	-	-	-	-	-	
Net Capital Cost of Project	240.0	80.0	160.0	-	-	-	
Net Council Capital Expenditure	240.0	80.0	160.0	-	-	-	
Net Present Value	221.3	76.2	145.1	-	-		
Cost of Capital	5%	5%	5%	5%	5%		
Year		1	2	3	4		

Notes

1 Current figures are best estimates. System will be procured.

PROJECT APPRAISAL REPORT - STAGE 2
FINANCIAL ASSESSMENT OF REVENUE EXPENDITURE

Committee: Policy and Resources

Capital Programme: General Fund

Project Name: Telephone System for School Place and connected Council Bui

REVENUE COSTS / (SAVINGS)	Total £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Full Year Operating Costs (at inflated prices)							
Staff Costs	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, relocation, etc.)	-	-	-	-	-	-	
Property Costs	-	-	-	-	-	-	
Supplies and Services	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	
Transfer Payments	-	-	-	-	-	-	
Miscellaneous Expenditure	-	-	-	-	-	-	
Gross Revenue Expenditure / (Saving)	-	-	-	-	-	-	
2. Full Year Operating Income (at inflated prices)							
Government Grants	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	
Gross Revenue Income	-	-	-	-	-	-	
Net Revenue Expenditure / (Saving) of Project	-	-	-	-	-	-	
Increase / (Reduction) in Revenue Costs	-	-	-	-	-	-	
Net Present Value	-	-	-	-	-	-	
Cost of Revenue	5%	5%	5%	5%	5%	5%	
Year		1	2	2	4	5	

Notes

Minute

Pension Fund Sub-committee, together with Pension Board

Tuesday, 17 September 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors James W Stockan, Alexander G Cowie, Steven B Heddle, Rachael A King and Graham L Sinclair.

Pension Board:

Employer Representatives:

Councillors J Harvey Johnston, Owen Tierney and Duncan A Tullock, Orkney Islands Council.

Trade Union Representative:

Eoin Miller (Unite).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Audit Scotland:

- Patricia Fraser, Audit Manager.

Observing

- Katie Gibson, Accounting Officer.

Apologies

Pension Fund Sub-committee:

- Councillor W Leslie Manson.
- Councillor Stephen Sankey.

Pension Board:

Employer Representative:

- Andrew Blake, Orkney Ferries Limited.

Trade Union Representatives:

- Sally George (Unison).
- Karen Kent (Unison).

Not Present

Pension Board:

- Mark Vincent, Trade Union Representative.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 6, as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Orkney Islands Council Pension Fund

Audit Report to those charged with Governance

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

Noted:

2.1. That Audit Scotland, as the Council's external auditors, had concluded their audit of the Orkney Islands Council Pension Fund's Annual Report and Accounts for the year ended 31 March 2019.

2.2. That Audit Scotland had provided an unqualified certificate on the Pension Fund's Annual Report and Accounts for the year ended 31 March 2019.

2.3. That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

2.4. That, during the course of the audit, a number of presentational, consistency and disclosure errors were identified within the financial statements, which had been adjusted in the final accounts.

2.5. That no material weaknesses in the accounting and internal control systems relating to the Pension Fund were identified during the audit.

2.6. Audit Scotland's covering letter in respect of the Orkney Islands Council Pension Fund Annual Audit Report, attached as Appendix 1 to the report by the Head of Finance.

2.7. Orkney Island's Council's Letter of Representation to Audit Scotland in connection with their audit of the financial statements of Orkney Islands Council Pension Fund for the year ended 31 March 2019, attached as Appendix 2 to the report by the Head of Finance.

2.8. The Annual Audit Report, to Members of the Pension Fund Sub-committee and the Controller of Audit, in respect of the Orkney Islands Council Pension Fund, issued by Audit Scotland on 17 September 2019, attached as Appendix 3 to the report by the Head of Finance.

3. Pension Fund – Annual Accounts

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

Noted:

3.1. The requirement, in terms of the Local Authority Accounts (Scotland) Regulations 2014, for a local authority, or a committee of the authority, whose remit included audit or governance functions, to consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts related.

3.2. The Management Commentary, contained in pages 1 to 12 of the Annual Report and Accounts of the Orkney Islands Council Pension Fund, attached as Appendix 1 to the report by the Head of Finance, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2019, with the key facts and figures summarised at section 4.3 of the report by the Head of Finance.

The Sub-committee resolved, in terms of delegated powers:

3.3. That the Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year 2018 to 2019, attached as Appendix 1 to this Minute, be approved.

Councillor Owen Tierney joined the meeting during discussion of this item.

4. Revenue Expenditure Outturn

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

Noted:

4.1. The revenue expenditure outturn statement in respect of Pension Fund services for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £1,187,800.

4.2. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance.

5. Revenue Expenditure Monitoring

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

Noted:

5.1. The revenue financial summary statement in respect of Pension Fund services for the period 1 April to 30 June 2019, attached as Annex 1 to the report by the Head of Finance, indicating a surplus position of £951,100.

5.2. The revenue financial detail by Service Area statement for the period 1 April to 30 June 2019, attached as Annex 2 to the report by the Head of Finance.

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

6. Statement of Managed Pension Funds

On the motion of Councillor James W Stockan, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

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

Noted:

6.1. The review of the investment manager's performance for the quarter to 30 June 2019, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

6.2. That Pension Fund investments returned a gain of 5.1% over the quarter to 30 June 2019, being 1.2% ahead of benchmark, which was considered good.

6.3. That the value of the Pension Fund had increased by 6.7% over the 12 month period to 30 June 2019, being 0.9% behind the benchmark, which was considered poor performance.

6.4. That an average return of 11.1% per annum for the Pension Fund remained 1.9% ahead of the benchmark over the five-year period.

6.5. The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

6.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 30 June 2019, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Global Alpha Stewardship Report 2019 from the Fund Manager, attached as Appendix 4 to the report by the Head of Finance.

Councillor Owen Tierney left the meeting during discussion of this item.

7. Conclusion of Meeting

At 11:50 the Chair declared the meeting concluded.

Signed: James W Stockan.



ORKNEY
ISLANDS COUNCIL

**Annual Report and Accounts of the
Orkney Islands Council Pension
Fund 2018/2019**

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Management Commentary

Introduction

Welcome to the Annual Report and Accounts for the Orkney Islands Council Pension Fund for the year ended 31 March 2019.

The Local Government Pension Scheme (Scotland) Regulations 2014 require the Council, as administering authority for the Fund, to produce a separate statement of accounts for the Pension Fund and incorporate it into an Annual Report.

This Annual Report has been produced to provide Elected Members, Employers, scheme members and other interested parties with information concerning the administration and performance of the fund for financial year 2018-2019 and we hope you find its content useful.

To assist in the understanding of the Annual Report and Accounts we would encourage you to make reference to the Management Commentary in the first instance.

We realise that pensions are a highly complicated subject. It is, however, important that members take the time to try and understand the scale of benefits that they will receive when they retire - whether this is from the Local Government Pension Scheme itself or through other pension arrangements, such as the State Pension.

Overview of Fund Business

Under the statutory provisions of the Local Government Pension Scheme, Orkney Islands Council is designated as an “Administering Authority” and is required to operate and maintain a pension fund – the Orkney Islands Council Pension Fund (“the Fund”).

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. Contributions to the Fund are made by employee members and by participating employers. The Fund also receives income from its investments, which include equities, bonds and pooled investment vehicles.

The Fund operates under the terms of the Local Government Pension Scheme, which is a public-sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the scheme, a person must be employed by a relevant employer and not eligible to join another public-sector pension scheme. Teachers are not included as they have a separate national pension scheme.

Review of the Year

Key Facts and Figures:

Value of the Fund at 31 March 2019 was £390.7 million (£366.4m at 31 March 2018).

An Operational and Investment Income Surplus of £24.3 million was generated on the activities of the fund (compared to £31.1m for the year ended 31 March 2018).

The Increase in the Value of the Fund has been achieved mainly through a surplus of contributions receivable (£10.1m) less benefits payable (£7.4m) and management expenses (£1.7m), investment net income (£8.1m) along with an increase in the market value of investments (£15.2m). This represents a year on year increase of 6.6%.

Performance of the Fund on a three year rolling average basis has been 13.0% p.a., giving a relative return above benchmark of 2.6%.

Fund membership increased by 74 to 3,901.

Employers contributed £7.5 million to the Fund (£7.6m to 31 March 2018).

Employees contributed £2.5 million (£2.4m to 31 March 2018).

Pension and other benefits paid out were £7.4 million (£6.8m to 31 March 2018).

Transfer values paid into the Fund because staff changed employers was £0.8 million (£0.5m to 31 March 2018).

Transfer values out of the Fund because staff changed employers was £0.7m (£1.1m to 31 March 2018).

Over the 12 months to 31 March 2019, the Pension Fund's investments returned a gain of 6.2% which was 2.0% behind the fund specific benchmark. Returns from the Fund have performed ahead of its benchmark over each of the previous 3, 5 and 10-year periods. The target is for the fund manager to outperform the aggregate benchmark over a rolling 5-year period.

The benchmark return of 8.2% generally reflects variable market conditions for investors during the year. The 2.0% underperformance against benchmark is attributed to asset allocation underperformance of 0.2% and stock selection underperformance of 1.8%.

The return below benchmark figure of 2.0% is calculated on an arithmetic basis, however, the Fund's investment advisers, Hymans Robertson, use the geometric method of calculation to allow direct comparison of the longer term performance with the shorter term. Using the geometric method as a basis to calculate, underperformance against benchmark would reduce the relative return by 0.1% to 1.9%.

The table shown within the Investment strategy section, page 7, details the allocation of the fund within asset class or pooled investment vehicle.

The value of the fund increased by £24.3m or 6.6% in the financial year and totalled £390.7m at 31 March 2018.

The change in value of the fund over any given period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of its investments. During the year income into the fund from dividends and interest was £8.1m (2018: £6.1m). The fund was further enhanced by a surplus of member contributions receivable over pension payments and management expenses of £1.1m (2018: £1.0m) as well as a net capital gain increase of £15.2m (2018: £24.1m).

The Accounts are based on the market value of investments at 31 March 2019. This means that they include the profit or loss that has been made, due to the change in the value of investments, over the period from the date of their purchase to 31 March 2019 even though no actual sale has taken place. This notional value is defined as "unrealised" profit or loss. By contrast "realised" profits and losses are those that have arisen from actual sales throughout the year. Of the net capital gain of £15.2m in the year, £1.6m was an unrealised loss (2018: £7.9m gain) and £16.8m (2018: £16.2m) realised profit.

After allowing for projected liabilities on the fund, the funding level has dropped slightly to 115.3% at 31 March 2019 from its value of 117.0% last financial year end, calculated on an ongoing funding basis. The primary cause of this decline is a decrease in return on assets, a decline in contributions less benefits accruing and the negative impact of change in yields and inflation.

We are pleased to report that the Fund maintains a position above its 100% funding target, being in surplus by £52m at the financial year end (2018: £53m) according to the actuary's most recent funding update.

Investment Trends and Influences

The Fund is measured against a bespoke or fund specific benchmark reflecting the composite performance of the respective asset classes adjusted for weighting of the Fund assets.

The Fund's investments continue to be actively managed by investment managers Baillie Gifford who have provided the following commentary:

" After several good years, in which most asset classes have performed well, 2018 served as a reminder that markets do not always deliver strong returns. Most asset classes struggled as the buoyant sentiment of the past few years was overwhelmed by the weight of risks to the macroeconomic environment. The Fed's intent to normalise US monetary policy, the potentially damaging effects of a Sino-American trade war and uncertainty over Brexit all hit investors' confidence and, after a relatively benign period, market volatility increased. However, since the start of 2019, dovish comments from central banks and a de-escalation in the trade tensions between China and the US have calmed markets around the world and both UK and Global equities rebounded strongly in the first quarter.

In the year to 31st March 2019, the value of the Pension Fund's investments rose by 5.8% after fees, some way behind the benchmark return of 8.2%. As with markets

more generally, the positive return over the year masks a somewhat bumpy ride, although the fund's investments in multi-asset funds (including both the Diversified Growth Fund and the Multi Asset Growth Fund) did dampen the overall level of volatility. On the other hand, whilst these funds delivered a positive return over the period this was modest, and this is part of the reason the fund did not keep up with the overall benchmark against which its performance is measured over time. Of the many asset classes in which the multi-asset funds invest, emerging market bonds were amongst the largest detractors from performance over the year. The most recent rally in emerging market assets has so far failed to make up the ground lost in the summer of 2018, when many investors moved out of these perceived riskier assets into more 'safe-haven' opportunities.

Historically, other asset classes such as infrastructure, absolute return and insurance-linked securities have provided diversifying benefits when economically sensitive assets such as equities are falling. In the final quarter of 2018 infrastructure certainly fulfilled its role as a strong diversifier, producing a positive return during the equity market sell-off, and has been the largest contributor to performance within the multi-asset funds over the 12-month period to end of March. Absolute return investments have seen mixed performance, whilst the returns from Insurance Linked securities (which are held in the Diversified Growth Fund) have been disappointing. On top of the economic challenges mentioned above, 2018 was also a year beset by extreme natural weather events, with hurricanes, typhoons and the most deadly and destructive wildfires on record sweeping through California, all of which had an impact on the insurance-linked securities asset class. Consequently, despite the cause of the losses being unrelated to financial markets, insurance linked securities were also one of the main detractors to the performance of the Diversified Growth fund over the period.

All of this however is very short term, particularly given the long-term nature of Baillie Gifford's approach to investment and its performance targets. Over a five-year period, which is more meaningful in this context, absolute and relative returns have been very strong, and the Pension Fund's investments have returned 10.4% per annum after fees compared to 8.6% for the benchmark. Importantly too, whilst the short-term performance of the Pension Fund's UK equity and Global Equity investments has also been affected by the weakness in the fourth quarter, it is encouraging that the operational performance of the underlying holdings has generally continued to be good. In managing the Pension Fund's equity investments Baillie Gifford continue to adopt a long term, stock driven, fundamental approach, and it is the operational performance of the fund's holdings which drives returns over the long term."

Investment Strategy

The Investment Strategy of the Fund is to invest monies in a prudent and diversified manner, in accordance with the Scheme regulations and in recognition of the inherent risks that accompany any investment in the respective asset classes. The strategy is set out in the Statement of Investment Principles which can be viewed on request.

The revised asset allocation and range guidelines that were applied with effect from February 2017 are shown in the Asset Allocation table below together with the actual asset allocation at 31 March 2019.

Asset Class	Asset Allocation at 31/03/2019	Range Guideline	Fund Specific Benchmark
	%	%	%
UK Equities	11.5	48-68	9.0
Overseas Equities	50.1		49.0
Government Bonds	10.8	5-25	15.0
Alternative Investments	0.0	0.0	0.0
Property	0.0	0.0	0.0
Cash	1.7	0-10	0.0
Global Pooled - Diversified/Multi-Asset Growth	25.9	17-37	27.0
Total	100.0		100.0

The Fund has acted to reduce its holdings in growth-seeking assets in recent years in favour of an allocation to the Multi Asset Growth Fund which is considered to be more defensive. Nevertheless, holdings in equities still account for 61.6%, with indirect holdings in Diversified Growth and Multi-Asset Growth pooled funds accounting for a further 25.9% of the Fund's portfolio as at 31 March 2019. The remaining 12.5% is held in Bonds and Cash at 10.8% and 1.7% respectively.

The Statement of Investment Principles was revised in November 2017 to reflect the changes outlined above, along with a review of Environmental, Social and Governance (ESG) factors including the requirement for the Fund Managers to adopt the United Nation Principles of Responsible Investment and provide regular updates to the Pension Fund sub-committee on their commitment to ESG factors. A review of the current investment strategy concluded in February 2019 with the development of an Action Plan to diversify further into pooled funds both for infrastructure equity and illiquid credit. In addition, the bonds allocation is to increase and switch to be managed passively going forward. These changes are intended to reduce the risk profile of the fund and will be matched by a proportionate reduction in growth assets.

As a result of its exposure to equities, the relative performance of the Fund against its benchmark can be volatile over the short term. However, the fund continues to have a strong funding position together with a net contribution from its dealing with members which allows it to take a long-term view across successive investment cycles.

The top 10 direct equity holdings within the fund at 31 March 2019 were:

Company	Market Value of Holding
	£ m
Baillie Gifford Multi Asset Growth Fund C Acc*	56.7
Baillie Gifford Diversified Growth Fund C Acc*	44.4
Baillie Gifford Act Index-Linked Gilt Plus C Acc*	21.0
Prudential	8.7
Naspers	8.1
Amazon.com	7.1
Alibaba	6.7
Anthem Inc	5.7
ICICI Bank ADR	5.0
AIA Group	4.9

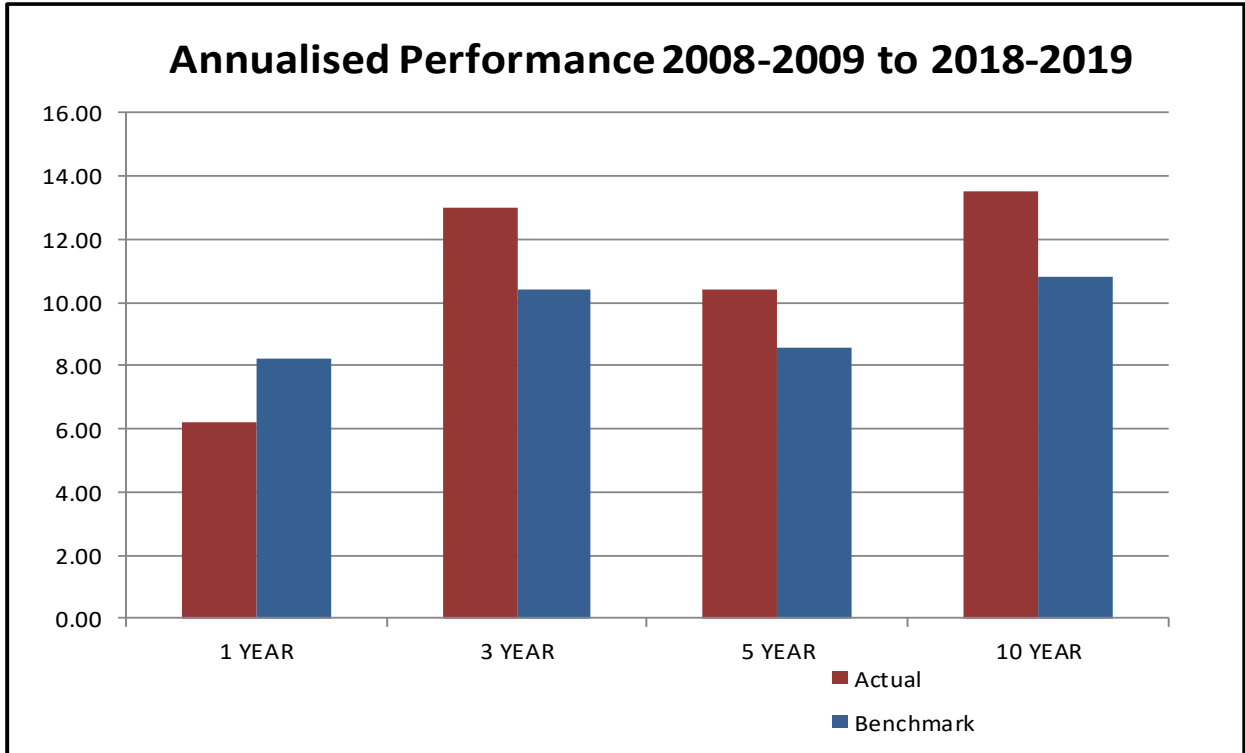
* Capital Accumulated.

Investment Performance

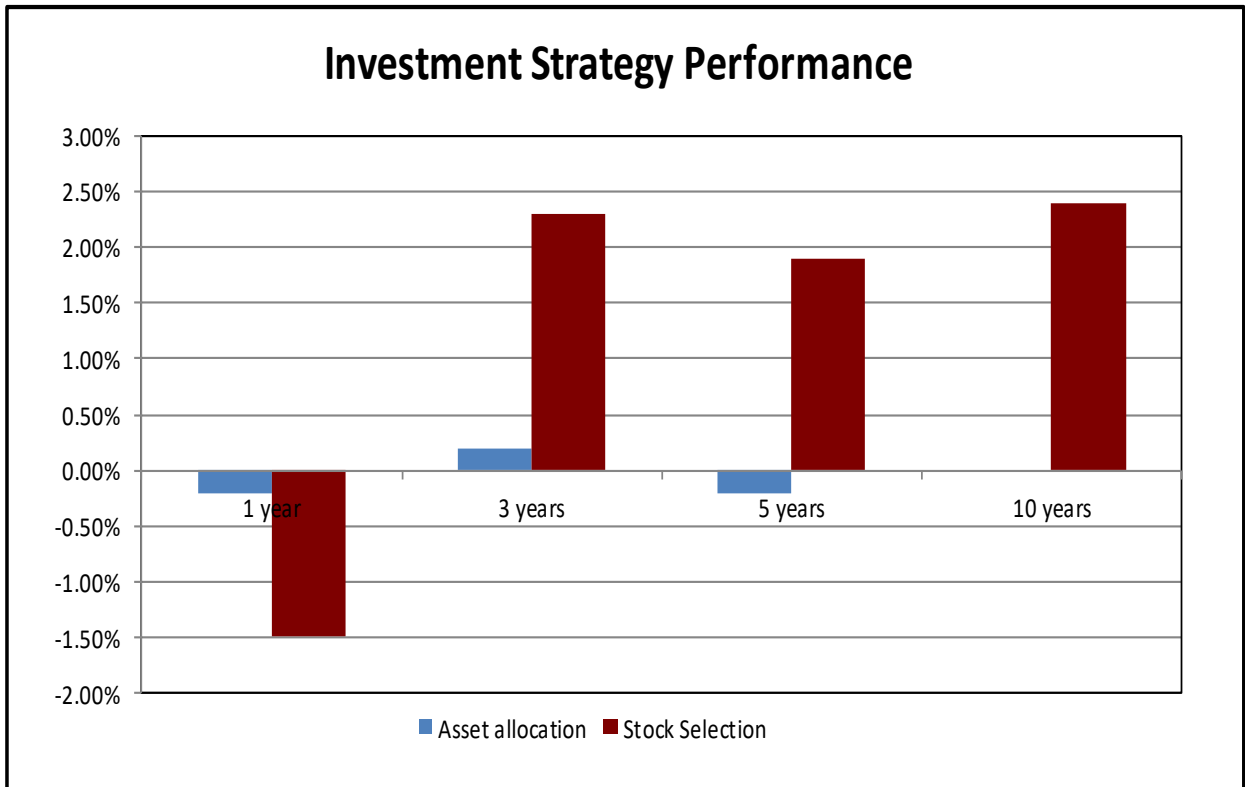
The performance of the Pension Fund managed investment funds is measured against a bespoke or fund specific benchmark reflecting the weighting or concentration of individual asset classes within the approved investment strategy and provided by Hymans Robertson. The current investment strategy was implemented in February 2017 and included principally an increased allocation to diversified/multi asset growth funded by a reduction in the Fund's exposure to equities. The Fund is now measured against a bespoke or fund specific benchmark with effect from the 1 April 2017, following the closure of the peer group benchmark.

Baillie Gifford's performance target for this accounting period is to outperform the fund specific benchmark measured over a rolling 5-year period. The average performance over the last 5 years of 10.4% remains well ahead of the benchmark of 8.6%.

The following graph summarises investment performance on an annualised basis over 1, 3, 5 and 10-year periods.



The following graph further analysis the performance of the Fund's investment manager relative to The Fund's benchmark into asset allocation and stock selections. The majority of the Funds outperformance can be attributed to the skill of the Fund investment Manager in picking stocks over this period.



Structure of Administration

Staffing

Administration of the Scheme is carried out in-house and undertaken by the Pensions section within Orkney Islands Council's Chief Executive's Service.

The Pensions section has 4.0 full time equivalents, consisting of one full time Pensions Manager, two Senior Assistants and an Administrative Assistant. In addition to maintaining scheme members' records using data supplied by all Fund employers, the Pensions section also provides frontline services to scheme members. As well as answering telephone calls and responding to electronic and written correspondence, the Pension section holds face to face meetings where requested.

The staff resources detailed above are supplemented by shared staff resources within the Chief Executive's Service, providing additional governance, payments, investment and accounting expertise. In addition, the Human Resources and Performance section, within Orkney Islands Council's Corporate Services also supports the work of the Pension section by arranging pre-retirement workshops for scheme members who are within two years of retirement.

Systems

Scheme members' records are maintained on Aquila Heywood's pensions administration system known as Altair. Every current and former employee of Fund employers, including Orkney Islands Council, who has a pension entitlement in the Fund is included in the Altair system.

The Council's Payroll system, NorthgateArinso is used to pay pensioner benefits. The Pensions section is restricted to read only access of the payroll system, with amendments being made to pensioner records via a formal request process to the Payments section. The Payments section is also located within Orkney Islands Council's Chief Executive's Service.

Administration Performance

Orkney Islands Council as administering authority is committed to providing a high-quality pension service to both members and employers and ensuring members receive their correct pension benefits entitlement.

Administration performance figures monitored by the Pension Fund are currently under review, with a view to ensuring they continue to be relevant and appropriate. Performance for financial year 2018-2019 against the key service standards as set by the Pension Fund sub-committee is summarised as follows:

Category	Performance Standard – No of Working Days	Number of records processed within standard	Number of records processed Outwith standard	Percentage of records processed within standard	Prior Year Performance
Pension Estimates	10	56	29	65.9%	65.0%
Retirements	5	73	0	100.0%	100.0%
Transfers In	10	19	6	76.0%	95.6%
Transfers Out	10	6	1	85.7%	94.7%
Refunds	5	28	3	90.3%	93.6%

Fund Update

Membership details are shown below along with a short description for each membership status:

Membership	2017-2018	2018-2019
Contributing members	1,966	1,969
Pensioners	888	974
Deferred members	973	958
Total	3,827	3,901

Contributing Member	Someone who is currently employed by a scheduled or admitted body and is making contributions from pay to the Pension Scheme. Such a person is referred to as an “active” member.
Deferred Member	Someone who was once a contributing member and who has chosen to leave his or her accumulated contributions in the Fund to benefit from a pension in due course.
Pensioner/Dependent Member	Someone who is receiving benefits from the Fund either as a former contributor or as a dependant of a former contributor who has deceased.

Employer Bodies

The Fund invested and administered pensions on behalf of 6 current and former employers during financial year 2018-2019. These include scheduled bodies, brought into the Fund by legislation, and admitted bodies, which chose to join the Fund. The detailed listing of employers and their membership numbers is contained in Note 26 of the Annual Report and Accounts for the Fund.

