

# Item: 7

**Policy and Resources Committee: 23 February 2021.**

**Budget and Council Tax Level for 2021/22.**

**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 2021/22.

## 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 2021/22, with the provisional revenue grant funding to the Council amounting to £82,665,000, which includes a provisional specific grant allocation for ferry services of £7,855,000.

### 2.2.

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.

### 2.3.

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 is designed to ensure a consistent minimum increase or maximum decrease in funding across all councils.

### 2.4.

That Local Government Finance Circular 1/2021, which provides details of the provisional total Local Government revenue and capital funding for 2021/22, refers to a package of measures that make 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 (ELC) entitlement to 1,140 hours.
- £90 million to compensate councils who choose 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 are delegated to Integration Authorities under 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 require one in terms of the teacher induction scheme.
- Continued provision in support of Teachers' Pay (£156 million) and Pensions (£97 million).
- Additional support of £7.7 million for inter-island ferries, bringing the total to £19.2 million.
- £5.3 million for the 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.

## **2.5.**

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

## **2.6.**

That the settlement includes 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.

## **2.7.**

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.

## **2.8.**

The identified efficiency savings for financial year 2021/22, totalling £476,600, additional to the savings already approved at paragraph 2.7 above, covering risk levels assessed as low to high, as detailed in Annex 5 to this report, which, if approved, would result in a reduction of 2.0 full-time equivalent (FTE) vacant posts.

## **2.9.**

The Equality Impact Assessments, attached as Annexes 10, 11 and 12 to this report, relating to the overall budget proposals and savings assessed as low, medium and high risk.

## **2.10.**

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 its responsibilities and the expectations placed upon it.

## **2.11.**

That, as a consequence of paragraph 2.10 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.

**It is recommended:**

## **2.12.**

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

## **2.13.**

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 2.1 above.

## **2.14.**

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.

## **2.15.**

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

## **2.16.**

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.

## **2.17.**

That, whilst recognising it will be extremely challenging to deliver, a savings target of £2,038,700 be established, for 2021/22 onwards, for the Education, Leisure and Housing and the Development and Infrastructure services in order to assist fund the budget growth in respect of School and Public Bus Services.

## **2.18.**

That efficiency savings totalling £476,600, covering risk levels assessed as low to high, as detailed in Annex 6 to this report, 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

## **2.19.**

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.

## **2.20.**

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.

## **2.21.**

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

## **2.22.**

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 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.

### **2.23.**

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

### **2.24.**

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

### **2.25.**

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.

### **2.26.**

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.

## **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 £14,590,500 between the year ended 31 March 2012 and financial year ending 31 March 2021 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.

### 3.2.

The Scottish Government published its draft budget for 2021/22 on 28 January 2021 which is much later than usual. Interpretation of the Scottish Budget has been made particularly difficult by the financial impact of COVID-19 on various government budgets. The uncertainty over how much extra funding is necessary to pay for spending pressures in areas such as education, social care, health and policing means that is very difficult to estimate the following:

- Which areas of public funding have been ‘winners’ or ‘losers’.
- What the ‘real’ increase or decrease in funding has been compared to the previous year.
- To what degree any ‘extra’ funding will become part of core funding or will be withdrawn as the impact of the pandemic lessens.

### 3.3.

The Scottish Budget allocations are only the first stage in what is likely to be an ongoing process in relation to 2021/22 budget allocations. These allocations will be supplemented by a variety of additional funding decisions, for example:

- Negotiations with other political parties to pass the Scottish Budget.
- Top-ups from the UK Spring Budget due on 3 March 2021.
- Further UK related top-ups, dependent on when any further emergency or Autumn budgets emerge.
- Further Scottish related top-ups emerging from further Scottish Budgets, possibly in the wake of the Scottish Parliament elections due in May 2021.

### 3.4.

In the Local Government Finance: Budget 2021-22 and provisional allocations to local authorities briefing, issued on 5 February 2021, the Scottish Parliament Information Centre (SPICe) reported that the total revenue allocations to local government from 2013/14 to 2021/22, reduced by 2.4% in real terms (or -£276 million). The Scottish Government's fiscal resource budget limit from HM Treasury, plus Non Domestic Rates income, increased in real terms over the same period, by 3.1% (or £1,013.9 million).

### **3.5.**

The SPICe briefing also reported that, between 2013-14 and 2021-22, the local government revenue budget as a share of the Scottish Government equivalent reduced by 1.9%, from 34.7% to 32.8%.

### **3.6.**

In its response to the local government settlement, COSLA drew attention to ongoing pressures faced by local authorities and highlighted that additional funding was “predominantly for Government priorities”. COSLA's Budget Reality 2021-22 document, released alongside its statement on the Budget, argues that, in comparison to the asks in its pre-Budget document, Respect our communities: protect our funding, the settlement “represents a shortfall” of:

- £362 million in core revenue funding.
- £20 million in core capital funding.
- £511 million in non-recurring COVID-19 funding.

### **3.7.**

The UK Government will announce the UK budget on 3 March 2021 with the possibility of additional budget consequential for the Scottish Block Grant.

### **3.8.**

The Council's annual budget uplifts since financial year 2011/12 have reflected a prudent approach taken to the budget, 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. General Fund service overspends against budget in financial year 2019/20 reflected the pressure some services budgets are facing.

### **3.9.**

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 and 2021/22. A key recommendation made in this report is to also set a one-year budget for 2021/22. A three-year maximum contribution from the Strategic Reserve Fund was agreed in 2020 and provides some flexibility in setting the budget over 2021/22 and 2022/23.

### **3.10.**

The Council received £665,000 as its share of £95 million that was allocated to local government as a late adjustment in the deal to secure parliamentary approval for the 2020/21 Scottish Government budget. This additional funding was placed in a General Fund contingency after the revenue budget for financial year 2020/21 had been set. This contingency has been applied as a funding source in the draft

General Fund revenue budget for 2021/22. It is also proposed that any further efficiency savings realised, or additional funding secured for 2021/22, that is not specific to government initiatives that must be funded, be retained in a General Fund contingency.

### **3.11.**

A medium-term resource strategy has been developed to establish the framework for budget setting over the period 2017 to 2022, 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, for example the Strategic Wind projects, over the medium-to-long term and given the requirement for continued and significant budget reductions. A Long-Term Financial Plan for 2018/19 to 2029/30 has also been prepared which gives an indication of the funding gap that the Council could face over the next ten years.

### **3.12.**

The implication for the Council is that, on current predictions, sustained real terms increases in general revenue funding will not be 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 reduce the level of General Fund expenditure to bring it more into line with the financial support received.

### **3.13.**

In addition to setting the Council Tax level for financial year 2021/22, 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 1/2021 was issued on 1 February 2021 and sets out the provisional total Local Government revenue and capital funding for 2021/22. At a national level the Scottish Government has presented the 2021/22 settlement as an increase in funding for Local Government of £335 million, however COSLA has identified that the new Scottish Government commitments “funded” within the settlement amount to £241 million, meaning that there has only been an increase of £95 million to core revenue budgets delivered by the settlement.

### **4.2.**

The Scottish Government commitments that have been funded in the settlement are as follows:



Early Learning and Childcare	£59.0 million
Carers Act 2016	£28.5 million
Living Wage – social care	£34.0 million
Free Personal Care uplift	£10.1 million
Support for Ferries	£7.7 million
Discretionary Housing Payments	£11.3 million
Council Tax Freeze	£90.0 million
<b>Total</b>	<b>£241 million</b>

### 4.3.

At a Council level, the settlement has delivered an increase in the revenue grant that will be received of just over £4 million, as illustrated below:

Financial Year and Circular.	Total.
2020/21 (4/2020).	£78,182,000.
2021/22 (1/2021).	£82,347,000.
Estimated Revenue Grant Increase.	<b>£4,165,000.</b>

### 4.4.

The single biggest movement in the settlement has been the increase in specific grant for ferry funding, with an increase of £2,532,000. The settlement is therefore good news on funding for the delivery of ferry services but is less than would be required to cover the Government's priorities and the cost of pay and price increases.

