

Item: 3

Policy and Resources Committee: 22 February 2022.

Budget and Council Tax Level for 2022/23.

Joint Report by Chief Executive and Head of Finance.

1. Purpose of Report

To consider the Revenue Budget, Council Tax level and the level of contribution from General Fund and other Reserves for financial year 2022/23.

2. Recommendations

The Committee is invited to note:

2.1.

That the Scottish Government has issued grant settlement figures for local government and individual councils for financial year 2022/23, with the provisional revenue grant funding to the Council amounting to £83,908,000, which includes a provisional specific grant allocation of £12,847,000 for provision of ferry services.

2.2.

That the Specific Grant for ferry services detailed within the provisional settlement allocation is £452,000 less funding than was requested from the Scottish Government to provide ferry services for 2022/23.

2.3.

That the Council's funding was partially reduced by an increase of £126,000 in the contribution to the Local Government financial settlement floor mechanism, which is designed to ensure a consistent minimum increase or maximum decrease in funding across all councils.

2.4.

That Local Government Finance Circular 9/2021, which provides details of the provisional total Local Government revenue and capital funding for 2022/23, refers to a funding package worth over £12.5 billion and includes measures that make up the settlement, including:

- £174.5 million for continued delivery of the real Living Wage within Health and Social Care.
- £15 million for uprating of free personal and nursing care payments.
- £20.4 million for implementation of the Carers Act 2016.
- Additional investment of £124 million to provide care at home.

- £20 million to support Interim Care.
- An additional £200 million to support investment in health and social care.
- £145 million for additional Teachers and Support Staff.
- Maintained funding for 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant.
- An additional £64 million of revenue funding that was not previously identified, as well as capital funding, amounting to £30 million, already identified to facilitate the expansion of Free School Meals.

2.5.

That no specific sanctions have been indicated by the Scottish Government in respect of the settlement offer for financial year 2022/23.

2.6.

That the settlement makes no pronouncement on a Council Tax freeze for financial year 2022/23, with the Council being free to increase the level of Council Tax with no sanction for 2022/23.

2.7.

That services have not been asked to identify any efficiency savings for financial year 2022/23, and no reduction in staffing is proposed for 2022/23.

2.8.

The Equality Impact Assessment, attached as Annex 6 to this report, relating to the overall budget proposals.

2.9.

The advice, outlined in section 16 of this report, regarding risks to the Council's ability to continue to meet, in a secure manner, all of its responsibilities and the expectations placed upon it.

2.10.

That, as a consequence of paragraph 2.9 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

It is recommended:

2.11.

That the General Fund revenue budget for financial year 2022/23 be set at £91,260,200.

2.12.

That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to revise the General Fund revenue budget for financial year 2022/23 in respect of any change to the estimated funding level referred to at paragraph 2.1 above.

2.13.

That the Band D Council Tax level for financial year 2022/23 be set at £1,300.97, being equivalent to the Scottish Average Band D Council Tax level for financial year 2021/22.

2.14.

That the Council's budget uprating assumptions, including a 10% uplift for the Third Sector, at an overall estimated cost across the General Fund of £142,200, as set out in Annex 1 to this report, be approved.

2.15.

That, whilst recognising the need to balance the budget and bring spending into line with available funding, the following baseline service pressures amounting to £3,103,100, comprising £2,783,100 of recurring pressures and £320,000 of non-recurring pressures, be approved for inclusion in the revenue budget:

- Recurring pressures:
 - School and Public Bus Services - £94,500.
 - Re-opening of Flotta School - £150,000.
 - Charges for Replacement Bins - £10,000.
 - Management Restructure - Phase 1 - £1,028,600.
 - Organisational Capacity Review - £1,500,000.
- Non-recurring pressures:
 - Nursery provision - £255,000.
 - Local Government Election - £50,000.
 - Community Council Elections - £15,000.

2.16.

That an additional financial contribution of up £200,000 be allocated from the General Fund contingency, established when setting the revenue budget for financial year 2021/22, to the Pickaquooy Centre Trust in recognition of the impact COVID-19 has had on the Trust's operations during 2021/22.

2.17.

That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to allocate any General Fund underspend from 2021/22 to the following provisions:

- To establish an Integration Joint Board Resources Fund of up to £500,000.
- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney for individuals at risk.
- To the repayment of capital debt.

2.18.

That application of the funding set aside in the Integration Joint Board Resources Fund, referred to at paragraph 2.17 above, be delegated to the Chief Executive, in consultation with the Head of Finance.

2.19.

That any additional Orkney Transport grant funding received from the Scottish Government be passported through to the Transportation Service, with the contribution from the unearmarked General Fund balance adjusted accordingly.

2.20.

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

2.21.

That Executive Directors should review and increase existing charges by a minimum of 5%, from 1 April 2022, if possible, to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements are required or proposed:

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

2.22.

That the draw from the Strategic Reserve Fund for 2022/23 be set at £8,262,900.

2.23.

That the draw from the unearmarked General Fund balance for 2022/23 be set at up to £2,316,100.

2.24.

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

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

2.25.

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

3. Developing the Budget Strategy

3.1.

The Council has faced significant budget constraints in recent years that have required year on year savings; delivering savings of £15,164,000 over the past 10 years to 31 March 2022 as follows:

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

3.2.

The Scottish Government published its draft budget for 2022/23 on 9 December 2021. In a letter sent to the Local Government, Housing and Planning Committee the day before the Budget statement, the Cabinet Secretary for Finance confirmed that the Budget document would not contain details of multi-year settlements for local authorities, and it would be a single year budget for 2022/23 once more. This has been a major ask of local government for a number of years as auditors habitually recommend medium and long-term financial planning.

3.3.

Local Government had been assured, as part of the budget deal for 2019/20, that a three-year settlement for 2020/23 would be provided. The uncertainty from the UK's departure from the European Union and a General Election in December 2019, followed by a delay in setting the UK budget, however resulted in a rethink on the three-year settlement commitment, with single year settlements for 2020/21, 2021/22 and again in 2022/23. A key recommendation made in this report is to also set a one-year budget for 2022/23.

3.4.

A three-year maximum contribution from the Strategic Reserve Fund was agreed in 2020 and the draw from the Strategic Reserve Fund in setting the budget for 2022/23 can be up to the balance remaining from the three-year maximum of £8.263 million.

3.5.

In the "Scottish Budget 2022-23 briefing", issued on 13 December 2021, the Scottish Parliament Information Centre (SPICe) reported that the total allocations to local government for 2022/23 as £11,141 million, a cash increase of £33 million and a reduction in real terms of 2.4% or £268 million. The Scottish Government however reports that, once revenue funding which is transferred from other portfolios to local government (but still included in the totals within the Finance Circular) is included, the total is £12,474 million which represents a cash increase of £854 million over the year (7.3%) or a real-terms increase of £539 million (4.5%).

3.6.