Pension Increases

Pensions which are in payment and deferment are increased each April in accordance with the Pension (Increase) Act 1971. Since April 2011, this increase has been linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

Actuarial Valuation

Annex 2 contains the formal Actuarial Statement for financial year 2018-2019 which is prepared in line with International Accounting Standard (IAS) 26 and supports the preparation of the Financial Statements for the Pension Fund.

The last triennial valuation, as at the 31 March 2017, revealed that the Fund's assets were valued at £335m, and were sufficient to meet 112.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This compared with 114.4% at the previous March 2014 valuation. The resulting surplus at the 2017 valuation was £38m.

The funding level of the Pension Fund has been maintained broadly in-line with the previous valuation after allowing for a reduction in the future expected investment returns, resulting from a fall in the real gilt yield, and the adoption of a lower Asset Outperformance Assumption than the previous valuation. An increase in liabilities has largely been offset by positive membership experience and better than anticipated investment returns.

Following the Fund's actuary (Hymans Robertson) recommendation, as a result of the valuation process, the contribution rate for 2017-2018 of 19.2% was reduced to 18.2% during 2018-2019, with further reductions to 17.6% and 17.0% to be applied in 2019-20 and 2020-21 respectively.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement.

The most recent funding update produced at 31 March 2019 showed that the funding surplus has increased since the last full valuation. Having said that, a fall in asset returns, partially offset against contributions less benefits accruing and the impact of change in yields and inflation, has seen a minor reduction from last year's funding level of 117.0%, to 115.3% at 31 March 2019.

Main Risks and Uncertainties facing the Fund

Awareness of risk and risk mitigation is a key facet of the Fund's strategic and operational activities. Whilst it is not possible to eliminate risk entirely, the Fund has taken steps to evaluate risk and put strategies and controls in place to minimise its adverse effects.

The Fund has its own risk register, which details some 36 risks faced by the fund and can be viewed at <https://www.orkney.gov.uk/>. The risk register is reviewed annually by the Pension Fund Sub-Committee and Pension Board.

Principal risks, and the way in which they are managed, are as follows:

Financial Mismatch, the risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities. The Sub-committee measures and manages financial mismatch in several ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns. It also assesses risk relative to liabilities by monitoring benchmark returns relative to liabilities. The Sub-committee keeps under review demographic assumptions which could impact on the cost of benefits. These assumptions are considered formally in the triennial valuation and reviewed annually within funding update reports (Navigator) produced by the Fund's actuary, Hymans Robertson.

Systemic Risk, the risk of an interlinked and simultaneous failure of several asset classes and/or investment managers. The Pensions Sub-committee seeks to manage systemic risk by the appointment of investment managers. The Pensions Sub-committee regularly reviews total asset values within asset class.

Liquidity Risk, the risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. This is controlled by the regular estimation of cash flow to ensure that sufficient cash balances are available. By holding the majority of its assets in liquid assets such as equities and bonds, unexpected cash flow requirements can be met by the realisation of assets. Liquidity risk is also moderated by the Fund continuing to have a surplus of contributions receivable over pensions payable.

Custody Risk, the risk of losing rights to Fund assets when they are held in custody or being traded. The Pensions Sub-committee manages custody risk by the monitoring of custodian activities. The Fund has appointed Bank of New York Mellon's London branch as its Custodian.

Transition Risk, the risk of incurring unexpected costs or losses when assets are transferred between asset classes. When carrying out significant transitions the Pensions Sub-committee will take professional advice and consider the appointment of specialist transition managers.

Pension Fund Sub-committee and Pensions Board

In line with Scheme regulations, the Pension Fund Sub-committee and Pensions Board are now fully established and, in accordance with the respective terms of reference which were agreed at the first meeting, the group have met concurrently on four occasions during 2018-2019.

Training activity for the members of the Pension Fund Sub-Committee and Pension Board was undertaken during the financial year 2018-2019, in accordance with the agreed training plan, to enable Councillors charged with the governance of the Fund to execute their role as quasi-trustees effectively. In recognition of the complex and ever changing environment of Local Government Pension Scheme finance, and specifically to address the governance requirements, the Chartered Institute of Public Finance and Accountancy Code of Practice on Public Sector Pensions Finance Knowledge and Skills has been adopted.

Acknowledgement

We would like to take this opportunity to thank our colleagues in Chief Executive's Services and the members of: the Pension Fund Sub-Committee and the Pensions Board for their help and co-operation in managing the financial affairs of the Pension Fund.

Gareth Waterson, BAcc, CA
Head of Finance
17 September 2019

Councillor James Stockan
Leader
17 September 2019

John W Mundell
Interim Chief Executive
17 September 2019

Statement of Responsibilities for the Annual Accounts

Responsibilities of the Orkney Islands Council as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Orkney Islands Council Pension Fund (the Fund) and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.
- Manage the affairs of the Fund to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

Signed on behalf of Orkney Islands Council

Councillor James Stockan

Leader

17 September 2019

The Head of Finance's responsibilities

The Head of Finance is responsible for the preparation of the Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Annual Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Code (in so far as it is compatible with legislation).

The Head of Finance has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the annual accounts give a true and fair view of the financial position of the Orkney Islands Council Pension Fund as at 31 March 2019, and of its transactions for the year ended 31 March 2019.

Gareth Waterson, BAcc, CA

Head of Finance

17 September 2019

Remuneration Report

The Pension Fund does not directly employ any staff. We have therefore not included a remuneration report within the Annual Report.

All staff are employed by Orkney Islands Council, and their costs reimbursed by the Pension Fund.

The Councillors, who are members of the Pension Fund Sub-Committee and Pension Board are also remunerated by Orkney Islands Council.

Details of Councillor and Senior Employee remuneration can be found in the accounts of Orkney Islands Council on the Council's website

https://www.orkney.gov.uk/Council/Statement_of_Accounts/Statement-of-Accounts.htm.

Annual Governance Statement

Scope of Responsibility

The Orkney Islands Council acts as Administering Authority for the Orkney Islands Council Pension Fund. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. The Code is available on the Council's website. The authority's financial and management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in local government.

The Local Code of Corporate Governance evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The document is regularly reviewed and updated.

Purpose of the Governance Framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2019 and up to the date of approval of the Annual Accounts.

Purpose of the Governance Framework

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.

The Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of a number of key policy documents including a Triennial Valuation Report, a Funding Strategy Statement and Statement of Investment Principles. These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls to mitigate those risks.

Review of Effectiveness

Orkney Islands Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. This includes ensuring appropriate advice is given to the Pension Fund on all governance matters, providing training to all members of the Pension Fund Sub-Committee and Pension Board, keeping proper administrative and financial records and accounts and maintaining an effective system of arrangements for governance control.

The system of internal financial controls operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, committees and sub-committees, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular this includes:

- Comprehensive accounting systems that records income and expenditure for both member and investment activities.
- Regular reviews of investment reports that measure investment returns against agreed benchmarks.
- Regular reviews of investment manager reports that measure performance against agreed targets, and
- Independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Council's independent internal audit section.

The Pension Fund Sub-Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Administering Authority

Orkney Islands Council is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Orkney Islands geographic area.

The Council has delegated the management of the investments of the Pension Fund to the Pension Fund Sub-Committee and has established a Pension Board which is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations, and the requirements of the Pension Regulator.

Regulatory Framework

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

The Scottish Public Pensions Agency (SPPA) is responsible for regulating the LGPS in Scotland and the Council administers the pension scheme in accordance with guidance and regulations issued by the SPPA.

The Orkney Islands Council scheme is open to all employees of scheduled bodies except those whose employment entitles them to belong to another statutory pension scheme (e.g. Teachers). Employees of admitted bodies can join the scheme subject to those bodies meeting the statutory requirements and on such terms and conditions as the Council (as Administering Authority) may require. A list of scheduled and admitted bodies is attached as Annex 1.

The Pension Fund Sub-Committee (the Sub-committee) is a formal sub-committee of Orkney Islands Council's Policy and Resources Committee. The Scheme of Administration for the Council refers to the Pension Fund Sub-Committee all matters relating to the management of investments of the Council's Pension Fund.

Financial affairs are conducted in compliance with the Council's Financial Regulations which are reviewed and updated on a regular basis.

Funds are invested in compliance with the Fund's Statement of Investment Principles.

Pension Fund Sub-Committee and Pension Board

The members of the Pensions Sub-Committee together with the Pensions Board act as quasi-trustees and oversee the management of the Orkney Islands Council Pension Fund (the Fund).

Their overriding duty is to ensure the best possible outcomes for the Fund, its participating employers and scheme members.

The members' knowledge is supplemented by professional advice from officers of the Council, professional advisers and other external providers.

The Sub-committee is comprised of seven members of the Council:

- Leader (Chair of Policy and Resources Committee).
- Deputy Leader (Vice Chair of Policy and Resources Committee), and
- Five other elected members of the Council appointed by Policy and Resources Committee.

The Scheme Actuary, the Independent Investment Consultant, Head of Finance, Pensions Manager and the Solicitor for the Council or their nominated representatives also attend the Sub-committee meetings as advisers.

The Sub-committee meets at least quarterly. Additional meetings are called as appropriate and papers and minutes are publicly available on the Council's website, unless they have been considered as private business in terms of Schedule 7A to the Local Government (Scotland) Act 1973. Minutes of the Sub-committee are also presented to the Policy and Resources Committee of the Council.

Membership of the Pensions Board consists of equal numbers made up of 4 trade union representatives and employer representatives, drawn from Orkney Islands Council and scheduled or admitted bodies in membership of the Pension Fund. Pension Board representatives may not participate in or act as members of the Pension Fund sub-committee or the Monitoring and Audit Committee. Local Authority employer representatives will normally be Elected Members of the Council.

The Pension Board meets at least quarterly. A majority of either side, trade union or employer representatives, may requisition a special meeting of the Pension Board in exceptional circumstances.

While the statutory roles and function of the Pension Fund Sub-committee and Pension Board are separate, the normal practice is that both bodies meet at the same time to consider the same agenda, with the Chair of the Pension Fund Sub-Committee chairing the concurrent meeting. The Council's Standing Orders apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

If the Pension Fund Sub-committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies is as follows:

- In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can defer a decision of the Pension Fund Sub-committee for further consideration if any of the defined grounds are met. Whilst this process is undertaken the decision of the Pension Fund Sub-committee is still competent.
- If there is no agreement after the matter has been referred back to the Pension Fund Sub-committee, the decision of the Pension Fund Sub-committee stands and the difference in view between the Pension Board and the Pension Fund Sub-committee will be published in the form of a joint secretarial report on the Pension Fund website, included in the Pension Fund annual report and notified to the Scottish LGPS Advisory Board, and

- The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

Administration and Financial Management of the Fund

The Council's Head of Finance is the Officer with responsibility to ensure proper administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.

The Head of Finance is responsible for:

- The financial accounting of the Fund.
- The preparation of the Pension Fund Annual Report.
- Being the principal advisor on management of investments to the Council in its capacity as Trustee to the Fund and as the Fund's Administering Authority.

The day-to-day management of the investment activities of the Fund is administered by the Corporate Finance Team within the Chief Executive's Service.

The pension benefits policy oversight and day-to-day administration for the Fund is administered by the Pensions Team within the Chief Executive's Service.

The annual financial statement of the Fund is subject to external audit. The auditors are appointed by Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.

Professional Advisers and External Service Providers

Hymans Robertson is appointed to act as Actuary and Investment Consultants to the Fund. The services provided include advice on investment strategy, funding level and actuarial valuations. Hymans Robertson also provides independent performance measurement services for the Fund and has responsibility for measuring and reporting on the performance of the Fund during the year.

The Fund has appointed Baillie Gifford as investment manager who has responsibility for the selection, retention and disposal of individual investments. Where appropriate, they also implement the Sub-Committee's policy in relation to socially responsible investment and corporate governance.

Following an independent review of the existing investment strategy undertaken in financial year 2018-2019 by Hymans Robertson, plans are being progressed to move away from the current 100% asset allocation to a single fund manager.

The Bank of New York Mellon is the Fund's appointed global custodian and is responsible for the safekeeping of the assets including the processing of transactions and submission of tax claims.

Internal and External Control and Review

The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of

delegation, scheme of administration, committees and sub-committees. It is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular this includes:

- Comprehensive accounting systems that record income and expenditure for both member and investment activities.
- Regular reviews of investment reports that measure investment returns against agreed benchmarks.
- Regular reviews of investment manager reports that measure performance against agreed targets.
- Independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Orkney Islands Council's independent internal audit section. The Monitoring and Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

The Pensions Administration section consists of 4 full time equivalents.

The Head of Finance (Section 95 officer) for the Council as Administering Authority is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate advice is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

The Chief Internal Auditor (CIA) reports to the Monitoring and Audit Committee and functionally to the Executive Director of Corporate Services. He is in regular contact with the Head of Finance and Monitoring Officer. The CIA provides an independent and objective internal audit annual report and assurance statement on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.

Given the structural size of the Council, there are common controls over Council systems and pension systems. Internal audit's work on Council systems also contributes to providing management assurance that Pension Fund operations and transactions are appropriately controlled.

Risk Management

The Fund's Risk Register was last reviewed and updated at the concurrent meetings of the Pension Fund Sub-committee together with the Pensions Board on 21 November 2018. Key changes to the risk register during 2018-2019 are the incorporation of a risk matrix to clearly demonstrate the Pension Funds current

threats relative to the individual risks anticipated, and a summary and prioritisation of risks to indicate the descriptive risks ranking.

Risk awareness is embedded into the investment performance management process.

Some of the main risks identified in the last review of the risk register were as follow:

- Active investment manager underperformance relative to benchmark at aggregate level and/or the failure of investment markets(s) from economic and political instability resulting in possible liquidity/cash flow risk.
- The risk to business continuity as a result of service delivery threats and insufficient daily backups have been addressed in part, with disaster recovery plans and contingency arrangements now in place and the new administration system fully installed, however procedures to back-up IT systems are still to be fully developed. Update: the Pension system is now backed-up each day of the working week after business hours.
- Scale of Pensions team could create an over reliance on key Pension Officers and staff absence could be problematic. The specific risk has been addressed through the use of checklists, with the Pensions Manager focused on mentoring and knowledge sharing. Update: staffing levels have been increased in the Pensions team which mitigates this risk.

The full risk register is available via the following link to the Council's website:

<https://www.orkney.gov.uk/Service-Directory/S/pension-fund-sub-committeepension-board.htm>

Significant Governance Issues

The following issues were highlighted in the Audit Report for financial year 2017-2018:

- It was noted in the Audit Report that a review of the pension system migration (the transfer of manual records to Heywood's Pensions Administration system, known as Altair) by the Council's Internal Audit service had not been possible due to delays with data migration. The data migration has now been completed and an Internal Audit review of the migration process was performed during financial year 2018-2019. This provided reasonable assurance that the process was well controlled, comprehensive and performed to a very high level of accuracy, and that the data transferred was accurate, valid and complete. There was no requirement for Internal Audit to make any recommendations following this review.
- The use of the new pension administration system and increase in staff levels provides the opportunity to develop new internal controls procedures for the Altair system to reduce the risks of errors and provide the opportunity for independent checks by more staff. An Authorisation and Approval Hierarchy, approved by the Head of Finance in September 2018, is now in place.

Access to Information

Sub-committee papers, minutes and the Funds Annual Report and Accounts are available via the Council's website <https://www.orkney.gov.uk/>.

Opinion

Our review of the effectiveness of the system of internal financial control is informed by:

- The work of Internal Audit and the professional pensions and accountancy staff within the Council.
- The External Auditor's reports.
- The Head of Finance (Section 95 Officer), whose duties include putting in place the arrangements for the proper administration of financial affairs of the Pension Fund.

The internal financial control environment was enhanced through the adoption of a Risk Register, Procedural Standing Orders and the establishment of a scheme of delegation for the Pension Fund sub-committee and supported by the Pension Board.

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems during the year ended 31 March 2019.

Gareth Waterson, BAcc, CA
Head of Finance
17 September 2019

Councillor James Stockan
Leader
17 September 2019

John W Mundell
Interim Chief Executive
17 September 2019

Governance Compliance Statement

The Regulations that govern the management of LGPS funds in Scotland require that a Governance Compliance Statement is published. The following compliance statement sets out the extent to which the Orkney Islands Council Pension Fund governance arrangements comply with best practice.

Principle		Full Compliance	Comments
Structure	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Yes	On 17 February 2015, the Policy and Resources Committee (PRC) established a Pension Fund Sub Committee (PSC) and delegated to it the power to discharge all functions and responsibilities relating to the Council's role as administering authority for Orkney Islands Council Pension Fund (the Fund). The PSC is the main committee in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Services Act 2013. The PRC further agreed to establish a Pensions Board (PB) as a secondary committee to underpin the work of the main committee.
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes	There are no admitted bodies or deferred members represented on the PRC or PSC. Orkney Ferries Limited an admitted body currently has a representative on the PB. The existing membership of the PSC includes both active and pensioner members of the Orkney Island Council Pension Fund.

Principle		Full Compliance	Comments
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes	The agreed terms of reference for operation of the PSC include the requirement to produce a formal minute of all meetings. The PSC sit at the same time as the PB allowing them to communicate with each other on the day they sit.
	That where a secondary committee or panel has been established; at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The PSC and PB sit at the same place and time to assist with the formation of a consensus. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.
Representation	a) That all key stakeholders are afforded the opportunity to be represented within the Pensions Board. These include: <ul style="list-style-type: none"> • Employing authorities including non-scheme employers, e.g. admitted bodies; • Scheme members including deferred and pensioner scheme members • Where appropriate, independent professional observers, and • Expert advisors (on an ad-hoc basis). 	Yes	In accordance with the terms of reference for the operation of the PB, membership comprises 8 members; four trade union representatives and four employer representatives. Input from Hymans Robertson as expert advisors to the Pension Fund is routinely sought on policy matters.
	b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Yes	In accordance with the terms of reference, all members of the PB and PSC are treated equally. The two bodies sit at the same time to facilitate equal opportunity.

Principle		Full Compliance	Comments
Selection and Role of Lay Members	a) That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.	Yes	At the inaugural meeting of the Pensions Sub Committee and Pensions Board, held concurrently on 24 April 2015, respective Terms of Reference were duly approved for each body. In addition an induction programme has been provided to members. Induction training was provided to new members following the local elections in May 2017.
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of Member's interests is a standard item on the agenda of the PSC and PB.
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	Full voting rights are given to all members of the PSC.
Training/ Facility Time/ Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	The CIPFA Code of Practice for Public Sector Pensions Finance Knowledge and Skills, together with a Knowledge and Skills Framework to support the Code has been adopted as the basis for training and development of members and officers involved in Pension Fund financial matters. CIPFA Framework Members' training is funded from the Council's Pension Fund.

Principle	Full Compliance	Comments
		The training policy was approved in 2015/16, and is aligned to CIPFA's Knowledge and Skills Framework.
	Yes	All members are treated equally under the training policy.
	Yes	<p>The Administering Authority of the Pension Fund Sub-committee and Pension Board has to date considered the training requirements of committee members collectively and provided training on that basis. A log has been established of all training provided to members and this is monitored and reported as appropriate.</p> <p>The annual training plan for 2019-20 was approved by the PSC at its meeting of 27 February 2019.</p>
Meeting Frequency	Yes	The PSC and PB are scheduled to meet at least four times a year.
	Yes	The PSC and PB are scheduled to meet at least four times a year.
	N/A	On 17 February 2015, the PSC agreed to establish a Pensions Board (PB), with representatives from Trade Unions and admitted bodies.

Principle		Full Compliance	Comments
	which the interests of key stakeholders can be represented.		
Access	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	All members are treated equally.
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Yes	The PSC deal with all matters relating to both the administration and investment of the Pension Fund. The PSC is formed from members of the Policy and Resources Committee of the Council.
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders, can express an interest in wanting to be part of those arrangements.	Yes	The Orkney Islands Council Pension Fund governance documents are available upon request. The Council as administering authority communicates regularly with employers and scheme members.

Gareth Waterson, BAcc, CA

Head of Finance

17 September 2019

Councillor James Stockan

Leader

17 September 2019

John W Mundell

Interim Chief Executive

17 September 2019

Annual Accounts 2018-2019

Pension Fund Account

The Pension Fund Account sets out all income and expenditure of the Pension Fund.

2017-2018 £'000		2018-2019 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme		
9,956	Contributions Receivable	10,126	5
532	Transfers In	777	6
10,488		10,903	
(6,808)	Benefits Payable	(7,376)	5
(1,117)	Payments to and on account of leavers	(701)	7
(7,925)		(8,077)	
2,563	Net additions from dealings with members	2,826	
(1,520)	Management Costs	(1,709)	18
1,043	Net additions including management expenses	1,117	
	Return on Investments		
6,089	Investment Income	8,099	8
24,071	Profits/(losses) on disposal of investments and changes in the market value of investments	15,244	9,12
(101)	Taxes on Income	(146)	
30,059	Net Return/(Loss) on Investments	23,197	
31,102	Net increase in the net assets available for benefits during the year	24,314	
335,290	Opening Net Assets of the Scheme	366,392	
366,392	Closing Net Assets of the Scheme	390,706	

Net Assets Statement as at 31 March 2019

The Net Assets Statement sets out the value, as at the statement date, of all assets and current liabilities of the Fund. The net assets of the Fund (assets less current liabilities) represent the funds available to provide for pension benefits as at 31 March 2019.

31 March 2018 £'000		31 March 2019 £'000	Notes
	Managed Funds		
219,885	Equities	240,799	
40,436	Fixed Income	42,009	
99,999	Pooled Investment Vehicles	101,099	
5,466	Cash Equivalents	6,482	
365,786		390,389	10
	Current Assets		
60	Cash Balances	3	
86	Contributions due	286	
1,089	Current Debtors	1,026	
1,235		1,315	16
	Current Liabilities		
(629)	Current Creditors	(998)	17
606	Net Current Assets/(Liabilities)	317	
366,392	Net Assets of the Scheme available to fund benefits at the year end	390,706	

The Fund Account and Net Assets Statement do not show any liability to pay pensions or other benefits in the future. The liability to pay pensions is detailed in Note 4 Actuarial Present Value of Promised Retirement Benefits.

The audited accounts were issued on 17 September 2019.

Gareth Waterson, BAcc, CA
Head of Finance
17 September 2019

Notes to the Annual Accounts

1. The Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme, established under the Superannuation Act 1972, with pensioners receiving index-linked pensions. It is administered by Orkney Islands Council in accordance with The Local Government Pension Scheme (Scotland) Regulations 2014 (as amended) and was contracted out of the State Second Pension until the 6 April 2016 when the new State Pension was introduced. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

2. Basis of Preparation of the Financial Statements

Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices.

The accounts for the Fund have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-2019 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3. Statement of Accounting Policies

A summary of the more important accounting policies has been set out below:

3.1. Basis of Preparation

The accounts have been prepared on an accruals basis and do not take account of liabilities to pay pensions and other benefits after the year end. However, the actuarial position does account for such obligations. This is disclosed in Note 4 of the accounts and should be read in conjunction with the Actuarial Statement (Annex 2). The going concern concept assumes that the Pension Fund will continue in existence for the foreseeable future.

3.2. Transfers to and from other schemes

Transfer values represent the amounts receivable and payable during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out are accounted for when receivable/payable, which is normally when the member liability is accepted or discharged.

Transfers to The Fund from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receivables basis and are included in Transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3. Financial Instruments

Investments

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this

date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at a fair value in accordance with the requirements of the Code and IFRS 13 (see note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures. Market values, which are assessed as follows:

- 3.3.1. UK quoted securities are valued at bid market prices at close of business on the last working day of the financial year.
- 3.3.2. Overseas securities are valued at bid market prices from the relevant overseas stock exchanges converted at closing rates of exchange on the last day of the financial year.
- 3.3.3. Pooled investments, which comprise the fund manager's unit trusts and open-ended investment companies, are valued at bid market prices on the last working day of the financial year as supplied by the fund manager.

Since Investments are all held for trading, disclosure in the accounts is at fair value through profit and loss. Fair values are derived from unadjusted quoted prices in active markets.

3.4. Recognition of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- 3.4.1. Expenses in relation to services received (including services provided by Orkney Islands Council) are recorded as expenditure when the services are received rather than when payments are made.
- 3.4.2. Dividend income is recognised when the right to receive payment is established.
- 3.4.3. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement.

3.5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.6. Administrative Overheads

The Pensions Section of Orkney Islands Council is responsible for administering the Pension Fund. The Section receives an allocation of the overheads of the Council which is based on its direct cost and the amount of central services consumed.

3.7. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3.8. Investment Income

Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend.

3.9. Foreign Currency

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used.

3.10. Investment Management Expenses

Investment management expenses consist of direct charges in line with management agreements, management charges levied on pooled funds and administrative charges.

3.11. Acquisition Cost

Any acquisition costs of investments are included in the book cost of the investment.

3.12. Critical Judgements in Applying Accounting Policies **Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard IAS 19. The judgements which have the greatest impact on pension fund liabilities are those around the discount rate, the inflation rate and the life expectancy of members.

3.13. Assumptions made about the future and other major sources of estimation and uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because such factors cannot be determined with certainty, actual results could be materially different from the assumptions and estimate. The items in the financial statements at 31 March 2019

for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	11%	39
0.5% increase in the Salary Increase Rate	2%	7
0.5% increase in the Pension Increase Rate	9%	32

3.14. Accounting Standards that were issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Six standards have been issued but not yet adopted:

- IAS 40 (Investment Property: Transfer of Investment Property).
- IFRS 12 (Disclosure of Interests on Other Entities: Clarification of the Scope of the Standard).
- IAS 28 (Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value).
- IFIC 22 (Foreign Currency Transactions and Advance Consideration).
- IFRIC 23 (Uncertainty over Income Tax Treatments)
- IFRS 9 (Financial Instruments: Prepayment Features with Negative Compensation).

We do not expect any of these to impact on the Pension Fund.

3.15. Events after the Balance Sheet

Events after the net assets statement date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 3.8.1. those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

3.8.2. those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The draft annual accounts were signed by the Head of Finance on 17 June 2019. Events taking place after the date of authorisation for issue have not been reflected in the financial statements. Material events between the balance sheet date and the date of signing have been considered and where necessary reflected in the financial statements.

4. Actuarial Present Value of Promised Retirement Benefits

The Fund's actuary undertakes a valuation of the Fund's liabilities to pay future retirement benefits. This is calculated in line with the IAS 19 every year using the same base data as the triennial funding valuation, rolled forward to the current financial year and taking into account changes in membership numbers and updated assumptions.

In order to assess the value of liabilities on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Annex 2).

The actuarial present value of promised retirement benefits at 31 March 2019 was £391m (2018: £341m).