### 4.5.

Local Government Finance Circular 1/2021, which provides details of the provisional total Local Government revenue and capital funding for 2021/22, refers to a package of measures that make up the settlement, including:

- £59 million revenue to support the final tranche of increased funding for the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours.
- £90 million to compensate councils who choose to freeze Council Tax levels.
- £72.6 million to be transferred from the health portfolio to the Local Authorities during 2021/22 for investment in health and social care and mental health services that are delegated to Integration Authorities under 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 require one in terms of the teacher induction scheme.
- Continued provision in support of Teachers' Pay (£156 million) and Pensions (£97 million).
- 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. 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 an uplift for inflation and a 2% pay award is recommended for 2021/22 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. The increase in revenue funding of £4,165,000 referred to at section 4.3 above includes an increase in the specific grant for ferry services of £2,532,000, leaving a more modest increase of £1,633,000 to fund other General Fund services. The September 2020 headline rate of Consumer Price inflation was 0.5%, down from 1.8% in September 2019. 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 £1,689,200.

### **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 2021/22. This does not mean that there are not latent pressures within Services, rather that 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 will mean that Services will have to continue to manage within historic budget envelopes which may in turn impact on outputs and/or performance. However, three pressure areas with a total cost of £2,294,200 also noted in Annex 2 have emerged that require to be considered in the budget deliberations, namely:

- The School and Public Bus Services have been retendered with an indicative full year cost increase of £2,038,700 of which £1,944,200 would be incurred in 2021/22.
- Re-opening North Ronaldsay 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.
- The waste disposal arrangements with Shetland Islands Council have been subject to significantly above inflation price hikes in recent years to the point that the budget is out of line with the charges by approximately £200,000.

### **5.5.**

The high-quality specification chosen for the School and Public Bus Services has contributed to the cost of the tender submission. The bus operators have seen other income streams dry up with few passengers on public services and the tour market has temporarily all but disappeared.

### **5.6.**

The budget pressure from the bus tender in particular has put a huge financial burden on the Council that exceeds the savings achieved through the budget setting process over the past two financial years and those proposed for 2021/22.

### **5.7.**

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.

### **5.8.**

With a Council Tax base of 8,012 Band D properties for 2021/22, service pressures of £2,294,200 to fund and Council Tax freeze compensation of £319,000 at stake, an increase in the Council Tax of £326.16 to £1,534.64 will be required to cover the budget growth and the compensation that will be lost on an increase in Council Tax being applied.

### **5.9.**

The highest Council Tax level in Scotland in 2020/21 is £1,409.00. An increase in the Orkney Council Tax to £1,534.64 would be £125.64 or 8.9% 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.

## **5.10.**

Adding the spending pressures to the required draw from reserves would push the contribution required from the Strategic Reserve Fund to balance the 2021/22 budget up to £7,469,900. This can be afforded in 2021/22 but a draw at this rate is not sustainable in the medium term along with all the other commitments on the Strategic Reserve Fund, as can be seen from the separate report on the review of the Strategic Reserve Fund.

## **5.11.**

With the Council having an extant policy of a presumption against new commitments and with the higher specification bus tender having substantially contributed to the budget growth in this area, it is proposed that a savings target of £2,038,700 is established for the Education, Leisure and Housing and Development and Infrastructure services to contribute to funding the budget growth in School and Public Bus Services. It is recognised that this will be an extremely challenging target to deliver and this target does not require to be delivered to set the 2021/22 revenue budget. However, it will be necessary in future years to bring expenditure down more into line with ongoing revenue support so that the draw from reserves can be reduced to a sustainable level.

## **5.12.**

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, a 1% increase was included in the budget uprating assumptions. A 1% increase for 2021/22 is recommended as set out in Annex 1.

# **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). The sanctions associated with the freeze and capped increases have removed the discretion for the Council to consider increasing Council Tax to closer to the Scottish average Council Tax rate. The Scottish average Council Tax for 2020/21 is £1,300.97 and could be assumed to be the same for 2020/21 following a freeze. The Orkney Band D Council Tax would have to increase by £92.49 or by 7.6% to equal the Scottish average in 2021/22. The additional annual income that would be raised by an increase to the Orkney Islands Council rate, to approximately the Scottish average for 2021/22, is £741,030.

### 6.4.

The increase in the number of households in receipt of Council Tax Reduction has reduced the estimated number of Band D equivalent properties and the estimated Council Tax revenue by £27,000. This is compensated in the Settlement through an increase in the Council Tax Reduction subsidy. The surcharge on empty properties is estimated to contribute £135,400 towards the total in 2021/22.

### 6.5.

A Council Tax freeze will mean that there will be no change to the Council Tax bands for 2021/22, to those set for 2020/21, as indicated below:

<b>Band</b>	<b>Property Value</b>	<b>Proportion of Band D</b>	<b>Council Tax 2020/21</b>	<b>Council Tax 2021/22</b>
A	Up to £27,000	240/360	£805.65	£805.65
B	£27,000 - £35,000	280/360	£939.93	£939.93
C	£35,000 - £45,000	320/360	£1,074.20	£1,074.20
D	£45,000 - £58,000	360/360	£1,208.48	£1,208.48
E	£58,000 - £80,000	473/360	£1,587.81	£1,587.81
F	£80,000 - £106,000	585/360	£1,963.78	£1,963.78
G	£106,000 - £212,000	705/360	£2,366.61	£2,366.61
H	Above £212,000	882/360	£2,960.78	£2,960.78

### 6.6.

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 2020 return was 8,093.

## **6.7.**

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 Band D equivalent by 81 from 8,093 to 8,012. The allowance for non-collection applied when setting the 2020/21 Council Tax was also 1.0%. With a recommended freeze in the Band D Council Tax level at £1,208.48, the total amount of income expected to be generated is a total of £9,817,400 as set out in Annex 9.

## **6.8.**

The Scottish Government has intimated that Council Tax should again be frozen and that £90 million would be made available to councils to compensate for this, which would be equivalent to around a 3% increase. Compensation funding will be made available to those councils that choose to freeze the Council Tax rate at 2020/21 levels, with the Orkney share of the compensation being £319,000. There is no suggestion that this freeze is mandatory, unlike the Council Tax freeze which was in place between 2007/8 and 2016/17, however as the Scottish Government has agreed to fund the freeze at the same level as potential maximum increases, it seems unlikely that councils would choose not to freeze their Council Tax.

# **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 £18,567,300 at 1 April 2020, are held to meet specific commitments, specific purposes or for specific Council priorities, as detailed in Annex 3.

## **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 General Fund balance which, at 1 April 2020, stood at £8,784,300 or 9.8% of the Net Revenue Budget (1 April 2019 £4,787,100) 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 2021/22 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.

#### **7.6.**

Prior to the finalisation of the 2019/20 financial accounts it was recognised that, as a result of the changed financial circumstances brought about by the coronavirus pandemic, maximum flexibility for the Council would be afforded in 2020/21, as well as for the budget setting process for 2021/22, through retaining a higher General Fund non-earmarked balance and limiting debt repayments to minimum scheduled debt repayment levels.

#### **7.7.**

The following elements from the 2019/20 budget outturn were applied to the General Fund non-earmarked balance rather than to make accelerated debt repayments:

- Loan charges – £2,431,000.
- Unused General Fund contingency – £800,000.
- General Fund provisional underspend – £766,000.

##### **7.7.1.**

The Council determined that, should the sums above, totalling £3,997,000, not be required, in full, to meet additional pressures in 2020/21 or consequential budget setting pressures for 2021/22, any remaining balance would be applied to accelerated debt repayments, when it is deemed financially prudent to do so.

#### **7.8.**

There is presently much uncertainty regarding the budget outturn for financial year 2020/21 and therefore it is not certain if there will be a draw on the non-earmarked General Fund Reserve in financial year 2020/21.

