

Minute

Policy and Resources Committee

Tuesday, 23 February 2021, 14:00.

Microsoft Teams.



Present

Councillors James W Stockan, W Leslie Manson, 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 Heather N Woodbridge.

Clerk

- Hazel Flett, Senior Committees Officer.

In Attendance

- John W Mundell, Interim Chief Executive.
- Gavin Barr, Executive Director of Development and Infrastructure.
- James Wylie, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Karen Greaves, Head of Executive Support.
- Gavin Mitchell, Head of Legal Services.
- Darren Richardson, Head of Infrastructure and Strategic Projects.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care.
- Colin Kemp, Corporate Finance Senior Manager.

Observing

- Lynda Bradford, Acting Head of Health and Community Care.
- James Buck, Head of Marine Services and Transportation.
- Hayley Green, Head of IT and Facilities.
- Andrew Groundwater, Head of HR and Performance.
- Paul Kemp, Strategic Finance Manager.
- Avril Litts, Accounting Manager (Strategic Finance).
- Kerry Spence, Community Learning and Development Manager.
- David Hartley, Communications Team Leader.

Apology

- Councillor Stephen G Clackson.

Declarations of Interest

- Councillor David Dawson – Item 5.
- Councillor Stephen Sankey – Item 6.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Committee noted the proposal that the public be excluded from the meeting for consideration of Annexes 4, 5, 7 and 12 of Item 5, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Reserves and Provisions Strategy

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

Noted:

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

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

2.3. That financial year 2020/21 had seen huge financial uncertainty and risk on account of the COVID-19 pandemic, with considerable financial risks for Council services remaining for 2021/22.

2.4. That, as at 31 March 2020, the Council held earmarked reserves of £18,567,300, together with a non-earmarked General Fund balance of £8,784,300.

2.5. That, retaining a higher than normal level of non-earmarked General Fund balance going into 2021/22 would afford the Council additional flexibility in a period of uncertainty.

2.6. The purpose for holding each of the Council's earmarked reserves and the non-earmarked General Fund balances, as set out in Appendix 1 to the report by the Head of Finance.

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

2.7. That a contribution of £2.1 million, to be funded from the non-earmarked General Fund balance, be made to the Repairs and Renewals Fund, to be utilised specifically for roads and paths repairs and renewals works.

2.8. That the Executive Director of Development and Infrastructure should submit a report, to the next meeting of the Development and Infrastructure Committee, outlining a detailed programme for utilisation of the £2.1 million allocation towards roads and paths repairs and renewals works.

2.9. That the Workforce Management Fund be redesignated the Workforce Management and Management Support Fund, with the purpose of the reserve expanded to include provision of temporary additional capacity and management support at senior management level and/or support for existing vacancies and absences.

2.10. That, once the provisional budget outturn for 2020/21 was known, as well as any provisional draw on reserves, the Head of Finance should submit a report, to the Policy and Resources Committee, reviewing the non-earmarked General Fund balance and any proposals to amend the level of the reserve.

3. Strategic Reserve Fund

Budget Review and Long Term Forecast

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

Noted:

3.1. That the Strategic Reserve Fund managed funds investments were predicted to outperform the approved budget for financial year 2020/21, as indicated in the probable outturn column of Appendix 1 to the report by the Head of Finance.

3.2. That, after allowing for distributions of £10,317,000 during financial year 2020/21, the value of the Strategic Reserve Fund was estimated to increase by £33,959,000 to £226,371,000 as at 31 March 2021.

3.3. That, with existing distribution commitments of £9,734,000 for financial years 2021/22, 2022/23 and 2023/24, and with £22,083,000 allocated to support General Fund Services over the same period, the available headroom within the Strategic Reserve Fund relative to the minimum balance or "Floor" was estimated to decline from £13,726,000 to £7,170,000, or from approximately 6.1% to 3.1% of usable reserves, over the next three years.

3.4. That, while much uncertainty remained within the global economy and therefore considerable volatility could be anticipated from investment returns over the short to medium term, the Strategic Reserve Fund managed funds investments were restructured during 2020 as the revised investment strategy was implemented to improve the focus on income generation going forward and reduce the level of volatility in returns.

3.5. That the draft long term 10-year budget forecast, attached as Appendix 2 to the report by the Head of Finance, indicated that the Strategic Reserve Fund was sustainable over that period, based on an assumed level of income generation being achieved and a restricted level of disbursements.

3.6. 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.