In its response to the Scottish Budget, the Convention of Scottish Local Authorities (COSLA) expressed significant disappointment with the allocations to Local Government, as follows:

"This settlement represents £100m cut to our core Settlement, before any other pressures such as National Insurance costs, pay or inflation are taken into account. We wanted a Budget for Local Government that enables people to Live Well Locally – what we have is a budget that barely allows Local Government to survive. We are left in a position where we do not have adequate funding to provide our range of essential services and support recovery from COVID. Many essential services provided by Scottish Local Government are in a fairly precarious position as a result

of cuts to Councils' core budgets and direction on spend towards Scottish Government priorities over the last few years".

3.7.

The Council's annual budget uplifts since financial year 2011/12 have reflected a prudent approach, with minimal uplifts due to the constrained financial position. This approach has resulted in all Council services having to find additional efficiency savings within their approved budgets to cover the impact of cost price increases.

3.8.

The Council received £1,814,000 of non-recurring COVID-19 consequentials as detailed in Finance Circular 5/2021 which was allocated to local government as a late adjustment to the 2021/22 Scottish Government budget. This additional funding was placed in a General Fund contingency after the revenue budget for financial year 2021/22 had been set. This contingency was non-recurring funding so could not be applied as a funding source in the draft General Fund revenue budget for 2022/23.

3.9.

It is proposed that any additional funding secured for 2022/23, that is not specific to government initiatives that must be funded, be retained in the unearmarked General Fund balance.

3.10.

A Long-Term Financial Plan for 2018/19 to 2029/30 has been prepared which gives an indication of the funding gap that the Council could face over a ten-year period. A medium-term resource strategy was also developed to establish a framework for budget setting over the medium term, with the general recognition that further spending reductions need to be considered in a strategic manner and in the context of potential future income streams. This includes the various wind farm projects being progressed by the Strategic Projects team over the medium-to-long term.

3.11.

The reality is that sustained real terms increases in general revenue funding are not being delivered, whilst the use of reserves to balance the budget can only be a solution if the contribution is at a sustainable level. There is therefore a continuing requirement to maximise income from all available sources and to reduce the level of General Fund expenditure to bring it more into line with the financial support received. The draft budget includes a proposal to increase the use of reserves over the short to medium term as part of an agreed strategy to create additional capacity within the Council's management structure as a means of supporting delivery on the Council's agreed priorities going forward.

3.12.

In addition to setting the Council Tax level for financial year 2022/23, the Council is required by law to set a balanced revenue budget by 11 March whereby the level of

budgeted expenditure cannot be set at a level greater than the known or realistically anticipated total income for that year.

4. Grant Settlement

4.1.

Local Government Finance Circular 9/2021 was issued on 20 December 2021 and sets out the provisional total Local Government revenue and capital funding for 2022/23.

4.2.

At a national level, the Scottish Government has presented the 2022/23 settlement as an increase in funding for Local Government of £791.4 million, however COSLA has identified that the new Scottish Government commitments “funded” within the settlement amount to £891 million, meaning that there has been a cut of £100 million to core revenue budgets delivered by the settlement. The following pressures are not covered within the settlement:

- Pay award.
- Employer’s National Insurance contribution increase.
- Inflation.
- Demographic pressures.
- Investment for recovery.
- Increased demand due to the pandemic.
- Reduced income generation due to the pandemic.

4.3.

The Scottish Government commitments that Finance Circular 09/2021 intimates have been funded in the settlement are as follows:

Living Wage – social care	£174.5 million
Free Personal Care uplift	£15.0 million
Carers Act 2016	£20.4 million
Care at Home	£124.0 million
Interim Care	£20.0 million
Health and Social Care	£200.0 million
Teachers and Support Staff	£145.0 million
Free School Meals	£64.0 million
Total	£762.9 million

4.4.

At a Council level, the settlement has delivered an increase in the revenue grant that will be received of £236,000, as illustrated below:

Financial Year and Circular.	Total.
2021/22 (5/2021).	£84,479,000.
2022/23 (9/2021).	£83,908,000.
Additional £120 million of non-recurring grant funding.	£807,000.
Estimated Revenue Grant Increase.	£236,000.

4.5.

The single biggest movement in the settlement has been the flat cash transfer of £4,992,000 Support for Ferries from GAE (Grant Aided Expenditure) to make up a combined Inter-Island Ferries specific grant totalling £12,847,000. The loss of £1,813,000 of Non-Recurring COVID-19 Consequentials which also now drops out for financial year 2022/23. After allowing for these movements, the settlement is less than would be required to cover the Government's priorities and the cost of pay and price increases.

4.6.

Local Government Finance Circular 9/2021, which provides details of the provisional total Local Government revenue and capital funding for 2022/23, refers to a package of measures that make up the settlement, including:

- £174.5 million for continued delivery of the real Living Wage within Health and Social Care.
- £15 million for uprating of free personal and nursing care payments.
- £20.4 million for implementation of the Carers Act 2016.
- Additional investment of £124 million to provide care at home.
- £20 million to support Interim Care.
- An additional £200 million to support investment in health and social care.
- £145 million for Additional Teachers and Support Staff.
- Maintained funding for 100 day commitments including the removal of curriculum and music tuition charges and expanded School Clothing Grant.
- An additional £64 million of revenue funding that was not previously identified, as well as the £30 million of capital funding already identified to facilitate the expansion of Free School Meals.

4.7.

The allocation of a recurring £1,000,000 specific grant in respect of Orkney Transport has still to be confirmed by Scottish Government.

4.8.

On 27 January 2022, Scottish Government announced an additional allocation of £120 million to local government as part of Stage 2 of their Budget Bill. Having agreed the methodology for distributing this sum across all Scottish local authorities, on 10 February 2022, the Council was notified that its allocation would be £807,000. This has been applied to reduce the draw on reserves that is necessary to balance the General Fund revenue budget for 2022/23.

5. Projected Spending Pressures

5.1.

With real terms cuts in the government grant awarded to core Local Government services, the cost of budgeting for inflation has in recent years, been a significant spending pressure which has had to be partially funded by the Council. The inclusion of a partial uplift for inflation and a 2% pay award is recommended for 2022/23 to ensure budgets do not fall too far behind what is required to deliver the Council's priorities.

5.2.

The real terms cuts and ring fencing of funding has necessitated that Council services have had to find additional efficiency savings within their approved budgets. After adjusting for the transfer of £4.992 million of ferry funding from GAE in 2021/22 to specific grant in 2022/23, the increase in revenue funding is £236,000 as referred to at section 4.4 above. The September 2021 headline rate of Consumer Price inflation was 3.0%, up from 0.5% in September 2020, with inflation currently forecast to peak at 6 to 7% by the end of the current financial year. Annex 1 provides details of recommended budgetary adjustments across the main cost and income subjective groupings. The estimated cost of applying these budgetary adjustments is £1,631,200.

5.3.

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

5.4.