This figure is used for statutory accounting purposes by Orkney Islands Council Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The IAS 26 valuation is not used for calculations undertaken for funding purposes and setting contributions payable to the Fund and has no validity in other circumstances.

On the 27th June 2019, the Supreme Court denied a request from the UK Government to appeal an earlier court ruling that transitional protections in the Judges and Firefighter pension schemes were deemed unlawful on the grounds of age discrimination. There is still much uncertainty surrounding the impact this will have on the Local Government Pension Scheme, and the Orkney Islands Council Pension Fund in particular, but based on current assumptions the Fund's actuary has estimated that scheme liabilities for active members will increase by approximately £1.1M. This position has been duly recognised in the actuarial present value of promised retirement benefits which is disclosed above.

Financial Assumptions

Year ended	31 March 2018 % p.a.	31 March 2019 % p.a.
Inflation/Pensions Increase Rate	2.4%	2.5%
Salary Increase Rate	2.8%	2.9%
Discount Rate	2.7%	2.4%

Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28.

Longevity Assumptions

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners*	23.3 years	26.2 years

*Future pensioners are assumed to be currently aged 45.

Commutation assumption

An allowance is included for future retirees to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

5. Analysis of Contributions Receivable and Benefits Payable

Contributions Receivable

	2017-2018			2018-2019		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Employee Contributions	2,120	281	2,401	2,252	278	2,530
Employer Contributions	6,702	828	7,530	6,703	775	7,478
Strain Costs	25	0	25	109	9	118
Total	8,847	1,109	9,956	9,064	1,062	10,126

Benefits Payable

	2017-2018			2018-2019		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Pensions Paid	4,444	383	4,827	5,083	183	5,266
Dependants Pensions	368	13	381	403	18	421
Lump Sums Paid	1,343	108	1,451	1,255	25	1,280
Death Grants Paid	149	0	149	276	133	409
Total	6,304	504	6,808	7,017	359	7,376

Orkney Islands Council, the administering authority, is at present the only scheduled body.

6. Transfers In

Transfers in to the scheme during 2018-2019 were £0.8m (2017-18: £0.5m). This represents the total of transfer values in respect of individual members joining the scheme.

7. Payments to and on Account of Leavers

2017-2018 £'000		2018-2019 £'000
(24)	Contributions Returned	(26)
(1,090)	Individual Transfers to other Schemes	(675)
(3)	State Scheme Premiums	0
(1,117)		(701)

8. Investment income

	2017-2018 £'000	2018-2019 £'000
<u>Equities</u>		
Equities UK	1,248	1,649
Equities Global	<u>1,980</u>	<u>2,379</u>
Total Equities	3,228	4,028
<u>Fixed Income</u>		
UK Bonds	513	522
Overseas Bonds	0	0
Index Linked	<u>275</u>	<u>395</u>
Total Fixed Income	788	917
Pooled Investment Vehicle - Multi-Asset Growth	988	1656
Pooled Investment Vehicle - Diversified Growth	1075	1,484
Cash and Deposits	<u>10</u>	<u>14</u>
Totals	6,089	8,099

9. Change in the Market Value of Investments

	2017-2018 £'000	2018-2019 £'000
Realised	16,205	16,842
Unrealised	7,866	(1,598)
Total	24,071	15,244

10. Analysis of Investments

As at 31 March 2019 the market value of the assets under management is as follows:

	31 March 2018 £'000	31 March 2019 £'000
Baillie Gifford		
<u>Equities</u>		
Equities UK	37,175	43,457
Equities Global	181,327	196,067
Equities Small Companies	1,383	1,275
Total Equities	219,885	240,799
<u>Fixed Income</u>		
UK Bonds	20,272	21,021
UK Government Gilts	20,164	20,988
Total Fixed Income	40,436	42,009
Pooled Investment Vehicle - Multi-Asset Growth	56,025	56,731
Pooled Investment Vehicle - Diversified Growth	43,974	44,368
Cash and Deposits	5,466	6,482
Totals	365,786	390,389

All investments are publicly traded on recognised stock exchanges.

11. Reconciliation of Movements in Investments

Investments increased in value to £390.4m as at 31 March 2019 (31 March 2018: £365.8m) a movement of £24.6m.

During 2018-2019, sales of investments totalled £39.5m and purchases totalled £47.8m. Transaction costs are included in the cost of purchases and sales proceeds.

The following individual investments exceed 5% of the total value of the net assets of the Pension Fund at 31 March 2019.

	2018 £'000	2019 £'000
Baillie Gifford & Company – (Multi Asset Growth)	56,025	56,731
Baillie Gifford & Company – (Diversified Growth Fund)	43,974	44,368
Baillie Gifford & Company – (Act Index-Linked Gilts)	20,164	20,988

12. Investment Transactions

2018-2019	Opening Market Value	Purchases	Sales	Change in Market Value	Closing Market Value
	£'000	£'000	£'000	£'000	£'000
Investment Assets	0	0	0	0	0
Managed Fund Investments					
Equities	218,502	41,220	(35,256)	15,058	239,524
UK Bonds	20,272	21	(5)	733	21,021
Pooled Investment – British Small Companies	1,382	0	0	(107)	1,275
Pooled Investment – Fixed Interest	20,165	5,102	(4,223)	(56)	20,988
Pooled Investment – Multi-Asset Growth	56,025	0	0	706	56,731
Pooled Investment – Diversified Growth	43,974	1,484	0	(1,090)	44,368
Total Transactions	360,320	47,827	(39,484)	15,244	383,907
Cash Deposits	5,466				6,482
Internal Net Current Assets / (Liabilities)	606				317
Total	366,392				390,706

2017-2018	Opening Market Value	Purchases	Sales	Change in Market Value	Closing Market Value
	£'000	£'000	£'000	£'000	£'000
Investment Assets	0	0	0	0	0
Managed Funds					
Equities	194,980	35,573	(33,320)	21,269	218,502
UK Bonds	19,607	4,399	(3,322)	(412)	20,272
Pooled Investment – British Small Companies	1,330	18	0	34	1,382
Pooled Investment – Fixed Interest	19,869	276	0	20	20,165
Pooled Investment – Multi-Asset Growth	49,493	4,442	0	2,090	56,025
Pooled Investment – Diversified Growth	39,930	2,975	0	1,069	43,974
Total Transactions	325,209	47,683	(36,642)	24,070	360,320
Cash Deposits	9,400				5,466
Internal Net Current Assets / (Liabilities)	681				606
Total	335,290				366,392

13. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair value.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value based on observable data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instruments' valuation is not based on observable market data.

The following table provides an analysis of the financial assets of the Fund, grouped into Levels 1 and 2, based on the level at which the fair value is observable. The Fund has no Level 3 investments.

Fair Value Through Profit and Loss	31 March 2018 £000's	31 March 2019 £000's
Level 1: Quoted Market Price	244,240	267,027
Level 2: Using Observable Inputs	121,546	123,362
Net Investment Assets	365,786	390,389

Basis of Valuation

The basis of valuation of each class is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represents the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market Quoted Investments	Level 1	Published bid market prices ruling on the final day of the accounting period.	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value on current yields.	Not required	Not required
Pooled Funds - Overseas Unit Trusts and Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required

14. Financial Instruments

Categories of Financial Instruments.

The following categories of financial instrument are carried in the Net Assets Statement:

Financial Instruments Balances	31 March 2018 £'000	31 March 2019 £'000
Investments		
Financial Assets at fair value through profit/loss	360,320	383,907
Loans and receivables - cash and cash equivalents	5,466	6,482
Total Investments	365,786	390,389
Current Assets and Liabilities		
Debtors	1,235	1,315
Financial liabilities at amortised cost	(629)	(998)
Total Current Assets and Liabilities	606	317

Income, Expenses, Gains and Losses

Financial Instruments Gains/Losses	31 March 2018	31 March 2019
	Financial Assets	
	£'000	£'000
Net gains/(losses) on financial assets at fair value through profit and loss	24,071	15,244
Investment Income	6,089	8,099
Investment management expenses including taxation	(1,622)	(1,856)
Total Investment Gains and Losses	28,538	21,487

Fair Values of Assets and Liabilities

Financial assets represented by investments are carried in the Net Assets Statement at their current market value (bid price), as determined by the investment manager and the global custodian, based a Fair Value Hierarchy detailed at Note 13.

15. Risk and Risk Management

The past year has proved to be another challenging year for investors in general, with global financial markets registering large fluctuations throughout the year.

Much of the volatility in the markets is caused by concern of a global recession returning together with ongoing uncertainty surrounding the UK's exit from the European Union and in particular the risk of a no deal. America's continued trade dispute with China and the threat of trade wars between the two countries has also caused concern in the markets.

The Fund's primary long-term risk is that the Fund's assets fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Responsibility for managing the Fund's risk rests with the Pension Fund Sub-committee, revised investment strategy was approved in February 2019.

15.1. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Funding Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its Investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Sensitivity analysis

In consultation with the Fund's independent provider of performance and analytical data (Hymans Robertson), the Council has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK Equities	16.6
Global Equities	16.9
UK Index-Linked Gilts (short term)	4.1
UK Index-Linked Gilts (medium term)	7.2
UK Index-Linked Gilts (long term)	9.2
UK Fixed Interest Gilts (short term)	3.2
UK Fixed Interest Gilts (medium term)	9.7
UK Fixed Interest Gilts (long term)	12.9
Diversified Growth	12.5
Cash	0.5
Total Fund Volatility	12.0

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

			Potential change in year in the net assets available to pay benefits	
Asset Type	Value	% Change	Favourable Market Movement	Unfavourable Market Movement
	£'000		£'000	£'000
UK Equities	44,732	16.6%	52,158	37,306
Global Equities	196,067	16.9%	229,202	162,932
UK Index-Linked Gilts (short term)	1,555	4.1%	1,619	1,491
UK Index-Linked Gilts (medium term)	4,275	7.2%	4,583	3,967
UK Index-Linked Gilts (long term)	15,158	9.2%	16,553	13,763
UK Fixed Interest Gilts (short term)	5,451	3.2%	5,625	5,277
UK Fixed Interest Gilts (medium term)	9,733	9.7%	10,677	8,789
UK Fixed Interest Gilts (long term)	5,837	12.9%	6,590	5,084
Diversified Growth and Multi-Asset Growth	101,099	12.5%	113,736	88,462
Cash	6,482	0.5%	6,514	6,450
Total Fund Volatility	390,389	12.0%	437,236	343,542

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

15.2 Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its Investment Advisers, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2018 £'000	31 March 2019 £'000
Cash and cash equivalents	5,466	6,482

Sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates:

Asset Type	Carrying amount as at 31 March 2019 £'000	Potential change in year in the net assets available to pay benefits	
		1% Interest Movement £'000	-1% Interest Movement £'000
Cash and Cash Equivalents	6,482	64.8	(64.8)
Total Change in Assets Available	6,482	64.8	(64.8)

15.3 Currency Exposure Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund is invested in equities overseas that are denominated in currencies other than £UK. The Fund also holds a low level of bonds denominated in overseas currencies.

The following table summarises the Fund's currency exposure at 31 March 2019:

Currency exposure - asset type	Asset value 31 March 2018 £'000	Asset value 31 March 2019 £'000
Overseas Quoted Equities	178,397	193,178
Pooled Funds - Global Basket	2,930	2,889
Total	181,327	196,067

Sensitivity analysis

Following analysis of historical data in consultation with Hymans Robertson, the council considers the likely volatility associated with foreign exchange movements to be 10%.

A 10% fluctuation is considered reasonable based on Hymans analysis of long-term historical movements. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset values as at 31 March 2019	Potential % movement	Value on Increase	Value on Decrease
	£		£	£
Overseas Quoted Equities	193,178	10.0%	212,496	173,860
Total Change in Assets Available to Pay Benefits	193,178	10.0%	212,496	173,860

15.4 Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Council's Annual Treasury Management Strategy Statement sets out the Fund's approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Strategy has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2019, including current account cash, was £0.003M. (31 March 2018: £0.060M). The Fund also held cash under its investment management arrangement. This was held with the following institutions:

	Rating (Fitch)	Balance 31 March 2019 £'000
Bank current accounts		
Royal Bank of Scotland	A+	3
Cash held in Portfolio		
Handelsbanken	AA	700
Bank of New York Mellon (BNY)	AA	4,735
HSBC UK Bank Plc	AA-	950

15.5 Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2019, the Fund had no illiquid assets.

16. Current Assets

	31 March 2018 £000's	31 March 2019 £000's
Income Due	514	624
Recoverable Tax	295	313
Cash Balances	60	3
Transfer values receivable	4	89
Contributions due	85	286
Orkney Islands Council	274	0
Sundry Debtors	3	0
Total Current Assets	1,235	1,315

17. Current Liabilities

	31 March 2018 £000's	31 March 2019 £000's
Orkney Islands Council	0	619
Sundry Creditors	340	315
Transfer values payable	191	0
Benefits Payable	98	64
Total Current Liabilities	629	998

18. Management Costs

	2017-2018 £'000	2018-2019 £'000
Investment Management Expenses		
Investment managers fees	1,055	1,189
Custodian fees	43	44
Other Investment management expenses	7	8
Stamp Duty	13	37
Other Transaction Taxes and Levies	20	11
Broker Commission	31	38
Total Investment Management Expenses	1,169	1,327
Administration Costs		
Staff time and Support allocations	<u>256</u>	<u>286</u>
Total Administration Costs	256	286
Governance		
Audit costs	20	21
Professional fees	<u>75</u>	<u>75</u>
Total Governance Costs	95	96
Total	1,520	1,709

19. Code of Transparency

The Code of Transparency enables a greater understanding of the investment process and better cost management through the fund managers disclosure of transaction costs.

Total transaction costs for each asset class are detailed below:

2018-2019	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	47,613	38,029	18,934	0	104,576
Bonds	0	0	(18)	0	(18)
Pooled Funds	0	0	0	3,416	3,416
Foreign Exchange	0	0	2,049	0	2,049
Total	47,613	38,029	20,965	3,416	110,023

2017-2018	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	32,638	31,360	71,223	0	135,221
Bonds	0	0	(4,232)	0	(4,232)
Pooled Funds	0	0	75	6,187	6,262
Foreign Exchange	0	0	2,638	0	2,638
Total	32,638	31,360	69,704	6,187	139,889

The nature of the transaction costs groups are as follows:

- Transaction Taxes – includes stamp duty and any other financial transaction taxes.
- Broker Commissions – payments for execution services, including exchange fees, settlement fees and clearing fees.
- Implicit Costs – indirect costs associated with buying and selling securities, being an estimate of market impact.
- Indirect Transaction Costs – transaction costs incurred within pooled funds when they buy and sell their underlying investments.

In addition to the transaction costs, the portfolio has incurred indirect fees of £250,946 (2017-18 £284,570) paid from the Net Asset Value of the pooled funds.

20. Audit Fees

In 2018-2019 the agreed audit fee for the year was £21,000 (2017-18 £20,000).

21. Agency Arrangements

The Orkney Islands Council Pension Fund pays discretionary awards to former employees of Orkney Islands Council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the Council. The total amount of these payments was £265k in 2018-2019 and £267k in 2017-2018.

Members of The Fund who elected before 1 April 2008 to purchase added years of membership can continue to do so unless the member elects to cease the contract. Administration of added years' contracts is carried out by the Orkney Islands Council Pension Fund on behalf of Orkney Islands Council. Costs borne by the fund relating

to added years are incorporated into the overall administration cost and are immaterial in value.

22. Statement of Investment Principles and Funding Strategy Statement

The Council as Administering Authority approved its current Statement of Investment Principles in November 2018. The Statement defines the Fund's operational framework insofar as investments are concerned. It is reviewed periodically to ensure that it continues to reflect the needs of the Fund and the views of its stakeholders.

The Funding Strategy Statement defines how the Fund intends to meet its financial obligations and was effective from 10 May 2018.

Both these documents are available on the Council website under the related download section [here](#), and are also available on request from the Council's Head of Finance.

23. Investment Management Arrangements

The Orkney Islands Council Pension Fund investments are managed on an active basis by external fund manager Baillie Gifford.

From the 1 April 2017 the benchmark is a fund specific benchmark which means managed investment funds are measured against a range of indices reflecting the weighting or concentration of individual asset classes within the approved investment strategy. The target is to outperform the bespoke benchmark over rolling five-year periods.

24. Stock Lending

In accordance with the Statement of Investment Principles 2018, stock lending is not permitted within any of its segregated investment mandates. As at 31 March 2019 no stock had been released to a third party under a stock lending arrangement.

25. Related Party Transactions

Orkney Islands Council Pension Fund is administered by Orkney Islands Council. The Council incurred costs of £0.286m (2017-18: £0.256m) in relation to administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £6.81m to the fund in 2018-2019 (2017-18: £6.73m). With the exception of the year end creditor balance shown at Note 17 all monies owing to and from the Fund were paid in the year.

The Fund had a balance due to Orkney Islands Council of £0.619m as at 31 March 2019 (The fund had a balance due from Orkney Islands Council of £0.274m as at 31 March 2018).

All the members of the Pensions Sub-Committee and the members of the Pensions Board are active members of the pension scheme. Each Councillor is required to declare any financial or pecuniary interest related to specific matters on the agenda at each meeting

The employees who hold key positions in the financial management of the Pension Fund; and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below:

	Accrued pension 2017-2018		Accrued pension 2018-2019	
	Pension £	Lump Sum £	Pension £	Lump Sum £
Chief Executive	44,453	81,211	47,391	82,500
Head of Finance / Section 95 Officer	31,931	51,930	33,965	51,930

26. Membership Details

Under the Local Government Pension Scheme (LGPS), member contributions are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier.

Eligibility to join the scheme

Orkney Islands Council employees with a contract for 3 months duration or more are automatically entered into the LGPS. Employees with a contract of less than 3 months duration will be automatically enrolled into the LGPS if they satisfy the automatic enrolment criteria, however they can opt in if they do not meet the automatic enrolment criteria.

A person employed by a community admission body or a person employed by a transferee admission body is eligible to be a member if the person, or class of employees to which the person belongs, is designated in the admission agreement by the body as being eligible for membership of the Scheme.

If they satisfy the above statement they should be automatically entered into the LGPS if they have a contract for 3 months or more otherwise they can opt in if they have a contract for less than 3 months.

Employees of community admission bodies and transferee admission bodies are also enrolled into the Local Government Pension Scheme if they satisfy the auto enrolment criteria.

The following table gives details of the various bodies' membership.

Membership Details at 31/03/2019	Active	Deferred	Pensioner	Dependant
Orkney Islands Council	1,818	869	796	134
Orkney Islands Property Development	2	4	4	0
Pickaquooy Centre Trust	51	29	7	0
Orkney Enterprise	4	4	3	0
Orkney Tourist Board (Visit Scotland)	0	5	3	0
Orkney Ferries Limited	94	47	23	4
Summary of Members				
OIC	1,818	869	796	134
Admitted Bodies	151	89	40	4
Totals	1,969	958	836	138

The employees of Orkney Towage Company Limited were assimilated into the Orkney Islands Council's workforce on 1 April 2018 which resulted in the company becoming an exiting employer from the Orkney Islands Council Pension Fund and triggering the requirement to prepare a cessation valuation in accordance with

Regulation 62 of the Local Government Pension Scheme (Scotland) Regulations 2014.

Orkney Islands Council had agreed to act as guarantor in the event of Orkney Towage Company Limited being unable to pay any deficit payment arising from the cessation valuation. The guarantee signed on 23 July 2018 from Orkney Islands Council allowed the Towage Company's notional assets and liabilities in the Orkney Islands Council Pension Fund to be transferred to Orkney Islands Council should the Towage Company have insufficient funds to meet the deficit payment.

27. Scheme Arrangements

Career Average Revalued Earnings Scheme (CARE) – LGPS 2015

A number of important changes have been made to the LGPS from 1 April 2015. The changes, which have been agreed between the Trade Unions, COSLA and the Scottish Government, ensure that the Scheme complies with the terms of the Public Pensions Act 2013.

From 1 April 2015 the pension Scheme moved away from a final salary to a career average revalued earnings scheme (CARE).

The main changes of this scheme were:

- A move towards benefits being worked out using career average revalued earnings (CARE) rather than final salary.
- Pensions being built up at a rate of 1/49th of annual pensionable pay.
- Member's normal retirement age being linked to their own State Pension Age. Members may still be able to retire from age 60 but a reduction for early payment may apply.
- Protection of benefits for members aged 55 and over at 1 April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced, and
- Benefits built up before April 2015 will continue to be calculated using actual final pensionable pay at date of leaving.

28. Funding and Valuation Note

In line with the Local Government Pension Scheme (Scotland) Regulations 2014, the Fund's actuary undertakes a funding valuation every three years. The actuarial valuation assesses the health of the fund and provides a check that the funding strategy and assumptions used are appropriate. It also sets the future rates of contributions payable by employers. The most recent full actuarial valuation by the Fund's actuaries Hymans Robertson was to 31 March 2017. The next valuation will take place as at 31 March 2020.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.

- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to maintain 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and contributions are sufficient to meet expected future pension benefits payable.

At the 2017 actuarial valuation, the Fund was assessed as 112.7% funded (114.4% at the March 2014 valuation). This corresponded to a surplus of £38m (2014 valuation: surplus of £29m) at that time.

The assessed Primary contribution rate for 1 April 2018 – 31 March 2021 (i.e. the rate which employers in the Fund pay) at March 2017 was 20.7%, with applied Secondary contribution rates giving the required minimum contribution rates as follows:

2018/19: 18.2%

2019/20: 17.6%

2020/21: 17.0%

In accordance with the Funding Strategy Statement the administering authority has adopted employer contributions of 18.2% for 2018-2019. The valuation of the Fund has been undertaken using a 'risk based' approach which considers how each employer's assets and liabilities may evolve over the future. The principal assumptions were:

Financial Assumptions

Financial Assumptions	31-Mar-14	31 March 2017	
	Funding basis (% p.a.)	Funding basis (% p.a.)	Gilts basis (% p.a.)
Discount rate	5.10%	3.10%	1.40%
Price inflation	2.70%	2.40%	2.40%
Pay increases	4.50%	2.80%	2.80%
Pension increases:			
in excess of GMP	2.70%	2.40%	2.40%
post-88 GMP	2.70%	2.40%	2.40%
pre-88 GMP	0.00%	0.00%	0.00%
Revaluation of deferred pension	2.70%	2.40%	2.40%
Revaluation of accrued CARE pension	2.70%	2.40%	2.40%
Expenses	1.00%	0.70%	0.70%

* GMP = guaranteed minimum pension

Mortality assumptions

The mortality assumptions used and applied to all members are based on the Self-Administered Pension Schemes year of birth tables with no further improvements in lifespans estimated from 2017.

29. Additional Voluntary Contributions

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits in addition to those which they are required to make as members of the Local Government Pension Scheme. These contributions are known as Additional Voluntary Contributions and are treated separately from the scheme's assets under arrangement with Prudential Assurance Company Limited.

During the year, member contributions amounted to £0.469m (2017-18: £0.404m).

Members contributions are invested in a "with profits" Fund or a "deposit" Fund. During the year the value of AVC investments increased by £0.21m to £2.912m as at 31 March 2019 (2018: £2.890m) excluding the final bonus.

30. Contingent Liabilities and Contractual Commitments

On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation however due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on the Fund at this time.

Independent Auditor's Report

Independent auditor's report to the members of Orkney Islands Council as administering authority for Orkney Islands Council Pension Fund and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Orkney Islands Council Pension Fund (the fund) for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Pension Fund Account, the Net Assets Statement and notes to the annual accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the financial transactions of the fund during the year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Head of Finance and Orkney Islands Council Pension Fund Sub Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Orkney Islands Council Pension Fund Sub Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities This description forms part of my auditor's report.

Other information in the annual report

The Head of Finance is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

17 September 2019

Annex 1 - Scheduled and Admitted Bodies

Orkney Islands Council Pension Fund

Scheduled Bodies

- Orkney Islands Council.

Admitted Bodies

Active Admitted Bodies

- Orkney Tourist Board (Visit Scotland).
- Orkney Ferries Limited
- Orkney Enterprise
- Pickaquoy Centre Trust
- Orkney Islands Property Development Limited

Annex 2 – Actuarial Statement for 2018-2019

Orkney Islands Council Pension Fund (the Fund)

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2018. In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/ dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are reasonably stable where appropriate.
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers).
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £335 million, were sufficient to meet 112.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2017 valuation was £38 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2018 to 31 March 2021 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2017 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2017 valuation were as follows:

Financial assumptions	31-Mar-17
Discount rate	3.1%
Pay increases	2.8%
Price inflation/Pension increases	2.4%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners*	23.3 years	26.2 years

*Currently aged 45.

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from Orkney Islands Council, Administering Authority to the Fund.

Experience over the period since 31 March 2017

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been positive asset returns over the 2 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2020. The Funding Strategy Statement will also be reviewed at that time.

Julie West FFA

For and on behalf of Hymans Robertson LLP

May 2019

Hymans Robertson LLP

20 Waterloo Street, Glasgow G2 6DB

Annex 3 - Glossary of Terms

Active Management

An investment management style that seeks to outperform by way of self-selected decisions on stock choice, timing of market incursions, or asset allocation. Compare this with Passive Management.

Asset Allocation

The division of the Fund's assets between different classes of assets, for example, UK Equities, Japanese Equities, UK Bonds. In the long run the asset allocation choices should support the Fund's strategic financial objectives. In the short term tactical changes might be made to achieve short- term advantage.

Balanced Management

An arrangement under which investments are spread over a range of asset classes at the manager's discretion. The manager controls investments over as many classes as are available under the Fund's overall strategy. Compare this with specialist management.

Growth Manager

An investment manager who fundamentally believes in picking stocks that he believes will achieve an above-average growth in profits. This is sometimes caricatured as buying stock irrespective of price because the price will rise. Compare this with value manager.

Mandate

An agreement between an investment manager and his client as to how investments are to be managed, specifying whatever targets and investment limitations are to apply.

Passive Management

A style of investment management that seeks performance equal to market returns or to some appropriate index. Such investment entails a more mechanical approach to asset allocation and stock selection because such decisions are largely dictated by general market shifts rather than individual manager discretion. Compare this with active management.

Pooled Fund

A fund in which a number of investors hold units rather than owning the underlying assets. This is a useful way for smaller funds to diversify investments without exposing them to undue risks. Unit Trusts are pooled funds as are Open-ended Investment Companies. Compare this with segregated fund.

Return

The value of capital enhancement and income received by a fund in a year, expressed as a percentage of the opening value of the fund. If values fall "Return" would be negative.

Risk

The danger or chance that returns will vary against benchmarks or targets. If risks are high the expected return should be higher still (the risk premium).

Segregated Fund

The management of a particular fund's assets independently of those of other funds managed by the same investment house. Compare this with a pooled fund.