3.7. That the financial commitment from the Strategic Reserve Fund to the General Fund for financial years 2020/21, 2021/22 and 2022/23 was set as a cumulative total of £22,050,000 over the three-year period.

3.8. That, based on an actual confirmed contribution of £6,317,000 for financial year 2020/21 and a proposed financial contribution of £7,469,900 for 2021/22, a residual balance of £8,263,100 would still be available for 2022/23.

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

3.9. That the financial contribution from the Strategic Reserve Fund to the General Fund for financial year 2021/22, and forming part of the three-year cumulative commitment referred to at paragraph 3.7 above, be set at £7,470,000.

3.10. That the minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall, be set at £215,622,000 as at 1 April 2021.

3.11. That the Strategic Reserve Fund “Floor” of £175,000,000 be inflated using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from 2021/22 onwards.

3.12. That, in line with the aspiration of setting a three-year budget, indicative figures of £218,856,000 and £224,546,000 be set as the minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall for financial years 2022/23 and 2023/24 respectively, subject to review annually.

3.13. That the Strategic Reserve Fund budget for financial year 2021/22, together with indicative budgets for 2022/23 and 2023/24, attached as Appendix 1 to this Minute, be approved.

3.14. That the long-term 10-year budget forecast for the Strategic Reserve Fund, attached as Appendix 2 to this Minute, be endorsed as a financial planning document.

4. 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:

4.1. 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.

4.2. 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.

4.3. 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:**

4.4. That the Strategic Reserve Fund allocation to General Fund services for financial year 2021/22 of £7,469,900 be notionally allocated as a direct funding contribution towards the service functions set out in Appendix 3 to this Minute.

4.5. That, should a higher contribution than £7,469,900 be required from the Strategic Reserve Fund to balance the General Fund budget for financial year 2021/22, this be treated as a source of funding for General Fund services and notionally allocated to Loan Charges.

5. Budget and Council Tax Levels for 2021/22

Councillor David Dawson declared a non-financial interest in this item, being a Council-appointed Director on the Board of Orkney Ferries Limited, but concluded that his interest did not preclude his involvement in the discussion.

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:

5.1. That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2021/22, with the provisional revenue grant funding to the Council amounting to £82,665,000, which included a provisional specific grant allocation for ferry services of £7,855,000.

5.2. That the settlement allocation of specific grant for ferry services plus the Ferries Grant Aided Expenditure was intended to provide all of the funding requested from the Scottish Government in respect ferry services for 2021/22.

5.3. That the Council's ferry funding was partially reduced by an increase of £703,000 in the contribution to the Local Government financial settlement floor mechanism, which was designed to ensure a consistent minimum increase or maximum decrease in funding across all councils.

5.4. That Local Government Finance Circular 1/2021, which provided details of the provisional total Local Government revenue and capital funding for 2021/22, referred to a package of measures that made up the settlement, including:

- £59 million revenue funding to support the final tranche of increased funding for the expansion in funded Early Learning and Childcare entitlement to 1,140 hours.
- £90 million to compensate councils who chose to freeze Council Tax levels.

- £72.6 million to be transferred from the health portfolio to local authorities during 2021/22 for investment in health and social care and mental health services that were delegated to Integration Authorities in terms of the Public Bodies (Joint Working) (Scotland) Act 2014.
- Ongoing funding of £88 million to maintain the pupil: teacher ratio nationally and secure places for all probationers who required one in terms of the teacher induction scheme.
- Continued provision in support of Teachers' Pay and Pensions of £156 million and £97 million respectively.
- Additional support of £7.7 million for inter-island ferries, bringing the total to £19.2 million.
- £5.3 million for implementation costs of the Barclay review introduced to reform the business rates system in Scotland in order to better support business growth.
- £10 million additional capital funding for Flood Risk schemes.

5.5. That no specific sanctions had been indicated by the Scottish Government in respect of the settlement offer for financial year 2021/22.

5.6. That the settlement included the offer of a funded Council Tax freeze for financial year 2021/22, with £319,000 compensation payable to the Council, equivalent to an increase of 3%, conditional on there being no increase in the level of Council Tax.

5.7. That, on 3 December 2020, the Policy and Resources Committee recommended a range of low risk budget savings for 2021/22 amounting to £97,100.

5.8. The identified efficiency savings for financial year 2021/22, totalling £476,600, additional to the savings already approved at paragraph 5.7 above, covering risk levels assessed as low to high, as detailed in Annex 5 to the joint report by the Chief Executive and the Head of Finance, which, if approved, would result in a reduction of 2.0 full-time equivalent (FTE) vacant posts.

