

# Minute

## Policy and Resources Committee

Thursday, 3 December 2020, 10:30.

Microsoft Teams.



### Present

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

### Clerk

- Hazel Flett, Senior Committees Officer.

### In Attendance

- John W Mundell, Interim Chief Executive.
- Gavin Barr, Executive Director of Development and Infrastructure.
- Gillian Morrison, Interim Chief Officer/Executive Director, Orkney Health and Care.
- James Wylie, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Gavin Mitchell, Head of Legal Services.
- Karen Greaves, Head of Executive Support.
- Hayley Green, Head of IT and Facilities (for Items 1, 2 and 6.3 to 15).
- Jim Lyon, Interim Head of Children and Families, Criminal Justice and Chief Social Work Officer.
- Roddy Mackay, Head of Planning, Development and Regulatory Services (for Items 1 to 12).
- Les Donaldson, Safety and Resilience Manager (for Items 1 to 8).
- Anna Whelan, Strategy Manager (for Items 1 to 9).
- Eileen Summers, Environment Officer (for Items 1 to 12).

### Observing

- Andrew Groundwater, Head of HR and Performance.
- Darren Richardson, Head of Infrastructure and Strategic Projects (for Items 1 to 5).
- Rosemary Colsell, Procurement Manager (for Items 1 to 11).
- Paul Kemp, Strategic Finance Manager (for Items 1 to 5).
- Andrew Hamilton, Performance and Best Value Officer (for Items 1 to 9).
- Rebecca McAuliffe, Press Officer (for Items 1 to 13).

## **Apology**

- Councillor James W Stockan.

## **Declaration of Interest**

- Councillor John A R Scott – Item 10.

## **Chair**

- Councillor W Leslie Manson, Depute Leader and Vice Chair.

## **1. Revenue Expenditure Monitoring**

### **1.1. Policy and Resources**

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

Noted:

**1.1.1.** The revenue financial summary statement in respect of the undernoted services for the period 1 April to 30 September 2020, attached as Annex 1 to the joint report by the Chief Executive, the Executive Director of Development and Infrastructure and the Head of Finance, indicating an underspend position of £38,400:

- Central Administration.
- Law, Order and Protective Services.
- Other Services.

**1.1.2.** The revenue financial detail by Service Area statement for the period 1 April to 30 September 2020, attached as Annex 2 to the joint report by the Chief Executive, the Executive Director of Development and Infrastructure and the Head of Finance.

The Committee scrutinised:

**1.1.3.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the joint report by the Chief Executive, the Executive Director of Development and Infrastructure and the Head of Finance, and obtain assurance that action was being taken with regard to significant budget variances.

### **1.2. Summary**

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

Noted:

**1.2.1.** The summary revenue expenditure statement for the period 1 April to 30 September 2020, attached as Annex 1 to the report by the Head of Finance, indicating the following:

- A total General Fund underspend of £236,700.
- A deficit in Sources of Funding of £235,200.
- A net Non-General Fund surplus of £19,379,300.

**1.2.2.** The financial detail across individual Sources of Funding for the period 1 April to 30 September 2020, including significant variances identified as Priority Actions, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

**1.2.3.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

## **2. Revenue Budget – Outturn Projections**

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

Noted:

**2.1.** The summary revenue budget outturn projections statement for the period 1 April 2020 to 31 March 2021, attached as Annex 1 to the joint report by the Chief Executive and the Head of Finance, indicating the following:

- A total General Fund overspend of £3,916,000.
- A deficit in Sources of Funding of £471,000.
- A net Non-General Fund surplus of £18,828,000.

**2.2.** The explanations given in respect of the significant budget variances, attached as Annex 2 to the joint report by the Chief Executive and the Head of Finance.

**2.3.** The table in section 8.2 of the joint report by the Chief Executive and the Head of Finance illustrating how the projected outturn deficit funding for General Fund services might be managed to produce a balanced budget.

## **3. Budget Setting – Efficiency Savings**

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

Noted:

**3.1.** That, as part of the budget setting process for 2021/22, the Senior Management Team had identified savings proposals that, using the criteria set out in section 3.2 of the report by the Head of Finance, had been classified as low risk and uncontroversial.

**3.2.** That should the low risk savings be implemented, this would result in a reduction of £97,100 to baseline budgets for financial year 2021/22.

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

**3.3.** That the efficiency savings for 2021/22, identified in Appendix 1 to this Minute, and amounting to £97,100, be approved and consequently removed from Service baseline budgets.

