

# Minute

## Policy and Resources Committee

Tuesday, 13 February 2018, 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 and Kevin F Woodbridge.

## Clerk

- Alistair Buchan, Chief Executive.

## In Attendance

- Gavin Barr, Executive Director of Development and Infrastructure.
- Gillian Morrison, Executive Director of Corporate Services.
- Caroline Sinclair, Chief Officer/Executive Director, Orkney Health and Care.
- Wilfred Weir, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Karen Greaves, Head of Executive Support.
- Gavin Mitchell, Head of Legal Services.
- Hazel Flett, Senior Committees Officer.

## Observing

- Peter Diamond, Head of Lifelong Learning and Inclusion (for Items 3 to 5).
- Hayley Green, Head of IT and Facilities.
- Andrew Groundwater, Head of HR and Performance.
- Scott Hunter, Head of Children and Families and Criminal Justice and Chief Social Work Officer.
- John Trainor, Head of Health and Community Care.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care.
- Colin Kemp, Corporate Finance Senior Manager.
- Paul Kemp, Strategic Finance Manager.
- David Hartley, Communications Team Leader.

## Apology

- Councillor Duncan A Tullock.

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor James W Stockan.

## **1. Disclosure of Exempt Information**

The Committee noted the proposal that the public be excluded from the meeting for consideration of Annexes 7, 9 and 10 of Item 4, 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. Reserves and Provisions Strategy**

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

Noted:

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

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

**2.3.** That, as at 31 March 2017, the Council held earmarked reserves of £18,898,000.

**2.4.** That, as at 31 March 2017, the Council held a non-earmarked General Fund balance of £4,787,000.

**2.5.** The purpose for holding each of the Council's earmarked reserves and the non-earmarked General Fund balances, as set out in Appendix 2 to the report by the Head of Finance.

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

**2.6.** That, for financial year ended 31 March 2019, the non-earmarked General Fund balance should be retained at a minimum target level of 5% of the Council's net budgeted expenditure.

### **3. Strategic Reserve Fund – Review**

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

Noted:

**3.1.** That the Strategic Reserve Fund's investment activities were predicted to perform in line with the approved budget strategy for financial year 2017 to 2018, as indicated in the probable outturn column of the budget statement, attached as Annex 1 to the report by the Head of Finance.

**3.2.** That, after allowing for distributions of £7,363,000 during financial year 2017 to 2018, the value of the Strategic Reserve Fund was estimated to increase by £7,977,000 to £238,012,000 as at 31 March 2018.

**3.3.** That, overall, the value of the Strategic Reserve Fund compared favourably with the minimum balance or Floor, calculated at £195,707,000 as at 1 April 2017.

**3.4.** That, by applying inflation based on the Retail Prices Index, the real value of the Floor was estimated as £202,361,000 as at 1 April 2018.

**3.5.** That, based on existing distribution commitments of £7,210,000, £6,683,000 and £11,149,000 for financial years 2018 to 2019, 2019 to 2020 and 2020 to 2021 respectively, the available headroom within the Strategic Reserve Fund relative to the Floor was estimated to decline from £43,708,000 to £32,976,000, or from approximately 18% to 13% of usable reserves, over the next three years.

**3.6.** That much uncertainty remained within the global economy and therefore considerable volatility could still be anticipated from investment returns over the short to medium term.

**3.7.** That a prudent approach was recommended when giving consideration to requests for additional disbursements from the Strategic Reserve Fund over the next three financial years.

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

**3.8.** That the contribution from the Strategic Reserve Fund to the General Fund for financial year 2018 to 2019 be increased by £420,000, from £3,930,000 to £4,350,000.

**3.9.** That the draft Strategic Reserve Fund budget for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance, be approved.

**3.10.** That the minimum balance or Floor, below which the value of the Strategic Reserve Fund should not fall, be set at £202,361,000 as at 1 April 2018.

### **4. Budget and Council Tax Level for 2018 to 2019**

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

Noted:

**4.1.** The Council's strategic approach to budgeting, as detailed in section 4 of the joint report by the Chief Executive and the Head of Finance.

**4.2.** That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year ending 31 March 2019, with the provisional revenue grant funding to the Council amounting to £68,876,600.

**4.3.** That, during the Parliamentary Budget debate on 31 January 2018, the following additional allocations in respect of the Council's grant settlement were announced:

- Additional revenue allocation of £1,134,000.
- Additional revenue allocation of £5,500,000 for the Council's internal ferry services.

**4.4.** That specific conditions attached to the financial settlement for financial year ending 31 March 2019 included the following:

- A 3% cap on any increase in the level of Council Tax which increased last year for the first time since the financial year ended 31 March 2008.
- Maintaining a pupil:teacher ratio of 13.7:1.
- Securing places for all probationary teachers who required such a place in terms of the teacher induction scheme.

**4.5.** That no specific sanction figure had been supplied by the Scottish Government for refusal to accept the settlement package, although it had been confirmed that non-acceptance would result in a revised and reduced settlement offer.