Specialist Management

The use of a number of managers, each specialising in a particular asset class. Such managers have no say in asset allocation, being only concerned with stock selection.

Value Manager

A manager who selects stocks that he believes to have potential that is not reflected in the price. This is sometimes caricatured as buying stock because it is cheap. Compare this with growth manager.

Vested/Non- Vested Obligations

Vested obligations refer to employee benefits that are not conditional on future employment. Non- vested obligations refer to employee benefits that are conditional on future employment.

Pension Fund Strain

The cost to employers of the early release of pension benefits.

Operating Surplus/Deficit

The surplus/deficit arising from dealing with members, employers and others directly involved in the scheme.

Additional Information

Key Documents Online

You can find further information on our website

<https://www.orkney.gov.uk/Council/P/pension-fund-annual-reports.htm>, including the following documents:

- Annual Report and Accounts

Auditors: Audit Scotland

Fund Advisers

Actuaries: Hymans Robertson

Bankers: Royal Bank of Scotland

Investment Advisors: Hymans Robertson

Investment Custodians: Bank of New York Mellon

Investment Managers: Baillie Gifford & Co

Performance Measurement: Hymans Robertson

Additional Voluntary Contributions (AVC) Managers: Prudential

Contact Details

For further information and advice on administration, benefits and scheme membership please contact:

Bryan Hay Telephone: 01856873535. Extension: 2108.

Pensions Manager Email: bryan.hay@orkney.gov.uk

Scheme members should have a copy of the "Employees' Guide to the Local Government Pension Scheme Administered by the Orkney Islands Council", and can obtain their own copy of an Annual Report on request or visit Orkney Islands Council Pension Fund website at: <https://www.orkney.gov.uk/>.

For further information on the Fund's Investments, please contact:

Gareth Waterson Telephone: 01856873535. Extension: 2103.

Head of Finance Email: gareth.waterson@orkney.gov.uk

Colin Kemp Telephone: 01856 873535. Extension: 2106.

Corporate Finance Senior Manager Email: colin.kemp@orkney.gov.uk

Minute

Human Resources Sub-committee

Thursday, 7 November 2019, 14:15.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors W Leslie Manson, Robin W Crichton, Steven B Heddle, John T Richards, Gwenda M Shearer, Graham L Sinclair, James W Stockan, and Duncan A Tullock.

Clerk

- Hazel Flett, Senior Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Gavin Mitchell, Head of Legal Services.
- Andrew Groundwater, Head of HR and Performance.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Appendices 1 and 3 of Item 2, as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Human Resources – Annual Overview

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of HR and Performance, the Sub-committee:

Scrutinised the statistics and data relating to the Council's workforce and human resource activities, as outlined in sections 5 to 7 of the report by the Executive Director of Corporate Services, and obtained assurance, subject to the discussion at paragraph 4 below.

3. Whistleblowing Policy and Procedure

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, the Sub-committee:

Resolved to **recommend to the Council** that the revised Whistleblowing Policy and Procedure, attached as Appendix 1 to this Minute, be approved.

4. Human Resources – Annual Overview

On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, the Sub-committee resolved that the public be excluded from the meeting for further discussion of this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

After hearing representations from Councillor Duncan A Tullock regarding the detailed statistics relating to sickness absence, contained in Appendix 3 of the report by the Executive Director of Corporate Services, the Sub-committee:

Noted elected members' concerns regarding trends within the data sets in respect of sickness absence and the expectation that the Corporate Management Team would take proactive steps in an attempt to address, what the Sub-committee considered to be, less than acceptable trends in specific service areas.

5. Conclusion of Meeting

At 15:00 the Chair declared the meeting concluded.

Signed: L Manson.



Whistleblowing Policy and Procedure

October 2019

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1. Introduction

1.1. Employees and those people who work closely with the Council are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to the Council or to their colleagues. They may fear harassment or that their job may be at risk. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

1.2. The Council is committed to openness, probity and accountability. It expects employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Council's employees and those who work closely for the Council, such as agency staff and key contractors, (hereafter called "workers") and as defined in the Public Interest Disclosure Act 1998, have mutual responsibilities of fidelity, support, confidence and trust. This policy lets employees / workers raise serious concerns within the Council rather than overlooking or ignoring a problem, or immediately "blowing the whistle" to the media or other external bodies.

1.3. This Policy is intended to build upon the rights / requirements and protections for employees contained within the Public Interest Disclosure Act 1998, the Employment Rights Act 1996 and the Enterprise and Regulatory Reform Act 2013, and to which reference will be made in the publication of this policy. It does not remove any rights or protection provided by the Acts.

1.4. It is intended that this policy and the act of whistleblowing based on reasonable belief and the public interest is seen as a positive action which can provide valuable information to the Council and helps to ensure it meets appropriate standards of governance and accountability.

2. Aims and scope of the Policy

2.1. This policy aims to:

- Provide ways for employees / workers to raise concerns and receive feedback.
- Inform employees / workers on how to take the matter further if they are dissatisfied with the response.
- Reassure employees / workers that they will be protected from detrimental treatment for "whistleblowing" in good faith and in the public interest.

2.2. This policy covers any concerns of employees / workers as to malpractice or wrongdoing. A concern of malpractice or wrongdoing may be if:

- A criminal offence has been committed, is being committed or is likely to be committed and which may involve reference to the Police.
- There has been a failure or there is likely to be a failure to comply with any legal obligation, and / or
 - A miscarriage of justice has occurred or is likely to occur.
 - Health or safety of any individual has been or is likely to be endangered.

- The environment is being or is likely to be damaged.
- Information on any of the above is being or is likely to be deliberately concealed.

Examples of Malpractice or Wrongdoing:

- Fraud.
- Wilful breaches of the Council's Scheme of Delegation to Officers, Financial Regulations or Contract Standing Orders.
- Corruption.
- Offering / promising / giving of a bribe or agreeing to / receiving / accepting a bribe in contravention of the Bribery Act 2010.
- Dishonesty.
- Acting contrary to the Council's Code of Conduct for Employees.
- Criminal activities.
- Creating or ignoring risks to health, safety or the environment.

Please note: The above list of examples is not intended to be exhaustive and there may be other examples of malpractice or wrongdoing which it would be appropriate to consider under this policy.

2.3. Other Procedures.

The Whistleblowing policy is specifically for those types of incidents detailed above. There are other procedures for workplace complaints that members of the public and / or employees may have about the Council which include:

- The Complaints Procedure which is available to employees as members of the public if in that capacity they have a complaint about service delivery.
- The Dignity at Work Policy if an employee considers that they, or someone else, is being bullied, harassed or discriminated against at work.
- The Grievance Procedure for general work or contractual issues, e.g. dissatisfaction with a decision of a manager, or application of terms and conditions.
- The Corporate Anti-Fraud Policy and Fraud Response Plan for any incidents whereby fraud, or suspected fraud, has occurred.

3. How to raise a concern

3.1. For relatively minor issues employees / workers should normally raise concerns with their line manager or, failing whom, another senior manager. Section 4 details how the concern will be dealt with.

3.2. In general, the whistleblowing procedure is expected to be used for more serious and sensitive issues or exceptionally serious issues (e.g. corruption, fraud, bribery, unlawful acts) and the first step will be to raise the concern with the Chief Internal Auditor who will then raise the matter with the relevant Executive Director (unless he / she, or senior management collectively, is the subject of the complaint in

which case the Chief Executive should be informed, or failing that the Council's Monitoring Officer, who is the Head of Legal Services).

3.3. The Chief Internal Auditor, the Executive Director of Corporate Services or the Council's Monitoring Officer are appropriate persons to receive complaints under this Policy either against or which involve the Chief Executive. Where the concern is about the Internal Audit section the Council's Monitoring Officer should receive the complaint.

3.4. Whistleblowing procedures do not include raising the matter with Elected Members or the Media. This procedure provides employees with appropriate routes for raising a whistleblowing concern in which employees can have trust and faith that their concerns will be handled with care and due diligence. Raising such concerns with Elected Members or the media is a potential breach of the Employee Code of Conduct and therefore may result in disciplinary action if proven.

3.5. Whenever any matter arises which involves, or is thought to involve, irregularities concerning finance, assets or property in the exercise of the function of the Authority, the Chief Internal Auditor will immediately notify the Head of Finance / Section 95 Officer.

3.6. This Policy does not preclude disclosure to prescribed regulators or bodies or persons for example Health and Safety Executive and the Scottish Environment Protection Agency, or the Local Government Ombudsman in appropriate cases.

3.7. It is preferable if concerns are raised in writing and a standard form, appended to this policy, is available for use. The background and history of the concern, giving names, dates and places where possible, should be set out and the reason why the individual is particularly concerned about the situation. Those who do not feel able to put their concern in writing can telephone or meet the appropriate officer. The earlier the concern is expressed, the easier it is to take action.

3.8. Although employees / workers are not expected to prove the truth of an allegation, they will need to demonstrate to the person contacted that there are sufficient grounds for concern, i.e. they have an honest and reliable suspicion or belief that malpractice or wrongdoing has happened, is happening, or is likely to happen.

3.9. Employees should not attempt to investigate the matter themselves. This policy and procedure provides an appropriate means to raise whistleblowing concerns and is intended to protect all parties involved in such a process.

3.10. An individual may invite his/her trade union representative or another work colleague to raise a matter on their behalf, again preferably in writing.

4. How the concern will be dealt with

4.1. The action taken by the Council will depend on the nature of the concern. There will be a range of possible actions, including:

- Having the concern investigated internally.

- Referring the concern to Internal Audit.
- Referring the concern to the Head of Finance / Section 95 Officer.
- Referring the concern to the Police (where there is potential or suspicion that a criminal act may have been undertaken).
- Referring the concern to the External Auditor.
- Placing the concern as the subject of an independent inquiry.

4.2. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other, existing, procedures (e.g. child protection or dignity at work issues) will normally be referred for consideration under those other procedures in consultation with the appropriate officers. Some concerns may be resolved by agreed action with the complainant without the need for investigation.

4.3. Within 14 calendar days of a concern being received, the Chief Internal Auditor will write to the employee/worker (at his / her home address) who raised the issue:

- Acknowledging that the concern has been received.
- Indicating how the matter is to be dealt with.
- Giving an estimate of how long it will take to provide a final response.
- Saying whether any initial enquiries have been made.
- Indicating whether further investigations will take place, and if not, why not.

4.4. The amount of contact between the body or person considering the issues and the individual raising the concern, will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from the individual.

4.5. When any meeting is arranged the employee will have the right, if they so wish, to be accompanied by a trade union representative or a work colleague.

4.6. The Council accepts that employees need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will receive information about the outcomes of any investigations.

5. Alternative methods of taking forward a complaint

5.1. This policy is intended to provide employees / workers with a way to raise concerns about the Council, within the Council. Concerns should always be raised within the Council in the first instance. The Council hopes this will satisfy employees / workers. However if the individual feels it is right to take the matter outside this process, they have the right to raise a relevant concern with one of the prescribed persons listed in the Schedule to The Public Interest Disclosure (Prescribed Persons) Order 2014. This Schedule includes:

- The Council's External Auditor.
- Relevant professional bodies or regulatory organisations.
- The Health and Safety Executive.

- The Police.
- Audit Scotland.
- Commissioner for Local Government Administration (The Ombudsman).

Employees / workers can also contact the Scottish Government Helpline for the NHS and Social Care where relevant – Telephone 0800724725.

5.2. If employees / workers do take the matter outside the Council, they need to ensure that in making a disclosure, they do not commit an offence under law. The Secretary of State may prescribe bodies e.g. Audit Scotland, or persons to receive disclosures of concerns of malpractice or wrongdoing. Such a disclosure will be protected provided it is made with a reasonable belief that the disclosure is in the public interest, that the relevant failure falls within any matter in respect of which that body has been prescribed and that the information disclosed is substantially true.

5.3. Disclosures in other cases may be protected if made in the public interest with reasonable belief in its truth, not made for personal gain, and if the employee / worker believed he / she would be subject to detriment for disclosure; or believed that the evidence would be destroyed or he / she had made a disclosure of substantially the same information to the employer or prescribed Person; or that they have already made a disclosure and it has not been addressed.

5.4. Exceptionally serious malpractice may mean bypassing other means of disclosure if in all the circumstances it is reasonable to make the disclosure in the public interest, for no personal gain, in the belief that the substance/allegations are substantially true.

6. Safeguards and protection

6.1. Detrimental Treatment

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation e.g. by colleagues, managers or other workers under the Council's control and will take action to protect employees / workers when they raise a concern that is in the public interest; either during its investigation; and / or subsequent to the investigation.

If an employee/worker is already the subject of disciplinary or redundancy procedures or is using the grievance, or Dignity at Work, or similar internal process, then those procedures will not necessarily be halted as a result of the "whistleblowing".

6.2. Confidentiality

The Council will do its best to protect an individual's identity when he / she raises a concern and does not want their name to be disclosed. It must be appreciated however, that the investigation process may reveal the source of the information and a statement by the individual is likely to be required as part of the evidence. In such circumstances, it is unlikely to be possible to maintain absolute confidentiality on the source or identity of the concerned person.

6.3. Anonymous Allegations

This policy encourages employees / workers to put their names to allegations. Concerns expressed anonymously are much less powerful, and whether they will be followed up is at the discretion of the Council, represented by the officer who has received the allegation (namely the Chief Internal Auditor) in consultation with the Monitoring Officer and any other relevant senior officers. In exercising this discretion the factors to be taken into account will include:

- The seriousness of the issue raised.
- Whether the allegation / expression of concern is worthy of belief.
- The likelihood of confirming the allegation from attributable sources.

6.4. Allegations which cannot be confirmed or are untrue

If employees / workers make an allegation in good faith and in the public interest, but it is not confirmed by the investigation, the matter will end there. If, however, it is found that an individual has made malicious or vexatious allegations, disciplinary action may be considered and implemented.

7. Contractors

7.1. Key contractors will be informed of this policy and will be encouraged to use it.

8. The Responsible Officer

8.1. The Chief Executive has overall responsibility for the maintenance and operation of this policy and Internal Audit will maintain a record of concerns raised and the outcomes (but in a form which does not endanger confidentiality) and will report as necessary to the Council through the Monitoring and Audit Committee.

9. Other sources of help and information

9.1. Further information on whistleblowing and the Public Interest Disclosure Act can be found at the following useful contacts:

Public Concern at Work, Third Floor, Bank Chambers, 6-10 Borough High Street,
London SE1 9QQ

Telephone: 02031172520.

Email: whistle@pcaw.org.uk.

www.pcaw.org.uk.

Audit Scotland, 110 George Street, Edinburgh EH2 4LH.

Telephone: 08451461010.

Email: info@audit-scotland.gov.uk.

www.audit-scotland.gov.uk.

10. Review

This policy will be subject to review on a 3 yearly basis, or sooner should there be any relevant legislative changes, to ensure continued relevance and consistency in application.

11. Document Control Sheet

Review / approval history.

Date.	Name.	Position.	Version Approved.
8 December 2015.	General Meeting of the Council.	n/a.	Version 1.0.
TBC	General Meeting of the Council.	n/a.	Version 1.1.

Change Record Table.

Date.	Author.	Version.	Status.	Reason.
August 2019.	Andrew Groundwater.	1.1.	Final.	Reviewed and updated earlier version with minor changes.

Minute

Asset Management Sub-committee

Thursday, 7 November 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors W Leslie Manson, Norman R Craigie, Robin W Crichton, Steven B Heddle, John A R Scott, Graham L Sinclair and James W Stockan.

Clerk

- Hazel Flett, Senior Committees Officer.

In Attendance

- James Wylie, Executive Director of Education, Leisure and Housing (for Items 3 to 12).
- Karen Greaves, Head of Executive Support (for Items 1 to 8).
- Hayley Green, Head of IT and Facilities.
- Colin Kemp, Corporate Finance Senior Manager.
- Ian Rushbrook, Capital Programme Manager (for Items 1 to 11).
- Graeme Christie, Estates Manager.
- Kenny MacPherson, IT Service Manager (for Items 1 to 7).
- Jill Macadam, Solicitor.

Observing

- Jackie Thomson, Development and Regeneration Manager (for Items 3 to 12).
- Elizabeth Dennison, Asset Manager Surveyor (for Items 1 to 8).
- Tony Whenman, Information Security Officer (for Items 1 to 7).
- Gwyn Evans, Surveying Manager (for Items 1 to 11).

Declarations of Interest

- Councillor Robin W Crichton – Item 11.
- Councillor Steven B Heddle – Item 10.
- Councillor John A R Scott – Item 3.

Chair

- Councillor W Leslie Manson.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Items 10 to 13, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Revenue Expenditure Monitoring

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

Noted:

2.1. The revenue financial summary statement, in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 30 September 2019, attached as Annex 1 to the report by the Head of Finance, indicating a budget underspend position of £302,200.

2.2. The revenue financial detail by Service Area statement, in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 30 September 2019, attached as Annex 2 to the report by the Head of Finance.

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

3. Corporate Asset Maintenance Programmes

Revenue Expenditure Monitoring

Councillor John A R Scott declared a non-financial interest in this item, being a Council-appointed trustee of the Pickaquoy Centre Trust, but concluded that his interest did not preclude his involvement in the discussion.

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

Noted:

3.1. The summary position of expenditure incurred, as at 30 September 2019, against the approved corporate asset revenue maintenance programmes, as detailed in section 4.1 of the report by the Head of Finance.

3.2. The summary of larger works undertaken as reactive repairs, attached as Appendix 1 to the report by the Head of Finance.

4. Corporate Asset Improvement and Replacement Programmes

Capital Expenditure Monitoring

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

Noted:

4.1. The summary position of expenditure incurred as at 30 September 2019 against the approved corporate asset capital improvement and replacement programmes, as detailed in section 4.1 of the report by the Head of Finance.

4.2. The detailed analysis of expenditure figures and project updates, attached as Appendix 1 to the report by the Head of Finance.

5. Information Security Policy

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Sub-committee:

Noted:

5.1. That the Information Security Policy, approved in July 2010, was last reviewed and updated in January 2016.

5.2. That the Information Security Policy had been revised to reflect the current organisation structure, together with changes in both threat landscape and legislative drivers.

The Sub-committee resolved to **recommend to the Council:**

5.3. That the revised Information Security Policy, attached as Appendix 1 to this Minute, be approved.

6. Information Technology Strategy – Delivery Plan

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Sub-committee:

Scrutinised progress made in implementing the Information Technology Strategy, as outlined in the updated Delivery Plan attached as Annex 1 to the report by the Executive Director of Corporate Services, and obtained assurance.

7. Digital Strategy – Delivery Plan

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Sub-committee:

Scrutinised progress made in implementing the Digital Strategy, as outlined in the updated Delivery Plan attached as Annex 1 to the report by the Executive Director of Corporate Services, and obtained assurance.

8. Property Asset Management Plan

After consideration of a report by the Executive Director of Corporate Services, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Sub-committee:

Noted:

8.1. That, on 2 June 2016, the Asset Management Sub-committee recommended that the Property Asset Management Plan, covering the period 2016 to 2019, be approved.

8.2. That the Property Asset Management Plan had been revised and updated to cover the period 2019 to 2023.

The Sub-committee resolved to **recommend to the Council:**

8.3. That the Property Asset Management Plan, attached as Appendix 2 to this Minute, be approved.

9. Exclusion of Public

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

10. Property at Hatston Industrial Estate, Kirkwall

Councillor Steven B Heddle declared a non-financial interest in this item and was not present during discussion thereof.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a joint report by the Executive Director of Corporate Services and the Executive Director of Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Estates Manager, the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to property at Hatston Industrial Estate, Kirkwall.

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

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11. Property at Hatston Industrial Estate, Kirkwall

Councillor Robin W Crichton declared a non-financial interest in this item and was not present during discussion thereof.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Estates Manager, the Subcommittee:

Noted what action had been taken with regard to property at Hatston Industrial Estate, Kirkwall.

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

12. Request to Lease Site at Hatston Industrial Estate, Kirkwall

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Estates Manager, the Subcommittee:

Resolved, in terms of delegated powers, what action should be taken with regard to a request to lease a site at Hatston Industrial Estate, Kirkwall.

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

13. Request to Purchase Land

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Executive Director of Corporate Services, copies of which had been circulated, and after hearing a report from the Estates Manager, the Subcommittee:

Resolved, in terms of delegated powers, what action should be taken with regard to a request to purchase land.

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

14. Conclusion of Meeting

At 13:10 the Chair declared the meeting concluded.

Signed: L Manson.



Information Security Policy

Version 2.3.1

August 2019

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1.0. Introduction

Information, whether held on electronic information systems, paper, optical storage, magnetic storage, or any other medium represents an extremely valuable asset to Orkney Islands Council (the Council).

The aim of this policy is to establish an operational framework and define officer responsibilities to address organisational information security so that the Council, in providing services to the public, can demonstrate that it will safeguard information held and processed on behalf of its citizens and partner agencies.

Specific controls for the clauses and categories of the ISO 27002:2005 standard will be addressed by an Information Security Management System (ISMS). Detailed operational policy and control documents subordinate to this policy will set out operational standards and requirements. Specific plain language guidance for staff will be made available to all employees, elected members and contractors on request.

1.1. The Principles of Information Security

- Ensure confidentiality:
 - That information access is restricted to those with specific authority to view the information and that proper protocols for the sharing of information with partner agencies are in place where this is required and where it is permitted by relevant legislation.
 - To prevent the theft or loss of information and mitigate the associated financial and reputational risk.
- Maximise integrity:
 - Ensuring that all system assets are operating correctly according to specification and particularly in respect of accuracy, security and relevance.
- Maximise availability:
 - Ensuring that data output is delivered to the point where it is needed, when it is needed.

1.2. The ISO 27002:2005 Information Security Standard

In order to put in place a framework to publicly demonstrate that equipment and information are adequately protected, and that the integrity, availability and confidentiality of information are safeguarded, the Council will implement the general principles of the ISO 27002:2005 security standard. This provides guidance on the issues which need to be addressed to realise overall information security, including the physical and other threats to information held on electronic systems and other media.

It is intended as a practical framework and provides a Code of Practice, key controls and a specification for Information Security Management Systems, which are a set of operational policies, standards and controls concerned with information security management.

2.0. Policy

The Council recognises the importance of protecting the information it holds on behalf of its citizens, employees, Scottish Government and partner agencies and will adopt the ISO 27002:2005 Code of Practice for Information Security Management as the framework for its Information Security Management System.

2.1. Applicability

This policy applies to:

- All Council employees, both temporary and permanent, and elected members.
- Staff providing services to the Council under the terms of a service level agreement, contract, consultancy or any other arrangement.
- Staff working in partnership with other organisations. Staff working under these arrangements should be aware that they may also have specific information security responsibilities to the partner organisation.
- Any other contractual arrangement where there is a need to access information systems, manual records and processes.
- Any other third-party users.
- All premises and equipment owned by the Council or any service or equipment provided by a facility management arrangement.

2.2. Scope

The scope of this policy includes the 11 information security clauses defined in the standards document ISO 27002:2005. This policy satisfies the first clause. The clauses are:

- Security Policy.
- Information Security Organisation.
- Asset Management.
- Human Resources Security.
- Physical and Environmental Security.
- Communications and Operations Management.
- Access Control.
- Information Systems acquisition, development and maintenance.
- Information Security Incident Management.
- Business Continuity Management.
- Compliance.

Information security operational policy and control documents for each of these clauses will form an Information Security Management System specified in and necessary for compliance with ISO 27002:2005 and subordinate to this policy. Major changes will be presented to the appropriate Council committee as necessary for approval prior to implementation.

The Council document 'OIC Information Security Staff Guidance' provides specific guidance on information security and acceptable use of resources and is issued to all staff and elected members that use the Council's ICT systems.

2.3. Legal Framework

Some aspects of information security are governed by legislation. Procedures established under this policy will ensure compliance with the following statutes and regulations:

- The Data Protection Act 2018.
- The General Data Protection Regulation 2018.
- The Computer Misuse Act 1990.
- Copyright, Designs and Patents Act 1988.
- Freedom of Information (Scotland) Act 2002.
- The Regulation of Investigatory Powers (Scotland) Act 2000.
- Human Rights Act 1998.

2.4. Corporate Policy Framework

This policy clarifies existing Council policy and rules in terms of information security. It integrates with and supports the following policies forming the Information Governance Framework:

- Records Management Policy.
- Freedom of Information Policy.
- Data Protection Policy.
- Information Security Policy.

The Head of IT and Facilities is responsible for advising the Council on all matters related to information security, in consultation with other officers as appropriate.

All proposed Council policies on information security will be considered by the appropriate Council committee, prior to being adopted by the Council.

2.5. Contractual arrangements relating to information security

The terms of this policy should be incorporated into any contract for supplying information systems. This should cover system planning, procurement, acceptance and implementation.

2.6. Management and responsibilities

2.6.1 Senior Information Risk Owner (SIRO)

The SIRO has overall strategic responsibility for governance in relation to information risks and:

- Acts as advocate for information risk at meetings of the Senior Management Team.
- Provides written advice to the Chief Finance Officer for the Annual Governance Statement relating to information risk.
- Drives culture change regarding information risks in a realistic and effective manner.
- Oversees the reporting and management of information incidents.
- In liaison with the Chief Executive and the Executive Directors, ensures the Information Asset Owner and Information Asset Administrator roles are in place to support the SIRO role.

The Council's SIRO is the Executive Director of Corporate Services.

2.6.2. Head of IT and Facilities

The Head of IT and Facilities will:

- Ensure that this policy is implemented, and make recommendations to the Senior Management Team, the Corporate Management Team and the appropriate Council committee when information security policy requirements arise for specific purposes.
- Liaise with the Executive Director of Corporate Services to approve minor changes to this policy under delegated powers.

2.6.3. Information Security Officer

The Information Security Officer will:

- Maintain and develop this policy to reflect changes in information security standards, Council structure and national Public Sector security standards.
- Ensure that the Council's Information Security Policy and procedures are kept under review, in order to reflect changing local and national requirements, especially legislation, security standards and national guidance.
- Communicate this policy and monitor the effectiveness of service policies and procedures.
- Develop and manage the corporate Information Security Management System, including operational policies, security standards and controls, outline procedures, security reporting mechanisms and checklists.
- Develop and maintain the information security guidance document issued to Council staff and elected members: 'OIC Information Security Staff Guidance'.
- Monitor the ICT security infrastructure, ensuring compliance with the legislation, standards and guidelines referred to in Section 1 of this policy.
- Monitor and investigate any breaches of information security within the Council.
- Provide an annual report on information security to the Senior Management Team.
- Report any significant breach directly to the Council's SIRO.