#### **4. Capital Expenditure Monitoring**

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

Noted:

**4.1.** The summary financial position, as at 30 September 2020, in respect of the approved General Fund and Non-General Fund capital programmes, as detailed in section 3.1 of the report by the Head of Finance, indicating the following:

- Actual expenditure incurred as at 30 September 2020 of £8,263,000.
- Annual budget of £26,431,000, which reflected slippage and current timescales for completion of individual projects, as recommended by the Policy and Resources Committee on 22 September 2020.
- Probable outturn as at 31 March 2021 of £21,822,000.

The Committee scrutinised:

**4.2.** The detailed analysis of capital expenditure, together with project updates in respect of the General Fund and the Non-General Fund capital programmes, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance with regard to significant budget variances and on progress being made with delivery of the approved capital programmes.

#### **5. Treasury Management – Mid-Year Update**

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

Scrutinised the mid-year update, attached as Appendix 1 to the report by the Head of Finance, prepared by Link Treasury Services, the Council's Treasury Adviser, which covered the following elements of treasury management, and obtained assurance that the Treasury Management Practices had operated effectively:

- An economic update for the period 1 April to 30 September 2020.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators.
- A review of the Council's investment portfolio for 2020/21.
- A review of the Council's borrowing strategy for 2020/21.
- A review of compliance with Treasury and Prudential Limits for 2020/21.

## **6. Performance Monitoring**

### **6.1. Chief Executive's Service**

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

Noted:

**6.1.1.** The performance of the Chief Executive's Service for the reporting period 1 April to 30 September 2020, as set out in sections 4 to 6 and Annexes 1 and 2 of the report by the Chief Executive.

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

**6.1.2.** That the undernoted actions that had been progressed to completion be removed from the Chief Executive's Service Plan.

- 05 – External Communication – Develop a proactive, multi-media approach to promote for complex external communications. For example, explaining budget setting and the use of the Council Strategic Reserves.
- 12 – Elections – During uncertain political climate, maintain a higher state of preparedness for a snap election event.

**6.1.3.** That the undernoted actions contained within the Chief Executive's Service Plan be amended as indicated:

- 02 – Capital Strategy – target date extended to 30 September 2021.
- 08 – Change Programme – target date extended to 31 March 2021.
- 10 – Purchase to Pay – target date extended 30 September 2021.
- 11 – Feedback – target date extended to 30 September 2021.
- 13 – Carbon Reduction – target date extended to 31 October 2021.

### **6.2. Corporate Services**

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

Noted:

**6.2.1.** The performance of Corporate Services for the reporting period 1 April to 30 September 2020, as set out in sections 4 to 6 and Annexes 1 and 2 of the joint report by the Chief Executive, the Executive Director of Development and Infrastructure and the Executive Director of Education, Leisure and Housing.

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

**6.2.2.** That the undernoted actions contained within the Corporate Services' Service Plan be amended as indicated:

- 01 – HR / Payroll Development System – target date extended to 31 March 2021.
- 03 – Review of Benchmarking arrangements – target date extended to 31 December 2021.
- 04 – Gender Pay Gap Action Plan – target date extended to 31 March 2021.
- 05 – Office Accommodation Review – target date extended to 31 December 2021.
- 08 – Digital Strategy – target date extended to 30 September 2021.

### **6.3. Council Delivery Plan**

After consideration of a joint report by the Chief Executive and the Executive Director of Education, Leisure and Housing, copies of which had been circulated, the Committee:

Noted:

**6.3.1.** Progress made in respect of the targets within the Council Delivery Plan 2018 to 2023 for the period 30 September 2019 to 30 September 2020, as set out in Annex 1 to the joint report by the Chief Executive and the Executive Director of Education, Leisure and Housing.

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

**6.3.2.** That the undernoted actions that had been progressed to completion, be closed, while continuing to be referenced in future Council Delivery Plan monitoring reports:

- Page 9 – 2.3 We will address the known upcoming shortage of qualified Mental Health Officer in Orkney by training two more staff.
- Page 11 – 2.6 We will develop our Corporate Parenting approach and establish a Corporate Parenting board.
- Page 13 – 2.10 We will successfully complete the new build residential care home for older people in Stromness creating additional capacity and providing care for people with high levels of dependency.
- Page 16 – 2.14 We will work with partners to encourage increased physical activity. We will explore, with partners, an exercise referral scheme.
- Page 38 – 5.7 Work in partnership to deliver the Strategy to Further Protect Orkney's Cultural Heritage.
- Page 39 – 5.8 Further promote and administer Culture Fund through core funding and grant assistance scheme to support community cultural activity.
- Page 47 – 6.1 Continuous improvement in all measures associated with public safety and staff wellbeing and safety across Council assets and services. This will include delivery of a proactive Health and Safety Policy and Plan.
- Page 49 – BV1d(i) Implement the Digital Strategy and IT Strategy, and associated work-plans.

