

# Minute

## Policy and Resources Committee

Tuesday, 12 February 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



## Present

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

## Clerk

- Alistair Buchan, Chief Executive.

## In Attendance

- Gavin Barr, Executive Director of Development and Infrastructure.
- Gillian Morrison, Executive Director of Corporate Services.
- Sally Shaw, 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.
- Leslie Rendall, Revenues Manager (for Items 1 and 2).
- Hazel Flett, Senior Committees Officer.

## Observing

- Colin Kemp, Corporate Finance Senior Manager.
- Paul Kemp, Strategic Finance Manager.
- David Hartley, Communications Team Leader.

## Declarations of Interest

- Councillor Stephen G Clackson – Item 6.
- Councillor Steven B Heddle – Item 2.
- Councillor Andrew Drever – Item 2.
- Councillor Rachael A King – Item 2.
- Councillor W Leslie Manson – Item 2.
- Councillor Graham L Sinclair – Item 2.

- Councillor Kevin F Woodbridge – Item 2.
- Councillor James W Stockan – Item 2.

## **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 Annex 9 of Item 6, 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.

Signed: James W Stockan.

## **2. Council Tax – Charging on Second Homes**

Councillors Andrew Drever, Steven B Heddle, Rachael A King, W Leslie Manson, Graham L Sinclair, James W Stockan and Kevin F Woodbridge declared financial interests in this item, in that they or family members owned second homes, and were not present during discussion thereof.

As both the Leader and Depute Leader, being Chair and Vice Chair respectively of the Committee, had declared their interests and left the meeting, the Chief Executive called for nominations for Chair.

The Committee resolved:

**2.1.** That Councillor J Harvey Johnston be appointed Chair for this item.

Councillor J Harvey Johnston then took the Chair for this item.

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Revenues Manager, with reference to the Minute of the Meeting of the Policy and Resources Committee held on 27 November 2019, paragraph 9, and the subsequent Minute of the General Meeting of the Council held on 11 December 2018, paragraph 7.1.6, the Committee:

Noted:

**2.2.** That the Council had discretion to vary the level of Council Tax on second homes from 50% to 0%.

**2.3.** That the Council's current policy was to reduce the discount on second homes to 10%, which raised revenue of £141,000 per annum, calculated at 2017 to 2018 levels, that was ring-fenced for affordable housing.

**2.4.** That removal of the 10% discount on second homes, once the property had been unoccupied for a period exceeding 12 months, would raise revenue of up to £25,000 per annum, calculated at 2017 to 2018 levels, that was not ring-fenced.

**2.5.** That applying a discount variation on Second Homes to 50% where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, would result in an estimated reduction in the revenue ring-fenced for affordable housing of £6,000 per annum, calculated at 2017 to 2018 levels.

Councillor Stephen G Clackson, seconded by Councillor John T Richards, moved that (1) from 1 April 2019, a second home discount of 50% should apply where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment; and (2) from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

Councillor Duncan A Tullock, seconded by Councillor Norman R Craigie, moved an amendment that, from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Norman R Craigie, Robin W Crichton and Duncan A Tullock (3).

For the Motion:

Councillors Stephen G Clackson, Alexander G Cowie, David Dawson, Barbara Foulkes, J Harvey Johnston, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Magnus O Thomson and Owen Tierney (11).

The motion was therefore carried.

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

**2.6.** That, from 1 April 2019, a second home discount of 50% should apply where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment.

**2.7.** That, from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

Signed: Harvey Johnston.

### 3. Long-Term Financial Plan

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

Noted:

**3.1.** That the Long-Term Financial Plan served as a planning document for the use of resources over the period 2018 to 2030.

**3.2.** The key elements of the Long-Term Financial Plan, as outlined in section 5 to the joint report by the Chief Executive and the Head of Finance.

**3.3.** The range of cumulative funding gaps identified in the Long-Term Financial Plan over a ten-year period, as follows:

- Best Case – £23.6 million.
- Likely Case – £65.7 million.
- Worst Case – £145.6 million.

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

**3.4.** That the Long-Term Financial Plan 2018 to 2030, attached as Appendix 1 to this Minute, be approved.

### 4. Strategic Reserve Fund – Review

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

Noted:

**4.1.** That the Strategic Reserve Fund's investment activities were predicted to under-perform the approved budget for financial year 2018 to 2019, as indicated in the probable outturn column of Annex 1 to the report by the Head of Finance.

**4.2.** That, after allowing for distributions of £5,110,000 during financial year 2018 to 2019, the value of the Strategic Reserve Fund was estimated to decrease by £1,505,000 to £230,412,000 as at 31 March 2019.

**4.3.** That, overall, the value of the Strategic Reserve Fund still compared favourably with the minimum balance or "Floor", calculated at £202,166,000 as at 1 April 2018.

**4.4.** That, by applying inflation based on the Retail Prices Index, the real value of the Floor was estimated as £208,231,000 as at 1 April 2019.