No baseline service pressure bids were invited as part of the budget process for 2022/23. This does not mean that there are not latent pressures within Services, rather, due to challenging budget circumstances, it has not been possible for the Senior Management Team to support the principle of growth at this time. This means that Services will have to continue to manage within historic budget envelopes which may in turn impact on outputs and/or performance. However, a number of pressure areas with a total cost of £3,103,100 (including £2,783,100 of recurring pressures and £320,000 of non-recurring pressures) also noted in Annex 2 have emerged that require to be considered in the budget deliberations, namely:

- School and Public Bus Services were retendered in 2021/22, with an indicative full year cost increase of £2,038,700, of which £1,944,200 was included as growth in 2021/22 and £94,500 falling into 2022/23.
- Re-opening Flotta School is a positive outcome for the community but is also a new budget pressure as the school has been closed for several years. The cost has been provisionally estimated at £150,000.
- Nursery provision - £255,000 (non-recurring)
- Reinstate the Operational Environmental Services revenue budget following the decision in 2021 not to charge for replacement bins - £10,000.
- Local Government Election - £50,000 (non-recurring).
- Community Council Elections - £15,000 (non-recurring).
- Management restructure agreed in 2021 - £1,028,600.
- Organisational capacity review - provisionally estimated at £1,500,000.

5.5.

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

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

5.6.

With a Council Tax base of 8,234 Band D properties for 2022/23, an increase in the Council Tax of £360.86 or 29.8% from £1,208.48 to £1,568.34 would be required to cover the budget growth of £3,103,100.

5.7.

The highest Council Tax level in Scotland in 2021/22 is £1,409.00. An increase in the Orkney Council Tax to £1,568.34 would be £159.34 or 11.3% above the current highest Council Tax in the country. It is recognised that such a level of increase would not be palatable on many fronts so has not been recommended.

5.8.

Adding the spending pressures to the required draw from reserves to balance the 2022/23 budget would push the contribution up to £11,367,200. While this could be afforded from the Strategic Reserve Fund in 2022/23, a draw at this rate is not sustainable in the medium term along with all the other commitments on the Strategic Reserve Fund, as was reported to the Policy and Resources Committee on 21 December 2021, when reviewing the Strategic Reserve Fund.

5.9.

With the Council's policy presumption against new commitments effectively being set aside to allow a restructure of Council management and services it will be necessary in future years to add significant additional revenue streams or bring expenditure down into line with ongoing revenue support so that the draw from reserves can be reduced to a sustainable level.

5.10.

The Third Sector in Orkney is a key and valued resource. A freeze in the Third Sector budget was agreed for 2018/19 and 2019/20 while, for 2020/21 and 2021/22 a 1% increase was included in the budget uprating assumptions. Elected Members have however recognised the sterling work of the Third Sector over the period of the pandemic and, with the consequential difficulties encountered in fundraising activities, a 10% increase for 2022/23 is therefore recommended.

5.11.

The Pickaquooy Centre Trust continues to feel the impact of COVID-19 on their operations during financial year 2021/22, with the Active Life membership scheme in particular running at between 71-77% of 2019/20 (pre-COVID-19) levels. This equates to a shortfall in income estimated at between £180,000 to £240,000. It is therefore recommended that an additional financial contribution of up to £200,000 be allocated to the Pickaquooy Centre Trust from the General Fund contingency for financial year 2021/22.

6. Council Tax

6.1.

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

6.2.

Some councils generate relatively high levels of income from Council Tax with, at the higher end, 19% of general income raised from Council Tax. In comparison, Orkney generates less than 10% of general income from Council Tax. This is partially historical, with councils having been tied to their 2008/09 Council Tax rates by the freeze and thereafter only permitted capped increases. The mix of house property bands is a further factor with fewer high banded properties in the islands meaning the Council Tax base is a lot lower.

6.3.

A Council Tax freeze was in place between 2008/09 and 2016/17 and ended in 2017/18. The Local Government Finance settlements have thereafter included a requirement for locally determined Council Tax increases to be capped at 3% (3% real for 2019/20 and 2020/21) and a freeze was imposed again for financial year 2021/22. The sanctions associated with the freeze and capped increases have

effectively removed the discretion for the Council to consider increasing Council Tax to the Scottish average Council Tax rate for 2021/22 of £1,300.97.

6.4.

The 2022/23 settlement is the first settlement since 2007/08 where the Council has absolute discretion in setting the level of its Council Tax.

6.5.

The surcharge on second homes is estimated to generate £242,000 in 2022/23 and continues to be allocated to the Housing Revenue Account. The surcharge on empty properties is estimated to contribute £100,000 to the total Council Tax income in 2022/23.

6.6.

The Orkney Band D Council Tax would have to increase by £92.49, or by 7.7% to equal the Scottish average in 2021/22. The additional annual income that would be raised by an increase to the Orkney Council Tax rate, to approximately the Scottish average for 2021/22, is £924,000.

6.7.

An increase in the Band D Council Tax to the Scottish average would see changes to the Council Tax bands for 2022/23, compared to those set for 2021/22, as indicated below:

Band	Property Value	Proportion of Band D	Council Tax 2021/22	Council Tax 2022/23
A	Up to £27,000	240/360	£805.65	£867.31
B	£27,000 - £35,000	280/360	£939.93	£1,011.87
C	£35,000 - £45,000	320/360	£1,074.20	£1,156.42
D	£45,000 - £58,000	360/360	£1,208.48	£1,300.97
E	£58,000 - £80,000	473/360	£1,587.81	£1,709.33
F	£80,000 - £106,000	585/360	£1,963.78	£2,114.08
G	£106,000 - £212,000	705/360	£2,366.61	£2,558.57
H	Above £212,000	882/360	£2,960.78	£3,187.38

6.8.

In September each year, the Council submits an annual return to the Scottish Government providing details of Council Tax Band D equivalent properties which is used by the Scottish Government in determining the level of revenue support grant for each Council. The number of Band D equivalent properties in Orkney for the September 2021 return was 8,234 and represents an increase of 141 or 1.7% on the previous year's figure of 8,093.

6.9.

An element of non-collection of Council Tax will inevitably occur and it is considered prudent to make a non-collection allowance of 1.0%, thereby reducing the number of Band D equivalent properties by 82 from 8,234 to 8,152. The allowance for non-collection is consistent with the rate applied in previous years.

6.10.

With a recommended increase in the Band D Council Tax level to the Scottish Average level of Council Tax at £1,300.97, the total amount of income expected to be generated is £10,706,000, as set out in Annex 3. By way of comparison:

- A 5% increase to the Council Tax is estimated to generate £10,444,000, which would necessitate an additional draw from General Fund balances of £262,000.
- A 3% increase to the Council Tax is estimated to generate £10,247,000, which would necessitate an additional draw from General Fund balances of £465,000.

7. Reserves and Balances

7.1.

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

7.2.

The Council currently holds various earmarked reserves within General Fund balances as part of its longer-term financial management strategy. These earmarked reserves, amounting to £34,333,200 at 1 April 2021, are held to meet specific commitments, specific purposes or for specific Council priorities, as detailed in Annex 4.

7.3.

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

7.4.