## **7.9.**

The Council also has available a source of funding from its Strategic Reserve Fund. In setting the revenue budget for 2020/21, a contribution of £6,317,200 of the 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.

## **7.10.**

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.

## **7.11.**

With the Consumer Price Index (CPI) now the generally accepted measure of inflation in the United Kingdom, it is proposed that the Strategic Reserve Fund Floor should in future be calculated with CPI inflation rather than RPI.

## **7.12.**

A review of the investment strategy was reported to the Investments Sub-committee on 28 February 2019 and recommended revisions to include:

- Diversification away from Equities as an asset class.
- Introduction of new mandates for Illiquid Debt and Secured Income.
- Divestment from UK Equities in favour of Global Equities with a 50:50 growth to value style bias.
- Corporate Bonds switching from active to a passive management approach.

## **7.13.**

The revised income focused strategy, with an expected return of 5.6% per annum, and a 1-year volatility of +/-7.8% per annum, is anticipated to facilitate distributions of approximately £4,500,000 per annum before the value of the Strategic Reserve Fund starts to be eroded.

## **7.14.**

The managed funds portfolio decreased in value by £12,128,200 (5.4%), from £222,767,400 at 1 April 2019 to £210,639,200 at 31 March 2020. The managed funds had increased in value to £252,593,982 at 31 December 2020. The current headroom in the Strategic Reserve Fund valuation is however sensitive to investment market fluctuations.



## 7.15.

To protect the Strategic Reserve Fund in real terms, the Council reduced the reliance placed on the Fund, reducing the annual draw. 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

### 7.15.1.

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.

## 7.16.

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. It should be possible to scale back the draw from the Strategic Reserve Fund once this income stream has been realised.

## 7.17.

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. A precis of the Trade Unions' feedback to the savings proposals considered for 2021/22 is given at Annex 4.

## 7.18.

Having regard to the continuing reduction in grant to support repayment of capital debt, it is recommended that, in the event an underspend on General Fund services is realised in 2020/21, it is applied as follows:

- 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 (Special General Meeting of the Council, 14 January 2021).
- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney of individuals at risk.
- To supplement the General Fund Contingency for any known COVID-19 pressures in 2021/22.
- To the repayment of capital debt.

### **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 2021/22 and the inherent risk therein.

## **8. Efficiency Savings for 2021/22**

### **8.1.**

Services have submitted efficiency savings proposals totalling £476,600, the details of which are set out in Annexes 5, 6 and 7. Each of these savings proposals has been subject to challenge by the Senior Management Team and then further challenge by Elected Members.

### **8.2.**

The full range of efficiency savings options for 2021/22 set out in Annex 5 is estimated to involve reduction in staffing numbers of 2.0 full time equivalent (FTE) posts which are vacant.

### **8.3.**

The Trade Unions have received the detail of all budget proposals for 2021/22 on a private and confidential basis and have been asked to provide feedback on the savings proposals. Further to feedback from the Trade Unions and Elected Members, a number of savings proposals initially considered have been removed from the submitted proposals. A precis of the Trade Unions’ feedback is also included as Annex 4 to this report.

### **8.4.**

The recommendations in respect of efficiency savings for 2021/22 are as follows:

- The efficiency savings figure to be achieved be set at £476,600.
- These efficiency savings are shared across the relevant services as outlined in Annex 6.
- Those savings that have any staffing implications are detailed in Annex 7.

## 8.5.

The efficiency savings above are in addition to the low risk budget savings for 2021/22 amounting to £97,100 that were recommended for approval by the Policy and Resources Committee on 3 December 2020, as follows:

Chief Executive's Service.	£22,600.
Development and Infrastructure.	£41,600.
Education, Leisure and Housing.	£32,900.

## 9. Target Savings and Future Savings Projects

### 9.1.

The Senior Management Team has recognised that the current level of expenditure is significantly more than can be sustained through the ongoing support from Scottish Government and locally raised revenue from Council Tax and fees and charges and that there is a high level of risk inherent in propping the budget up 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.

### 9.2.

Progress on these savings initiatives has been interrupted by the response to the COVID-19 pandemic. The Senior Management Team has however recently agreed actions to make progress on delivery of savings from these themes over the next one to two years:

- 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.

### **9.3.**

The budget pressures being felt by NHS Orkney are also severe, with significant demand on services such that both partners in the Integration Joint Board need 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 £3,713,000 awarded to Social Care between financial years 2016/17 and 2020/21. A further budget increase of £457,000 for pay and prices and £13,000 settlement adjustments will apply in 2021/22 taking the overall increase to £4,183,000 over recent years.

### **9.5.**

When setting the budget for 2018/19, the Council agreed to take the following savings from Orkney Health and Care:

- Introduce charging for Telecare Services – £97,800.
- Introduce charging for Day Care Services – £54,400.

### **9.6.**

These savings were not implemented and were later reversed on account of a court case ruling that was delivered after this Council decision should already have been realising ongoing savings.

### **9.7.**

When setting the budget for 2019/20, the Council agreed not to take any savings from Orkney Health and Care.

### **9.8.**

When setting the budget for 2020/21, the Council agreed to take the following savings from Orkney Health and Care:

- Staffing restructure – £30,000.
- Removal of Sleep ins – £77,100.
- Removal of Grants to Lunch Clubs – £36,600.

## **9.9.**

Only one of these savings measures has been implemented, being the removal of grants to lunch clubs, and, whilst budgets have been reduced, failure to implement the Council decision has contributed to the overspend position on the service in 2020/21.

## **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 to maintain services or prevent certain services being removed altogether. With the September 2020 Consumer Price Index at 0.5%, it is recommended that Executive Directors should look to review and increase existing charges by a minimum of 3% from 1 April 2021, 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 3% will not apply are as follows:

- Building Warrant and Planning fees – set nationally.
- Harbour Charges – annual increase considered separately by Harbour Authority Sub-committee.
- Ferry fares – will move to a Road Equivalent Tariff equivalent.
- Car Park charges – a 50% increase is recommended.
- 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 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.

### **10.5.**

The matter of fairer ferry funding is discussed, in more detail, in section 14 below, including ferry fares for 2021/22.

### **10.6.**

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.	3% rounded to nearest 5p.
£2.00 to £49.99.	3% rounded to nearest 10p.
£50.00 to £99.99.	3% rounded to nearest 50p.
£100.00 and over.	3% rounded to nearest £1.

### **10.7.**

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 £1,689,200 for 2021/22.

### **11.2.**

All savings options have been subject to debate, review and challenge by the Senior Management Team and by Elected Members through budget seminars. That process had due regard to the following:

- How the proposals relate to the Council's priorities.
- Meeting the Council's statutory requirements.
- The risk assessment of the saving options.
- The basis of calculation.

### **11.3.**

Annex 8 provides an analysis of the financial settlement and shows that there is a net cash increase for 2021/22.

#### 11.4.

A summary of the net budget movement between 2020/21 and 2021/22 is set out below.

	<b>2021 to 2022</b>
<b>Overall Budget Increase</b>	
Movement 2020/21 to 2021/22	<b>£2,927,700.</b>
<b>Represented By:</b>	
Movement in Gross Revenue Grant	£(3,407,000).
Non-Domestic Rates	£5,302,000.
Council Tax.	£(27,000).
Crown Estate Funding applied to savings	£(93,000).
Strategic Reserve Fund increased contribution	£1,152,700.
	<b>£2,927,700.</b>

#### 11.5.

The increase in ring fenced funding for Government priorities, together with the pay and price pressures, will require a contribution of £7,469,900 from the Strategic Reserve Fund to set a balanced budget for 2021/22.

#### 11.6.

Taking account of the increased level of funding available, the commitments on that funding and savings proposals, it is proposed that the budget for 2021/22 be set at £89,392,500, as detailed in Annex 9, along with the calculation of the Council Tax for 2021/22.