**6.3.3.** That the undernoted actions be amended as indicated and retained within the Council Delivery Plan:

- Page 3 – 1.4 Refresh and deliver the Council’s Airfield’s Strategy and Investment Plan – target date extended to 30 June 2021.
- Page 7 – 1.9 Work with Scottish Government and other partners to progress the outcomes of the Inter Isles STAG (Strategic Transport Appraisal Guidelines) Strategic Business Cases in order to develop and then deliver the Outline and final Business Cases for improved inter isles transport services and the associated ferry, air and infrastructure improvements – target date extended to 31 December 2021.
- Page 20 – 3.4 We will maintain and improve the quality and condition of the school estates – target date extended to 31 March 2023.
- Page 27 – 4.2 Strategic investment in projects to generate income and / or deliver significant community benefits – target date changed to 31 March 2021.
- Page 30 – 4.6 Review and establish fresh approach for waste management / recycling / handling including community-based models – target date extended to 30 September 2021.
- Page 33 – 4.10 Ensure appropriate “Islands Project” funding mechanisms (internal and external) are in place to support key industry sectors (pre and post BREXIT), targeting the Shared Prosperity Fund and other distribution mechanisms – target date extended to 31 March 2023.
- Page 36 – 5.3 Implementation of North Isles Landscape Partnership Project –target date extended to 31 March 2024.

## **7. National Fraud Initiative**

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

Noted:

**7.1.** The national audit report, The National Fraud Initiative 2018/19, issued in July 2020 by Audit Scotland, attached as Appendix 1 to the report by the Head of Finance.

**7.2.** The key messages contained within the national audit report, as detailed in section 5 of the report by the Head of Finance.

## **8. Corporate Risk Register**

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Safety and Resilience Manager the Committee:

Resolved to **recommend to the Council** that the updated Corporate Risk Register as at October 2020, attached as Appendix 2 to this Minute, be approved.

## **9. The Orkney Partnership – Annual Report**

Councillor John A R Scott declared a non-financial interest in this item, being a Board member of THAW Orkney, but concluded that his interest did not preclude his involvement in the discussion.

After consideration of a report by the Chief Executive, copies of which had been circulated, and after hearing a report from the Strategy Manager, the Committee:

Noted:

**9.1.** That community planning partnerships were required to develop Local Outcomes Improvement Plans, undertake locality planning and report on progress.

**9.2.** The draft Orkney Partnership Annual Report 2019 to 2020, attached as Appendix 1 to the report by the Chief Executive, which reported on progress against the Orkney Community Plan 2019 to 2022, incorporating Orkney's Local Outcomes Improvement Plan.

**9.3.** That the draft Orkney Partnership Annual Report 2019 to 2020 was currently being submitted by partner agencies to their individual governing bodies for consideration prior to its submission to the Orkney Partnership Board for approval in January 2021.

The Committee scrutinised:

**9.4.** The Orkney Partnership Annual Report 2019 to 2020, attached as Appendix 1 to the report by the Chief Executive, and obtained assurance insofar as it applied to the Council.

Councillor Magnus O Thomson left the meeting at this point.

## **10. Procurement – Annual Report**

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Committee:

Noted:

**10.1.** That, in terms of Section 18 of the Procurement Reform (Scotland) Act 2014 the Council must prepare an annual procurement report on its regulated procurement activities as soon as reasonably practicable after the end of the financial year to which the report related.

**10.2.** That the Council was required to notify the Scottish Ministers when the Procurement Annual Report had been published.

**10.3.** That the Scottish Government issued guidance and a template which public authorities could use to report on procurement performance.

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

**10.4.** That the Procurement Annual Report, including the undernoted appendices, attached as Appendix 3 to this Minute, be approved for publication:

- Appendix 1: Contracts awarded 1 April 2019 to 31 March 2020.
- Appendix 2: Council's Procurement Service Improvement Plan 2019 to 2020.
- Appendix 3: Forward Plan Regulated and Unregulated Procurement 2020 to 2022.



## 11. Climate Change Duties

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Planning, Development and Regulatory Services, the Committee:

Noted:

**11.1.** That the Climate Change Duties Report, attached as Appendix 1 to the report by the Executive Director of Development and Infrastructure, which covered the period 1 April 2019 to 31 March 2020, summarised the actions that had been undertaken by the Council during that period to fulfil its climate change duties.

**11.2.** That the Climate Change Duties Report was due for submission to the Scottish Government by 30 November 2020.

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

**11.3.** That the Climate Change Duties Report, attached as Appendix 4 to this Minute, be approved for submission to the Scottish Government.