2.6.4. Executive Directors

Executive Directors will:

- Ensure that staff are aware of their responsibility to comply with this policy and the procedures which implement it.
- Act as Data Controllers for each business process and information system undertaken in their service and monitor their activities.
- Be responsible for implementation of any controls that apply to a system, service or function directly under their control.
- Agree with the Head of IT and Facilities who is to perform the function of System Manager for each information system controlled by the service and supporting its business processes.
- Ensure that all staff with access to any information system read and accept the Use of Computing Resources and the Protection of Information document, and always have ready access to the current release.
- Ensure that this policy and related policies, procedures and information security standards are made available for briefing to all staff.
- Ensure that information security and system training requirements are identified in accordance with the Council's Employee Review and Development Scheme.

2.6.5. IT Service Management

IT Service Management will:

- Ensure that mandated controls are in place on all IT infrastructure and exceptions noted where necessary.
- Ensure that the patching policy is implemented, and that patches and updates are applied to systems and appliances in a timely fashion.
- Ensure that all systems are current and in support.
- Ensure that all other technical aspects of the Information Security Management System are in place and monitored.
- Provide evidence of compliance to the Information Security Officer and auditors when required.

2.6.6. System Administrators

Each system must have an appropriate Council officer or officers (or contractor) to perform the function of System Administrator for that system. A System Administrator is a member of staff with responsibility for installing, supporting, and maintaining data and application servers, other computer systems or ICT (Information and Communications Technology) infrastructure. The person or people with this function will be nominated by the Head of IT and Facilities or where the system is controlled and managed directly by a service, the relevant Executive Director. The System Administrator for any system must not be the same person as the Data Controller for data contained within the system.

System Administrators will:

- Act professionally and in accordance with the administrator's ethics policy.
- Ensure the efficient functioning and system administration of the system.
- Develop, implement and monitor procedures for the system, satisfying the requirements of the relevant Data Controller, satisfying corporate security standards, using outline policies provided by the Information Security Officer and ensuring compliance with this policy.
- Ensure that procedures are ratified by the Information Security Officer prior to implementation or modification.
- Suspend or deny a user access to the system if the System Administrator suspects that security has been breached, or is potentially at risk; in this event, inform the user's line manager, the relevant Data Controller, and the Information Security Officer.
- Ensure that any user granted access to any part of the system has been authorised by the Data Controller and has read and accepted any standard security guidance on information systems issued by the Council.
- Revoke or adjust privileges in a timely manner when a user leaves the employment of the Council or changes job or responsibilities.
- Ensure that any user granted access to any part of the system has read and accepted any security or acceptable use guidance relating specifically to that system and satisfies the training or knowledge requirements for users of the system.

2.6.7. Data Protection Officer

The Data Protection Officer will:

- Ensure, in consultation with the Head of IT and Facilities and the Information Security Officer, that data protection responses do not compromise the security of the Council's data, ICT infrastructure or services.
- Report any significant breach directly to the Council's SIRO.

The Council's Data Protection Officer is the Head of Legal Services.

2.6.8. Freedom of Information Officer

The Freedom of Information Officer will:

- Ensure, in consultation with the Head of IT and Facilities and the Information Security Officer, that Freedom of Information responses do not compromise the security of the Council's data, ICT infrastructure or services.

The Council's Freedom of Information Officer is the Information Governance Officer.

2.6.9. Information Governance Officer

The Information Governance Officer will:

- Ensure, in consultation with the Head of IT and Facilities and the Information Security Officer, that Information Governance policies support the principles of this policy in compliance with ISO 27002:2005 and do not compromise the security of the Council's data, ICT infrastructure or services.

2.6.10. Individual Employees, Elected Members and Contractors

All individuals to whom this policy applies must:

- Comply with this policy and related policies, security standards and procedures.
- Comply with the guidance to policy given in the document 'OIC Information Security Staff Guidance' or the document 'OIC Information Security for Elected Members'.
- Maintain the highest level of confidentiality regarding information that the individual may come in contact with during the course of their duties in relation to the Council.
- Immediately inform the relevant line manager, the relevant System Manager and the Information Security Officer, if the individual suspects that there has been any security breach.

3.0 Non-compliance with Security Policies and Procedures

Any person found to have contravened this policy or the procedures implementing it may face disciplinary action under the Council's Disciplinary Procedure, and / or prosecution under the relevant Act.

4.0 Document Control Sheet

Review / approval history.

Date.	Name.	Position.	Version Approved.
To be confirmed.	General Meeting of the Council.		Version 2.3.1.

Change Record Table.

Date.	Author.	Version.	Status.	Reason.
August 2019.	Anthony Whenman.	2.3.1.	Final.	Reviewed and updated earlier version.

Property Asset Management Plan

Strategy, Framework and Action Plan 2019 to 2023

Corporate Services, Council Offices, School Place, Kirkwall, Orkney, KW15 1NY

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1. Executive Summary

The Council owns a diverse range of land and property assets that make an important and positive contribution to achieving our corporate objectives. The quality, condition, suitability and sustainability of our property assets have a direct bearing on the quality and deliverability of front line services. It is therefore extremely important that these assets are managed in a proactive and efficient way.

Strategic asset management of land and buildings is the activity that ensures that our property is optimally structured to best align with the Council's corporate objectives. Our properties must support the main business of the Council which is to provide services.

This Property Asset Management Plan provides an overview of the quantity, existing uses and current performance of Orkney Island Council's property assets. It identifies future actions and potential risks and seeks to provide a well-managed property portfolio to support the delivery of Council services.

There is also a range of key drivers which serve to shape the content of the plan. The key drivers are mainly development issues, performance measures and future activities. The local economic position will also drive the need to use property effectively and efficiently and will shape our property requirements in the future.

Information on the quality of property held by the Council is used to inform future planning decisions for its use, value (financial and non-financial) and opportunities for development. Delivering a high performing property portfolio is an essential part of implementing a long term strategy which support's the Council's objectives and makes best use of the resources available.

There is a significant level of investment, expenditure and activity relating to property assets and the Council must ensure best value. We will continue to ensure the strategic decision making process treats property assets as a corporate resource which drives and delivers services and results in improved decision making and a high performing property portfolio.

2. Introduction

Effective and efficient use of property by Orkney Islands Council is vital in ensuring the delivery of many of the Council's key objectives. There are of course significant challenges in sustaining a comprehensive property portfolio throughout Orkney due to the geographic layout and low population density in many parts of the Orkney mainland and isles, that is resources cannot always be centrally located.

The Council's approach to property management has moved forward since the publication of our last asset management plan in June 2016. That plan led to the successful implementation of a corporate approach to property management.

A structured and programmed strategy requires long-term management of our property portfolio in order that the best solutions are provided. Short term or constantly changing strategies will not produce an optimum solution and will result in needless waste of resources, abortive expense and a lower quality of service delivery. Ongoing budget

pressures faced by the Council requires robust and coordinated planning across a range of service areas.

This plan considers the Council's property portfolio as defined by CIPFA (The Chartered Institute of Public Finance & Accountancy) and therefore other types of asset do not feature within the scope of this plan. Excluded assets are Open Spaces, Roads, Street Lighting and Infrastructure (including marine, airfields and burial ground infrastructure), Fleet/Plant, Housing and Information Computer Technology.

Asset Management is a crucial process which aligns the Council's business and property strategies, ensuring the optimisation of our property assets in a way which best supports our key business goals and objectives. This involves ensuring efficiency in the use of our assets and developing a property portfolio which is well maintained and affordable within the terms of the best value available to the Council.

The objective is to provide the right property asset, in the right location, at the right price and quality.

Work continues with the analysis of our business needs in terms of accommodation requirements: location, size, facilities and so on. We will continue to review how our property portfolio can be used to best suit service requirements.

With regards to the importance of property asset management, it should be noted that:

- Property matters contribute to the public's perception of Orkney Islands Council.
- Effective property asset management can drive overall service improvement and enhancements, including efficiencies and savings without loss of service.
- Construction of new and maintenance of existing property accounts for a significant amount of the Council's expenditure.

3. A Corporate Approach To Property Asset Management

Property assets are owned corporately by the Council and their management is coordinated across the organisation to maximise benefits and to support the delivery of the Council's key objectives as set out in the Corporate Strategic Plan 2018-2023.

The key drivers for changes in the demand for public services are:

- Changing public needs and priorities.
- Increasing public expectations on quality and ease of access to joined up public services.
- Local community aspirations.
- Community Empowerment (Scotland) Act 2015.

The local drivers for changes in the provision of public services are:

- Budget priorities in the face of increasing operating costs.
- The need to identify and adopt new efficient and flexible ways of working.

- Opportunities to collaborate and work closely with community groups and partners.

We aim to manage our property assets in a balanced manner which takes proper account of the Council's service requirements and of the upkeep of our assets to ensure their optimum use over the long term.

3.1. Property Data

An important aspect of good asset management is having comprehensive and meaningful data about property. Data is a key driver which supports good decision making, performance monitoring and operational and strategic planning. The Council continues to develop the quality and quantity of data it holds about property assets.

A consequence of the continued refinement of the Council's property data is that some of the facts and figures referred to in this report are similar, but not identical to the information presented in the previous version of this property asset management plan.

The classification of some of our properties has changed over time, as does the accounting value of all property assets which is regularly assessed and updated. The cost of maintenance varies, the unit cost of energy changes and perhaps more importantly, so does the actual energy an asset uses. This may be as result of changes in service delivery or it might be due to other external factors such as legislation. The key message to take from all of these variables is that change is a natural consequence of the Council's activities and we endeavour to manage change in a professional and effective way, including property asset management.

3.2. Strategic Overview

The key strategy in respect of our approach to asset management is set out in the Corporate Asset Management Plan 2019 to 2023. That plan identifies the main types of asset which require effective management to ensure all assets assist the Council to deliver on its objectives.

The primary objective of this Property Asset Management Plan, which sits below the Corporate Asset Management Plan along with other individual asset plans, is to manage the Council's property assets effectively and efficiently to deliver on Council objectives by ensuring the most appropriate properties are available to all service delivery partners. This continues to be a critical necessity given the local and national economic context.

3.3. Governance

In 2017 a review of our governance process for property management resulted in an increased level of delegation being awarded to the Executive Director of Corporate Services for property related decisions. The revised Scheme of Delegation has been in operation since early 2018 and has enabled faster, more responsive and efficient decision making on a wide range of property matters such as sales, acquisitions, commercial and community leasing. A report on the implementation of the new governance arrangements was considered and endorsed by the Asset Management Sub-committee at a meeting in March 2019.

3.4. A Corporate Approach to Property Asset Management

In line with good practice, the development of a corporate approach to property asset management has enabled the Council to take a stronger corporate view with oversight across all service area needs. A corporate approach to property management is now embedded in many aspects of the Council's procedures and we will continue to develop and refine this approach.

The Property Asset Management Plan 2019 to 2023 sets out the proposed objectives and processes required to continue to develop and deliver a corporate approach to property asset management. The following sections of this plan highlight the key tasks and issues to be considered including property performance, benchmarking, strategic and capital planning and the effective day to day management of property.

An Action and Implementation Plan is detailed in section 11 of this document which will be developed, refined and delivered as work on property asset management progresses.

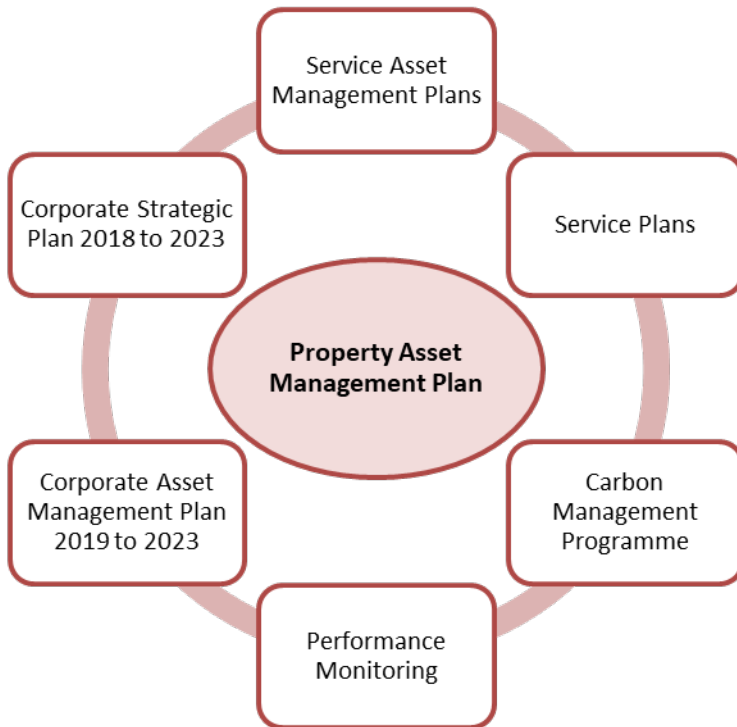
3.5. Effective Property Asset Management

Effective property asset management is vital in addressing a number of key challenges for our property portfolio. Property assets must be used to maximise benefit to service areas in the most efficient and effective manner. The exception is where property assets are held for investment purposes rather than for service requirements and in this case the focus will be on balancing the financial return against revenue costs incurred on maintenance.

Strategic asset management of our property assets can be summarised as follows:

- Ensuring properties are managed effectively and demonstrate that they deliver best value.
- Linked with changing business, corporate and organisational objectives.
- Maintaining and improving the portfolio of properties as required to support the delivery of Council services through a variety of service delivery models, including co-location and joint working with partners.
- Compliance with statutory obligations such as the Equalities Act 2010 and health and safety standards.
- Ensuring the property portfolio meets the current and future needs of local communities.
- Ensuring the property portfolio can meet, or exceed, sustainability targets.

The diagram below shows the relationship between this property asset management plan and the Council's other key strategies which are in turn linked to the development and implementation of actions arising from this plan.



3.6. Defining the Decision Making Process

The diagram below shows the corporate property asset management ethos which will encompass all property related decisions. Corporate management of property assets must consider stakeholders, service areas and the performance of property including its cost and value.



The needs of stakeholders are reflected in the Council's objectives and those of each service area through various service plans. Analysis and reporting of property performance and its associated revenue cost to sustain and maintain an appropriate operating environment must be sufficient to enable strategic review and decision making at regular intervals.

The Council's governance arrangements for property has been reviewed and is now better aligned with a corporate approach to property asset management.

The Council's Corporate Asset Management Plan 2019 to 2023 sets out a framework for asset decisions to be made. The proposed property decision making process is replicated here:



4. Asset Management

4.1. Approach to Property Asset Management

Centralising day to day property asset management in one service area allows for the overarching corporate strategies outlined in this plan to be evenly and equally applied across all service areas and eases the burden of property management resources used within a wide variety of service areas.

The strategic lead for property and asset management sits within the Corporate Services directorate. The Head of IT and Facilities is the lead property asset manager with responsibility for administering the Council's strategic property management and ensuring that corporate efficiencies are delivered.

4.2. Operational Property

Operational property is defined as property (land or building, or part of a building, or both) used in the production or supply of goods or services or for administrative purposes. That is, property from which the Council delivers a service directly or uses in the delivery of a service in the event that the service is delivered at another location. For instance, schools, care homes and the Council Offices at School Place are examples of operational property. Depots and workshops used by the Council to support roads maintenance and waste collection services are also operational even though services are not delivered directly to the public at these locations.

As of June 2019 the Council manages 226 operational assets, which includes 196 buildings with a gross internal floor area of 134,110m², an increase of 12,908m² (10.6%)

compared to the last plan. The condition of these operational property assets can enhance or adversely impact on the quality and range of services delivered. These statistics can change at any point in time due to changes in operational service delivery arrangements. For example, when the new care home in Stromness becomes operational in early 2020 the existing facility at St Peters House will close with a net increase in operational floor area but no change in the number of operational properties overall – the new facility is larger and the old care home will no longer be classified as operational when the new care home opens.

In real terms, whilst the floor area and quantity of assets has increased compared to the previous assessment in 2016, our expenditure per square metre has reduced by £3 per square metre.

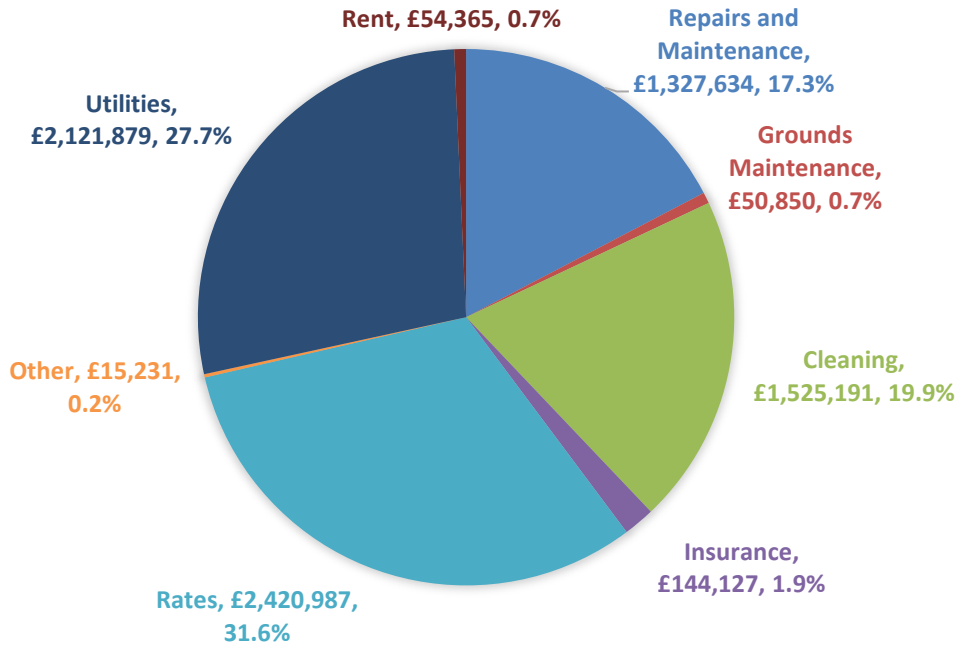
16 operational assets are leased in from the private sector and these include ground leases, office accommodation, an industrial unit and residential care facilities. The annual cost to the Council of leasing in property is currently £54,364.56 in rental costs in addition to revenue costs incurred on other property elements such as rates, insurance and maintenance. This represents a reduction of approximately £38,000 per annum in rental costs when compared to the previous plan.

Operational property is a significant issue for the Council, especially given our remote, rural geography and the spread of our community across many populated Islands, including the Orkney mainland. We require a wide variety of type and size of property, some multipurpose and some specialised, for the delivery of services.

Some operational property must be located at specific places within our community, such as schools and ferry waiting rooms for example, whereas the location of other operational property assets is flexible and has little impact on service delivery. Some operational property is required to deliver statutory services and other operational property supports discretionary services.

The Council spends £7.64M per annum on operational property, as detailed in the graph below.

OPERATIONAL PROPERTY - REVENUE COSTS



A Repairs and Maintenance budget of £1.32M is spent each year in addition to expenditure on capital projects to improve the customer experience, to provide a safe and comfortable working environment for staff and implement changing service delivery requirements which may arise through service improvement or legislation.

Assets from which Council Services are delivered (Operational Property):

Number of Assets.	226.
Gross Internal Area.	134,110m ² .
Asset Net Book Value.	£188.53M (not market value).

A summary of the type and number of the Council's operational land and buildings is shown below:

Property Type	Number
Airfield and Building	6
College	3
Community Centre	5
Day Centre	7
Depot	7
Hostel (School)	1
Industrial	6

Property Type	Number
Land	22
Leisure Centre/Facility	12
Library	2
Lighthouse	1
Linkspan	9
Museum/Visitor Centre/Exhibition	11
Office	16
Outdoor Centre	3
Pre-school Facility	1
Public Convenience	21
Public Garden	1
Quarry	3
Radar Station	5
Religious Building	2
Residential Care Home	9
School	22
Store	19
Travel Centre	1
Waiting Room	1
Waiting Room & Public Convenience	22
Waste Management	7
Workshop	1
Total	226

More information about the Council's operational land and property is included in Appendix 1.

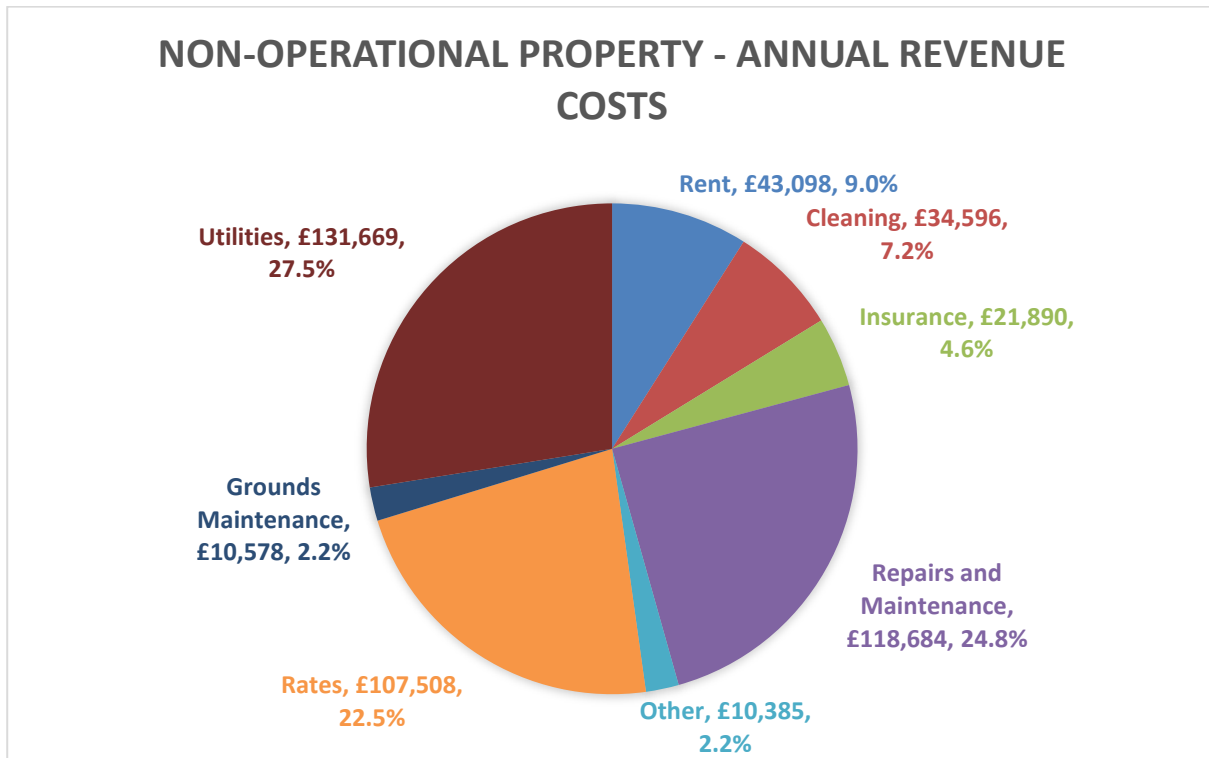
4.3. Non-operational Property

Non-operational property is defined as property which isn't used for the direct delivery of services. This classification also applies to land held for long term capital appreciation, land held for an undetermined future use and property which is currently under construction, development or redevelopment for future use for investment purposes.

Non-operational property includes the Council's investment portfolio which includes industrial estate sites and buildings.

The Council owns 170 non-operational land and property assets, comprising 86 buildings and 84 land assets. This includes 127 non-operational investment property assets which are leased, or are currently available to lease, for investment purposes in addition to a number of strategic land and property assets.

The Council spends £0.47M per annum on non-operational property, as detailed in the graph below.



The Council's non-operational investment property generates an income of approximately £1.55M per annum. Non-operational investment property also consumes large revenue and capital resources in maintenance ranging from minor works required at tenancy change to major works which may be required to modernise aging property, and to ensure investment property assets remain in a desirable condition to appeal to potential new tenants.

The Council operates a letting policy in respect of its 76 industrial estate property assets which supports businesses operating in key industry areas. The primary sectors which the Council strives to support are:

- Manufacturing (primarily for export).
- Renewable energy.
- Business sector where the market is outside Orkney or there is no service locally.

In addition to the above criteria consideration is also given to businesses which assist the Council in its objectives to:

- Diversify the economy.
- Raise average wage rates.
- Overcome barriers to export.

The Council's non-operational properties can be used to support local economic development opportunities such as new business developments, growth and skills enhancement. Reviewing the performance of non-operational investment properties will drive decisions on future investment requirements.

Non-operational Property Assets:

Number of Assets.	170.
Gross Internal Area.	37,006m2.
Asset Net Book Value.	£21.37M (not market value).

More information about the Council's non-operational land and buildings is included in Appendix 2.

4.4. Surplus Property

Service requirements for assets change over time, sometimes relatively quickly and at other times more slowly. Financial pressure on service delivery budgets encourages services to plan ahead, enabling early identification of a potentially surplus asset and allowing an action plan to be developed and implemented before the asset stops being useful. This helps minimise any delay with marketing surplus property for sale or reallocating it to another service.

Disposing of property assets which are no longer required for any purpose can generate a capital income, reduce revenue expenditure on property costs and reduce the management burden on the property team. Releasing surplus properties provides opportunities for the private sector to utilise these assets for a variety of purposes including commercial use, development or residential.

An overview of our approach to the identification and management of surplus property is shown below.



The principles of the surplus property process outlined above remain unchanged since the previous plan. We are committed to planning effectively to minimise revenue costs and release surplus property to the community where disposal is the preferred option.

5. Current Property Asset Performance

Performance indicators are an important part of monitoring the status and areas of change of the Council's property assets as the better we understand our property portfolio, the better we are able to manage it.

The Council's asset management software (Concerto) enables effective monitoring of our property assets performance. Regular and effective property performance monitoring across the portfolio helps to identify those assets which are underperforming. This informs the capital planning process so that resources can be directed to the areas of highest priority.

The Head of IT and Facilities will continue to lead on the monitoring and review of property asset management outcomes and actions and will report regularly to the Asset Management Sub-committee and the Executive Director of Corporate Services.

5.1. Energy Performance

The Council is committed to reducing our carbon emissions through the Council Plan 2018-2023 in which a clear objective to achieve a low carbon Orkney is stated. We support that objective through our management of carbon emissions from our property portfolio. Between 2006 and 2019 the Council achieved an 20% reduction in emissions from the baseline which was established in 2004-05

In May 2007 the Council committed to a carbon emissions reduction target of 11% by 2014. In April 2016 the Council approved a new Carbon Management Programme for the period 2016 to 2026 which will continue to drive efficiencies and improvements in carbon emission levels across all areas of the Council including properties, vehicles, ferries, waste management and more.

The Council is a signatory to the Scottish Climate Change Declaration and we recognise the importance of following best practice to secure efficiencies and improvements

necessary to enable us to deliver on our carbon emission target. By transitioning to a low carbon Council we aim to make ourselves more resilient from the fluctuating wholesale energy market and by increasing our use of locally generated electricity we can potentially secure savings in revenue expenditure.