The Council holds a non-earmarked General Fund balance which, at 1 April 2021, stood at £6,684,300 or 7.5% of the Net Revenue Budget (1 April 2020 £8,784,300) and gives the Council a degree of protection over the longer term from potential risk due to unforeseen significant expenditure calls where insufficient revenue or capital

budget provision may exist. In the event that any use of General Fund Reserves is made in determining the 2022/23 revenue budget, this should only be done on the basis of a sustainable strategy, which ensures that future years' revenue budgets are not dependent on the unsustainable continuing use of General Fund Reserves.

7.5.

There is no generally recommended target level of uncommitted General Fund Reserves although a number of local authorities do have a target range of between 2% to 4% of their net revenue expenditure. Based on the Net Revenue Budget for 2021/22 of £89,392,500, this would imply a level of uncommitted Reserves for the Council of between £1,787,850 and £3,575,700. On 21 December 2021, the Policy and Resources Committee considered the level of General Fund non-earmarked balances and recommended that the level of General Fund Balance for 2022/23 be set at 3% of the net revenue budget for 2021/22, with a target balance of £2,681,775. Accordingly, a figure of up to £4,002,525 would be available for setting a balanced General Fund Budget for 2022/23.

7.6.

There is presently much uncertainty regarding the budget outturn for financial year 2021/22, therefore it is not certain if there will be a requirement to draw on the non-earmarked General Fund Reserve in 2021/22.

7.7.

The Council also has available a source of funding from its Strategic Reserve Fund. In setting the revenue budget for 2021/22, a contribution of £7,470,000 of the investment income or interest that would be earned on the Strategic Reserve Fund was budgeted as a means of cushioning savings targets/requirements and to maintain and protect spending and services which might otherwise have been reduced or removed when setting the budget.

7.8.

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

7.9.

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

7.10.

In May 2021, the Investments Sub-committee obtained assurance that the current income focused investment strategy remained appropriate for the Strategic Reserve Fund managed fund investments. While the review confirmed that expected returns

in terms of the current strategy were expected to reduce from 5.6% to 5.2% per annum over a rolling three-year period, largely due to the impact of COVID-19 on the global growth forecasts, this level of income is now considered sufficient to support annual distributions of approximately £6,350,000 per annum and still maintain the value of the Strategic Reserve Fund in real terms.

7.11.

As budgets have become tighter, the reliance on the Strategic Reserve Fund has been increasing, as detailed below:

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

7.12.

A maximum draw from the Strategic Reserve Fund of £22,050,000 over the three years 2020/21 to 2022/23 was agreed when setting the budget for 2020/21. With contributions of £6,317,200 and £7,469,900 in 2020/21 and 2021/22 this left a balance of £8,262,900 available for 2022/23.

7.13.

The value of the Strategic Reserve Fund usable reserves has been estimated at £245,135,000 as at 31 March 2022. This compares favourably with the minimum balance or “Floor” of £215,771,000 as at 1 April 2021 and represents probable headroom of £29,364,000 for financial year 2021/22. Thereafter, the headroom is forecast to decline to £21,819,000 over the three years to 31 March 2025, as the level of disbursements on the Strategic Reserve Fund exceeds the amount of income generated in real terms.

7.14.

On 23 December 2021, the Council approved a revenue budget for the Strategic Reserve Fund for financial year 2022/23. This included the sum of £8,262,900 as a financial contribution to General Fund Services, to be used as a planning assumption as part of the Council’s budget setting process for General Fund Services.

7.15.

As a potential means of increasing income for the Council and securing wider economic benefit for Orkney, the Council has been investing through the Strategic Reserve Fund in the development of a number of wind farm projects. This strategy will, if it ultimately proves to be successful, give the Council a significant additional income stream for a 25-year period. On this basis, it should therefore be possible to scale back the draw from the Strategic Reserve Fund once this income stream has been realised.

7.16.

Feedback from Trade Unions in relation to the use of reserves, has been to urge Elected Members to make full use of reserves to prevent vulnerable groups, particularly disabled people and the elderly, from being disproportionately affected by cuts.

7.17.

Having regard to the amortisation or continued reduction in grant funding to support the repayment of capital debt, it is recommended that, in the event an underspend on General Fund services is realised in 2021/22, it is applied as follows:

- To establish an Integration Joint Board Resources Fund of up to £500,000.
- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney of individuals at risk.
- To the repayment of capital debt.

7.18.

The proposal to establish an Integration Joint Board Resources Fund is in recognition that the additional resources to be made available to Orkney Health and Care as part of the Corporate Management Restructure exercise, referred to at section 15.3 below, is additional to and therefore outwith the Integration Joint Board's financial envelope. As such, the resources are not being baselined in the revenue budget for financial year 2022/23 and will be allocated to the Service on a needs basis by the Chief Executive, in consultation with the Head of Finance.

7.19.

In light of the current financial climate, the importance of sustaining a sufficient reserve position is pivotal to the financial framework of the Council given the very tight budgets which have to be set for Council services, the unknown impact of the coronavirus pandemic over 2022/23 including the recovery phase, and the inherent risk therein.

8. Efficiency Savings for 2022/23

Largely in recognition of the exceptionally difficult second year of the pandemic and the acute pressure that services have been under to maintain existing provision, no efficiency savings have been requested in the preparation for the 2022/23 budget.

9. Target Savings and Future Savings Projects

9.1.

The current level of budgeted expenditure is more than can be sustained through the ongoing support from Scottish Government and locally raised revenue from Council Tax and fees and charges. There is also a high level of risk inherent in propping up the budget through contributions from reserves. To counter this risk and seek to bring expenditure more into line with recurring resources, a series of projects have been identified with the aim of realising budget savings, as follows:

- Property Portfolio Rationalisation.
- Economic Development Service Redesign.
- Fleet review.
- Marine Services – Business Investment Plan.
- Commercial Waste Service – review.
- Domestic Waste Service – review.
- St Magnus Cathedral Charging Scheme.
- Cultural Donation Schemes.
- Leisure Services Review.
- Life-long Learning Offer.
- Introducing a 'Contributing to Your Support' Policy.
- Transportation Service – Strategic Transportation Services.
- Third Sector Commissioning Review.

9.2.

Little progress has been made on these savings initiatives over the past two years, with efforts interrupted by the response to the COVID-19 pandemic and Our People Our Plan. The Senior Management Team has however agreed actions to make progress on delivery of savings from these themes over the next year.

9.3.

The Integration Joint Board also needs to realise savings in the activities commissioned by the Board. Through a series of meetings between the Council and NHS Orkney, a savings target over the three-year period 2020/21 to 2022/23 has been agreed at £4,200,000, with £2,400,000 attributable to NHS Orkney delivered services and £1,800,000 attributable to Orkney Islands Council delivered services. This will be challenging to achieve in a climate of increasing demand and rises in the cost of employing staff.

9.4.

The savings target of £1,800,000, whilst significant, is less than the budget increase of £4,183,000 awarded to Social Care between financial years 2016/17 and 2021/22. The Floor calculation is based on an all Scotland reduction of 0.92%, so to treat Social Care equivalent to the other Council services due consideration would need to

be given to applying a commensurate reduction to the Social Care base budget before any “new monies” are added. This has not however been applied to the draft budget for financial year 2022/23.

10. Charging for Services

10.1.

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

10.2.