## 12. Biodiversity Duty

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Planning, Development and Regulatory Services, the Committee:

Noted:

**12.1.** That the Biodiversity Duty Report, attached as Appendix 1 to the report by the Executive Director of Development and Infrastructure, which covered the period 1 January 2018 to 31 December 2020, summarised the actions undertaken by the Council during that period to fulfil its biodiversity duty.

**12.2.** That the Biodiversity Duty Report required to be submitted to the Scottish Government by 1 January 2021.

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

**12.3.** That the Biodiversity Duty Report 2018 to 2020, attached as Appendix 5 to this Minute, be approved for submission to the Scottish Government.

Councillor Norman R Craigie left the meeting during discussion of this item.

## 13. Integration Joint Board – Annual Performance Report

After consideration of a report by Chief Officer/Executive Director, Orkney Health and Care, copies of which had been circulated, the Committee:

Scrutinised the Integration Joint Board's Annual Performance Report 2019/20, attached as Appendix 1 to the report by the Chief Officer/Executive Director, Orkney Health and Care, and obtained assurance that services commissioned by the Integration Joint Board to the Council were performing to an acceptable standard.

Councillor Steven B Heddle left the meeting at this point.

#### **14. Chief Social Work Officer's Annual Report**

After consideration of a report by the Chief Social Work Officer, copies of which had been circulated, the Committee:

Scrutinised the Chief Social Work Officer's Annual Report for 2019/20, attached as Appendix 1 to the report by the Chief Social Work Officer, and obtained assurance that social work services were being delivered to an acceptable standard locally.

#### **15. Joint Inspection of Services for Children and Young People in Need of Care and Protection**

##### **Progress Update**

After consideration of a joint report by the Chief Executive and the Chief Officer/Executive Director, Orkney Health and Care, copies of which had been circulated, the Committee:

Noted:

**15.1.** That, between 26 August and 4 October 2019, the Orkney Community Planning Partnership was inspected on its services for children and young people in need of care and protection.

**15.2.** That the inspection was led by the Care Inspectorate and the report detailing its findings was published on 25 February 2020.

**15.3.** That an action plan had been developed to capture 33 improvement areas identified in the inspection report, which was routinely updated and monitored.

**15.4.** Progress to date with the key thematic areas set out in the review of services for children and young people in need of care and protection, reported to the Orkney Health and Care Committee on 6 June 2019, as set out in section 4 of the joint report by the Chief Executive and the Chief Officer/Executive Director, Orkney Health and Care, which also directly related to the improvement areas in the action plan developed in response to the inspection report.

The Committee scrutinised:

**15.5.** Progress to date as outlined in the Improvement Plan, attached as Appendix 1 to the joint report by the Chief Executive and the Chief Officer/Executive Director, Orkney Health and Care, and obtain assurance.

#### **16. Pension Fund Sub-committee together with Pension Board**

##### **16.1. Meeting held on 16 September 2020**

After consideration of the draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 16 September 2020, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor W Leslie Manson, seconded by Councillor Rachael A King, to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 16 September 2020, attached as Appendix 6 to this Minute, as a true record.

### **16.2. Meeting held on 26 October 2020**

After consideration of the draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 26 October 2020, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor W Leslie Manson, seconded by Councillor Rachael A King, to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 26 October 2020, attached as Appendix 7 to this Minute, as a true record.

### **17. Asset Management Sub-committee**

After consideration of the draft Minute of the Meeting of the Asset Management Sub-committee held on 3 November 2020, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor W Leslie Manson, seconded by Councillor Robin W Crichton, to approve the Minute of the Meeting of the Asset Management Sub-committee held on 3 November 2020, attached as Appendix 8 to this Minute, as a true record.

### **18. Police and Fire Sub-committee**

After consideration of the draft Minute of the Meeting of the Police and Fire Sub-committee held on 17 November 2020, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Andrew Drever, seconded by Councillor David Dawson, to approve the Minute of the Meeting of the Police and Fire Sub-committee held on 17 November 2020, attached as Appendix 9 to this Minute, as a true record.

### **19. Conclusion of Meeting**

At 16:10 the Vice Chair declared the meeting concluded.

Signed: (Vice Chair's signature).

Appendix 1.