### 12. Capital Programme 2019 to 2024

#### 12.1.

A re-profiling of the existing five-year capital programmes for financial years 2019 to 2024, in order to reflect current timescales for completion of individual capital projects was considered by the Committee on 22 September 2020. The Committee recommended that £2,446,000 (General Fund) and £3,288,000 (non-General Fund) be carried forward from financial year 2019/20 to financial years 2020/21 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. 1/2021 that it will receive £5,048,000 of General Capital Grant in 2021/22. This is an increase of £2,000 on the £5,046,000 received for 2020/21.

### 12.3.

Capital allocations have fluctuated in recent years as Government has “borrowed” and then “repaid” capital from the local government settlement. The baseline recurring General Capital Grant has reduced from close to £6 million to around £5 million.

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.

### 12.4.

Any underspend on loan charges in the year ending 31 March 2021 as a result of capital programme slippage will be applied to repay capital debt, while the General Capital Grant of £5,046,000 in the year to 31 March 2021 will be the main funding source for expenditure on the capital programme.

## 13. Presumption Against New Commitments

### 13.1.

In setting the budget for financial year 2020/21, 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 2021/22 across General Fund services.

## **14. Fairer Funding for Ferry Services**

### **14.1.**

Further to some intensive lobbying activity by the Council on ferry funding in the run up to the publication of the draft Government budget for 2018/19 and support from the Rural Economy and Connectivity Committee and the Parliament, the Scottish Government reacted by including £5,500,000 of specific grant funding for Orkney in the budget for 2018/19.

### **14.2.**

The Finance Circulars for the 2020/21 settlement included a specific grant allocation towards "Support for Ferries", with £5,500,000 shown for Orkney Islands Council. The actual grant paid to Orkney of £5,323,000, was £1,682,000 short of the Council's 2020/21 ask of £7,005,000, which included allowance for fares at Road Equivalent Tariff rates.

### **14.3.**

The Government has engaged constructively with the Council over ferry support in the lead up to the 2021/22 budget and Finance Circular 1/2021 indicates a specific grant of £7,855,000 for Orkney, which is the full Council ask for additional support in 2021/22 including allowance for fares at Road Equivalent Tariff equivalent rates. Orkney Ferries Limited will therefore be able to introduce lower fares on many of the fares in its current fare structure.

### **14.4.**

There is some disappointment with the Ferries Settlement however in that the Council had anticipated a Grant Aided Expenditure (GAE) support for ferries allocation of £4,815,000. A GAE allocation of £4,992,000 was made which was slightly more than anticipated, however an increased contribution to the "Floor" of £703,000 has also been required. This means that, because part of the ferries funding support is delivered through the GAE mechanism, the full funding award has been partially eroded by the "Floor" contribution and there is not a pound for pound cash grant to match the funding award. The inclusion of ferry funding in the floor mechanism is fundamentally flawed when the Government objective has been to fully fund ferry services. The position will be exacerbated for 2022/23 as a higher spend in Shetland starts to feed into the expenditure based GAE allocation.

### **14.5.**

Alongside the extensive lobbying work on fairer funding, the Council has continued to progress the technical Business Case analysis and engagement work necessary to determine the appropriate levels of future service provision for lifeline

transportation services with reference to the Scottish Ferries Plan. The present budget proposal will address the introduction of some Sunday services but not the full increase in frequency across the whole network which is indicated to be legitimate and appropriate by this work.

## **15. Human Resource Implications**

### **15.1.**

The proposed efficiency savings will, if approved, result in a reduction during 2021/22 of 2.0 FTE posts, which are vacant.

### **15.2.**

The latest quarterly joint staffing watch survey shows that a total of 1,766 FTE permanent, temporary and relief staff were paid in the quarter to 31 December 2020. This is an increase of 35 FTE from the quarter to 31 December 2019.

### **15.3.**

The following implications will be considered where any staff are affected by proposed efficiency savings:

- Full consideration will be given to the restructuring, redeployment, redundancy and early retirement policies.
- Consideration will also be given to redeployment to a post where another employee has expressed an interest in taking voluntary redundancy/early retirement, known as “bumping”.
- If after considering the options above, it is not possible to find suitable alternative employment within the Council, then the post holder will be subject to compulsory redundancy and notice of termination will be issued.
- Individual consultation must take place with any employee who is to be made redundant.
- Termination or non-extension of temporary contracts also requires appropriate notification to the individual.
- It should be noted that employees, including staff on temporary contracts, who have continuous service of 2 or more years, will have acquired redundancy and unfair dismissal rights.

### **15.4.**

Other changes to posts as a result of approved efficiency savings that do not result in termination (redundancy), such as variations to duties or hours of work, would also require appropriate consultation and contract variation with the individuals affected.

### **15.5.**

The principal condition that must be applied when deleting posts that result in reduced service capacity will be the continued provision of safe and effective services within available resources.

## **15.6.**

The Council has put 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 the 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.

## **15.7.**

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 and heightened regulatory requirements, 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 activities.

### **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 increase in workloads on many sectors of the workforce has 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 are three areas where it is felt that service pressures cannot be avoided, namely:

- Waste disposal costs.
- Re-opening of North Ronaldsay School.
- School and public bus services.

## **16.5.**

These pressures are estimated to cost £2,294,200, while the cost of making provision for pay awards and general price increases for 2021/22 has been calculated at an annual cost of £1,689,200.

## **16.6.**

The financial settlement per Finance Circular 1/2021 delivered an increase in general revenue funding of £1,576,000. 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 £7,855,000 for internal ferry services at the first stage of the budget must be regarded as extremely positive and reduces the financial risk to the Council for provision of ferry services in 2021/22.

## **16.8.**

The significant ring-fenced and earmarked sums within the settlement, combined with an anticipated 2% pay offer, 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 staffing, expertise and 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. The funding gap identified for the period 2021/22 to 2022/23 on a likely case basis was a funding gap of £6,126,000. 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 has not publicised if it has reached a deal with another political party to support its 2021/22 budget, a process that, for 2019/20 and 2020/21, resulted in additional funding being made available to local government. There is also a possibility that the UK Budget, to be announced on 3 March 2021, will result in Barnett consequential for Scotland that will allow an uplift for Local Government. It is proposed that, should any such additional funding arise, it is used for the establishment of a General Fund Contingency provision to allow the Council to meet some of the additional demand that will inevitably arise during the year or to cover some savings proposals that prove difficult to achieve in full during the year.

## **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 set of savings proposals contained in Annex 6 to this report, has been carried out and is attached as Annex 10.

### **17.2.**

Where required, Equality Impact Assessments have been completed individually on each of the savings options for 2021/22 and are attached as Annexes 11 and 12 to this report.

## **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 2021/22, 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 2021/22, 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 budget management and monitoring during financial year 2021/22.

## **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.

### **20.3.**

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Annexes 4, 5, 7, and 12 of this report. Annexes 4, 5, 7 and 12 contain exempt information as defined in paragraphs 1 and 11 of Part 1 of Schedule 7A of the Act.

## **21. Contact Officers**

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## **22. Annexes**

Annex 1: Budget Uprating Assumptions 2021/22.

Annex 2: Service Pressures 2021/22

Annex 3: Reserves and Balances as at 31 March 2020.

Annex 4: Trade Union Feedback.

Annex 5: Savings – All Risks.

Annex 6: Efficiency Savings 2021/22 – List A.

Annex 7: Efficiency Savings 2021/22 – List B.

Annex 8: Estimated Financial Settlement 2021/22.

Annex 9: Council Tax Calculation 2021/22.

Annex 10: Equality Impact Assessment – Overall Budget Assessment.