Orkney now generates over 100% of our electricity demand each year, and this net export helps reduce the national grid carbon intensity. Orkney does not have access to the natural gas grid so the Council recognises the importance of electricity as a heating fuel.

Where buildings are fitted with renewable energy systems such as wind turbines and solar photovoltaic these systems help offset fossil fuel heating and so reduce our fuel costs and carbon emissions. Where possible heat pumps are used in preference to oil boilers, this again reduces the Council's heating emissions. All new build properties are now fitted with heat pumps and where boiler plant needs to be replaced heat pumps are considered as the default option.

In April 2016 the Council formally signed up to the 'Building Innovative Green Hydrogen systems in an Isolated Territory' project (BIG HIT) which is a partnership arrangement spanning six EU countries and able to access European funding to invest in projects which are based around hydrogen technology. Part of the project includes consideration of introducing hydrogen as a heating fuel source within publicly owned buildings. Shapinsay Primary School has now been fitted with a 30kW catalytic hydrogen boiler system which will heat the school classrooms when the system is commissioned late 2019. The project will also look at the use of hydrogen technology in vehicles and ferries in addition to exploring property options. Scottish Government have recently announced funding for a new build Hydrogen powered ferry trial which will take place in Orkney.

Orkney Islands Council is committed to electrification of transport and in conjunction with the Scottish Government has installed a network of Rapid and Standard charging points in public car parks and public buildings through the county. The programme is set to continue with another six charge points due to be installed in 2020. The council currently operates a small fleet of electric vehicles, which also included a number of Hydrogen fuel cell electric vehicles.

Orkney Islands Council is a partner in the UK government innovate programme, the ReFLEX (Responsive Flexibility) project aims to increase the flexibility and availability of renewable energy generated within a constrained area (in this case the Orkney grid). In order to do this a variety of technologies are to be employed to increase on site storage and manage energy usage. For Council assets the impact is through the upgrading of Building Management System hardware and software which will be used to measure building performance and energy usage. These results will be used as a guide to which buildings are underperforming and require either a fabric upgrade or replacement heating plant. It is also hoped that the project will integrate with existing and planned renewable installations (both heating and generation) associated with Council buildings to reduce revenue costs and carbon emissions from our assets.

5.2. Condition

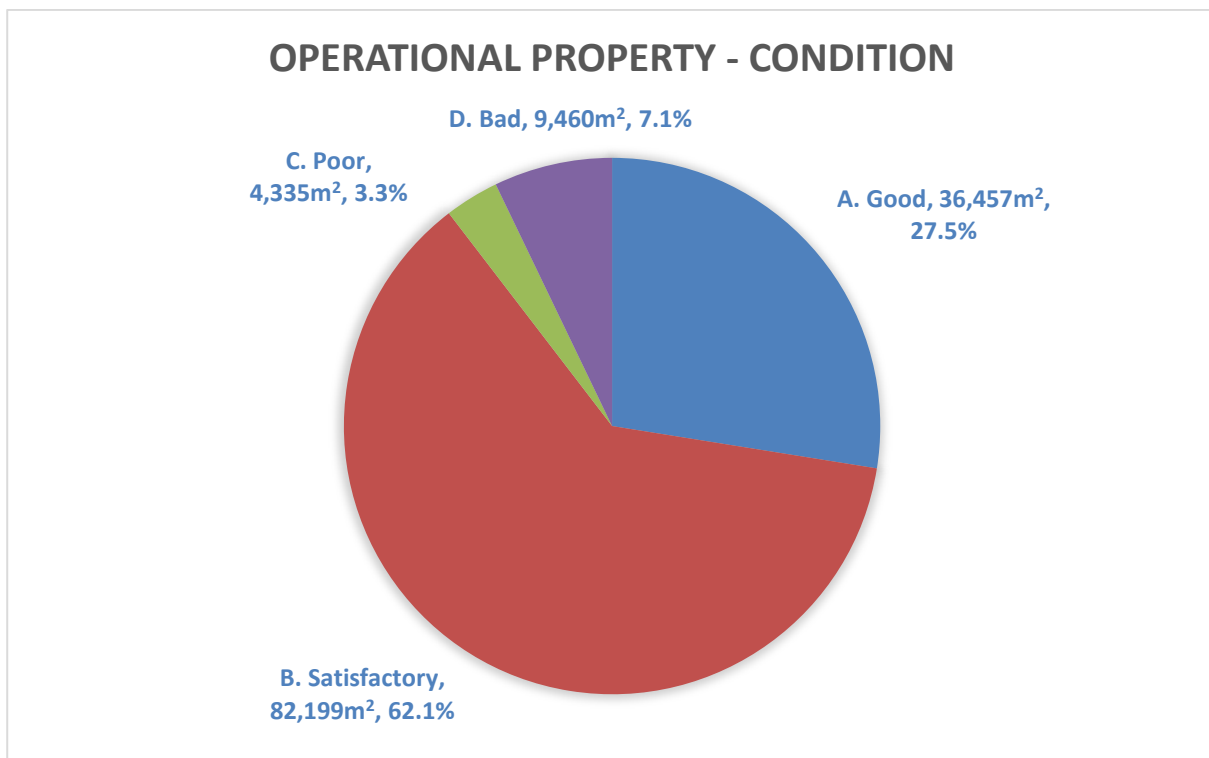
Condition is defined by the Local Government Benchmarking Framework (LGBF) as:

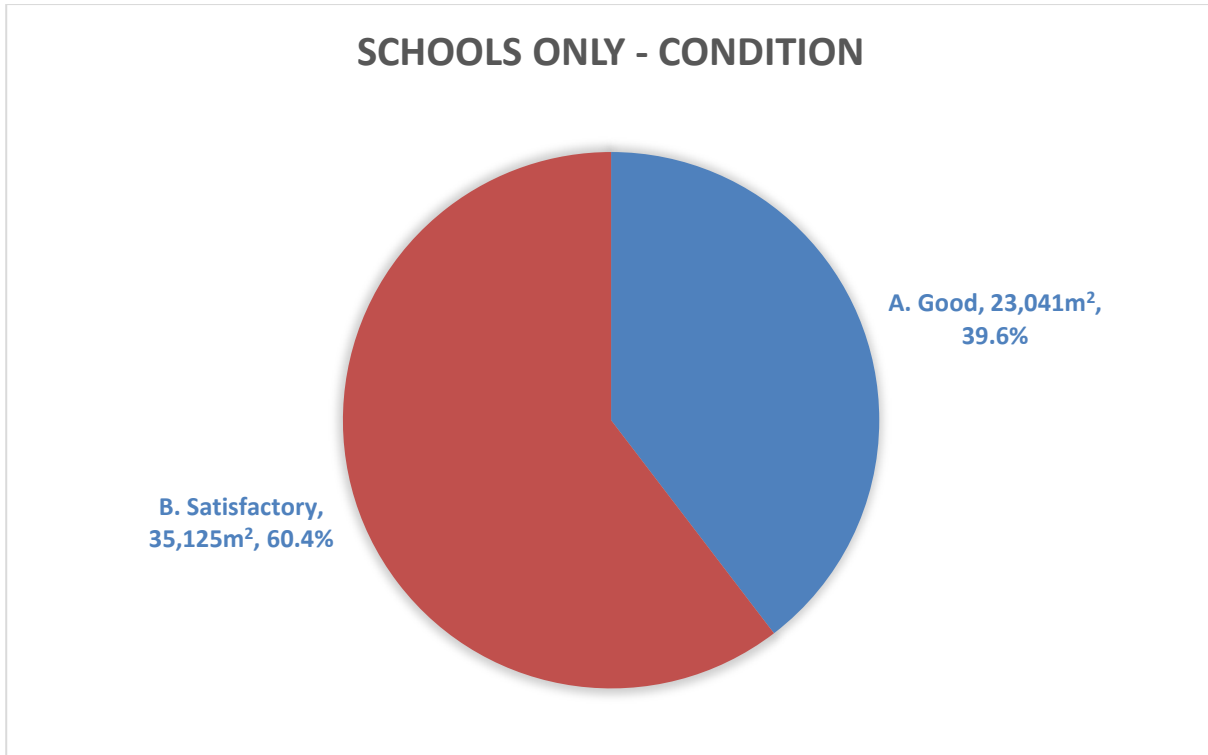
“the proportion of internal floor area of operational buildings in satisfactory condition”.

This indicator measures the percentage of gross internal floor area of operational accommodation which can be considered as either:

- A. Good – Performing as intended and operating efficiently.
- B. Satisfactory - Performing as intended but showing minor deterioration.
- C. Poor - Showing major defects and/or not operating as intended.
- D. Bad - Life expired and/or at serious risk of imminent failure.

Property condition surveys are prepared and updated whenever there is a change in the status or condition of an element of each operational property. The data arising from these surveys, along with ongoing inspections arising from day to day reactive maintenance, is compiled into annual investment programs which are prioritised and matched with service delivery requirements.





In 2016/17, 96.2% of the internal floor area of the Council's operational buildings was found to be in satisfactory condition (that is grade A or B).

The condition of the current operational property portfolio is shown above and indicates a reduction in position from the reported 2016/17 position. A total of 89.6% of the internal floor area of our operational buildings are in satisfactory or good condition (that is grade A or B), a reduction of 6.6% since the previous assessment. Information about each property assets condition rating is included in Appendix 1. It is worth noting however that the recorded floor area of operational properties has increased by 12,908m² (10.6%) as stated earlier in section 4.2.

The second graph above separately shows the condition of the Council's 22 operational schools, although this data is also included within the first graph as well. All of our schools are in satisfactory condition (that is grade A or B).

The reported condition of our property assets should not conceal the need to ensure adequate long term funding is required to sustain and improve upon the condition of the estate as it ages. It must also be noted that future changes in legislation may require greater levels of investment to maintain property in addition to the regular cost of maintenance and revenue outlays such as utilities and insurance.

5.3. Suitability

Suitability is defined by the Local Government Benchmarking Framework (LGBF) as:

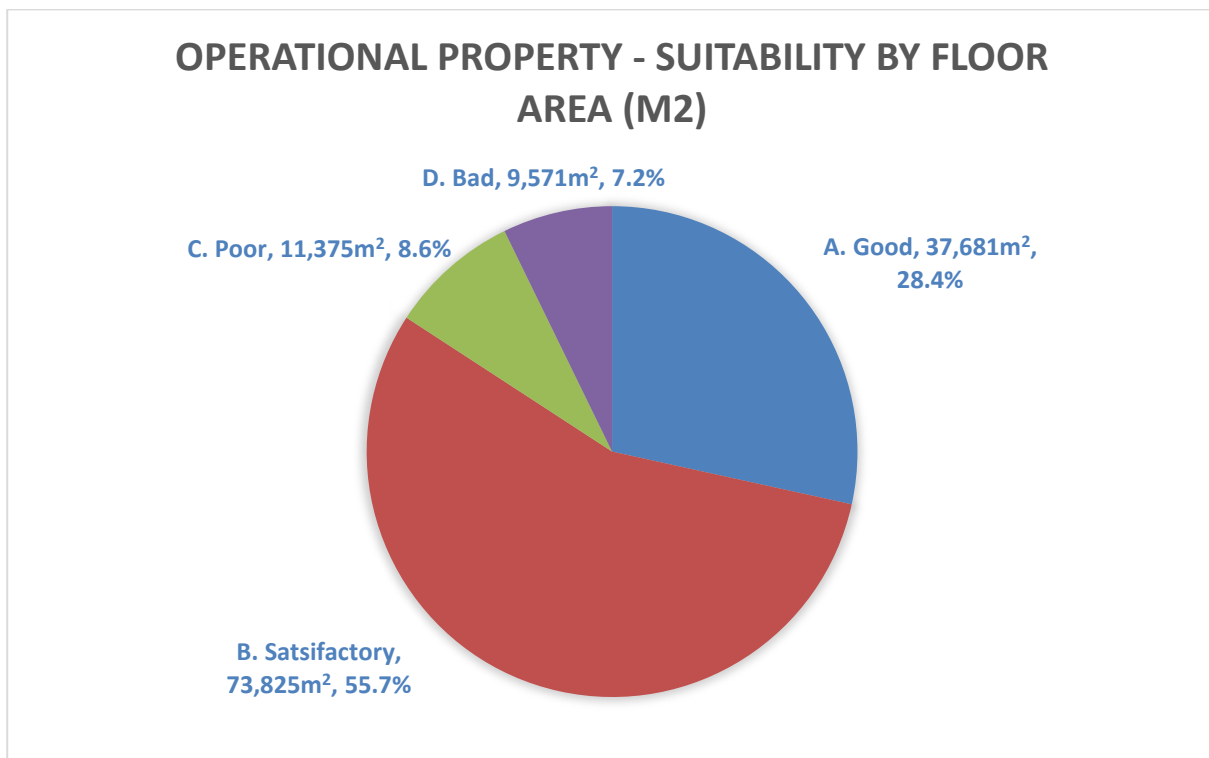
“the proportion of operational buildings that are suitable for their current use”.

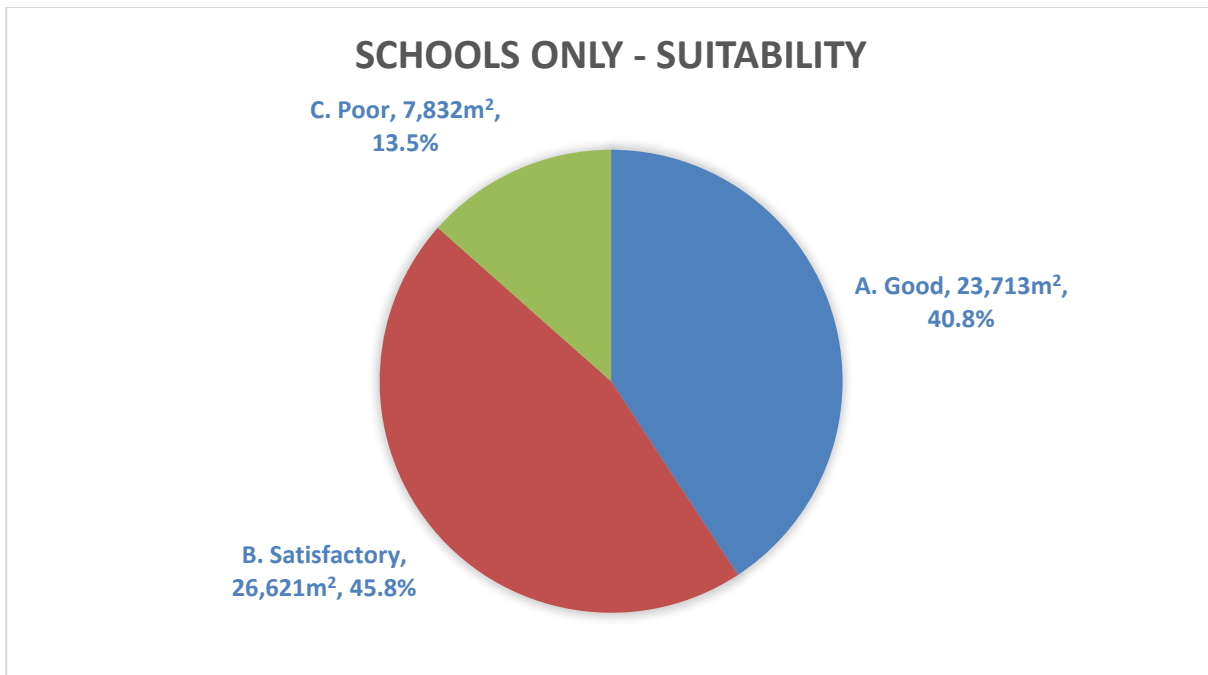
This is an assessment of the fitness for purpose of property and can prove difficult to measure accurately and consistently. Suitability goes beyond any question of condition and is concerned with how well an asset is suited to its current purpose. Suitability changes with use and therefore an operational property may achieve a low score for suitability for its current purpose however reshaping service delivery (or providing an entirely different service from the building) could result in a higher suitability score without the need for investment.

Suitability assessments are ranked as either A, B, C or D:

- A. Good – Performing as intended and operating efficiently.
- B. Satisfactory - Performing as intended but showing minor deterioration.
- C. Poor - Showing major defects and/or not operating as intended.
- D. Bad - Life expired and/or at serious risk of imminent failure.

Suitability assessments are carried out at a maximum of 5 year intervals or where a change of use occurs at a property. The Local Government Benchmarking Framework definition is “suitable for its current use” and means it is assessed as either performing as intended and operating efficiently or performing as intended but showing minor deterioration (i.e. being in Category A or B of the noted condition category). The measurement of suitability requires that the properties meet any statutory requirements (including health & safety requirements) as well as the operational requirements of the service.





In 2016/17, 89.6% of Council buildings were found to be suitable for their current use.

The suitability of the current operational property portfolio is shown in the first graph above and shows an improved position from that reported in 2016/17 stated above. A total of 84.1% of the internal floor area of our operational buildings is satisfactory (that is grade A or B), a reduction of 5.4% since the 2016/17 assessment.

The second graph above separately shows the suitability of the Council's 22 operational schools, although this data is included within the first graph as well. 86.6% of our schools floor area is satisfactory (grade A or B), an increase of 1% compared to the previous assessment in 2016/17. 13.5% of schools are rated as Poor (grade C), which is an improved position compared to the 2016/17 assessment.

5.4. Condition and Suitability Performance

The following table shows the current overall performance of operational property in respect of condition and suitability.

Suitability Grade	D	-	-	-	6
	C	1	8	15	1
	B	1	118	14	-
	A	27	5	-	-
Per Building		A	B	C	D
Condition Grade					

High performing operational property is graded A or B in one or both categories. The Green shaded boxes show that 151 (77%) of operational properties are performing well.

38 (19.4%) properties are in the Amber area of the table which shows these properties are not performing at a satisfactory level and if no corrective action is taken within an appropriate timescale the grades will be revised down.

7 (3.6%) properties are performing very poorly and are located in the Red area of the above table. Information about each property assets condition and suitability rating is included in Appendixes 1 and 2.

The Council works hard to sustain and improve the Condition and Suitability of our operational property portfolio and identify opportunities for reshaping the operational property portfolio to best suit service objectives within available budgets.

5.5. Operational Property Revenue Costs

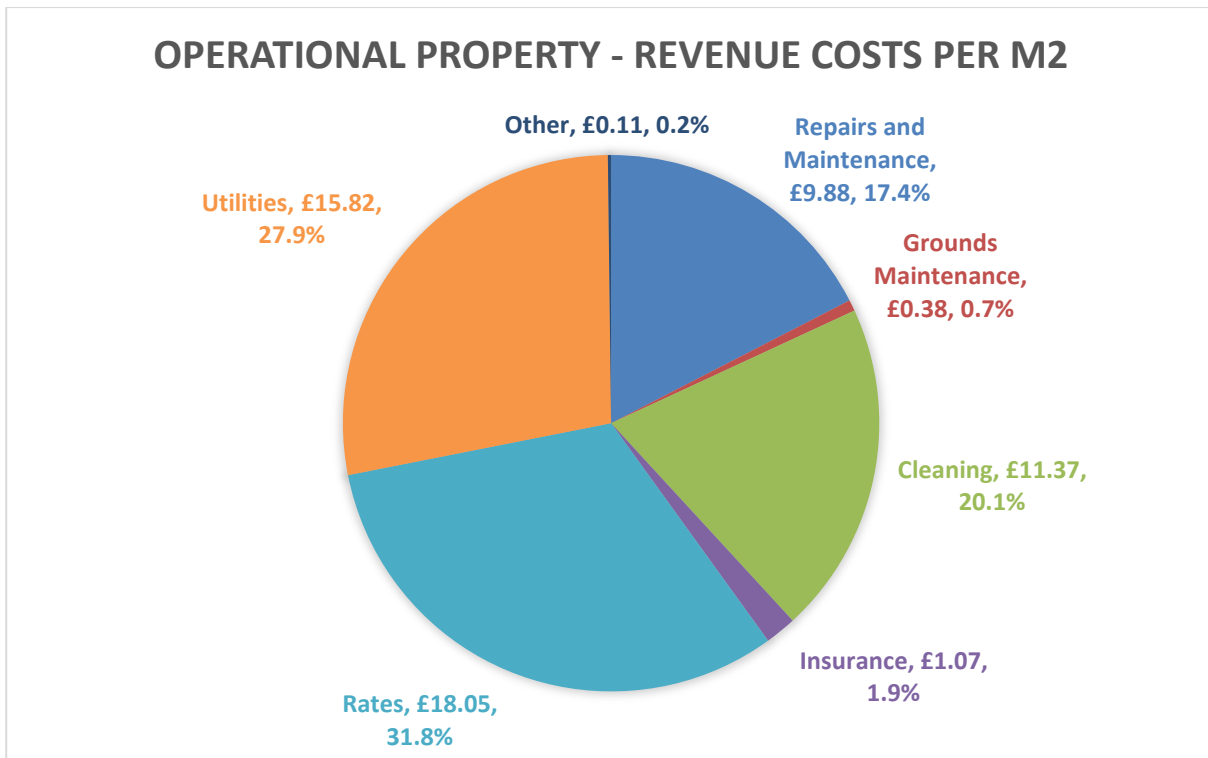
The revenue cost of the Council's operational properties equates to an expenditure of £56.69/m² which is further explained in the graph below. The Council has 134,110m² of operational property comprising 196 buildings which deliver the full range of services provided by the Council.

The Rates component is unavoidable in so far as our occupation of buildings incurs Rates at a fixed cost. Reducing expenditure on Rates could only be achieved by occupying less property.

Insurance is a relatively small component of the revenue cost per m² and is managed through competitive tendering in accordance with the Council's financial regulations.

Repairs and Maintenance (R&M), Cleaning and Utilities (electricity, water, heating etc) are the main cost elements which are within the Council's control and therefore these are the elements which we can plan to reduce. These elements account for £37.07 (65.4%) of the total revenue cost per m².

We will endeavour to minimise revenue expenditure on operational property through effective competitive tendering for maintenance work and capital projects, identifying underperforming property and reviewing opportunities to make changes to the operational portfolio to improve performance in line with corporate objectives and service delivery requirements.



5.6. Accessibility

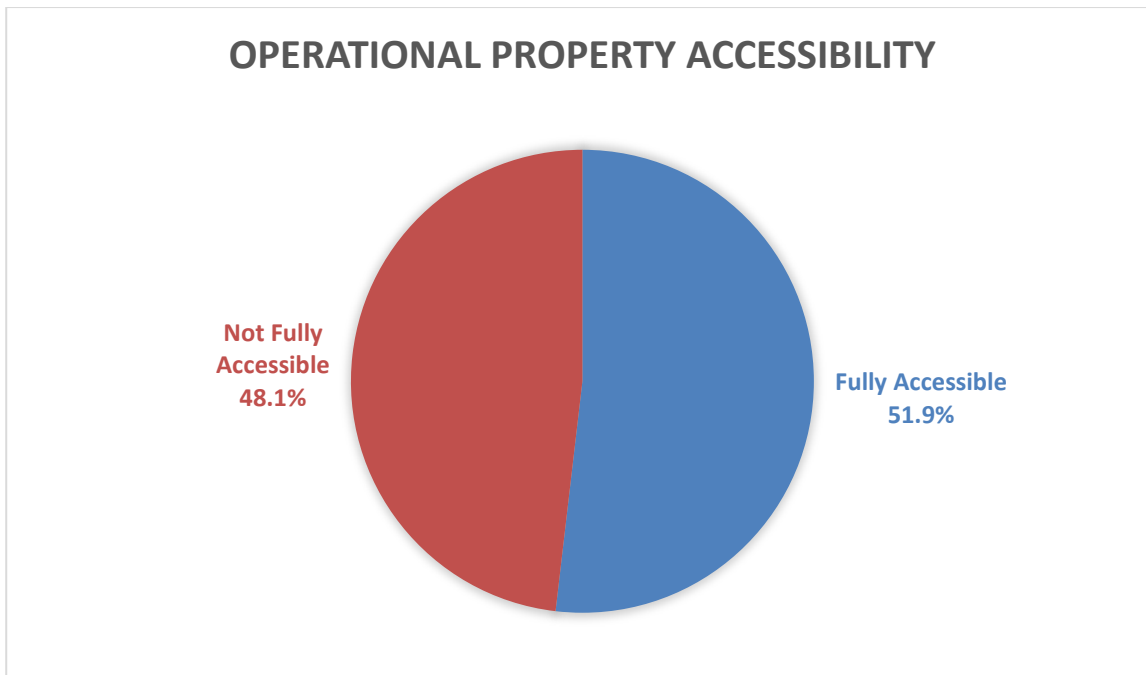
The Equality Act 2010 serves a number of purposes including imposing a duty on employers and service providers to make reasonable adjustments to overcome barriers in gaining and retaining disabled employees and ensuring equal public access to goods and services.

The legislation requires the Council to take all reasonable steps to reduce and eliminate the physical barriers in respect of access to and use of goods, facilities and services including access to public buildings, leisure facilities, to healthcare, housing and transport.

An assessment of the accessibility of the Council's operational property assets has been carried out and the current status is shown below.

This indicator measures the percentage of Council buildings which are accessible to the public and the percentage of these in which all public areas are suitable for and accessible to disabled people. It should be noted that not all of our operational buildings are accessible to the public and therefore these are excluded from the assessment.

The graph below shows that currently 51.9% of the Council's operational properties are considered to be fully accessible.



The remaining 48.1% of our operational property is not yet fully accessible. This is attributable to small scale improvements which have not yet been able to be implemented, and in some cases is due to significant alterations being required which have not been implemented to date.

The analysis does not reflect those properties which are almost fully accessible but fall short on one or more minor point.