**4.5.** That, based on existing distribution commitments of £10,301,000, £13,181,000 and £8,350,000 for financial years 2019 to 2020, 2020 to 2021 and 2021 to 2022 respectively, the available headroom within the Strategic Reserve Fund relative to the minimum balance or Floor was estimated to decline from £19,805,000 to £11,514,000, or from approximately 9% to 5% of usable reserves, over the next three years.

**4.6.** 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.

**4.7.** 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:**

**4.8.** That the contribution from the Strategic Reserve Fund to the General Fund for financial year 2019 to 2020 be increased by £1,366,000, from £4,684,000 to £6,050,000.

**4.9.** That a minimum balance or Floor, below which the value of the Strategic Reserve Fund should not fall, be set at £208,231,000 as at 1 April 2019.

**4.10.** That the draft Strategic Reserve Fund budget for financial year 2019 to 2020, attached as Annex 1 to the report by the Head of Finance, be approved.

## **5. Strategic Reserve Fund – Contribution to General Fund Services**

### **Proposed Notional Allocations**

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

Noted:

**5.1.** That, for many years, the Strategic Reserve Fund allocation to the General Fund had been used as one of the funding sources for all General Fund services rather than making a direct financial contribution towards specific service functions or items of expenditure.

**5.2.** The proposal that the Strategic Reserve Fund contribution be attached to specific areas of General Fund expenditure so that the Orkney public could see more readily the benefit of the Strategic Reserve Fund and the additionality of service provision that it allowed the Council to deliver.

**5.3.** That, although accounting for the contribution from the Strategic Reserve Fund as a direct contribution to specific services would have negative future consequences on expenditure based budget distributions, notional allocations would avoid those negative consequences.

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

**5.4.** That the Strategic Reserve Fund allocation to General Fund services for financial year 2019 to 2020 of £4,350,000 be notionally allocated as a direct funding contribution towards the service functions set out in Appendix 2 to this Minute.

**5.5.** That, should a higher contribution than £4,350,000 be required from the Strategic Reserve Fund to balance the General Fund budget for financial year 2019 to 2020, this be treated as a source of funding for General Fund services and notionally allocated to Loan Charges.

## **6. Budget and Council Tax Level for 2019 to 2020**

Councillor Stephen G Clackson declared a financial interest in this item, in that a family member attended Papdale Halls of Residence. However, as the consultation exercise on the proposal to introduce charges for residing at Papdale Halls of Residence was not yet complete, the risk category applied to saving EDELH02 had been reassessed from medium to high and removed from the budget saving proposals. Accordingly, Councillor Clackson did not leave the meeting.

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:

**6.1.** The Council's strategic approach to budgeting as detailed in section 3 of the joint report by the Chief Executive and the Head of Finance.

**6.2.** That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2019 to 2020, with the provisional revenue grant funding to the Council amounting to £74,992,000, which included a provisional specific grant allocation for ferry services of £5,500,000.

**6.3.** That, taking account of the full specific grant allocation for ferry services, amounting to £5,500,000, the draft Orkney Ferries budget would result in a shortfall of £700,000.

**6.4.** That, during the Parliamentary debate on the Budget Bill held on 31 January 2019, the following announcements were made:

- Additional General Revenue grant for local government amounting to £90,000,000, of which the share for Orkney Islands Council was £637,000.
- Additional flexibility to increase Council Tax.
- Flexibility to offset the allocation for adult social care allocations to Integration Authorities, estimated for Orkney to be up to £354,000.
- A three-year funding settlement for local government from financial year 2020 to 2021.

**6.5.** That the additional flexibility to increase Council Tax for financial year 2019 to 2020 was a 4.79% cap on any increase in the level of Council Tax which was equivalent to an increase in real terms of 3%.

**6.6.** That no specific sanctions had been indicated by the Scottish Government in respect of the settlement offer for financial year 2019 to 2020.

**6.7.** That, on 18 January 2019, the Leader wrote to the Cabinet Secretary for Finance, Economy and Fair Work seeking a meeting to discuss the settlement.

**6.8.** That the proposed General Fund budget figure of £83,884,900 for financial year 2019 to 2020 took account of the grant settlement referred to at paragraph 6.2 above.

**6.9.** Identified efficiency savings for financial year 2019 to 2020, totalling £885,900, covering risk levels assessed as low to very high, as detailed in Annex 9 to the joint report by the Chief Executive and the Head of Finance, which, if approved, would result in a reduction of 1.16 full-time equivalent posts which were occupied.

**6.10.** That restricting efficiency savings to risk levels assessed as low and medium only would result in total savings of £352,300 with no reduction of posts, redeployments, early retirements or voluntary redundancies.

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

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

**6.13.** The advice, outlined in section 15 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.

**6.14.** That, as a consequence of paragraph 6.13 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.

**6.15.** That, although the Council had resolved to introduce charging for telecare and day care services within the last 12 months, the consultation exercise had not been undertaken and, in August 2018, the Council became aware of the implications of the legal case of "The Queen on the application of KE, IE and CH -v- Bristol City Council", which amounted to a material change of circumstances in terms of Standing Order 132, and, accordingly, the suspension of Standing Orders was not necessary.