Annex 11: Equality Impact Assessments – List A

Annex 12: Equality Impact Assessments – List B

## Annex 1.

### Budget Uprating Assumptions

Budget Element.	2019 to 2020.	2020 to 2021.	2021 to 2022.
Staff Costs Non-Teaching.	3.5%.	3.0%.	2.0%.
Pension Costs Non-Teaching.	(0.4)%.	(0.4)%.	0.0%.
Staff Costs Teaching.	3.5%.	6.5%.	2.0%.
Pension Costs Teaching.	4.0%.	0.6%.	0.0%.
Property Costs.	0.0%.	1.0%.	1.0%.
Supplies and Services	0.0%.	2.0%.	2.0%.
Transport Costs.	0.0%.	1.0%.	1.0%.
Administration Costs	0.0%.	1.0%.	1.0%.
Third Party Payments	0.0%.	1.0%.	1.0%.
Transfer Payments	0.0%.	1.0%.	1.0%.
Third Sector	0.0%.	1.0%.	1.0%.
Other Costs	0.0%.	1.0%.	1.0%.
Trading Organisations and Orkney Ferries.	3.1%.	2.6%.	2.0%.
Internal Transport	2.4%.	2.0%.	1.0%.
Sales.	3.0%.	3.0%.	3.0%.
Fees and Charges.	3.0%.	3.0%.	3.0%.
Other Income.	3.0%.	3.0%.	3.0%.
Total Uplift for Inflation.	£2,719,600.	£2,813,000.	£1,689,200.



## Annex 2.

Ref.	Service Pressures 2021/22 by Service	Risk Category	21/22
	<b>Summary by Service</b>		
	Development and Infrastructure		676.7
	Education, Leisure and Housing		1,617.5
			<b>2,294.2</b>
	<b>Development and Infrastructure</b>		
OEDI01	Increased Cost of Waste Disposal	High	200.0
TRDI02	Public Bus Contract	High	476.7
			<b>676.7</b>
	<b>Education, Leisure and Housing</b>		
EDELH03	Reopening of North Ronaldsay School	High	150.0
EDELH04	School Bus Contract	High	1,467.5
			<b>1,617.5</b>

### Annex 3.

#### Reserves and Balances as at 31 March 2020

Capital Fund.	£507,800.
Capital Receipts Reserve.	£622,700.
Repairs and Renewals Fund.	£7,434,800.
Local Works and Services Contingency Fund.	£122,200.
Orkney College.	£62,900.
Training Fund.	£264,100.
Innovation Fund.	£770,700.
Renewable, Redevelopment and Regeneration Fund.	£3,914,400.
Recreation and Cultural Services Project Fund.	£65,200.
Economic Development Grants Fund.	£1,888,100.
Sustainable Communities Fund.	£14,800.
Crown Estate Fund	£773,700.
Outwith Orkney Placements Fund.	£728,800.
Welfare Fund.	£4,100.
Workforce Management Fund.	£1,000,000.
Capital Projects Appraisal Fund.	£393,000.
<b>Total Earmarked Reserves.</b>	<b>£18,567,300.</b>

## Annex 6.

### Efficiency Savings 2021 to 2022 (List A)

		<b>FTE</b>	<b>£000</b>		
Chief Executive		1.00	161.2		
Development and Infrastructure		0.00	100.0		
Education, Leisure and Housing		1.00	101.0		
Orkney Health and Care		0.00	114.4		
		<b>2.00</b>	<b>476.6</b>		
	<b>Chief Executive</b>	<b>FTE</b>	<b>£000</b>	<b>Risk</b>	<b>EqIA</b>
CACS04	Management Restructure	1.00	125.2	Medium	No
CACS08	Internal Audit Non-Staff Savings	0.00	1.0	Low	No
OSCE03	Compensatory Pensions	0.00	35.0	Low	No
		<b>1.00</b>	<b>161.2</b>		
	<b>Development and Infrastructure</b>	<b>FTE</b>	<b>£000</b>	<b>Risk</b>	<b>EqIA</b>
RDDI02	Further Car Parking Charges by 50%	0.00	100.0	Medium	Yes
RDDI11	Increase E.V. Charges	0.00	0.0	High	Yes
		<b>0.00</b>	<b>100.0</b>		
	<b>Education, Leisure and Housing</b>	<b>FTE</b>	<b>£000</b>	<b>Risk</b>	<b>EqIA</b>
EDELH01	Previous Years Balance of Secondary Staffing	0.00	46.0	Medium	Yes
EDELH05	Education Savings	1.00	55.0	Medium	Yes
		<b>1.00</b>	<b>101.0</b>		
	<b>Orkney Health and Care</b>	<b>FTE</b>	<b>£000</b>	<b>Risk</b>	<b>EqIA</b>
SCOHC60	Reduction in Unutilised Budget	0.00	25.0	Low	No
SCOHC61	Increase in Residential Care Income	0.00	37.5	Low	No
SCOHC62	Increase in Very Sheltered Housing Income	0.00	31.9	Low	No
SCOHC63	Additional Income to Integration Joint Board	0.00	20.0	Low	No
		<b>0.00</b>	<b>114.4</b>		

## Annex 8.

### Financial Settlement 2021 to 2022

<b>Financial Settlement Details.</b>	<b>2020 to 2021.</b>	<b>2021 to 2022.</b>
Total Estimated Expenditure.	<b>£86,251,000.</b>	<b>£90,811,000.</b>
Funded by:		
Assumed Council Tax.	£8,069,000.	£8,146,000.
Ring-fenced Grants.	£8,005,000.	£10,593,000.
Non-Domestic Rates.	£7,019,000.	£12,321,000.
General Revenue Funding.	£63,158,000.	£59,751,000.
<b>Totals.</b>	<b>£86,251,000.</b>	<b>£90,811,000.</b>
Government Grants:		
Ring-fenced Grants.	£8,005,000.	£10,593,000.
Non-Domestic Rates.	£7,019,000.	£12,321,000.
General Revenue Funding.	£63,158,000.	£59,751,000.
<b>Totals.</b>	<b>£78,182,000.</b>	<b>£82,665,000.</b>
<b>Grant Movement.</b>	<b>£2,683,000.</b>	<b>£4,483,000.</b>
Grant Movement.	3.55%.	5.73%.
Council Budget Calculation:		
Non-Domestic Rates.	£7,019,000.	£12,321,000.
Revenue Support Grant.	£63,158,000.	£59,751,000.
Council Tax.	£9,844,400.	£9,817,400.
Use of Strategic Reserve Fund.	£6,443,400.	£7,503,100.
<b>Totals.</b>	<b>£86,464,800.</b>	<b>£89,392,500.</b>
<b>Budget Movement.</b>	<b>£2,309,900.</b>	<b>£2,927,700.</b>
Budget Movement.	2.7%.	3.4%.

## Annex 9.

### Council Tax Calculation for 2021 to 2022

Non-Domestic Rates.	£12,321,000.
Revenue Support Grant.	£59,751,000.
Council Tax.	£9,817,400.
Use of Reserves.	£7,503,100.
<b>Proposed Budget for 2021 to 2022.</b>	<b>£89,392,500.</b>
Less Use of Reserves.	-£7,503,100.
	£81,889,400.
Less Financial Settlement.	-£72,072,000.
Less Empty Properties Income.	-£135,400.
<b>Expenditure to be met by Council Tax.</b>	<b>£9,682,000.</b>
Band D Properties Forecast.	8,093.
Assumed Collection Rate.	99%.
Number of Band D Equivalent Tax Payers.	8,012.
<b>Band D Council Tax for 2021 to 2022.</b>	<b>£1,208.48.</b>



## 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.

<b>1. Identification of Function, Policy or Plan</b>	
Name of function / policy / plan to be assessed.	Setting the budget and Council Tax levels for 2021 to 2022.
Service / service area responsible.	Chief Executive.
Name of person carrying out the assessment and contact details.	Gareth Waterson, Head of Finance.
Date of assessment.	February 2021.
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 2021 to 2022.