The importance of charges has increased with the reduction in grant funding and the knowledge that increasing existing charges and introducing new charges are required in order to maintain services or prevent certain services being removed altogether. Inflation, as measured by the Consumer Price Index was 3.0% at September 2021 but had increased to 5.1% by November 2021. It is therefore recommended that Executive Directors should look to review and increase existing charges by a minimum of 5% from 1 April 2022, if it is possible to do so.

10.3.

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

10.4.

The proposed exceptions where the general increase of at least 5% will not apply are as follows:

- Building Warrant and Planning fees – set nationally.
- Harbour Charges – annual increase considered separately by the Harbour Authority Sub-committee.
- Ferry fares – proposal is to freeze ferry fares.
- Car Park charges - annual increase considered separately by the Development and Infrastructure Committee.
- Residential Care and Home Care – based on cost of service.
- Very Sheltered Housing – based on cost of service.
- Supported Accommodation – based on cost of service.
- Licensing fees – annual increase considered separately by the Licensing Committee.
- Ship Sanitation Certification – set nationally.
- Marriage / Civil Partnership – set nationally.
- Roads Inspection Fees – set nationally.

- Trade Waste charges – based on cost of service.
- Homelessness rents – set in accordance with the Rapid Rehousing Transition Plan.
- Selected Quarry product sales – based on cost plus.

10.5.

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

Less than £2.00.	5% rounded to nearest 5p.
£2.00 to £49.99.	5% rounded to nearest 10p.
£50.00 to £99.99.	5% rounded to nearest 50p.
£100.00 and over.	5% rounded to nearest £1.

10.6.

For small value charges that have not increased for a few years these will be looked at in the year ahead and the increase applied if they would have increased but for the rounding preventing the increase.

11. Revenue Budget Summary

11.1.

The proposed uprating assumptions to be applied to the existing base budget are set out in Annex 1 and total £1,613,200 for 2022/23. The table below indicates the monetary values where increases are to be applied.

Staff Costs – Non Teaching	£1,024,600	
Staff Costs – Teaching	£383,400	
Property Costs	£87,200	
Third Sector (10%)	£142,200	
Trading Organisations	£175,000	
Internal Transport	£64,100	
		£1,876,500
Sales	£(37,500)	
Fees and Charges	£(126,500)	
Other Income	£(81,300)	
		£(245,300)
Total Net Uplift		£1,631,200

11.2.

Annex 5 provides an analysis of the financial settlement and shows that there is a net cash decrease for 2022/23.

11.3.

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

	2022/23
Overall Budget Increase	
Movement 2021/22 to 2022/23.	£53,700.
Represented by:	
Movement in Gross Revenue Grant.	£(7,865,000).
Non-Domestic Rates.	£3,166,000.
Council Tax.	£888,600.
General Fund Reserve contribution.	£2,316,100.
Other Reserves increased contribution.	£1,548,000.
	£53,700.

11.4.

The increase in ring-fenced funding for Government priorities, together with the pay and price pressures, will require an increased contribution of £1,548,000 from the Council's Other Reserves, together with £2,316,100 from the General Fund non-earmarked balance, to set a balanced budget for 2022/23. The contribution from Other Reserves includes the following:

- £793,000 as a general funding contribution towards General Fund Services from the Strategic Reserve Fund.
- £500,000 towards staffing from the Integration Joint Board Resources Fund.
- £255,000 in respect of an existing project specific commitment for Nursery Provision.

11.5.

Taking account of the reduction in the level of funding available and the commitments on that funding, it is proposed that the budget for 2022/23 be set at £91,260,200 as detailed in Annex 5, along with the calculation of the Council Tax for 2022/23, as detailed in Annex 3.

12. Capital Programme 2021 to 2026

12.1.

A re-profiling of the existing five-year capital programmes for financial years 2020 to 2025, in order to reflect current timescales for completion of individual capital projects was considered by the Policy and Resources Committee on 21 September 2021. The Committee recommended that £3,459,000 (General Fund) and £5,092,000 (non-General Fund) be carried forward from financial year 2020/21 to financial years 2021/22 and onwards in respect of net slippage on projects contained within the capital programme.

12.2.

The Council has been notified through Finance Circular No. 9/2021 that it will receive £5,048,000 of General Capital Grant in 2022/23. This is exactly the same amount of grant General Capital Grant as was received for 2021/22.

12.3.

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

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

12.4.

Any underspend on loan charges in the year ending 31 March 2022 as a result of capital programme slippage will be applied to repay capital debt, while the General Capital Grant of £5,048,000 in the year to 31 March 2023 will be the main funding source for expenditure on the capital programme.

12.5.

On 15 December 2021, the Council received notification that it was to receive an allocation of £1,012,000 from a national Islands Infrastructure Fund of £5M for 2021/22, including a condition that the expenditure is to be incurred by 31 March 2022. Whilst the additional capital funding is very welcome the lead in time to have

the funding spent is very short. Subsequent clarification has been provided that a contractual commitment at 31 March 2022 will be sufficient to claim the funding.

12.6.

The Islands Infrastructure Fund is a £30 million fund which has been established under the Infrastructure Investment Plan for Scotland. The Plan stipulates that the Scottish Government will “invest in delivering the National Islands Plan over the five years 2021 to 2026”. The implication from this is that there could be a further £5 million of capital grant funding provided over the next four years from the Islands Infrastructure Fund. It has, however, subsequently been clarified that a competitive bidding process will be established to consider applications for assistance from this Fund going forward.

13. Presumption Against New Commitments

13.1.

In setting the budget for financial year 2021/22, the Council determined that its policies of a presumption against new commitments and a moratorium on staff establishment increases should continue to remain in force for the time being. However, in order to allow for eventualities which might arise, the following principal conditions applied:

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

13.2.

It is proposed that, with the continuing pressure on the budget, the Council should again establish policies of constraint in undertaking new commitments for financial year 2022/23 across General Fund services.

14. Fairer Funding for Ferry Services

14.1.

The Government has engaged constructively with the Council over ferry support in the lead up to the 2022/23 budget and Finance Circular 9/2021 indicates a specific grant of £12,847,000 for Orkney in 2022/23. Whilst this is £453,000 less than the full Council ask submitted to Transport Scotland for ferry funding support, including an allowance for fares at Road Equivalent Tariff rates and not providing the additional £1,200,000 requested to enhance air services, it is still a vast improvement on the

position that pertained in 2018/19 when the only support was through the Grant Aided Expenditure (GAE) mechanism.

14.2.

Inclusion of the specific grant of £12,847,000 for internal ferry services at the first stage of the budget is positive in that it reduces the financial risk to the Council for provision of ferry services in 2022/23. The move of £4,992,000 from GAE to a Specific Grant has not however provided the adjustment to support through the Floor mechanism that was anticipated.

14.3.

The Council remains a contributor to the Floor mechanism for 2022/23 by £1,330,000, representing an increase of £126,000 or 10.5% on 2021/22.

14.4.