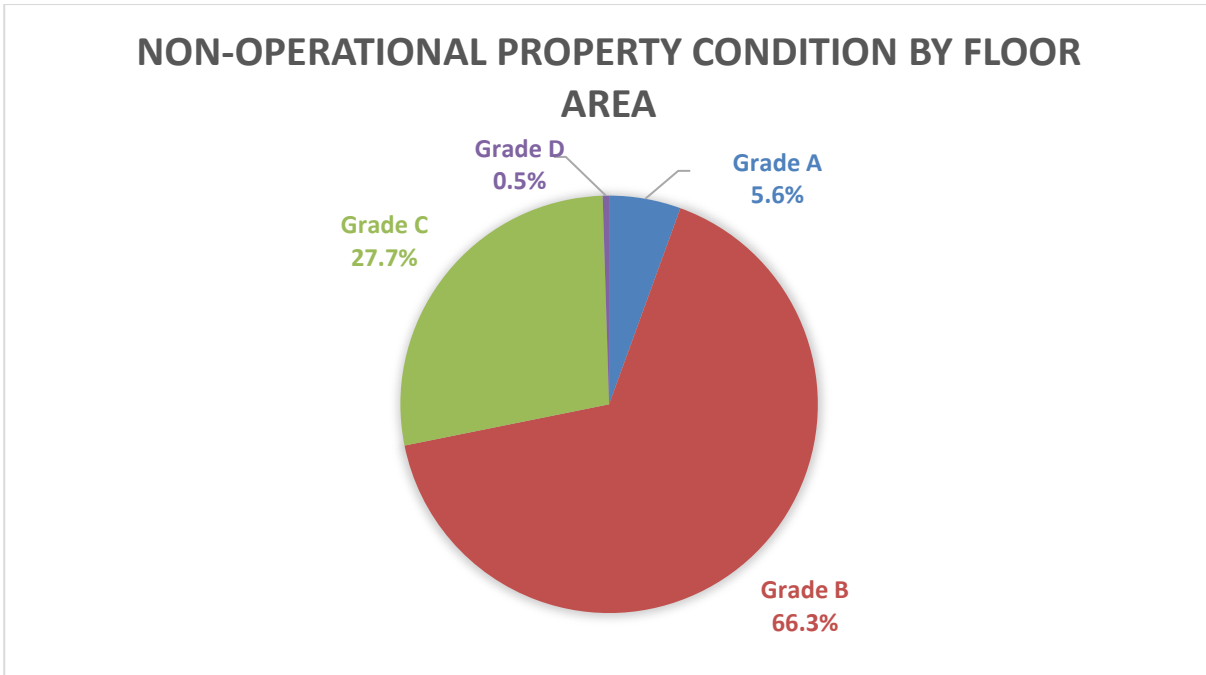
We need to identify what improvements are required to be carried out and to find alternative solutions where the delivery of this objective isn't achievable. In addition to ensuring that publicly accessible property meets an appropriate standard, we will also deliver a high quality and accessible working environment for staff.

5.7. Performance of the Non-operational Property Portfolio

The Council owns 170 non-operational land and property assets, comprising 86 buildings and 84 land assets.

We will monitor key aspects of performance of the non-operational property portfolio however as this type of property is typically used by third parties the Council isn't normally responsible for the revenue costs such as rates, utilities and repairs and maintenance. In the event that a non-operational property is vacant the Council will be responsible for revenue costs during the vacant period, and ensuring appropriate maintenance is carried out to preserve or improve the physical condition of the vacant property. In this circumstance the Council will incur revenue costs.

The graph below shows the condition of the Council's non-operational buildings by floor area, using the same A to D grading system as mentioned earlier in this section. Suitability isn't assessed for non-operational buildings as there are no public services are being delivered.



62 (71.9%) non-operational buildings are in Good or Satisfactory condition (grade A or B), 21 (27.7%) are in Poor condition (grade C) and 2 (0.5%) are in Bad condition (grade D). Information about each property assets condition rating is included in Appendix 2.

Our non-operational portfolio needs to be fit for purpose and be able to generate an acceptable rate of return whilst supporting local business needs including new starts, expansion and the development of new industries not currently present. Non-operational property will be subject to regular performance reviews which will facilitate early identification of underperformance and enable forward planning to be carried out to secure and develop the portfolio in line with objectives.

6. Capital Programme

The Council's capital investment programme details the planned capital investment for non-housing services. The approved capital programme relates primarily to major investment in the social care, education and museum property estate.

The Council carries out a robust capital planning process to determine which capital projects need to be added to the programme. The appraisal process ensures that adequate financial planning is carried out before a commitment is given to include a project on the programme. A corporate approach to property asset management will support the current scrutiny and monitoring of the capital programme appraisal process.

7. Financial Outlook

The Council will continue to face financial challenges in the years ahead which means that effective and efficient use of high cost assets such as property remains a significant factor in the efficient delivery of services.

Property assets are very illiquid, meaning they cannot be constructed, demolished, refurbished, disposed of or acquired quickly. This means that forward planning and

identifying future needs is essential to secure existing levels of service delivery and to provide efficient and effective budget management.

Reducing the operational property portfolio will have an impact on some aspects of service delivery and it is therefore essential that any proposed changes are properly planned, managed and implemented within existing resources, and that any changes which impact on the public are fully consulted on.

The Council led an initiative to establish the Joint Property Asset Management Operational Group with community planning partners. The group aims to enable public sector and community agencies in Orkney to improve services through better use of buildings and other property assets by sharing information and working together to develop proposals for use and disposal. The partners recognise the need to work more closely together on property matters to ensure the best use of assets can be delivered across a wide range of public funded organisations.

Property asset management has been identified by the Council's Change Review Team as a key priority area for making revenue savings to the Council's General Fund budget. Savings across a number of budget areas may be identified and quantified as the actions of this plan are progressed.

It is therefore essential that a delivery strategy is developed at an early stage rather than delaying action to avoid being forced into making radical and substantial changes unexpectedly at short notice. We therefore seek to identify potentially surplus property assets which can be released for disposal and review our use of and need for property assets to ensure our corporate objectives and service delivery targets can be met.

8. Review of Asset Management Objectives

In 2009 Audit Scotland made some observations about asset management and recommended that Council's should:

1. Have effective asset management plans and strategies in place.
2. Ensure asset information is up to date, complete and held in an accessible format.
3. Establish robust monitoring and reporting procedures for asset performance.
4. Take whole-life costs in to account in their financial planning.
5. Have effective scrutiny mechanisms in place.
6. Have arrangements for joint asset management planning with community planning partners.

This Property Asset Management Plan builds on the previous version of this plan and the Corporate Asset Management Plan 2019 to 2023, which has been published recently.

The following section provides an update to the Audit Scotland recommendations listed above and the Council's current position. Whilst some elements of the objectives above have been achieved there remains areas in need of further development.

8.1. Effective Asset Management Plans and Policies

Both the Corporate Asset Management Plan and the Property Asset Management Plan have been successful at raising the profile and effectiveness of good asset management. Governance around property related decisions is much clearer and has become a well-established feature of decision making.

Changes in property decision governance were introduced in 2018 and enables many more operational decisions to be taken more efficiently and quickly than previous arrangements allowed. Property decisions are clearly defined within the Council's Scheme of Administration and Scheme of Delegation, which provides much needed clarity and efficiency for everyone.

8.2. Accurate Asset Information

The process of compiling property asset data from a wide variety of sources across the Council to aid the development of this Property Asset Management Plan continues to be particularly challenging due to the variety of ways in which property data is stored, handled and managed across the Council.

It remains a priority to ensure the property database system (Concerto) is populated and used in the most effective and efficient way. Achieving this outcome will require a concerted effort across a number of services to ensure continuity and accuracy of property data is established and maintained. Work is at an advanced stage to ensure the core property data is accurate and consistent across all property types. Achieving this will allow more effective assessment of properties to be carried out with less reliance on obtaining and matching up data from other sources, which is time consuming and less reliable.

8.3. Monitoring and Reporting Asset Performance

Annual reports on planned capital and revenue maintenance programmes are submitted for approval to the Asset Management Sub-committee. These reports provide an overview of the current condition and ongoing maintenance requirements of properties however they are not a good substitute for regular assessment of performance.

The current lack of easy access to a range of property costs at a corporate level makes it difficult to monitor financial and physical performance at regular intervals. An important outcome of improved property data quality will be more regular analysis of performance, leading to earlier intervention and decision making around any underperforming assets.

8.4. Financial Planning

The need to adequately budget for the effective and efficient use of property assets remains as important as ever as service budgets are under increasing pressure. Corporately driving services to have a clear understanding of their property needs and the costs and implications of holding property for service delivery ensures that the most effective and efficient budgeting can be undertaken at an early stage.

The Council operates a robust two stage Capital Project Appraisal process when funding for a major capital project is sought. Part of the appraisal process involves demonstrating the revenue implications of the proposed development however there are sometimes poor

linkages between early design work and final outcomes which limit the accuracy of the revenue expenditure predicted within the appraisal process. Other factors sometimes change the real revenue position once a new development becomes operational, for example rising energy costs since predictions were initially made.

It is essential that we monitor property revenue cost data effectively across the property portfolio as this analysis can also be a good indicator of future revenue costs in new developments.

8.5. Community Planning

The Council has a long history of working closely with community partners and continues to work co-operatively with Partnership Board members as and when the need arises.

In 2018 a new group comprising community planning partners was created to enable public sector and community agencies in Orkney to improve services through better use of property assets by sharing information and working together to develop proposals for use and disposal. The Joint Property Asset Management Operational Group meets several times a year and provides opportunity for collaborative working between partners and provides an opportunity for wider community benefits to be realised more effectively and efficiently than going solo.

An objective of the group is to share core property data between the partners which can bring improved use of facilities, for example sharing meeting rooms at a wide range of locations, and identifying potential collaborations, or disposal of surplus property which might be of use to a partner of the group.

The current group membership includes:

- Orkney Islands Council.
- NHS Orkney.
- Highlands and Islands Enterprise.
- Orkney Housing Association Ltd.
- Orkney Health and Care.
- Scottish Fire and Rescue Service.
- Police Scotland.
- Skills Development Scotland.

9. Digital Land and Property Data

It is an aspiration of the Scottish Government that accessing all land and property ownership across Scotland is easily accessible and available to all. The government proposal will provide better access to information to support decision making, while improving accountability and transparency and will create wider social and economic benefits through innovative use of data.

The Council will continue working on its land and property ownership data to ensure that accurate and appropriate information is available and can be easily shared through a national database once developed. The Council's land and property data will need to be

held in a form which is easily accessible through the proposed new database however that is not expected to present any significant problems and is likely to use industry standard property data formats which the Council is already using.

10. Community Empowerment and Asset Transfer

Orkney Islands Council recognises that community asset transfer of publicly owned land and buildings can play a positive role in bringing voluntary and community organisations together to improve the quality of people's lives and provide better services and provides the Council with a mechanism to empower communities and strengthen their sustainability. The Council is happy to consider any community proposal which can add value to the wider community.

Community ownership or control of land and buildings can make a major contribution towards strengthening communities and creating sustainable places to live. It provides a base for activities and services that might not otherwise be accessible to local residents, and can provide jobs, training and bring income to the local area. More widely, it can provide stability and sustainability for the community group, allowing them to develop new initiatives and support other developing groups and it can create a stronger sense of community identity, cohesion and involvement. The Council is keen to see empowered communities take on a significant role in developing community sustainability, particularly where enhanced local services are available or where existing services can be retained that might otherwise be lost.

The Council has a long history of supporting voluntary and community groups through use of its property, most commonly through leases which are offered on favourable financial terms. The community Empowerment (Scotland) Act 2015 assists community groups in accessing publicly owned land and property assets within their local community.

Part 5 of the Community Empowerment (Scotland) Act 2015 came in to force in January 2017 and introduces a right for community bodies to request any land or buildings they feel they could make use of. The legislation requires public bodies, such as the Council, to assess requests transparently against a specified list of criteria and to agree to the request unless there are reasonable grounds for refusal. Details of the Council's policy on complying with the Act can be found on the Council's website.

The Council will work closely with communities and partner agencies to identify opportunities for transferring publicly owned property into community hands, which may be in the form of long leases or through outright transfer of ownership. In all cases however, communities must be able to demonstrate that they have a good business case as well as the skills and resources to take their vision forward and deliver on their stated aims and objectives.

A corporately managed property portfolio will help to streamline the Council's decision-making process for community requests and will enable the Council to comply with legislation and to better support our local communities when robust and sustainable proposals are developed. The Council works closely with community partners such as Voluntary Action Orkney to advise groups and help them consider potential outcomes which they may wish to deliver.

11. Action and Implementation Plan

The Council's approach to property asset management is a key part of delivering services across Orkney. In order to ensure the provision of an effective, efficient and sustainable property portfolio to deliver those services it is essential that the following actions are implemented and that these actions form the basis of the Council's future service planning objectives.

Ref.	Corporate Objective.	Target Date.
AM1.	We will ensure property is managed as a corporate resource.	Ongoing.
AM2.	We will ensure all property investment and disposal decisions are based on a thorough option appraisal.	Ongoing.
AM3.	We will regularly monitor the performance of property and improvement targets.	Ongoing.
AM4.	We will ensure that property asset management information is collected, maintained and stored effectively.	Ongoing.
AM5.	We will ensure Best Value in the delivery of the property asset management service.	Ongoing.
AM6.	We will ensure that property meets the Council's corporate objectives.	Ongoing.
AM7.	We will consider the needs of stakeholders.	Ongoing.
AM8.	We will ensure our property portfolio is suitable and sufficient.	Ongoing.
AM9.	We will ensure properties are maintained in an appropriate condition.	Ongoing.
AM10.	We will ensure that properties comply with legislation requirements.	Ongoing.
AM11.	We will ensure properties are accessible.	Ongoing.
AM12.	We will ensure that space is used efficiently and effectively.	Ongoing.
AM13.	We will ensure that the revenue cost of property is minimised.	Ongoing.
AM14.	We will ensure that investment properties generate a revenue income.	Ongoing.
AM15.	We will manage surplus properties effectively and efficiently.	Ongoing.

There are also a number of specific actions which must be progressed to enable the Council to meet its obligations and be well placed to manage the whole property portfolio effectively and efficiently:

Ref.	Corporate Objective.	Target Date.
AM16.	Ensure property ownership information is recorded in the Register of Scotland (action led by Legal Services with input from Estates).	Ongoing.

Ref.	Corporate Objective.	Target Date.
AM17.	Undertake regular surveys and assessments to update Condition and Suitability performance indicators.	Ongoing.

12. Appendix 1 – Operational Property

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Birsay Hostel, Caravan & Camping Site		Birsay	Outdoor Centre Hostel	Freehold	B	B	285	G	Yes
Birsay Palace Public Toilet		Birsay	Public Convenience	Freehold	C	C	8		Yes
Kirbuster Museum		Birsay	Museum/Visitor Centre	Freehold	C	B	127		Yes
Burray Pier Toilet	Burray Pier	Burray	Public Convenience	Freehold	C	C	10		Yes
Burray Primary School	Westermill	Burray	School	Freehold	A	B	720	B	Yes
Fourth Barrier Public Toilet	4th Barrier	Burray	Public Convenience	Joint Ownership	A	A	31		Yes
Westermill		Burray	Store	Freehold	B	B	598		
Mull Head Interpretation Centre	Mull Head	Deerness	Museum/Visitor Centre	Freehold	B	A	93		Yes
Dounby Primary School		Dounby	School	Freehold	B	C	3314	F	Yes
Dounby Public Toilet		Dounby	Public Convenience	Freehold	C	C	8		Yes
Dounby Recycling Centre		Dounby	Waste Management	Freehold	n/a	n/a			Yes
Land at Curcabreck		Dounby	Land	Freehold	n/a	n/a			Yes
Smiddybrae House	Dounby Care Home	Dounby	Residential Care Home	Freehold	A	A	2662	E+	Yes
Backaland Pier Waiting Room & Toilets		Eday	Waiting Room & Public Convenience	Freehold	C	C	14		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Breck Depot	Southside	Eday	Depot	Freehold	n/a	n/a			Yes
Eday Airfield & Building		Eday	Airfield & Building	Freehold	B	B	78		Yes
Eday Primary School		Eday	School	Freehold	B	B	468	C	Yes
Linkspan, Backaland Pier		Eday	Linkspan	Freehold	B	B	8		Yes
Marshalling Building & Site at Backaland Pier	Backaland Pier	Eday	Office	Freehold	A	A	89		Yes
Pier Store, Backaland Pier	Backaland Pier	Eday	Store	Freehold	C	B	23		Yes
Westside Road Site	Westside	Eday	Land	Freehold	n/a	n/a			Yes
Egilsay Pier Waiting Room & Toilets		Egilsay	Waiting Room & Public Convenience	Freehold	B	B	17		Yes
Aikerness Public Toilet		Evie	Public Convenience	Freehold	A	A	36		Yes
Evie Primary School		Evie	School	Freehold	A	A	1140		Yes
Cursiter Recycling Centre	Old Finstown Road	Finstown	Waste Management	Freehold	n/a	n/a			Yes
Finstown Changing Rooms	Finstown School	Finstown	Leisure Facility	Freehold	B	B	52		Yes
Finstown Public Toilet	Maitland Place	Finstown	Public Convenience	Freehold	A	A	32		Yes
Firth Primary School		Finstown	School	Freehold	A	A	1091	C+	Yes
Cursiter Quarry	Old Finstown Road	Firth	Quarry	Freehold	B	B	112		Yes
Gibraltar Pier Waiting Room & Toilets	Gibraltar Pier	Flotta	Waiting Room & Public Convenience	Freehold	D	C	17		Yes
Linkspan, Gibraltar Pier		Flotta	Linkspan	Freehold	B	B	8		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Graemsay Pier Waiting Room & Toilets	Graemsay Pier	Graemsay	Waiting Room & Public Convenience	Freehold	B	B	28		Yes
Corrigall Farm Museum		Harray	Museum/Visitor Centre	Freehold	C	B	213		Yes
St Marys Pier Toilets		Holm	Public Convenience	Freehold	C	B	21		Yes
Building No 4, Lyness (L4)		Hoy	Industrial Unit	Freehold	C	C	787		Yes
Building No 5, Lyness (L5)		Hoy	Industrial Unit	Freehold	C	B	232		Yes
Gallowhill Site		Hoy	Land	Leasehold	n/a	n/a			Yes
Hoy Centre		Hoy	Outdoor Centre Hostel	Freehold	B	B	606	E	Yes
Hoy Hotel		Hoy	Exhibition	Leasehold	D	D	80		Yes
Land at Millburn Bridge		Hoy	Land	Freehold	n/a	n/a			Yes
Linkspan, Lyness Pier		Hoy	Linkspan	Freehold	B	B	8		Yes
Longhope Pier Public Toilets & Shower	Lifeboat Station Pier	Hoy	Public Convenience	Joint Ownership	B	B	14		Yes
Longhope Pier Store	Longhope Pier	Hoy	Store	Freehold	B	B	67		Yes
Lyness Pier Waiting Room & Toilets		Hoy	Waiting Room & Public Convenience	Freehold	B	B	49		Yes
Moaness Pier Waiting Room & Toilets		Hoy	Waiting Room & Public Convenience	Leasehold	B	B	35		Yes
North Walls School & Swimming Pool		Hoy	School	Freehold	B	C	1250	F+	Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Rackwick Hostel		Hoy	Outdoor Centre Hostel	Freehold	B	B	67		Yes
Rackwick Public Toilet		Hoy	Public Convenience	Leasehold	B	B	12		Yes
Scapa Flow Visitors Centre & Museum - Lyness Oil Tank		Hoy	Museum/Visitor Centre	Freehold	C	C	961		Yes
Scapa Flow Visitors Centre & Museum - Lyness Pump Room		Hoy	Museum/Visitor Centre	Freehold	C	C	816		Yes
Scapa Flow Visitors Centre & Museum - Romney Hut, Lyness		Hoy	Museum/Visitor Centre	Freehold	C	C	376		Yes
Second Pump House		Hoy	Museum/Visitor Centre	Freehold	D	D	128		Yes
Wee Fea Communications Building & Underground Oil Fuel Tanks		Hoy	Museum/Visitor Centre	Freehold	D	D	9350		Yes
Atholl House	Albert Street	Kirkwall	Office	Leasehold	D	D	57		
Aurrida House	Papdale Loan	Kirkwall	Residential Care Home	Freehold	B	A	459	G	Yes
Bignold Park and Hockey Pavilion	Bignold Park	Kirkwall	Leisure Facility	Freehold	B	B	42		Yes
Bruising Shed	Pier	Kirkwall	Store	Freehold	D	D	94		Yes
Cathedral Workshop	Store	Kirkwall	Workshop	Freehold	B	C	71		Yes
Council Offices	School Place	Kirkwall	Office	Freehold	B	B	6455	E+	Yes
Cow Cull (H37)	Grainshore Road	Kirkwall	Industrial Unit	Freehold	B	B	858		Yes
Crane Shed, Harbour Basin	Harbour	Kirkwall	Store	Freehold	B	C	145		Yes
East Pier Building and Weighbridge	Harbour	Kirkwall	Office	Freehold	A	A	27		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Gilbertson Day Centre	Old Scapa Road	Kirkwall	Day Care Centre	Freehold	B	B	260	E	Yes
Glaitness Centre	33 Queen Sonja Kloss	Kirkwall	Day Care Centre	Leasehold	B	B	184		Yes
Glaitness School	Pickaquoy Road	Kirkwall	School	Freehold	B	B	4225	E	Yes
Hatston Recycling Centre (H86)	Crowness Crescent	Kirkwall	Waste Management	Freehold	B	B	35		Yes
Keelylang Day Centre	Pickaquoy Road	Kirkwall	Day Care Centre	Freehold	B	B	360	E	Yes
King Street 009	King Street	Kirkwall	Office	Freehold	B	B	291		Yes
Kirkwall & St Ola Town Hall & Community Centre	Broad Street	Kirkwall	Community Centre	Freehold	B	B	1522	G	Yes
Kirkwall Grammar School	The Meadows	Kirkwall	School	Freehold	A	A	16023	A	Yes
Kirkwall Travel Centre	West Castle Street	Kirkwall	Travel Centre	Freehold	A	A	951	E+	Yes
Land adjacent to Council Offices Car Park	Willow Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Land at Lynnview		Kirkwall	Land	Freehold	n/a	n/a			Yes
Land at Muddisdale	Muddisdale	Kirkwall	Land	Freehold	n/a	n/a			Yes
Linkspan, East Pier		Kirkwall	Linkspan	Freehold	B	B	8		Yes
OIC Depot - Store (H35)	Sparrowhawk Road	Kirkwall	Industrial Unit	Freehold	B	B	3094	G	Yes
OIC Depot - Workshop & Offices (H88)	Sparrowhawk Road	Kirkwall	Depot	Freehold	B	B	3747		Yes
OIC Site (H36)	Sparrowhawk Road	Kirkwall	Land	Freehold	n/a	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Orkney College	East Road	Kirkwall	College and associated buildings	Freehold	B	B	4509	E	Yes
Orkney Ferries Store	East Pier	Kirkwall	Store	Freehold	C	B	148		Yes
Papdale Halls of Residence	Papdale Loan	Kirkwall	Hostel	Freehold	A	A	2936	B	Yes
Papdale House	Berstane Road	Kirkwall	Office	Freehold	B	B	219		Yes
Papdale School	Willowburn Road	Kirkwall	School	Freehold	B	B	5194	B	Yes
Papdale Synthetic Pitch		Kirkwall	Leisure Facility	Freehold	n/a	n/a			Yes
Pavilion House - Ground Floor	Bignold Park	Kirkwall	Leisure Facility	Freehold	B	B	115		Yes
Peedie Sea Boat Shed and Toilet	Pickaquoy	Kirkwall	Store	Freehold	B	B	29		Yes
Peedie Sea Boat Store	Pickaquoy	Kirkwall	Store	Freehold	B	B	29		Yes
Pickaquoy Centre & Playing Fields	Muddisdale Road	Kirkwall	Leisure Centre	Freehold	B	B	5381	E	Yes
Public Rest Room, West Pier	West Pier	Kirkwall	Leisure Facility	Freehold	B	B	18		Yes
Queen Sonja Kloss 034	Queen Sonja Kloss	Kirkwall	Residential Care Home	Leasehold	A	A	58		Yes
Queen Street 014	Queen Street	Kirkwall	Office	Leasehold	B	B	35		Yes
Rendall Road 008	Rendall Road	Kirkwall	Residential Care Home	Freehold	A	A	375		Yes
Selbro Joint Equipment Store & Resource Centre (H84)	Scotts Road	Kirkwall	Store	Freehold	B	B	1389	E	Yes
Shapinsay Terminal Waiting Room & Toilets, Kirkwall	Harbour	Kirkwall	Waiting Room & Public Convenience	Freehold	B	B	64		Yes
Shore Street Offices	Shore Street	Kirkwall	Office	Freehold	B	B	397	E	Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Shore Street Public Toilet	Shore Street	Kirkwall	Public Convenience	Freehold	B	B	47		Yes
Short Breaks Unit	Pickaquoy Loan	Kirkwall	Residential Care Home	Freehold	A	A	258		Yes
Site (H29)	Sparrowhawk Road	Kirkwall	Land	Freehold	C	C			
St Colm's Day Centre	Pickaquoy Road	Kirkwall	Day Care Centre	Freehold	B	B	636	G	Yes
St Colm's Short Breaks	Pickaquoy road	Kirkwall	Residential Care Home	Freehold	C	C	82		Yes
St Magnus Cathedral & Cemetery	Cathedral & Cemetery, Broad Street	Kirkwall	Religious Building	Freehold	B	B	1117		Yes
St Magnus Lane Public Toilet	St Magnus Lane	Kirkwall	Public Convenience	Freehold	B	B	67		Yes
St Rognvald Street 001	St Rognvald Street	Kirkwall	Office	Leasehold	B	B	138		Yes
St Rognvald House	Old Scapa Road	Kirkwall	Residential Care Home	Freehold	B	B	2383	E	Yes
Store & Office, Harbour Basin	Pier	Kirkwall	Store	Freehold	B	B	36		Yes
Strynd Common Room	Strynd	Kirkwall	Office	Leasehold	B	B	163		Yes
Sunnybrae Centre	Eunson Kloss	Kirkwall	Day Care Centre	Freehold	B	B	227	E	Yes
Tankerness House	Broad Street	Kirkwall	Museum/Visitor Centre	Freehold	B	B	1116	G	Yes
Tankerness House Gardens including Outbuildings		Kirkwall	Public Garden Building	Freehold	C	B	126		Yes
The Orkney Library & Archive	Junction Road	Kirkwall	Library	Freehold	A	A	2788	C+	Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
The Strynd Nursery	The Strynd	Kirkwall	Pre-School Facility	Freehold	B	B	118		Yes
Unit 1, Quarryfield Road	Quarryfield Road	Kirkwall	Industrial Unit	Leasehold	B	B	104		Yes
Unit 4 (H5), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	B	187		
North Ronaldsay Airfield & Buildings		North Ronaldsay	Airfield & Building	Freehold	A	A	133		Yes
North Ronaldsay Community School		North Ronaldsay	School	Freehold	B	B	434	G	Yes
North Ronaldsay Depot		North Ronaldsay	Land	Freehold	n/a	n/a			Yes
North Ronaldsay Pier Store	Pier	North Ronaldsay	Store	Freehold	C	B	36		Yes
North Ronaldsay Waiting Room & Public Toilets		North Ronaldsay	Waiting Room & Public Convenience	Freehold	B	B	103		Yes
Houton Ferry Terminal Building & Toilets		Orphir	Waiting Room & Public Convenience	Freehold	B	B	47		Yes
Orphir Primary School		Orphir	School	Freehold	B	A	1019	B	Yes
Radar Station Midland Hill	Hill of Midland	Orphir	Radar Station	Freehold	B	B	7		Yes
Waulkmill Public Toilets		Orphir	Public Convenience	Freehold	A	A	31		Yes
Moclett Pier Store	Pier	Papa Westray	Store	Freehold	C	B	36		Yes
Moclett Pier Waiting Room & Toilets	Pier	Papa Westray	Waiting Room & Public Convenience	Freehold	B	B	46		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Papa Westray Airfield & Building	Airfield & Building	Papa Westray	Airfield & Building	Freehold	B	B	78		Yes
Papa Westray Primary School		Papa Westray	School	Freehold	B	C	414	B	Yes
Papa Westray Public Toilet		Papa Westray	Public Convenience	Freehold	B	B	5		Yes
St Ann's Parish Centre	St Anns	Papa Westray	Community Centre	Leasehold	D	D	120		Yes
St Boniface Church		Papa Westray	Religious Building	Freehold	B	B	70		Yes
Tingwall Ferry Terminal Building & Toilet		Rendall	Waiting Room & Public Convenience	Freehold	B	B	53		Yes
Blossom Site		Rousay	Land	Freehold	n/a	n/a			Yes
Rousay Primary School		Rousay	School	Freehold	B	A	880	B	Yes
Trumland Pier Waiting Room & Toilets	Pier	Rousay	Waiting Room & Public Convenience	Freehold	B	B	95		Yes
Kettletoft Pier Waiting Room & Toilet		Sanday	Waiting Room & Public Convenience	Freehold	B	B	17		Yes
Land at Kettletoft Pier	Kettletoft Pier	Sanday	Land	Freehold	n/a	n/a			Yes
Linkspan, Loth Pier		Sanday	Linkspan	Freehold	B	B	8		Yes
Loth Pier Waiting Room & Toilets		Sanday	Waiting Room & Public Convenience	Freehold	B	B	52		Yes
Loth Quarry		Sanday	Quarry	Freehold	n/a	n/a			Yes
Marston Depot	Roadside	Sanday	Depot	Freehold	B	B	25		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Sanday Airfield & Buildings		Sanday	Airfield & Building	Freehold	A	A	130	F	Yes
Sanday Junior High School & Swimming Pool		Sanday	School	Freehold	B	B	2024	D	Yes
Weighbridge & Office, Sanday	Kettletoft Pier	Sanday	Office	Freehold	B	B	18		Yes
Land adjacent to Dounby Recycling Centre		Sandwick	Land	Freehold	n/a	n/a			Yes
Skail Public Toilet		Sandwick	Waiting Room & Public Convenience	Freehold	C	B	22		Yes
Balfour Pier Store	Balfour Pier	Shapinsay	Store	Freehold	C	B	22		Yes
Balfour Pier Waiting Room & Toilets	Shapinsay Gatehouse	Shapinsay	Waiting Room & Public Convenience	Freehold	C	C	62		Yes
Borrow Pit near Pictou Quarry		Shapinsay	Land	Leasehold	n/a	n/a			Yes
Helliar Holm Lighthouse	Helliar Holm	Shapinsay	Lighthouse	Freehold	B	B	16		Yes
Pictou Quarry		Shapinsay	Quarry	Freehold	n/a	n/a			Yes
Sandyhill Depot		Shapinsay	Depot	Freehold	n/a	n/a			Yes
Shapinsay Pier Weighbridge	Pier	Shapinsay	Office	Freehold	B	B	5		Yes
Shapinsay Primary School		Shapinsay	School	Freehold	B	B	1445	F	Yes
Shapinsay VTS Radar Station	North End Road	Shapinsay	Radar Station	Freehold	A	A	93		Yes
Temporary Waiting Room	Shapinsay Ferry Terminal	Shapinsay	Waiting Room	Freehold	B	C	14		Yes
Braeburn Court 011	Braeburn Court	South Ronaldsay	Residential Care Home	Freehold	A	A	54		Yes
Braeburn Court Core Facility	Braeburn Court	South Ronaldsay	Day Care Centre	Freehold	A	A	659		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Burwick Waiting Room & Toilets		South Ronaldsay	Waiting Room & Public Convenience	Freehold	B	B	27		Yes
Compressor House, Burwick	Ferry Terminal	South Ronaldsay	Store	Freehold	B	B	9		Yes
Cromarty Square Public Toilet	School Road	South Ronaldsay	Public Convenience	Leasehold	B	B	26		Yes
Hope Primary School	School Road	South Ronaldsay	School	Freehold	B	C	1301	C+	Yes
Land at Ayre of Cara		South Ronaldsay	Land	Freehold	n/a	n/a			Yes
Radar Station, Sandy Hill		South Ronaldsay	Radar Station	Freehold	B	B	36		Yes
Sands Of Wright Public Toilet		South Ronaldsay	Waiting Room & Public Convenience	Freehold	B	B	22		Yes
Site of Former Front Road Toilet	Front Road	South Ronaldsay	Land		n/a	n/a			Yes
St Margaret's Hope Recycling Centre	St Margaret's Industrial Estate	South Ronaldsay	Waste Management	Freehold	n/a	n/a			Yes
Bossack Quarry & Recycling Centre	Tankerness Hall Road	St Andrews	Waste Management	Freehold	B	B	15		Yes
Dingeshowe Public Toilet	Dingeshowe	St Andrews	Public Convenience	Freehold	C	C	12		Yes
St Andrews Primary School		St Andrews	School	Freehold	A	C	1554	C	Yes
Chinglebraes Waste Transfer Station		St Ola	Waste Transfer Station	Freehold	B	B	327		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Harbour Authority Building	Harbour Headquarters	St Ola	Office	Freehold	B	B	605	C	Yes
Land at Hatston Pier		St Ola	Land	Freehold	n/a	n/a			Yes
Land at Wideford Hill		St Ola	Land	Freehold	n/a	n/a			
Linkspan, Hatston Pier		St Ola	Linkspan	Freehold	B	B	8		Yes
Office at top of Scapa Pier	Scapa Pier	St Ola	Office	Freehold	B	B	90	G	
Orkney College - Grain Store	Weyland Farm	St Ola	College and associated buildings	Freehold	A	A	400		Yes
Pickaquoy Centre Camping & Caravan Site		St Ola	Leisure Facility	Freehold	A	A	195	D	Yes
Pickaquoy Outdoor Store	Muddisdale Road	St Ola	Store	Freehold	A	A	169		Yes
Radar Station Wideford Hill	Wideford Hill	St Ola	Radar Station	Freehold	B	B	9		Yes
Scapa Beach Public Toilet		St Ola	Public Convenience	Freehold	B	B	27		Yes
Shellfish Store	Scapa	St Ola	Store	Freehold	B	B	45		Yes
Store and Office, Scapa Pier	Scapa Pier	St Ola	Store	Freehold	B	B	18		Yes
The Royal Oak Memorial	Scapa	St Ola	Museum/Visitor Centre	Freehold	B	B	30		Yes
Walliwall Compound	Old Finstown Road	St Ola	Land	Freehold	n/a	n/a			Yes
Wideford Hill Communications Mast & Cabin		St Ola	Land	Joint Ownership	B	B	9		Yes
Stenness Primary School		Stenness	School	Freehold	B	A	1047	B	Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Stenness Public Toilet		Stenness	Public Convenience	Freehold	B	B	4		Yes
Black Craig Radar Station	Black Craig	Stromness	Radar Station	Leasehold	B	B	10		Yes
Depot, Site 4 (G7) Garson Way	Garson Way	Stromness	Depot	Freehold	B	B	159		Yes
Ferry Road Public Toilet	Ferry Road	Stromness	Public Convenience	Freehold	B	B	22		Yes
Garson Recycling Centre (G7A)	Garson Industrial Estate	Stromness	Waste Management	Freehold	B	B	17		Yes
Linkspan, North Pier		Stromness	Linkspan	Freehold	B	B	8		Yes
Orkney College Maritime Studies Dept	Victoria Street	Stromness	College and associated buildings	Freehold	B	B	1800		Yes
Pier Head Toilets	Victoria Street	Stromness	Public Convenience	Freehold	B	B	24		Yes
Point of Ness Camping & Caravan Site		Stromness	Leisure Facility	Freehold	B	C	83		Yes
Site of Former Warbeth Toilet		Stromness	Land	Freehold	n/a	n/a			Yes
St Peters House	Back Road	Stromness	Residential Care Home	Freehold	B	B	1690	F+	Yes
Stromness Academy	Cairston Road	Stromness	School	Freehold	B	B	8484	E+	Yes
Stromness Academy Synthetic Grass Pitch	Lower Academy Playing Field	Stromness	Leisure Facility	Freehold	n/a	n/a			Yes
Stromness Community Centre	Church Road	Stromness	Community Centre	Freehold	B	B	547	C	Yes
Stromness Primary School	Cairston Road	Stromness	School	Freehold	A	A	2514	A	Yes
Stromness Squash Club and Changing Rooms	Cairston Road	Stromness	Leisure Facility	Freehold	A	A	212	G	Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Stromness Swimming Pool	Hillside Road	Stromness	Leisure Facility	Freehold	B	B	1048	G	Yes
Stromness Town Hall	Church Road	Stromness	Community Centre	Freehold	B	B	531	G	Yes
Stromness Town House & Outbuildings	Victoria Street	Stromness	Office	Freehold	B	B	311	E	Yes
Victoria Street 020	Victoria Street	Stromness	Leisure Facility	Freehold	B	B	57		Yes
Warbeth Public Toilet		Stromness	Public Convenience	Freehold	B	B	27		Yes
Warehouse Buildings	Victoria Street	Stromness	Library	Freehold	A	A	1960	B	Yes
Harbour Masters Hut, West Pier	West Pier	Stronsay	Store	Freehold	C	C	9		Yes
Linkspan, Whitehall Pier		Stronsay	Linkspan	Freehold	B	B	8		Yes
Mitchells Quarry		Stronsay	Land	Leasehold	n/a	n/a			Yes
Stronsay Airfield & Building		Stronsay	Airfield & Building	Freehold	B	B	78		Yes
Stronsay Harbour Office & Weighbridge	On Pier	Stronsay	Office	Freehold	C	B	7		Yes
Stronsay Junior High School & Swimming Pool		Stronsay	School	Freehold	B	B	1410	F	Yes
Whitehall Depot		Stronsay	Depot		n/a	n/a			Yes
Whitehall Pier Waiting Room & Toilets	On Pier	Stronsay	Waiting Room & Public Convenience	Freehold	B	B	24		Yes
Depot, Westray	Pierowall	Westray	Depot	Freehold	C	B	85		Yes
Gill Pier Waiting Room & Toilet	Gill Pier	Westray	Waiting Room & Public Convenience	Freehold	C	B	35		Yes
Gill Pier Weighbridge	Office	Westray	Store	Freehold	B	B	18		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	General Fund
Kalisgarth	Westray Care Centre	Westray	Day Care Centre	Freehold	B	B	697	F	Yes
Linkspan, Rapness Pier		Westray	Linkspan	Freehold	B	B	8		Yes
Pierowall Public Toilet		Westray	Public Convenience	Freehold	C	C	8		Yes
Rapness Pier Waiting Room & Toilets		Westray	Waiting Room & Public Convenience	Freehold	B	B	50		Yes
Westray Airfield & Building		Westray	Airfield & Building	Freehold	B	B	78		Yes
Westray Junior High School & Swimming Pool		Westray	School	Freehold	B	B	2218	E	Yes
Wyre Community Hall		Wyre	Community Centre	Freehold	C	C	141		Yes
Wyre Pier Waiting Room & Toilets		Wyre	Waiting Room & Public Convenience	Freehold	B	B	15		Yes