## Efficiency Savings 2021/22

	<b>Savings by Service</b>	<b>Baseline</b>
<b>Reference</b>	<b>Chief Executive</b>	<b>£000s</b>
CACE30	Corporate and Community Strategy reduction in non-staff budgets	4.0
OSCE31	Community Councils reduction in non-staff budgets	2.4
CACE32	Chief Executive's reduction in travel and subsistence budgets	16.2
		<b>22.6</b>
	<b>Development and Infrastructure</b>	
CADI04	Development and Infrastructure Support non-staff budgets	9.0
LODI41	Civil Contingencies non-staff budgets	2.0
DVDI42	Regeneration Support non-staff budgets	1.0
CADI43	D and I reduction in travel and subsistence budgets	29.6
		<b>41.6</b>
	<b>Education, Leisure and Housing</b>	
EDELH50	Further Education Bursary	8.0
EDELH51	Probationer Teacher Mentor Support Programme	3.0
EDELH52	ELH reduction in travel and subsistence budgets	21.9
		<b>32.9</b>
	<b>Totals</b>	<b>97.1</b>

# Corporate Risk Register – October 2020.

## Strategic Risks

Cluster.	Risk Number.	Risk.	Owner.
Physical.	1.	Ferries.	Executive Director of Development and Infrastructure.
Financial.	2.	Finance.	Chief Financial Officer.
Reputational.	3.	Adverse Communications.	Chief Executive.
Physical.	4.	Workforce.	Head of Human Resources and Performance.
Physical.	5.	Asset Management.	Head of IT and Facilities.
Economic.	6.	Economic.	Executive Director of Development and Infrastructure.
Technological.	7.	Cyber Security.	Head of IT and Facilities.
Technological.	8.	Connectivity.	Executive Director of Development and Infrastructure.
Partnership.	9.	Partnerships.	Head of Executive Support.
Legislative.	10.	Procurement.	Head of IT and Facilities.
Legislative.	11.	Health and Safety.	Head of IT and Facilities.
Economic.	12.	Brexit.	Chief Executive and Head of Marine Services and Transportation.
Financial.	13.	Housing.	Executive Director, Education, Leisure and Housing.
Professional.	14.	Childcare Services.	Executive Director, Education, Leisure and Housing.
Physical.	15.	Pandemic.	Head of IT and Facilities.
Legislative	16.	Children and Young People	Interim Chief Officer, Orkney Health and Care.

## Risks by cluster

Cluster.	Risk Number.	Risk.	Owner.
Economic.	12.	Brexit.	Chief Executive and Head of Marine Services and Transportation.
Economic.	6.	Economic.	Executive Director of Development and Infrastructure.
Financial.	2.	Finance.	Chief Financial Officer.
Financial.	13.	Housing.	Executive Director, Education, Leisure and Housing.
Legislative.	16.	Children and Young People.	Interim Chief Officer, Orkney Health and Care.
Legislative.	11.	Health and Safety.	Head of IT and Facilities.
Legislative.	10.	Procurement.	Head of IT and Facilities.
Partnership.	9.	Partnerships.	Head of Executive Support.
Physical.	5.	Asset Management.	Head of IT and Facilities.
Physical.	1.	Ferries.	Executive Director of Development and Infrastructure.
Physical.	15.	Pandemic.	Head of IT and Facilities.
Physical.	4.	Workforce.	Head of Human Resources and Performance.
Professional.	14.	Childcare Services.	Executive Director, Education, Leisure and Housing.
Reputational.	3.	Adverse Communications.	Chief Executive.
Technological.	7.	Cyber Security.	Head of IT and Facilities.
Technological.	8.	Connectivity.	Executive Director of Development and Infrastructure.

## Risks by owner

Owner.	Cluster.	Risk Number.	Risk.
Chief Executive.	Reputational.	3.	Adverse Communications.
Chief Executive and Head of Marine Services and Transportation.	Economic.	12.	Brexit.
Head of Human Resources and Performance.	Physical.	4.	Workforce.
Head of Executive Support.	Partnership.	9.	Partnerships.
Head of IT and Facilities.	Physical.	5.	Asset Management.
Head of IT and Facilities.	Technological.	7.	Cyber Security.
Head of IT and Facilities.	Legislative.	10.	Procurement.
Head of IT and Facilities.	Legislative.	11.	Health and Safety.
Head of IT and Facilities.	Physical.	15.	Pandemic.
Executive Director of Education, Leisure and Housing.	Financial.	13.	Housing.
Executive Director of Education, Leisure and Housing.	Professional.	14.	Childcare Services.
Executive Director of Development and Infrastructure.	Physical.	1.	Ferries.
Executive Director of Development and Infrastructure.	Economic.	6.	Economic
Executive Director of Development and Infrastructure.	Technological.	8.	Connectivity.
Chief Financial Officer.	Financial.	2.	Finance.
Interim Chief Officer, Orkney Health and Care	Legislative.	16.	Children and Young People.