The allocation of a recurring £1,000,000 specific grant in respect of Orkney Transport has still to be confirmed by Scottish Government. It is proposed that any additional Orkney Transport grant funding be passported through to the Transportation Service, with the contribution from the unearmarked General Fund balance adjusted accordingly.

15. Human Resource Implications

15.1.

There are no proposed efficiency savings that would result in any reduction in staffing during 2022/23.

15.2.

The latest quarterly joint staffing watch survey shows that a total of 1789.73 FTE permanent, temporary and relief staff were paid in the quarter to 31 December 2021. This is an increase of 23.44 FTE from the quarter to 31 December 2020.

15.3.

On 29 November 2021, the Policy and Resources Committee recommended a revised leadership/corporate management structure, with an estimated full year additional cost of £1,028,600, which represents baseline service growth in financial year 2022/23 onwards. In the report submitted to the Committee, it was intimated that there will be a requirement for a comparable investment associated with building essential additional capacity and capability within the organisation for levels below Service Manager. This has been estimated at a full year cost within General Fund Services of £1,500,000.

15.4.

The Council has in place workforce plans for each of its Services, which represent a more structured approach to planning the future workforce. The workforce plans have focussed on issues within the medium-term due to the financial pressure

councils face in the next five years and how that may affect the workforce. In future, further work will be undertaken on the longer-term position for each service, including consideration of how to positively influence the Council area's ageing demographic and meet the workforce and service delivery challenges that presents.

15.5.

On 29 November 2021, the Policy and Resources Committee noted that, should the revised Corporate Management Structure be approved, the Chief Executive would arrange for a report on the Strategic Workforce Plan to be presented to the Policy and Resources Committee by March 2022.

15.6.

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

16. Risk

16.1.

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

16.2.

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

16.3.

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

16.4.

Despite considerable restraint having been exercised by the Senior Management Team, with service specific pressures being resisted, there were several areas where it is felt that service pressures could not be avoided, namely:

- The residual element of the bus service contract.
- Re-opening of Flotta School.
- Nursery provision.
- Charging for replacement bins.

- Local elections.
- Management Restructure/Workforce Planning.

16.5.

These pressures are estimated to cost £3,103,100, while the cost of making provision for pay awards and general price increases for 2022/23 has been calculated at an additional cost of £1,631,200.

16.6.

The financial settlement per Finance Circular 9/2021 delivered a decrease in general revenue funding of £571,000. Even after allowing for the additional allocation of £807,000 of non-recurring funding for 2022/23, announced on 27 January 2022 as part of Stage 2 of the Budget Bill, this is not enough to cover new Government commitments; the unavoidable growth and the pay and prices increases noted above.

16.7.

Inclusion of the specific grant of £12,847,000 for internal ferry services at the first stage of the budget is moderately positive in that it reduces the financial risk to the Council for provision of ferry services in 2022/23. The specific grant does not however cover the full amount that was requested from Transport Scotland and does not provide the additional funding to provide any increase in air services. The move of £4,992,000 from GAE has however not provided the support through the Floor mechanism that was anticipated.

16.8.

The significant ring-fenced and earmarked sums within the settlement, together with pressures on pay, means that there is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision however builds upon a gap from previous years and may result in service budget overspends.

16.9.

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

16.10.

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

16.11.

The Scottish Government and Scottish Green Party Parliamentary Group entered into a co-operation agreement in August 2021, which will ensure that the Government is able to get its budget voted through Parliament without the requirement for further concessions or deals in order to get support for its 2022/23 budget. The concessions made during these negotiations have, in recent years, delivered additional funding for local government. There is unlikely to be any last-minute funding announced for 2022/23 with the co-operation agreement in place.

16.12.

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

17. Equalities Impact

17.1.

An Equality Impact Assessment on the overall budget proposals has been carried out and is attached as Annex 6.

17.2.

As no specific saving proposals are being recommended in this budget report, individual savings specific Equality Impact Assessments are not required for 2022/23.

18. Corporate Governance

18.1.

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

18.2.

However, when considering the budget setting issues for 2022/23, cognisance has been taken of the Council's duty to meet statutory obligations, together with the declared key priorities of the Council, and how these might be progressed within the resources currently available.

18.3.

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

19. Financial Implications

19.1.

The financial implications are detailed throughout the report.

19.2.

A detailed revenue budget for 2022/23, incorporating any Scottish Government changes from the estimated funding settlement and the budget adjustments agreed by the Council, will require to be prepared and thereafter distributed to budget holders to facilitate effective budgetary control arrangements during financial year 2022/23.

20. Legal Aspects

20.1.

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

20.2.

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

21. Contact Officers

John W Mundell, Interim Chief Executive, extension 2101, Email john.mundell@orkney.gov.uk

Colin Kemp, Interim Head of Finance, Email colin.kemp@orkney.gov.uk

22. Annexes

Annex 1: Budget Uprating Assumptions 2022/23.

Annex 2: Service Pressures 2022/23

Annex 3: Council Tax Calculation 2022/23.

Annex 4: Reserves and Balances as at 31 March 2021.

Annex 5: Estimated Financial Settlement 2022/23.

Annex 6: Equality Impact Assessment – Overall Budget Assessment.

Annex 1.

Budget Uprating Assumptions

Budget Element.	2020 to 2021.	2021 to 2022.	2022 to 2023.
Staff Costs Non-Teaching.	3.0%.	2.0%.	2.0%.
Pension Costs Non-Teaching.	(0.4)%.	0.0%.	0.0%.
Staff Costs Teaching.	6.5%.	2.0%.	1.0%.
Pension Costs Teaching.	0.6%.	0.0%.	0.0%.
Property Costs.	1.0%.	1.0%.	1.0%.
Supplies and Services	2.0%.	2.0%.	0.0%.
Transport Costs.	1.0%.	1.0%.	0.0%.
Administration Costs	1.0%.	1.0%.	0.0%.
Third Party Payments	1.0%.	1.0%.	0.0%.
Transfer Payments	1.0%.	1.0%.	0.0%.
Third Sector	1.0%.	1.0%.	10.0%.
Other Costs	1.0%.	1.0%.	0.0%.
Trading Organisations and Orkney Ferries.	2.6%.	2.0%.	1.0%.
Internal Transport	2.0%.	1.0%.	1.0%.
Sales.	3.0%.	3.0%.	5.0%.
Fees and Charges.	3.0%.	3.0%.	5.0%.
Other Income.	3.0%.	3.0%.	5.0%.
Total Uplift for Inflation.	£2,813,000.	£1,689,200.	£1,631,200.

Annex 2

Services Pressures for 2022/23

Summary by Service	Amount (£000s)
Chief Executive	65.0
Other Services	2,528.6
Development and Infrastructure	33.6
Education, Leisure and Housing	475.9
	3,103.1
Chief Executive	
Local Government Election*	50.0
Community Council Elections*	15.0
	65.0
Other Services	
Management Restructure	1,028.6
Organisational Capacity Review	1,500.0
	2,528.6
Development and Infrastructure	
Public Bus Contract	23.6
Removal of charges for bins	10.0
	33.6
Education, Leisure and Housing	
Reopening of Flotta School	150.0
School Bus Contract	70.9
Nursery Provision*	255.0
	475.9

Note * denotes one-off or non-recurring service pressure.