<b>2. Initial Screening</b>	
What are the intended outcomes of the function / policy / plan?	<p>To set the budget and Council Tax levels for financial year 2021 to 2022 and consider budget uprating assumptions, unavoidable service pressures and efficiency savings.</p> <p>In this assessment, we have tried to consider the emerging cumulative impacts of the budget proposals to ensure that the decisions making process is informed by an understanding of the likely impacts on people and communities. The information used in this assessment is drawn from the individual Equality Impact Assessments carried out for each proposal. There is a</p>

	<p>recognition that due to the scope of some of the proposals, this assessment process will need to continue to form part of any development and implementation plans of the way in which we provide our services.</p>
<p>Is the function / policy / plan strategically important?</p>	<p>Yes.</p>
<p>State who is, or may be affected by this function / policy / plan, and how.</p>	<p>Users of Council services will be affected by changes in service provision or charges and employees will be affected if implementation of savings results in a reduction in staffing numbers or if posts are reconfigured.</p>
<p>How have stakeholders been involved in the development of this function / policy / plan?</p>	<p>Employees and the public were originally informed of the need for budget reductions by means of public and staff consultation exercises, including engagement roadshows and blogs, during 2010 to 2011. More focused consultations took place throughout 2011 to 2012 and 2012 to 2013. Any specific service reductions to fill the funding gap would require appropriate specific consultation, and the results considered before final decisions are made.</p> <p>Further engagement activities included the use of a budget simulator in 2016 which enabled people across the county to have a go at balancing the council's books. The aim of the budget simulator was to give people the chance to consider what the Council's spending priorities should be and to see how their choices would affect the many services the Council provides. The feedback from the exercise was used to help inform preparation for the anticipated reduction in funding the council expected from the Government.</p> <p>A consultation exercise on proposed increased or new charges from the Development and Infrastructure Service was undertaken between 7 December 2018 and 18 January 2019. The consultation, which took the form of a survey on the Council website, was accompanied by an awareness raising exercise with press releases and radio interviews.</p> <p>It remains vital to ensure that our limited resources are prioritised in ways that are fair and that any inevitable negative impacts of some of the proposals are properly assessed and mitigated as far as possible. All proposed service pressure bids have been subject to debate, review and challenge by the Senior Management Team</p>

	<p>and further challenge by elected members at a series of budget seminars held as part of the 2021 to 2022 budget setting process.</p> <p>These processes have had due regard to how these proposals relate to the Council's priorities; meeting the Council's statutory requirements; the risk assessment of the service pressure bids and the basis of calculation. Equality impact assessments were included as part of the considerations.</p>
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise.</p> <p>E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>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.</p> <p>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> <p>Individual equality impact assessments have been carried out where required and this overarching assessment highlights any cumulative impacts.</p> <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</p>



	<p>quality accommodation and no private transport can exacerbate access deprivation for vulnerable people, making it more difficult for them to access services. The individual Equality Impact Assessments now include review of socio-economic disadvantage and isle-proofing to cover these aspects.</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 <a href="#">The Fairer Scotland Duty Interim Guidance for Public Bodies</a> 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>The movement to more of our services being available through digital access and delivery continues, with the associated benefits of convenience and fast response for most people. However, evidence suggests that some members of groups such as older people, people with disabilities and people whose first language is not English, are less likely to be able to access digital services. Evidence also suggests that socio-economic status and household income are strong determinants of whether people have the knowledge, skills and confidence to access public services online. Availability of reliable internet connection is also an issue for many isles residents.</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 also continue to</p>

	<p>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>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 is also a proposal that present charges should be reviewed and increased by a minimum of 3% from April 2021, 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"> <li>• Building Warrant and Planning fees.</li> <li>• Harbour charges.</li> <li>• Ferry fares.</li> <li>• Car park charges.</li> <li>• Residential care and Home care.</li> <li>• Very Sheltered Housing.</li> <li>• Supported accommodation.</li> <li>• Licensing fees.</li> <li>• Ship sanitation certification.</li> <li>• Marriage / civil partnership.</li> <li>• Roads Inspection Fees.</li> <li>• Trade waste charges.</li> </ul>

	<ul style="list-style-type: none"> <li>• Homelessness rents.</li> </ul>
1. Race: this includes ethnic or national groups, colour and nationality.	<p>The majority 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>See also section 3 below.</p>
2. Sex: a man or a woman.	<p>There is a fairly 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>See also section 3 below.</p>
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	<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 shows that one in six LGBT people have been discriminated against when using a public service in the last three years (Stonewall Scotland). See also section 3 below.</p>
4. Gender Reassignment: the process of transitioning from one gender to another.	<p>There is no reliable information on the numbers of people in Scotland who have transitioned from one sex to another.</p> <p>See also section 3 below.</p>
5. Pregnancy and maternity.	<p>See section 3 below.</p>
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</p>

	<p>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 and agreed savings 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's savings have disproportionately targeted these groups.</p> <p>See section 3 below.</p>
7. Religion or beliefs or none (atheists).	See section 3 below.
8. Caring responsibilities.	<p>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.</p> <p>See also section 3 below.</p>
9. Care experienced.	<p>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.</p> <p>See section 3 below.</p>
10. Marriage and Civil Partnerships.	See section 3 below.
11. Disability: people with disabilities (whether registered or not).	<p>(Includes physical impairment, sensory impairment, cognitive impairment, mental health)</p> <p>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</p>

	<p>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.</p> <p>See section 3 below.</p>
12. Socio-economic disadvantage.	<p>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.</p> <p>See section 3 below.</p>
13. Isles-proofing.	<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>See section 3 below.</p>

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	<p>This document covers the totality of the overall proposals in general terms. This assessment has identified some cumulative differential impacts in relation to Sex, Age, Disability, those with Caring responsibilities, with care experience and those experiencing socio-economic disadvantage. At this stage, it is difficult to assess whether these differential impacts are likely to result in negative or positive impacts without further work. It is worth noting that some proposals will require further consultation prior to any implementation, and it is recognised that this process will provide more detailed information relating to impacts and mitigating actions.</p>
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	<p>Discrete equality impact assessments for individual proposals have been carried out where required for items which are at low, medium and high-risk levels which have afforded an opportunity to consider differential impacts in more detail.</p> <p>Impacts identified for budget reduction proposals are listed below. Proposals have also been highlighted where there will be a change noticeable to service users / employees but it is either not significant or not known at this stage if it will be negative or positive. Further information in each impact is available from the individual equality impact assessment.</p> <p><b>RDDI02</b> – Potential differential impact for women, older people, people with caring responsibilities, disabilities and those from socio-economically disadvantaged groups.</p> <p><b>RDDI11</b> – Potential noticeable change for public.</p> <p><b>EDEHL01</b> – Differential impact Age (younger people) and potential knock-on impact for gender pay gap.</p> <p><b>EDELH05</b> – Differential impact Age (younger people), care experienced, those with a disability and those experiencing socio-economic disadvantage. Potential knock-on impact for gender pay gap.</p> <p>The proposed budget reductions may inevitably have an impact on staffing in some cases. Some directorates and associated roles have a high percentage of female staff and therefore reviews could have a disproportionate impact on women. However, the overall gender balance of the workforce is weighted towards female and therefore there is unlikely to have a negative impact on the overall workforce profile. There may, however, be an impact on the Gender Pay Gap although at this stage, there is not enough detail to assess this fully. As part of our commitment to tackling inequalities and providing services that are fit for purpose, we continue to analyse the composition of our workforce by protected characteristic. Work is also identified as part of the Equality Outcomes to support gender balance within the workforce and through the Pay Gap Action plan.</p> <p>The reality is that in times of financial constraints public authorities have to make difficult decisions</p>
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	<p>regarding service provision and the Council has a legal duty to continue to provide its core statutory services.</p>
<p>How could you minimise or remove any potential negative impacts?</p>	<p>Individual equality impact assessments have been carried out for savings options and service pressure bids where:</p> <ul style="list-style-type: none"> <li>• The proposal would result in a change to service.</li> <li>• The proposal could result in a change noticeable to service users.</li> <li>• The proposal could affect employees.</li> </ul> <p>Some proposals and agreed savings are potentially more likely to affect specific protected groups as they are heavier users of services, rather than because the council's savings have disproportionately targeted these groups. Indeed, this is the case in most of the equality analysis undertaken as part of this report.</p> <p>As stated above, differential and negative impacts have been identified for budget reduction proposals for Sex, Age (older people, young people and children), People with Caring Responsibilities, Disability, Care Experienced, and those experiencing Socio-economic disadvantage.</p> <p>Where negative impacts have been identified the individual assessments will detail any mitigation that can be taken, and members will consider these when making a decision.</p> <p>Potential negative impacts will have to be considered by elected members as well as taking cognisance of any cumulative effects on any of the protected characteristics resulting from a range of proposals.</p> <p>It is also important to consider wider socio-economic issues affecting Orkney when making informed decisions.</p>
<p>Do you have enough information to make a judgement? If no, what information do you require?</p>	<p>Yes.</p>

#### 4. Conclusions and Planned Action

Is further work required?	No although this is dependent on elected members decisions relating to all budget proposals.
What action is to be taken?	N/A
Who will undertake it?	N/A
When will it be done?	N/A
How will it be monitored? (e.g. through service plans).	N/A

Signature:



Name: GARETH WATERSON

Date: 12 February 2021

(BLOCK CAPITALS).