# Risk matrix

			IMPACT				
			1.	2.	3.	4.	5.
			Insignificant	Minor	Moderate	Major	Severe
LIKELIHOOD	5.	Almost Certain.	Medium	Medium	High	High	Extreme
	4.	Likely.	Medium	Medium	Medium	High	Extreme
	3.	Possible.	Low	Medium	Medium	High	High
	2.	Unlikely.	Low	Low	Medium	Medium	High
	1.	Rare.	Low	Low	Low	Medium	High



Risk Number.		Risk Title.				Cluster.		Owner.		
1.		Failure to secure agreement with Scottish Government on appropriate funding arrangements to deliver the Scottish Ferries Plan in relation to ferry and terminal replacement for Orkney.				Physical.		Executive Director of Development and Infrastructure.		
<b>Likelihood:</b>	5.	<b>Impact:</b>	5.	<b>RAG:</b>	Red.	<b>Current Risk Score:</b>		25.	<b>Target Risk Score:</b>	25.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.			
Ferry and Terminal replacement programme currently unfunded with ageing infrastructure. Annual revenue costs are unaffordable.		Ferries reach end of service life with no solution in place. High repair costs indicate that buying new would be more cost effective. Deterioration of piers infrastructure. Reductions in lifeline provisions for the community are below Scottish Ferries Plan standards. Services become unaffordable.		Ferries reach end of life with no replacement – rapid service deterioration. Excessive support costs as aged ferries kept running. Reduced capacity and flexibility to maintain scheduled services. Excessive running costs of old ferries. No opportunities to achieve expected service levels. Risk of delay in procurement leading to reduced capability to purchase fit for purpose new tonnage. Buying piecemeal also reduces economy of scale; community unrest due to people depopulating the isles due to lack of lifeline transport connectivity.		Treat.	Ongoing dialogue with the Scottish Government emphasising the difficulties of a small authority providing the range of public services within reduced budgets across a wide and diverse geographical area. Continue to seek additional specific funding sources to protect lifeline services in Orkney and its outlying communities to ensure they are not significantly disaffected, e.g. Transport Grant for replacement ferries.			

Risk Number.		Risk Title.				Cluster.		Owner.	
2.		Council services – inability to maintain services and meet changing demands.				Financial.		Chief Financial Officer.	
<b>Likelihood:</b>	5.	<b>Impact:</b>	5.	<b>RAG:</b>	Red.	<b>Current Risk Score:</b>	25.	<b>Target Risk Score:</b>	16.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
<p>Local Government services have sustained a period of reduced funding and prior to COVID-19, there was a significant concern that resources would be insufficient to meet future need. COVID-19 has increased the cost of essential service delivery in some areas which may persist for an indeterminate period.</p> <p>Income streams that seemed secure have completely stopped and may take a long time to recover.</p> <p>A lack of capacity in Council staffing to deliver the capital programme.</p> <p>A lack of capacity in local contractors to deliver Council projects and difficulty in attracting competition for smaller projects.</p>		<p>Expectations outstrip capacity to deliver.</p> <p>Community expectations are not reduced due to a failure to communicate and engage effectively with communities.</p> <p>Failure to demonstrate the value of the Council's ongoing services to the public.</p> <p>The Scottish Government fails to provide sufficient funding for essential services.</p>		<p>Community unrest.</p> <p>Unhappy service users.</p> <p>Elected members unable to meet need.</p> <p>Loss of credibility of Council.</p> <p>Inability to deliver the range of services expected and legal challenge.</p> <p>Capital projects are delivered late or not at all leading to increased costs and difficulties in delivering services.</p>		<p>Treat.</p>	<p>Ownership of the Budget Setting Process by the Senior Management Team / Corporate Management Team with openness and transparency around the identification of potential areas for re-provisioning of services.</p> <p>An agreed programme of budget savings and efficiencies.</p> <p>Delivery of budget savings will be monitored within Services and reported to the Policy and Resources Committee.</p> <p>Curtailment of the Council's capital expenditure with the loan charges budget reprioritised to support revenue expenditure. A hold on accelerated debt repayment at 2019/20 year-end to facilitate an increase in General Fund balances.</p> <p>There must be an acknowledgement of reality with the focus on continuation of the delivery of minimum Statutory Provision versus Statutory with Discretion, Non-Statutory but Essential or Discretionary Expenditure whilst having regard to the Council Priorities.</p> <p>Improved project planning with much longer lead in times.</p>		

Capital funding is insufficient to replace ageing assets or provide new assets required for new priorities.				Additional staff capacity in Development and Infrastructure to manage the capital programme.
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Risk Number.	Risk Title.	Cluster.	Owner.
3.	Adverse reaction to communications with staff, the public and stakeholders including social media.	Reputational.	Chief Executive.