Annex 3.

Council Tax Calculation for 2022 to 2023

Non-Domestic Rates.	£12,954,000.
Revenue Support Grant.	£56,233,000.
Council Tax.	£10,706,000.
Use of Reserves.	£11,367,200.
Proposed Budget for 2021 to 2022.	£91,260,200.
Less Use of Reserves.	-£11,367,200.
	£79,893,000.
Less Financial Settlement.	-£69,187,000.
Less Empty Properties Income.	-£100,000.
Expenditure to be met by Council Tax.	£10,606,000.
Band D Properties Forecast.	8,234.
Assumed Collection Rate.	99%.
Number of Band D Equivalent Tax Payers.	8,152.
Band D Council Tax for 2022 to 2023.	£1,300.97.

Annex 4.

Reserves and Balances as at 31 March 2021

Capital Fund.	£507,800.
Capital Receipts Reserve.	£951,200.
Repairs and Renewals Fund.	£10,234,400.
Local Works and Services Contingency Fund.	£114,800.
Workforce Management and Management Support Fund.	£1,517,000.
Training Fund.	£230,900.
Innovation Fund.	£729,700.
Renewable, Redevelopment and Regeneration Fund.	£10,555,200.
Recreation and Cultural Services Project Fund.	£65,200.
Economic Development Grants Fund.	£1,783,900.
Sustainable Communities Fund.	£14,800.
Outwith Orkney Placements Fund.	£853,000.
Welfare Fund.	£4,100.
Capital Projects Appraisal Fund.	£549,900.
Crown Estate Fund	£1,147,700.
Coronavirus Business Hardship Support Fund	£2,968,500.
Redeterminations Flexibility Fund	£2,105,100.
Total Earmarked Reserves.	£34,333,200.

Annex 5.

Financial Settlement 2022 to 2023

Financial Settlement Details.	2021 to 2022.	2022 to 2023.
Total Estimated Expenditure.	£92,625,000.	£92,958,000.
Funded by:		
Assumed Council Tax.	£8,146,000.	£8,243,000.
Ring-fenced Grants.	£10,593,000.	£15,528,000.
Non-Domestic Rates.	£9,788,000.	£12,954,000.
General Revenue Funding.	£64,098,000.	£56,233,000.
Totals.	£92,625,000.	£92,958,000.
Government Grants:		
Ring-fenced Grants.	£10,593,000.	£15,528,000.
Non-Domestic Rates.	£9,788,000.	£12,954,000.
General Revenue Funding.	£64,098,000.	£56,233,000.
Totals.	£84,479,000.	£84,715,000.
Grant Movement.	£6,297,000.	£236,000.
Grant Movement.	8.05%.	0.28%.
Council Budget Calculation:		
Non-Domestic Rates.	£9,788,000.	£12,954,000.
Revenue Support Grant.	£64,098,000.	£56,233,000.
Council Tax.	£9,817,400.	£10,706,000.
Use of Strategic Reserve Fund.	£7,469,900.	£8,262,900.
Use of Other Reserves	33,200.	788,200.
Use of General Fund Reserve	0.	£2,316,100.
Totals.	£91,206,500.	£91,260,200.
Budget Movement.	£4,742,000.	£53,700.
Budget Movement.	5.5%.	0.06%.



Equality Impact Assessment

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

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Setting the budget and Council Tax levels for 2022 to 2023.
Service / service area responsible.	Chief Executive.
Name of person carrying out the assessment and contact details.	Colin Kemp, Interim Head of Finance.
Date of assessment.	10 February 2022
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New following the grant settlement from the Scottish Government and setting of the Council budget from 2022 to 2023.

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	<p>To set the budget and Council Tax levels for financial year 2022 to 2023.</p> <p>Whilst there are no proposed budget cuts this year, with real term cuts in government grants awarded to core Local Government services, the cost of budgeting for inflation has in recent years been a significant spending pressure which has had to be partially funded by the Council.</p> <p>Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on Reserves, services are encouraged to find</p>

	compensatory savings or undertake service redesign within their own service areas to meet any service pressure bids.
Is the function / policy / plan strategically important?	Yes.
State who is, or may be affected by this function / policy / plan, and how.	Users of Council services will be affected by changes in service provision or charges because of real terms cuts in awarded grants and the ongoing spending pressures as a result of these.
How have stakeholders been involved in the development of this function / policy / plan?	As no budget cuts are being proposed in this year's draft budget no additional consultation of stakeholders has taken place. It is considered that the views expressed by stakeholders in previous years remain valid, including, for example, the views of trade unions that the Council should increase the draw on its reserves as a means of maintaining service levels.
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	Under the Equality Act 2010 the Council has a general equality duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between equality groups. Carrying out equality impact assessments allows the Council to demonstrate that it is meeting these duties. According to 'Making fair financial decisions: Guidance for decision makers' published by the Equality and Human Rights Commission in January 2015, the general equality duty does not prevent members from making difficult decisions, nor does it stop members from making decisions which may affect one group more than another. The duty enables the council to demonstrate that it is making financial decisions in a fair, transparent, and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes could have on people with different protected characteristics. Financial proposals should always be subject to a thorough assessment which should be considered before a decision is made. If members are presented with a proposal that has not been assessed for its impact on equality, they should question whether this enables them to consider fully the proposed changes and their likely impacts.

	<p>Many residents in Orkney are geographically disadvantaged by their distance from a major centre of population, except for the more easily accessible parts of the region, as they do not have access to all the services that their counterparts in a town/city centre may have. Combinations of circumstances such as low income, disability, poor quality accommodation and no private transport can exacerbate access deprivation for vulnerable people, making it more difficult for them to access services.</p> <p>Feedback from Trade Unions in relation to the use of reserves, has been to urge Elected Members to make full use of reserves to prevent vulnerable groups, particularly disabled people and the elderly, from being disproportionately affected by cuts.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Guidance for Public Bodies for further information.</p>	<p>(Please complete this section for proposals relating to strategic decisions).</p> <p>Almost any change to a council service has some socio-economic impact. This is because the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services. Poor social and economic circumstances affect people's health and quality of life.</p> <p>Steps such as paying the Scottish Living Wage go some way to help tackle levels of child poverty by making more money available to help families bring up their children. Generally, this benefits lower-paid workers and their families.</p> <p>Women have been identified as being disproportionately vulnerable to socio-economic impacts and elements of welfare reform are likely to have a disproportionate impact on women and lone parents.</p> <p>Reduced services for children, young people and older people can place additional burdens of care on women. Women are more likely than men to manage reduced family budgets, have primary caring responsibilities and act as the buffers, going without to protect their children from the worst effects of poverty and continue to report higher levels of concern about their financial situation.</p>

	<p>A high percentage of women in Orkney work part time in the public, voluntary and community sectors. The continued reduction in the public and voluntary workforces impact disproportionately on this group.</p> <p>Inevitably, the overall effect of the combination of age, disability and deprivation means that changes to support services are likely to increasingly impact disproportionately on women and lone parent families.</p> <p>Children in out-of-work households are at greater risk of poverty although there are a significant number of children nationally who are classed as living in poverty who live in households where someone is working (in-work poverty). Children of lone parents, children with disabilities and those in large families are at greater risk of living in poverty.</p> <p>There is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision builds upon a gap from previous years.</p> <p>By retaining core services focused on supporting the most vulnerable children, including those with specialist needs, and families, councils can continue to address the greatest levels of disadvantage and tackle inequality.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p> <p>There are proposals that present charges should be reviewed and increased by a minimum of 5% from April 2022, if possible, to do so. These charges relate to a very wide range of services with the following exceptions, where alternative arrangements are required or proposed:</p> <ul style="list-style-type: none"> • Building Warrant and Planning fees. • Harbour charges. • Ferry fares. • Car park charges. • Residential care and Home care. • Very Sheltered Housing. • Supported accommodation. • Licensing fees.