13. Appendix 2 – Non-operational Property

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Barony Mills		Birsay	Museum/Visitor Centre	Freehold	B	n/a	222		
Site of Backaland Weighbridge		Eday	Land	Freehold	n/a	n/a			
Stores at head of Backaland Pier	Backaland Pier	Eday	Store	Freehold	B	n/a	54		
Egilsay Primary School		Egilsay	Community Centre	Freehold	C	n/a	109		
Eynhallow Cottage	Eynhallow Cottage	Eynhallow	Dwelling/Flats	Freehold	C	n/a	108		
The Old Firth School		Finstown	Store	Freehold	C	n/a	552	G	
Former Flotta Primary School		Flotta	Community Centre	Freehold	C	n/a	752		
Land at Flotta Terminal		Flotta	Land	Freehold	n/a	n/a			Yes
Water Test Centre	Technology Centre	Flotta	Industrial Unit	Freehold	B	n/a	2535		Yes
Moss Site		Holm	Land	Freehold	n/a	n/a			
Building No. 3, Lyness (L3)		Hoy	Industrial Unit	Freehold	C	n/a	370		Yes
Building No. 6, Lyness (L6)		Hoy	Industrial Unit	Freehold	C	n/a	428		Yes
Former Football Pitch, Lyness		Hoy	Land	Freehold	n/a	n/a			
Land adjacent to Lyness Royal Naval Cemetery		Hoy	Land	Freehold	n/a	n/a			Yes
Land at Golden Wharf		Hoy	Land	Freehold	n/a	n/a			
Lyness Communications Mast Site		Hoy	Land	Freehold	n/a	n/a			
Site (L14)		Hoy	Land	Freehold	n/a	n/a			Yes
Site 1 at Golden Wharf		Hoy	Land	Freehold	n/a	n/a			

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Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Site 955.72sqm, Lyness Naval Base		Hoy	Land	Freehold	n/a	n/a			Yes
Site for Lyness Industrial Estate		Hoy	Land	Freehold	n/a	n/a			Yes
Abattoir (H21)	Grainshore Road	Kirkwall	Industrial Unit	Freehold	B	n/a	2948		Yes
Brandyquoy Bowling Green & Clubhouse	Palace Road	Kirkwall	Leisure Facility	Freehold	B	n/a	115		
Broad Street 006 & Store	Broad Street	Kirkwall	Office	Freehold	B	n/a	305	G	Yes
Broad Street 008	Broad Street	Kirkwall	Office	Freehold	B	n/a	244		Yes
Creamery Factory (H82)	Crowness Road	Kirkwall	Industrial Unit	Freehold	B	n/a	2175		Yes
Factory Unit (H43)	Crowness Road	Kirkwall	Industrial Unit	Freehold	B	n/a	1118		Yes
Ferry Terminal Building & Toilets	Offices	Kirkwall	Ferry Terminal	Freehold	B	n/a	612	F	
Former Bus Station	Great Western Road	Kirkwall	Store	Freehold	C	n/a	82		
Former Papdale Halls of Residence	Berstane Road	Kirkwall	Redevelopment	Freehold	C	n/a	5155	E	
Former Whitechapel Public Toilet	Junction Road	Kirkwall	Public Convenience	Freehold	B	n/a	34		
Garden House	New Scapa Road	Kirkwall	Office	Freehold	B	n/a	612		Yes
Graham House	New Scapa Road	Kirkwall	Residential	Freehold	B	n/a	758		Yes
Grainshore Training Centre (H24)	Garrison Road	Kirkwall	Industrial Unit	Freehold	B	n/a	464	E+	Yes
Greenbelt Land, Hatston		Kirkwall	Land	Freehold	n/a	n/a			Yes
Ground Floor Offices, 7-13 Laing Street	Laing Street	Kirkwall	Office	Freehold	B	n/a	104		Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Hostel, Victoria Road 004	Victoria Road	Kirkwall	Residential	Freehold	B	n/a	166		
Junction Road 028	Junction Road	Kirkwall	Redevelopment	Freehold	B	n/a	104		Yes
Keeliquoy Allotments	Victoria Road	Kirkwall	Land	Freehold	n/a	n/a			
Lairage	Pier	Kirkwall	Lairage	Freehold	B	n/a	90		
Land at Crowness Business Park	Crowness Business Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Land at Papdale Loan		Kirkwall	Land	Freehold	n/a	n/a			
Land at Saverock		Kirkwall	Land	Freehold	n/a	n/a			Yes
Land at Soulisquoy	Soulisquoy	Kirkwall	Land	Freehold	n/a	n/a			Yes
Marshalling Area Building & Weighbridge	Hatston Pier	Kirkwall	Waiting Room & Public Convenience	Freehold	A	n/a	75	F+	
MS Therapy Centre	Hyperbaric Centre	Kirkwall	Office	Freehold	C	n/a	170		
Office & Store (H49)	Garrison Road	Kirkwall	Industrial Unit	Freehold	B	n/a	306		Yes
Offices, 15-17 Victoria Street	Victoria Street	Kirkwall	Office	Freehold	B	n/a	222		
Old Brandyquoy Clubhouse	Watergate	Kirkwall	Leisure Facility	Freehold	C	n/a	85		
Papdale Farm	Papdale Loan	Kirkwall	Store	Freehold	D	n/a	164		
Papdale Garden Allotments	Papdale Loan	Kirkwall	Land	Freehold	n/a	n/a			
Pickaquoy Clubrooms	Pickaquoy	Kirkwall	Leisure Centre	Freehold	C	n/a	235		
Scotts House (H16)	Grainshore Road	Kirkwall	Office	Freehold	B	n/a	190	G	Yes
Scout Hall	Junction Road	Kirkwall	Leisure Facility	Freehold	B	n/a	253		
Site (H11)	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Site (H12), Grainshore Road	Grainshore Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H13)	Crowness Crescent	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H2), Scotts Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H23), Scotts Road/Quoyangry Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H25), Crowness Crescent	Crowness Crescent	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H26), Crowness Crescent	Crowness Crescent	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H40), Crowness Crescent	Crowness Crescent	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H42), Scotts Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H44), Scotts Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H51), Grainshore Road	Grainshore Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H83), Grainshore Road	Grainshore Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H85), Sparrowhawk Road	Sparrowhawk Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H87), Grainshore Road	Grainshore Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H89), Warness Park	Hatston Pier Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site (H90)	Crowness Business Park	Kirkwall	Land	Freehold	n/a	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Site (H91)	Crowness Business Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 1 (H38), Scotts Road/Quoyangry Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 1 (H58), Crowness Park	Crowness Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 12 (H60), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 13 (H61), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 14 (H62), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 15 (H79), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 16 (H80), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 16A (H63), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 2 (H32), Scotts Road/Quoyangry Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 2 (H54), Crowness Park	Crowness Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 2 (H66), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 3 (H59), Crowness Park	Crowness Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 4 (H55), Crowness Park	Crowness Park	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 6 (H56), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 6 (H70), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 7 (H53), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site 8 (H72), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Site 9 (H57), Crowness Road	Crowness Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Site for Kirkwall Care Facility		Kirkwall	Land	Freehold	n/a	n/a			
Site of Police Command Centre	Burgh Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Sites 3 & 4 (H39 & H34), Scotts Rd/Quoyangry Road	Scotts Road	Kirkwall	Land	Freehold	n/a	n/a			Yes
Sites 5 & 7 (H69 & H71), Grainshore Drive	Grainshore Drive	Kirkwall	Land	Freehold	n/a	n/a			Yes
Store (H11A)	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	25		Yes
Store (H33)	Skua Road	Kirkwall	Industrial Unit	Freehold	B	n/a	308	D	Yes
Store (H46), Crowness Road	Crowness Road	Kirkwall	Industrial Unit	Freehold	C	n/a	151		Yes
Store 10a (H15A), Skua Road	Skua Road	Kirkwall	Industrial Unit	Freehold	B	n/a	299	B+	Yes
Store 10b (H15B), Skua Road	Skua Road	Kirkwall	Industrial Unit	Freehold	B	n/a	271	D+	Yes
Store 10c (H50), Skua Road	Skua Road	Kirkwall	Industrial Unit	Freehold	B	n/a	187		Yes
Store 17 (H28), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	146	G	Yes
Store 18 (H10), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	31		Yes
Store 6 (H4), Millpark Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	53		Yes
Unit 1 (H8), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	282	C+	Yes
Unit 1, Great Western Road	Great Western Road	Kirkwall	Industrial Unit	Freehold	B	n/a	893		
Unit 2 (H9), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	299	D	Yes
Unit 3 (H7), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	209		Yes
Willowburn Road Garages	Willowburn Road	Kirkwall	Store	Freehold	C	n/a	198		
Wireless Museum	(Kiln Corner)	Kirkwall	Museum/Visitor Centre	Freehold	B	n/a	56		

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Workshop (H18)	Dakota Road	Kirkwall	Industrial Unit	Freehold	B	n/a	109	D+	Yes
Workshop (H19)	Dakota Road	Kirkwall	Industrial Unit	Freehold	C	n/a	132		Yes
Workshop (H30)	Sparrowhawk Road	Kirkwall	Industrial Unit	Freehold	C	n/a	128		Yes
Workshop (H31)	Sparrowhawk Road	Kirkwall	Industrial Unit	Freehold	C	n/a	105		Yes
Workshop 16 (H3), Scotts Road	Scotts Road	Kirkwall	Industrial Unit	Freehold	B	n/a	84	G	Yes
Land beside Orkney Inga Saga Centre		Orphir	Land	Freehold	n/a	n/a			
Orkney Inga Saga Centre		Orphir	Museum/Visitor Centre	Freehold	B	n/a	83		
Store 1, Old Orphir School	Scorradale Road	Orphir	Store	Freehold	C	n/a	110		
Land at Sanday Junior High School		Sanday	Land	Freehold	n/a	n/a			
Store No. 1, Kettletoft Pier	Kettletoft Pier	Sanday	Store	Freehold	B	n/a	85		
Store No. 2, Kettletoft Pier	Kettletoft Pier	Sanday	Store	Freehold	B	n/a	99		
Smithy Restaurant & Museum	The Smiddy	Shapinsay	Museum/Visitor Centre	Freehold	B	n/a	159		Yes
Land at Schoolquoy		South Ronaldsay	Land	Freehold	n/a	n/a			
Hatston Ferry Terminal Building	Hatston Pier	St Ola	Ferry Terminal	Freehold	B	n/a	580	G	
Hatston Lairage	Hatston Pier	St Ola	Lairage	Freehold	A	n/a	1166	D+	
Kirkwall Airport Hangar & Land (0.68ha)	Kirkwall Airport	St Ola	Hangar	Joint Ownership	A	n/a	1523		Yes
Seatter Farm and Steading	Farm Buildings	St Ola	Farm	Freehold	B	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Seatter Farm House	Farm House	St Ola	Dwelling/Flats	Freehold	B	n/a	170		Yes
Walliwall Quarry	Old Finstown Road	St Ola	Quarry	Freehold	C	n/a	88		
Weyland Farm		St Ola	Farm	Freehold	D	n/a			Yes
108.32 sqm Site, Victoria Street	Victoria Street	Stromness	Land	Freehold	n/a	n/a			
Alfred Terrace Allotments	Alfred Terrace	Stromness	Land	Freehold	n/a	n/a			
Battery & Gas Stores	Alfred Street	Stromness	Store	Freehold	B	n/a	304		
Buoy Store, NLB Pier	Pole Star Pier	Stromness	Store	Freehold	B	n/a	320	C+	Yes
Factory Unit (G24)	Garson Park	Stromness	Industrial Unit	Freehold	B	n/a	1513	D	Yes
Flaws Pier, Sailhouse & Slipway	Alfred Street	Stromness	Leisure Facility	Freehold	C	n/a			
Former Stromness Library	Hellihole Road	Stromness	Office	Freehold	C	n/a	171		
Former West Mainland Mart Development Site	Ferry Road	Stromness	Land	Freehold	n/a	n/a			Yes
Land at Garson	Garson	Stromness	Land	Freehold	n/a	n/a			Yes
Land at Garson Way	Garson Way	Stromness	Land	Freehold	n/a	n/a			
Marraquoy Cabin		Stromness	Store	Freehold	B	n/a	7		
Ness Battery	Ness	Stromness	Museum/Visitor Centre	Freehold	B	n/a	340		
Office, 16 Victoria Street	Victoria Street	Stromness	Office	Freehold	B	n/a	54		
Site (G26), Garson Park	Garson Park	Stromness	Land	Freehold	n/a	n/a			
Site 11 (G20), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 12 (G21), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 13 (G22), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 14 (G23), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Site 2 (G11), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 2 (G3), Garson Way	Garson Way	Stromness	Land	Freehold	n/a	n/a			Yes
Site 3 (G12), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 4 (G13), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 5 (G14), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 6 (G15), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site 6 (G8), Garson Way	Garson Way	Stromness	Land	Freehold	n/a	n/a			Yes
Site 7 (G16), Garson Place	Garson Place	Stromness	Land	Freehold	n/a	n/a			Yes
Site A	Ferry Road	Stromness	Land	Freehold	n/a	n/a			
Site at Garson (G25)	Garson Industrial Estate	Stromness	Land	Freehold	n/a	n/a			
Site D	Ferry Road	Stromness	Land	Freehold	n/a	n/a			
Site for new Stromness Care Home		Stromness	Care Home Under Construction	Freehold	n/a	n/a			
Site Office	Alfred Street	Stromness	Office	Freehold	B	n/a	65		
Store (G9)	Garson Industrial Estate	Stromness	Industrial Unit	Freehold	B	n/a	1734		Yes
Stromness Ferry Terminal Building & Toilets	Ferry Road	Stromness	Ferry Terminal	Freehold	B	n/a	752	E+	
Victoria Street 014A	Victoria Street	Stromness	Office	Freehold	A	n/a	79		Yes
Victoria Street Offices	Victoria Street	Stromness	Office	Freehold	B	n/a	463	G	Yes
Visitor Centre	Ireland Road	Stromness	Museum/Visitor Centre	Freehold	B	n/a	266		
Warehouse (lobster pond)	South Pier	Stromness	Industrial Unit	Freehold	C	n/a	317		

Asset Name	Address	Town/Parish	Asset Type	OIC Interest	Condition	Suitability	GIA (m ²)	EPC Rating	Reserve Fund
Workshop (G10)	Garson Place	Stromness	Industrial Unit	Freehold	B	n/a	101	F	Yes
Workshop (M4)	Cairston Road	Stromness	Industrial Unit	Freehold	B	n/a	220		Yes
Gents Toilet, West Pier		Stromsay	Redevelopment	Freehold	D	n/a	11		
Stromsay Fish Mart Hostel & Cafe		Stromsay	Shop	Freehold	A	n/a	259		Yes
Store No 1, Gill Pier	Gill Pier	Westray	Store	Freehold	B	n/a	43		
Store No 2, Gill Pier	Gill Pier	Westray	Store	Freehold	C	n/a	43		

Appendix 10.

Stage 2 Capital Project Appraisal

Replacement for MV Golden Mariana

Pages 1386 to 1392.

Resolved that, under section 50A(4) of the Local Government (Scotland) Act 1973, the public were excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 8 of Part I of Schedule 7A of the Act.

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

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

- Paragraph 6. Information relating to the financial or business affairs of any particular person (other than the authority).
- Paragraph 8. The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.