**6.16.** That, as the consultation exercise on the proposal to introduce charges for residing at Papdale Halls of Residence was not yet complete, the risk category applied to saving EDELH02 had been reassessed from medium to high and removed from the budget saving proposals.

Councillor Steven B Heddle, seconded by Councillor James W Stockan, moved that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved.

Councillor Stephen G Clackson, seconded by Councillor Stephen Sankey, moved an amendment that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved, with the following exceptions, with the resultant cost to be met from the corporate contingency:

- A charge for new and replacement refuse bins should not be introduced.
- The charge for special collections and disposal of bulky household waste should not be increased.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Barbara Foulkes, Stephen Sankey, Magnus O Thomson and Owen Tierney (5).

For the Motion:

Councillors Alexander G Cowie, Norman R Craigie, Robin W Crichton, David Dawson, Andrew Drever, Steven B Heddle, 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, Duncan A Tullock and Kevin F Woodbridge (16).

The motion was therefore carried.

Councillor Kevin F Woodbridge, seconded by Councillor Magnus O Thomson, moved a further amendment, notice of which had been given, that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved, with the following exception, with the resultant cost to be met from the corporate contingency:

- The charge for special collections and disposal of bulky household waste should not be increased for residents on the North and South Isles.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Robin W Crichton, David Dawson, Barbara Foulkes, J Harvey Johnston, Rachael A King, John T Richards, Stephen Sankey, Magnus O Thomson, Owen Tierney and Kevin F Woodbridge (12).

For the Motion:

Councillors Norman R Craigie, Andrew Drever, Steven B Heddle, W Leslie Manson, John A R Scott, Gwenda M Shearer, Graham L Sinclair, James W Stockan and Duncan A Tullock (9).

The amendment was therefore carried.

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

**6.17.** That the General Fund revenue budget for financial year 2019 to 2020 be set at £83,884,900.

**6.18.** That powers be delegated to the Head of Finance to revise the General Fund revenue budget for financial year 2019 to 2020 in respect of any increase to the provisional funding level referred to at paragraph 6.2 above.

**6.19.** That any reduction in the specific grant allocation for ferry services, referred to at paragraph 6.2 above, be subject to further consideration in due course, if required.



**6.20.** That the Band D Council Tax level for financial year 2019 to 2020 be set at £1,153, being a real terms increase of 3% on the Band D Council Tax level for financial year 2018 to 2019 of £1,100.

**6.21.** That the Council's budget uprating assumptions, as set out in Appendix 3 to this Minute, at an estimated cost across the General Fund of £2,719,600, be approved.

**6.22.** That the baseline service pressures, totalling £3,725,400, as detailed in Appendix 4 to this Minute, be approved and included in the revenue budget for financial year 2019 to 2020.

**6.23.** That efficiency savings totalling £350,000, covering risk levels assessed as low and medium, as detailed in Appendix 5 to this Minute, be approved and applied for financial year 2019 to 2020, summarised by service as follows:

- Chief Executive's Service – £160,000.
- Corporate Services – £112,300.
- Development and Infrastructure – £63,500.
- Education, Leisure and Housing – £14,200.
- Orkney Health and Care – £0.

**6.24.** That powers be delegated to the Head of Finance to allocate any General Fund underspend from financial year 2018 to 2019 to the following provisions:

- Outwith Orkney Placements Fund for no less than the service pressure item set against self-financing as detailed in Appendix 4 to this Minute.
- Any remaining underspends to the repayment of capital debt.

**6.25.** That a General Fund contingency be established within the revenue budget for financial year 2019 to 2020, into which the additional funding and locally raised income, estimated to be worth £869,000, secured for local government in political negotiations over support for the Scottish Government's budget, be contributed.

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

**6.27.** That Executive Directors should review and increase existing charges by a minimum of 3%, from 1 April 2019, 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 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 charge.
- Homelessness rents.

**6.28.** That the following savings approved as part of the budget setting process for 2018 to 2019 be reinstated from 1 April 2019:

- SCOHC08 Introduce charging for Telecare services – £97,800.
- SCOHC10 Introduce charging for Day Care services – £54,400.

**6.29.** That the funding to reinstate the budget shortfall of £152,200, arising from charges not being levied for Telecare and Day Care services, be sourced from the General Fund contingency, referred to at paragraph 6.25 above, leaving an uncommitted General Fund contingency balance of £706,500.

**6.30.** That, for financial year 2019 to 2020, subject to any increase in the provisional funding level from Scottish Government, referred to at paragraph 6.2 above, the contribution from the Strategic Reserve Fund used as a funding source be set at a level of up to £6,050,000.

**6.31.** That, for financial year 2019 to 2020, the non-earmarked General Fund Balance should be retained at a minimum target level of 5% of the Council's net budgeted expenditure.

**6.32.** That the policies of 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 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.

**6.33.** 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.

**Please refer to the Minute of the General Meeting of the Council held on 5 March 2019.**

## **7. Conclusion of Meeting**

At 12:55 the Chair declared the meeting concluded.

Signed: James W Stockan.