<b>Likelihood:</b>	4.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	9.
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Vulnerability.	Trigger.	Consequences.	Options.	Mitigating Actions.
<p>The Council's resources made available by Government will continue to reduce or remain static over the next few years despite growing need and demand.</p> <p>The Council must ensure that communities continue to be appropriately engaged about efficiency measures and inevitable service changes, and proactively informed so that customer expectations are realistic.</p> <p>Risk of breakdown in communications with the Scottish Government over discussions regarding the Single Agency Model.</p>	<p>Customers have unrealistic expectations of what Council services can deliver.</p> <p>Customers do not understand the reasons for the changes and blame the Council.</p> <p>Good ideas are not harvested from effective community consultation.</p> <p>Failure to demonstrate the value of the Council's on-going services to the public.</p> <p>Council is unable to demonstrate the ability to work corporately.</p> <p>Staff are not given the opportunity to contribute to corporate development; staff</p>	<p>Reputational risk.</p> <p>Misplaced criticism.</p> <p>Good ideas lost.</p> <p>Confusion about what the Council's priorities are.</p> <p>More difficult to align resources to priorities.</p> <p>Lack of understanding of what the Council wants to achieve.</p> <p>Changes are not achieved.</p> <p>Staff morale is adversely affected.</p> <p>Customers may not get a joined-up service.</p> <p>Inter-service tensions undermine corporate achievements.</p>	Treat.	<p>Robust communication and engagement strategies and plans are in place to publicise the Council's objectives and priorities, existing services and service change to ensure communities are engaged.</p> <p>Proactive press releases prepared to promote positive stories about the services provided by the Council.</p> <p>The current Communication and Engagement Strategy was updated to reflect our increasing use of social media as a tool to inform and engage with people across our community.</p>

<p>There is the potential that staff do not feel engaged in change processes or valued as active contributors to corporate change, service realignments or developments.</p> <p>The Council fails to manage how we respond to social media and to take advantage of the potential benefits of social media.</p>	<p>become disengaged in essential change processes.</p> <p>The Council does not maintain an effective presence on social media as a communication tool.</p>	<p>Legal implications.</p> <p>Exclusion of sectors of the community.</p>		
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Risk Number.		Risk Title.				Cluster.		Owner.	
4.		Workforce planning – lack of skills, experience and capacity.				Physical.		Head of Human Resources and Performance.	
<b>Likelihood:</b>	4.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	6.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
<p>Insufficient workforce planning actions underway to shape future workforce through redeployment, succession planning, recruitment, training etc. Capacity issues make it difficult for the service to realise its priorities.</p>		<p>Council staff become overstretched.</p> <p>Council staff become demoralised.</p> <p>The Council does not have the right staff, in the right place, at the right time, to deliver set priorities and / or statutory functions.</p> <p>The Council is unable to meet its statutory obligations.</p>		<p>Council cannot manage within its resources.</p> <p>Existing workforce becomes overstretched.</p> <p>Key pieces of work are not able to be undertaken.</p> <p>Service standards drop and vulnerable people are placed at risk.</p> <p>Council is reactive rather than proactive.</p>		<p>Treat.</p>	<p>Service workforce plans in place (2019). Service workforce planning actions to be included in Service Plans and monitored more regularly.</p> <p>Corporate workforce plan priorities reviewed and updated in April 2019.</p> <p>Further review and refine Workforce planning approach to ensure best practice planned for 2020/21.</p> <p>Acceptance by senior management in relation to redeployment of staff including those in other services.</p>		

	Statutory officers are unable to discharge their statutory functions adequately.	An increased risk in legal challenges and complaints. Risk of financial penalties.		<p>Consideration of enhanced approach to redeployment and retraining.</p> <p>Careful consideration to the release of staff by voluntary means where appropriate to ensure required skills are retained.</p> <p>More proactive approach to recruitment, succession planning and attraction of people to live and work in Orkney.</p> <p>Continued use and development of remote and flexible working will encourage improved working methods and retention of key staff.</p> <p>Inclusion of staff in re-design of operations.</p> <p>Increased commitment to proactive communications particularly related to staff and trade unions.</p> <p>Regular monthly Trade Union meeting at Corporate level.</p> <p>Regular staff / Trade Union meetings at Service level, when required.</p> <p>Change in emphasis of staff engagement to include the process of change.</p>
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1137

Risk Number.		Risk Title.				Cluster.		Owner.	
5.		Failure to ensure we obtain and retain maximum benefit from Council's assets.				Physical.		Head of IT and Facilities.	
<b>Likelihood:</b>	4.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	10.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
The Council may not have enough funds to sustain assets, replace		The Council cannot maintain or develop its essential		Roads and buildings deteriorate.		Treat.	Corporate Asset Management Plan updated in 2019 and covers the period 2019 to 2023.		