# Equality Impact Assessment

## Budget Setting

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.

<b>1. Identification of Function, Policy or Plan</b>	
Name of proposal to be assessed.	<b>RDDI02 - Car Parking increased charges by 50%</b>
Service / service area responsible.	Development and Infrastructure – Infrastructure and Strategic Projects
Name of person carrying out the assessment and contact details.	Darren Richardson Ext. 2310
Date of assessment.	30 September 2020
What kind of spending decision is this? For example savings option or service pressures option.	Car parking charging policy is an existing plan, it is reviewed as part of annual fees and charges discussions. This proposal would seek consideration for increasing car park charges on existing metered spaces.

<b>2. Initial Screening</b>	
What are the intended outcomes of the proposal?	The 2020/21 increases were circa 40% to raise a predicted additional £100k. This has yet to be verified given COVID impact. Further increased charges could be applied. This would see an option to increase parking charges by a further 50% overall. This may see displacement to unrestricted areas, possibly residential and therefore calls for residents parking schemes. The increases in 2019/20 had not led to substantial increase in complaints or demand for residents

	<p>parking. The impact of the 2020/21 increases at circa 40% is unknown hence a conservative estimate of a further £100k predicted from this additional 50% increase. A healthier turnover of spaces in the heart of the town centres and the impact of this usually see great benefits from more robust enforcement (fines income). A further 50% increase of circa 50p is about achieving a greater income overall this would be circa £100k increase overall. Note an alternative or additional saving would be to remove the 1 hour free parking which costs the service circa £24k a year. <b>The risk rating reflects the impact on the D&amp;I service - it is likely that the political risk will be higher than this given the profile surrounding the previous year savings measure.</b></p> <p>Parking restrictions will affect all drivers using what might currently be free or limited restriction parking/areas, alternate arrangements would need to be found. Consideration of staff restriction (school place) would need to be coordinated with "green travel" incentives. Increase or new charges may not equate to more income, it may see more displacement initially requiring longer visit times.</p>
<p>Is the function / policy / plan strategically important?</p>	<p>Yes – linked to the need to increase income for several cost pressures not covered by a budget.</p>
<p>State who is, or may be affected by this proposal and how.</p>	<p>All users needing to park, who may previously have used an OIC car park at previous rates or at no charge at all. Resident if this causes displacement to free streets adjacent paid for parking.</p>
<p>How have stakeholders been involved in the development of this proposal?</p>	<p>Revised charges are subject to discussion at the fees and charges MOWG and within the overall budget process. If proposals are agreed services consult prior to implementation.</p>
<p>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 engagement and consultation resources on OIC information portal).</p>	<p>The recent increase in charges has not led to a substantial increase in complaints or demand for residents parking. Nevertheless there is a risk of reaching the tipping point and seeing displacement to areas not suited to parking. This may see displacement to unrestricted areas, possibly residential and therefore calls for residents parking schemes. However, this is a key opportunity to increase income and capitalise further on the drive-based tourism in Orkney. The positive side of this, linked to robust enforcement, would be a healthier turnover of spaces in the heart of the town centres that our local businesses</p>

	<p>seek and keep the centres accessible for short term trip needs.</p> <p>As part of the service impact analysis the potential additional increase in cash is within the capacity limits of the machines and the collection activities our parking attendants undertake.</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 <a href="#">The Fairer Scotland Duty Interim Guidance for Public Bodies</a> for further information.</p>	No evidence.
<p>Could the proposal have a differential impact on any of the following equality strands?</p>	Yes, noting the possible mitigation below.
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	No.
<p>2. Sex: a man or a woman.</p>	Yes, potential differential impact for women as primary care-givers and part-time workers in terms of likely higher usage and possible lower disposable income.
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	No
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	No
<p>5. Pregnancy and maternity.</p>	No
<p>6. Age: people of different ages.</p>	Yes, potential differential impact for older people due to likely higher habit use (town visits) and possible lower disposable income.
<p>7. Religion or beliefs or none (atheists).</p>	No
<p>8. Caring responsibilities.</p>	No
<p>9. Care experienced.</p>	No

10. Marriage and Civil Partnerships.	No
11. Disability: people with disabilities (whether registered or not).	Yes – Noting if charges are introduced or increased on any <b>currently free car park</b> this would require signing, linage and creation of specific designation bays including disabled bays. This may not necessarily be at the same levels of current use (e.g. currently they are unrestricted) but would typically be approx. 4% of total bays available). Potential differential impact if charges apply to blue badge holders and other users with a disability due to possible lower disposable income.
12. Socio-economic disadvantage.	Yes, potential differential impact for those experiencing socio-economic disadvantage due to lower disposable income.
13. Isles-Proofing	There are no current plans to introduce charges on outer isles as part of this proposal. However, this could impact if Isles residents regularly use car parks when visiting the Mainland.


### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	Yes
How could you minimise or remove any potential negative impacts?	Ensure that is increase or new charges are taken up that there is clear signage, lines and meters to administer and that there are realistic levels of enforcement to ensure correct use. In doing so that surrounding areas are monitored for congestion/disruption caused by any displaced parking that may feed into evaluating requests for further restrictions beyond the inner area car parks. Communication through the BID and media in terms of advance notice of any change (i.e. traffic regulation order process) will increase awareness, inclusive of briefings for local and all council members should they get direct enquiries. Increase the sign-posting to information relating to free parking online / local publications.
Do you have enough information to make a judgement? If no, what information do you require?	Yes

*Risk is rated as	High, noting the risk of displacement to other “free” parking areas. Also noted potential business impact.
<p>*Definition of risk ratings:</p> <p><b>Low:</b> No mitigation required. The assessment demonstrates that there is no / low disproportionate impact on any of the protected characteristics. Primarily this is where savings proposals are focused on systems and process rather than people related services.</p> <p><b>Medium:</b> Mitigation identified. The assessment has identified a differential or negative impact on one or more of the protected characteristics but can be mitigated by some other action. The assessment includes specific mitigating actions which will reduce the impact.</p> <p><b>High:</b> No mitigation. The assessment has identified an impact on one or more of the protected characteristics and no mitigating action has been identified to reduce this. Or the information has not provided a sufficiently robust understanding of the impact of the proposal.</p>	

#### 4. Conclusions and Planned Action

Is further work required?	Yes
What action is to be taken in order to mitigate the impact identified?	Additional or new signage in the pay and display locations, thereby meters and road markings. This will formalise use and ease enforcement through the accompanying TROs. Potential displacement in streets to be monitored to assist in evaluating any subsequent requests for further restrictions outside the car park area. Comprehensive communications to Members, Community Councils, BID and the general public.
Who will undertake it?	Service staff. Noting some aspects are currently unresourced (i.e. monitoring).
When will it be done? (please provide specific dates).	Post agreed implementation.
How will it be monitored? (e.g. through service plans).	Through performance reports to periodic committee meetings in terms of income etc.

Signature: 	Date: 30 September 2020
Name: D. A. RICHARDSON	(BLOCK CAPITALS).



# Equality Impact Assessment

## Budget Setting

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.