5.9. The Equality Impact Assessments, attached as Annexes 10, 11 and 12 to the joint report by the Chief Executive and the Head of Finance, relating to the overall budget proposals and savings assessed as low, medium and high risk.

5.10. The advice, outlined in section 16 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.

5.11. That, as a consequence of paragraph 5.10 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

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

5.12. That the General Fund revenue budget for financial year 2021/22 be set at £89,392,500.

5.13. 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 2021/22 in respect of any change to the estimated funding level referred to at paragraph 5.1 above.

5.14. That the Band D Council Tax level for financial year 2021/22 be set at £1,208.48, being the same as the Band D Council Tax level for financial year 2020/21.

5.15. That the Council's budget uprating assumptions, as set out in Appendix 4 to this Minute, including a 1% uplift for the Third Sector, at an overall estimated cost across the General Fund of £1,689,200, be approved.

5.16. That, whilst recognising the need to balance the budget and bring spending into line with available funding, the following baseline service pressures be approved for inclusion in the revenue budget:

- Financial year 2021/22:
 - Waste Disposal – £200,000.
 - North Ronaldsay School – £150,000.
 - School and Public Bus Services – £1,944,200.
- Financial year 2022/23:
 - School and Public Bus Services – £94,500.

5.17. That efficiency savings totalling £476,600, covering risk levels assessed as low to high, as detailed in Appendix 5 to this Minute, be approved and applied for financial year 2021/22, summarised by service as follows:

- Chief Executive's Service – £161,200.
- Development and Infrastructure – £100,000.
- Education, Leisure and Housing – £101,000.
- Orkney Health and Care – £114,400.

5.18. That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to allocate any General Fund underspend from financial year 2020/21 to the following provisions:

- Repairs and Renewals Fund – to enable reinstatement of the Corporate Asset Improvement Programme utilised to underwrite the increase in the budget for the proposed extension to St Andrew's Primary School, agreed by Council on 14 January 2021.
- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney for individuals at risk.
- To supplement the General Fund Contingency for any known COVID-19 pressures in 2021/22.
- To the repayment of capital debt.

5.19. That the General Fund contingency established when setting the revenue budget for financial year 2020/21 be applied as a funding source in setting the General Fund revenue budget for 2021/22.

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

5.21. That Executive Directors should review and increase existing charges by a minimum of 3%, from 1 April 2021, 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 charges.
- Homelessness rents.

5.22. That, as the additional funding for ferry services included allowance for Road Equivalent Tariff fares, those revised fares should be introduced as soon as reasonably practicable to do so after 1 April 2021.

5.23. That the draw from the Strategic Reserve Fund for 2021/22 be set at £7,469,900.

5.24. That the policy 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 were 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committee(s) 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.

5.25. 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.

6. Economic Recovery Steering Group

ASPIRE Orkney – Vision and Initial Action Plan

Councillor Stephen Sankey declared a financial interest in this item, in that his business was in receipt of a COVID-19 Business Hardship Support Grant, and left the meeting at this point.

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

Noted:

6.1. That, on 25 November 2020, when considering the allocation of funding towards establishment of dedicated programme management resources to support the ongoing work of the Economic Recovery Steering Group, the Council resolved:

- That the vision and initial action plan relating to ASPIRE Orkney, developed by the Economic Recovery Steering Group, be supported in principle.
- That the detail of the ASPIRE Orkney programme be subject to further consideration, in the context of the Council's corporate plan, by the Policy and Resources Committee, with effect from January 2021, and thereafter as a standing item for the Policy and Resources Committee.

6.2. That, since November 2020, the focus of activity for the Economic Recovery Steering Group and Council officers had been developing establishment of an appropriate mechanism to form an operational vehicle to support the Economic Recovery Steering Group in its work and, consequently, no further detailed work had been undertaken on the vision and initial action plan relating to ASPIRE Orkney.

6.3. That it was anticipated that development of the operational vehicle would be concluded shortly and that dedicated programme management resources would thereafter be put in place to support the work of the Economic Recovery Steering Group.

6.4. The importance of ensuring appraisal and understanding of the appropriate interaction between ASPIRE Orkney's vision and initial action plan and Council plans, policies and programmes.

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

6.5. That a Members' Seminar be arranged, as soon as practicable after establishment of the dedicated programme management resources, to review the ASPIRE programme, with a particular focus on any activity which might have a direct bearing on Council policies and programmes.

7. Conclusion of Meeting

At 16:17 the Chair declared the meeting concluded.

Signed: James W Stockan.