	<ul style="list-style-type: none"> • Ship sanitation certification. • Marriage / civil partnership. • Roads Inspection Fees. • Trade waste charges. • Homelessness rents. • Selected quarry products. <p>The summary below provides more information relating to people in Orkney by protected characteristic. It is important to note that intersectionality (the complex and cumulative way in which the effects of multiple protected characteristics have on the experiences of individuals or groups) is of particular relevance when considering inequalities and socio-economic disadvantage. Inevitably any potential changes to way in which services are delivered because of the budget, will impact on particular groups. Further work will be required to assess the impacts on a service-by-service basis.</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>Most of the population of Orkney is White Scottish (79.4%) or White Other (19.9%) which includes Other British, Irish, Polish, and White Other. The remaining 0.7% of the population is non-white; 0.4% Asian, Asian Scottish, or Asian British and 0.3% Other ethnic groups. Whilst these figures are low in comparison to the Scotland average, we see that the ethnic make-up of Orkney has become more diverse over the past 10 years and is likely to continue to increase in diversity.</p>
<p>2. Sex: a man or a woman.</p>	<p>There is an even gender split for the population of Orkney comprising 49.9% Male and 50.1% female (2011 Census).</p> <p>Research shows that men are more likely to work full time than women, while women are more likely to hold part time positions than men.</p> <p>Whilst employment rates in Orkney are significantly higher than the regional and national average and the balance between full and part time working in Orkney (70% and 30% respectively) is broadly in line with the regional average, there is a higher tendency for part time working in the local authority area than nationally.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>The size of the current LGBT community in Orkney is not known currently. The official UK Government estimate is that 6% of the population identify as gay, lesbian, or bisexual. Research</p>

	shows that one in six LGBT people have been discriminated against when using a public service in the last three years (Stonewall Scotland).
4. Gender Reassignment: the process of transitioning from one gender to another.	There is no reliable information on the numbers of people in Scotland who have transitioned from one sex to another.
5. Pregnancy and maternity.	N/A.
6. Age: people of different ages.	<p>Orkney's demographic is changing and in line with the rest of Scotland the shift is towards an older average age with significance increases in the over 65's bracket. As people get older, they are more likely to acquire a disability or to need higher levels of support, therefore proposals impacting older people are also likely to have impacts for those with disabilities and those with caring responsibilities. Similarly, proposals impacting children and young people may also have impacts for those with caring responsibilities.</p> <p>Some proposals are potentially more likely to affect specific age groups (e.g. older people and children and young people) as they are heavier users of services, rather than because the Council has disproportionately targeted these groups.</p>
7. Religion or beliefs or none (atheists).	In Orkney, 40.37% of individuals identified as Christian – Church of Scotland, 2.84% as Christian – Roman Catholic and 7.8% as Other Christian. 39.18% of the Orkney population identified as having no religion. There is also representation of Buddhist, Hindu, Jewish, Muslim, Sikh and Other communities within Orkney (Census 2011). The religion or belief makeup of the Orkney population mirrors closely the overall pattern in Scotland.
8. Caring responsibilities.	In Orkney, 9.2% of individuals aged 16 and over identified themselves as an unpaid carer in the 2011 Census. The majority (62%) of carers provided between 1-9 hours of care per week, while 24% provided 50+ hours of care per week. There were more female carers (around 60%) than male in Orkney, the largest numbers were aged 50-64 years old.
9. Care experienced.	Young people can be treated differently because of their care identity - that they have experience of care. In an effort to address the disadvantages faced by people with care experience, OIC is now assessing the impact of any proposals for those with care experience as part of the equality impact

	assessment process. These steps aim to provide care experienced young people with protection from discrimination and harassment because of their care identity.
10. Marriage and Civil Partnerships.	The Census 2011 shows that 46.59% of Orkney population is married, with 23.79% being single, 16.07% divorced / separated, 13.49% Widowed, and 0.05% in a Civil Partnership.
11. Disability: people with disabilities (whether registered or not).	(Includes physical impairment, sensory impairment, cognitive impairment, mental health) People with a disability are more likely to experience poorer outcomes in terms of employment, income, and education. They are more likely to face discrimination and negative attitudes and often experience greater difficulties in accessing housing and transport. The 2011 Census figures show that 6.5% of the population in Orkney reported a disability; around half (51%) were sensory impairments, 32.8% related to a physical disability, 2.2% to a learning disability and 3% as having a mental health condition.
12. Socio-economic disadvantage.	Tackling deprivation and reducing inequalities remains a priority and as such it is recognised that fuel poverty is a significant issue across Orkney. In addition, evidence suggests that child poverty in Orkney is variable, and the Isles locality has the greatest level of housing deprivation. Whilst Orkney does not have data zones within the greatest areas of deprivation across Scotland within the SIMD analysis, it is acknowledged that in remote and rural settings SIMD may be a less useful marker of deprivation.

3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	Whilst there are no direct saving proposals being considered at this time, it is recognised that there are real terms cuts in the awarded grant. This will likely mean that services will need to consider changes or possible redesign to ensure demands continue to be met. Almost any change to a council service has some socio-economic impact. This is because of the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services.
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How could you minimise or remove any potential negative impacts?	It is to be noted that the Third Sector in Orkney is a key and valued resource and Elected Members have recognised the sterling work of the Third Sector over the period of the Pandemic and the difficulties encountered in fundraising activities and a 10% increase for 2022/23 is therefore recommended. Third Sector organisations work closely with community groups including those considered most vulnerable and the provision of an increase in funding to support these organisations will help to reduce levels of disadvantage and tackle inequality within Orkney.
Do you have enough information to make a judgement? If no, what information do you require?	Yes.

4. Conclusions and Planned Action

Is further work required?	Yes.
What action is to be taken?	Services will need to undertake detailed Equality Impact Assessments where compensatory savings or service redesign is required to meet any service pressure bids.
Who will undertake it?	Individual Service leads.
When will it be done?	As necessary.
How will it be monitored? (e.g. through service plans).	Service Plan reporting through the appropriate Committee.

Signature:



Date: 10 February 2022

Name: COLIN KEMP

(BLOCK CAPITALS).

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