**4.6.** That, for financial year ending 31 March 2019, the Cabinet Secretary for Finance and the Constitution had stated that he required those Council Leaders not intending to agree the settlement offer and accept the full package of measures and benefits to write to him to set out their position by his extended deadline of 26 January 2018.

**4.7.** That the Council Leader responded to the Cabinet Secretary for Finance and the Constitution by the extended deadline of 26 January 2018 but set out a reserved position on the acceptability or otherwise of the draft financial settlement.

**4.8.** That the proposed General Fund budget figure of £81,931,200 for financial year ending 31 March 2019 took account of the grant settlement referred to at paragraphs 4.2 and 4.3 above.

**4.9.** Identified efficiency savings for financial year ending 31 March 2019, totalling £5,992,600, covering risk levels assessed as low to very high, as detailed in Annex 10 to the joint report by the Chief Executive and the Head of Finance, which, if approved, would result in a reduction of 16.96 full-time equivalent posts, of which 5.73 full-time equivalents were vacant and the remaining 11.23 full-time equivalents occupied.

**4.10.** That restricting efficiency savings to risk levels assessed as low, medium and high only would result in total savings of £1,778,175 and a reduction of 14.22 full-time equivalent posts, of which 5.49 full-time equivalents were vacant and the remaining 8.73 full-time equivalents occupied.

**4.11.** That, should implementation of service redesign savings assessed as low, medium and high risk be approved, it was anticipated this would result in redeployments, early retirements or voluntary redundancies for up to 8.73 full-time equivalent posts.

**4.12.** The Equality Impact Assessments, attached as Annexes 8 and 9 to the joint report by the Chief Executive and the Head of Finance, relating to service pressures and savings assessed as low, medium and high risk.

**4.13.** That, should savings assessed as very high risk be proposed for implementation, Equality Impact Assessments should be submitted, for consideration by the Council, prior to implementation.

**4.14.** The advice, outlined in section 14 of the joint report by the Chief Executive and the Head of Finance, regarding risks to the Council's ability to continue to meet, in a secure manner, all its responsibilities and the expectations placed upon it.

**4.15.** That, as a consequence of paragraph 4.14 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

Following debate of the budget proposals and an indication that members might wish to propose amendments, after seeking procedural advice from the Chief Executive, the Committee determined that each amendment should relate to individual matters within the budget proposals. Thereafter, the following amendments were considered.

#### **OSCE04 Christmas Bonus**

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the budget, as proposed, be approved, and that Efficiency Saving OSCE04 relating to the Christmas Bonus be included within the proposed efficiency savings.

Councillor Steven B Heddle, seconded by Councillor David Dawson, moved an amendment that Efficiency Saving OSCE04 relating to the Christmas Bonus should not be included within the proposed efficiency savings, with the resultant cost of £64,500 being met from the proposed General Fund contingency.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Robin W Crichton, David Dawson, Steven B Heddle, J Harvey Johnston, John A R Scott, Gwenda M Shearer and Owen Tierney (9).

For the Motion:

Councillors Norman R Craigie, Andrew Drever, Barbara Foulkes, Rachael A King, W Leslie Manson, John T Richards, Stephen Sankey, Graham L Sinclair, James W Stockan, Magnus O Thomson and Kevin F Woodbridge (11).

The motion was therefore carried.

### **OSCE10 Community Council Grants**

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the budget, as proposed, be approved, and that Efficiency Saving OSCE10 relating to a reduction in Community Council grants be included within the proposed efficiency savings.

Councillor Stephen G Clackson, seconded by Councillor Magnus O Thomson, moved an amendment that Efficiency Saving OSCE10 relating to a reduction in Community Council grants should not be included within the proposed efficiency savings, with the resultant cost of £21,500 being met from the proposed General Fund contingency.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Norman R Craigie, Robin W Crichton, David Dawson, Steven B Heddle, John T Richards, Stephen Sankey, Gwenda M Shearer, Magnus O Thomson, Owen Tierney and Kevin F Woodbridge (12).

For the Motion:

Councillors Andrew Drever, Barbara Foulkes, J Harvey Johnston, Rachael A King, W Leslie Manson, John A R Scott, Graham L Sinclair and James W Stockan (8).

The amendment was therefore carried.

### **EDELH08 Modern Language Assistants**

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the budget, as proposed, be approved, and that Efficiency Saving EDELH08 relating to the cessation of Modern Language Assistants be included within the proposed efficiency savings.

Councillor Stephen G Clackson, seconded by Councillor Stephen Sankey, moved an amendment that Efficiency Saving EDELH08 relating to the cessation of Modern Language Assistants should not be included within the proposed efficiency savings, with the resultant cost of £30,000 being met from the proposed General Fund contingency.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Steven B Heddle and Stephen Sankey (4).

For the Motion:

Councillors Norman R Craigie, Robin W Crichton, David Dawson, Andrew Drever, Barbara Foulkes, J Harvey Johnston, Rachael A King, W Leslie Manson, John T Richards, John A R Scott, Gwenda M Shearer, Graham L Sinclair, James W Stockan, Magnus O Thomson, Owen Tierney and Kevin F Woodbridge (16).