<b>1. Identification of Function, Policy or Plan</b>	
Name of proposal to be assessed.	RDDI11 - Increase E.V. charges
Service / service area responsible.	Development and Infrastructure – Infrastructure and Strategic Projects
Name of person carrying out the assessment and contact details.	Darren Richardson Ext. 2310
Date of assessment.	30 September 2020
What kind of spending decision is this? For example savings option or service pressures option.	Service cost pressure, noting the running costs exceed the income.

<b>2. Initial Screening</b>	
What are the intended outcomes of the proposal?	The ongoing introduction of EV charging points is covered by Government grant, the cost of running them and the ongoing management and maintenance is not. COVID has impacted on the number of sessions users have took-up but prior to this the income was falling far short of the costs. These are predicted to be in the order of £28k - £30k and income has fell way short of this. Even adjusting for COVID at least less than 50%. Therefore to recover the 50% of cost for the

	<p>typical predicted sessions charges would need to cover circa £15-20k extra (ie circa 50 – 100% increase in charges). This would be subject to a future MOWG discussion to agree. Clearly this would be substantially higher than the home alternative for residents and there is the risk that even less users connect if charges are so high. It is hoped that Scottish Government will recognise this in future grants but at this time to break even charging would have to increase significantly. <b>The risk rating reflects the impact on the D&amp;I service - it is likely that the political risk will be higher than this given the profile surrounding the previous year savings measure. Note no savings proposed for 2021/22 as this is a cost mitigation increase.</b></p> <p>E.V. service provides a potentially subsidised offer to a minority of users at the expense of the ICE users. It is more of a policy decision to support a shift in fossil fuel use than a capacity to be commercially self-financing in the short term.</p>
<p>Is the function / policy / plan strategically important?</p>	<p>Yes – as part of the Councils climate change agenda and energy management strategy policies.</p>
<p>State who is, or may be affected by this proposal and how.</p>	<p>All road users with electric vehicles needing to charge up at these public facilities. Also any council service that has an electric vehicle fleet.</p>
<p>How have stakeholders been involved in the development of this proposal?</p>	<p>Orkney Renewable Energy Forum has made contact with the Council as part of a wider discussion on EV charge network matters, and has recorded concerns that a substantial increase in EV £ charges will have a negative impact on the likelihood/speed of uptake by the Orkney Community to EVs. OREF accept that a minor increase may be accommodated without negative impact (they cite 2p per KWhour on rapid chargers, but no increases for the slower chargers as these were set to be similar to charging at home for those living without access to off street parking) – but a rise of the magnitude which would be required to have a material impact on the deficit would impact on EV uptake, thereby harming the impact of EV technology on emissions/addressing the Climate Emergency. OREF has modelled EV uptake and believes that uptake will rapidly increase over the next few years and thus that there will be a substantial rise in EV ownership in response to changes in the automotive markets. They highlight that income</p>

	<p>levels through volume of customers can therefore be reasonably expected to offset cost in time. However, they believe that the proposal to increase charges substantially now will have a negative impact on the faster uptake of vehicles in Orkney over the next few years. They ask that the service be allowed to continue on the fee structure already established or with a small increase in RAPID charger fees.</p>
<p>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 engagement and consultation resources on OIC information portal).</p>	No
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See <u>The Fairer Scotland Duty Interim Guidance for Public Bodies</u> for further information.</p>	No – noting that the provision of electrical charging infrastructure at the present time only addresses a minority group in terms of the overall transport users in Orkney.
<p>Could the proposal have a differential impact on any of the following equality strands?</p>	No
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	No
<p>2. Sex: a man or a woman.</p>	No
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	No



4. Gender Reassignment: the process of transitioning from one gender to another.	No
5. Pregnancy and maternity.	No
6. Age: people of different ages.	No
7. Religion or beliefs or none (atheists).	No
8. Caring responsibilities.	No
9. Care experienced.	No
10. Marriage and Civil Partnerships.	No
11. Disability: people with disabilities (whether registered or not).	No
12. Socio-economic disadvantage.	No
13. Isles-Proofing	No

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	No
How could you minimise or remove any potential negative impacts?	Ongoing communication and promotion of the climate change agenda i.e. a climate change officer will be appointed this financial year and ongoing consultation with the Orkney Electric Vehicle User Group and discussion at future MOWGs to consider changes to fees and charges.
Do you have enough information to make a judgement? If no, what information do you require?	Yes
*Risk is rated as	Medium, noting the balance between this being self-financing and the need to address the climate change agenda by incentive low/zero emission vehicles in Orkney.

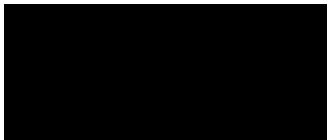
\*Definition of risk ratings:

**Low:** No mitigation required. The assessment demonstrates that there is no / low disproportionate impact on any of the protected characteristics. Primarily this is where savings proposals are focused on systems and process rather than people related services.

**Medium:** Mitigation identified. The assessment has identified a differential or negative impact on one or more of the protected characteristics but can be mitigated by some other action. The assessment includes specific mitigating actions which will reduce the impact.

**High:** No mitigation. The assessment has identified an impact on one or more of the protected characteristics and no mitigating action has been identified to reduce this. Or the information has not provided a sufficiently robust understanding of the impact of the proposal.

#### 4. Conclusions and Planned Action

Is further work required?	Yes
What action is to be taken in order to mitigate the impact identified?	Ongoing communications on any subsequent change to fees and charges.
Who will undertake it?	Head of Service
When will it be done? (please provide specific dates).	2020/2021
How will it be monitored? (e.g. through service plans).	Through periodic financial monitoring reports to committee.
Signature: 	Date: 30 September 2020
Name: D. A. RICHARDSON	(BLOCK CAPITALS).

## 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.

<b>1. Identification of Function, Policy or Plan</b>	
Name of function / policy / plan to be assessed.	<b>EDELH01</b> Secondary Staffing Reduction – working to maximum contact time and/or reducing supply budget as a compensatory saving.
Service / service area responsible.	Education, Leisure and Housing Education
Name of person carrying out the assessment and contact details.	James Wylie
Date of assessment.	13 November 2020
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New

<b>2. Initial Screening</b>	
What are the intended outcomes of the function / policy / plan?	To reduce identified staffing surplus in secondary schools.
Is the function / policy / plan strategically important?	Yes
State who is, or may be affected by this function / policy / plan, and how.	School staff

How have stakeholders been involved in the development of this function / policy / plan?	Not been involved.
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).	
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See <a href="#">The Fairer Scotland Duty Interim Guidance for Public Bodies</a> for further information.	(Please complete this section for proposals relating to strategic decisions).
Could the function / policy have a differential impact on any of the following equality areas?	(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).
1. Race: this includes ethnic or national groups, colour and nationality.	No
2. Sex: a man or a woman.	Possible knock-on effect for gender-pay gap depending on grade of post/s and current post-holder/s.
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	No
4. Gender Reassignment: the process of transitioning from one gender to another.	No
5. Pregnancy and maternity.	No

6. Age: people of different ages.	Differential impact for younger people (secondary school pupils). Potential differential impact for older employees (retirements).
7. Religion or beliefs or none (atheists).	No
8. Caring responsibilities.	No
9. Care experienced.	No
10. Marriage and Civil Partnerships.	No
11. Disability: people with disabilities (whether registered or not).	(Includes physical impairment, sensory impairment, cognitive impairment, mental health) No
12. Socio-economic disadvantage.	No
13. Isles-proofing.	Yes

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	Yes, potential differential impact for younger people (secondary school pupils) and older employees. Potential knock-on effect for gender-pay gap.
How could you minimise or remove any potential negative impacts?	Continue to support career-pathways to reduce any identified gender-pay gap.
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?	Monitor revised structure
Who will undertake it?	Head of Service
When will it be done?	18 months following implementation
How will it be monitored? (e.g. through service plans).	School visits

Signature:

Date: 13.11.20



Name: JAMES WYLIE

(BLOCK CAPITALS).