The motion was therefore carried.

### **EDELH05 Education Savings**

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the budget, as proposed, be approved, and that Efficiency Saving EDELH05 relating to further savings within the Education service be included within the proposed efficiency savings.

Councillor Stephen G Clackson, seconded by Councillor Stephen Sankey, moved an amendment that Efficiency Saving EDELH05 relating to further savings within the Education service should not be included within the proposed efficiency savings, with the resultant cost of £65,000 being met from the proposed General Fund contingency.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Norman R Craigie, Steven B Heddle, John T Richards, Stephen Sankey and Owen Tierney (7).

For the Motion:

Councillors Robin W Crichton, David Dawson, Andrew Drever, Barbara Foulkes, J Harvey Johnston, Rachael A King, W Leslie Manson, John A R Scott, Gwenda M Shearer, Graham L Sinclair, James W Stockan, Magnus O Thomson and Kevin F Woodbridge (13).

The motion was therefore carried.

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

**4.16.** That the General Fund revenue budget for financial year ending 31 March 2019 be set at £81,931,200.

**4.17.** That powers be delegated to the Head of Finance to revise the General Fund revenue budget for financial year ending 31 March 2019 in respect of any change to the provisional funding level referred to at paragraphs 4.2 and 4.3 above.

**4.18.** That the Band D Council Tax level for financial year ending 31 March 2019 be set at £1,100, being an increase of 3% on the Band D Council Tax level for financial year ending 31 March 2018 of £1,068.

**4.19.** That the Council's budget uprating assumptions, as set out in Appendix 1 to this Minute, at an estimated cost across the General Fund of £1,710,000, be approved.

**4.20.** That service pressure bids totalling £5,414,800, as detailed in Appendix 2 to this Minute and summarised as follows, be approved and included in the revenue budget for financial year ending 31 March 2019:

- Baseline growth of £4,683,800, including ferry service pressures amounting to £2,158,000.
- Self-financing service pressures amounting to £731,000.

**4.21.** That efficiency savings totalling £1,756,675, covering risk levels assessed as low, medium and high, as detailed in Appendix 3 to this Minute and summarised below, be approved and applied for financial year ending 31 March 2019:

- Finance and Capital Charges – £250,000.
- Chief Executive's Service – £128,500.
- Corporate Services – £217,000.
- Development and Infrastructure – £216,300.
- Education, Leisure and Housing – £561,500.
- Orkney Health and Care – £383,375.

**4.22.** That powers be delegated to the Chief Executive, in consultation with the Executive Director of Corporate Services and the Head of Finance, to implement the required amendments to the staffing establishment referred to at paragraph 4.11 above.

**4.23.** That powers be delegated to the Head of Finance to allocate any General Fund underspend from financial year ending 31 March 2018 to the following provisions:

- Outwith Orkney Placements to the level required, as indicated in the growth items set against self-financing as detailed in Appendix 2 to this Minute.
- Any remaining underspends to the repayment of Capital Debt.

**4.24.** That, for financial year ending 31 March 2019, the contribution from the Strategic Reserve Fund used as a funding source be set at a level of up to £4,684,000, including £334,000 for the Community Development Fund and subject to confirmation of the funding in respect of internal ferry services referred to at paragraph 4.3 above.

**4.25.** That the funding for internal ferry services, referred to at paragraph 4.3 above, be used to meet the cost of new pressures on the ferry service, totalling £2,158,000, referred to at paragraph 4.20 above, with the balance used to fund current levels of ferry services, thereby reducing the contribution from the Strategic Reserve Fund which would otherwise have been required.

**4.26.** That a General Fund contingency provision be established within the revenue budget for financial year ending 31 March 2019, into which the Council's share of additional non-ferry related funding secured for local government in political negotiations over support for the Government's budget be contributed.

**4.27.** That any further efficiency savings realised, or additional funding secured that was not specific to government initiatives that must be funded, be similarly retained in a General Fund contingency.

**4.28.** That Executive Directors should review and increase existing charges by a minimum of 4%, from 1 April 2018, if possible to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements were required or proposed:

- Building warrant and planning fees.
- Harbour charges.
- Ferry fares.
- Car parking charges.
- Residential care and home care.
- Very sheltered housing.



- Supported accommodation.
- Licensing fees.
- Ship sanitation certification.
- Marriage/civil partnership fees.
- Roads inspection fees.
- Trade waste charges.

**4.29.** That the policies of a presumption against new commitments and the moratorium on staff establishment increases should continue to remain in force, with the following conditions:

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

**4.30.** That powers be delegated to the Head of Finance, as Section 95 Officer, in consultation with the Chief Executive, to prepare and distribute a detailed budget incorporating all of the budget adjustments agreed by the Council.

## **5. Conclusion of Meeting**

At 12:20 the Chair declared the meeting concluded

Signed: James W Stockan.