<p>ageing assets and develop key assets (also see Risk 1 which is particularly significant). Essential buildings and infrastructure for travel, communications etc must be maintained to ensure property and roads, IT, telecoms and other infrastructure continue to be able to support the Council's services.</p>	<p>assets to provide public services. The Council cannot implement an asset management strategy. The public is unable to communicate with services. Professionals are unable to communicate with each other to provide effective services.</p>	<p>IT infrastructure cannot support services. Unused / surplus buildings. Services are not delivered. Lifeline routes compromised. Risk of accident and potential claim. Vulnerable people are at risk. Communication is not possible between agencies to co-ordinate services. Council's reputation is at risk.</p>	<p>Existing Property Asset Management Plan is kept up to date and reviewed regularly. The 2019 to 2023 plan was re-written and considered by the Asset Management Sub-committee in November 2019. Existing ICT Asset Management Plan is kept up to date and reviewed regularly. It will be formally revised in 2020. The Fleet and Plant Asset replacement programme (2018 to 2021) is under reviewed to seek to maximise future years utilisation and fuel choice. Until this review is completed and considered the current plan to end of March 2022 is in place. The capital programme 2018 to 2023 is fully committed. Work is underway to agree the 2024 to 2029 programme in the current financial year, noting that funding pressure will not necessarily see any significant investment in maintaining assets above current levels or address any backlog issues. Service Asset Management Plans to be written on Open Spaces and Heritage. They have been completed for Roads in terms of the Roads Asset Management Plan and the Roads Management and Maintenance Plan. All asset replacement programmes (budgets) for roads, waste, fleet and property (revenue repairs and capital improvements), are monitored in detail to ensure planned, cyclical, reactive and emergency works are completed in context</p>
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				of significant budget pressures (efficiencies). Capital Planning and Asset Management Working Group holds monthly meetings to consider prioritisation of future works.
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Risk Number.	Risk Title.	Cluster.	Owner.
6.	Inability to sustain and enhance economic opportunities.	Economic.	Executive Director of Development and Infrastructure.

<b>Likelihood:</b>	5.	<b>Impact:</b>	5.	<b>RAG:</b>	Red.	<b>Current Risk Score:</b>	25.	<b>Target Risk Score:</b>	20.
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Vulnerability.	Trigger.	Consequences.	Options.	Mitigating Actions.
<p>Commercial sectors are vulnerable to market forces and changing national and international economic circumstances. Orkney's population is also ageing, leading to a range of challenges and opportunities in managing the impact of this demographic shift in terms of service provision.</p> <p>Current uncertainties associated with the Brexit arrangements for our future workforce.</p> <p>Deliverability of key project and political agendas including the Islands Deal, Harbours</p>	<p>The Council fails to support a diverse economy.</p> <p>Decline in farming and other traditional industries.</p> <p>External market forces and economic factors lead to increasing pressure on local businesses.</p> <p>Cost of transportation threatens travel of goods and people to and from Orkney.</p> <p>The Council fails to support emerging industries.</p> <p>The Council fails to ensure community benefits arise from developing industries.</p> <p>The Council fails to secure long term benefits from Renewables sector.</p>	<p>Local economy struggles pushing additional responsibilities onto the public sector.</p> <p>Council budgets become increasingly pressed.</p> <p>Staffing shortages.</p> <p>Loss of external funding due to Brexit.</p> <p>Loss of jobs, increase in unemployment, reduced economic performance.</p>	<p>Treat.</p>	<p>The budgets for revenue repairs and capital improvements are reviewed annually as part of the Council's budget process.</p> <p>Seek to identify additional options for delivery of the maintenance programmes.</p> <p>Where unavoidable pressures are identified these are managed through an allocated "contingency" or capacity within the Development and Infrastructure Directorate given positive trading performance.</p> <p>To ensure the delivery of approved plans is achieved, there has been additional investment in people resources in roads, waste, fleet and soon to be the quarry and property team (as part of workload analysis and mini restructuring).</p> <p>To ensure the size and scale of the capital programme is realistic in terms of affordability, pace and thereby resources,</p>

<p>Masterplan, Grid and Digital Connectivity, Shared Prosperity Fund, Ferry Replacement, Arctic Strategy and Innovation Freeport concepts.</p> <p>COVID 19 Recovery and Response challenges.</p>	<p>Increasing pressure on services for older people.</p> <p>Reducing work age</p> <p>Government fail to deliver on, or support economic opportunities and Regulatory change and an appropriately designed and timed Shared Prosperity Fund.</p> <p>Lack of capacity to deliver sufficient support to post COVID-19 economy.</p> <p>Lack of Government support for unique islands impacts of COVID-19 e.g. tourism 3 winters scenario, population.</p>			<p>members have agreed the 2018 to 2023 programme and will agree the content of the following 5-year period(s) in 2019 to 2020 financial year. This considers the Council's internal and external people resource, contractor capacity and how funded (internally or externally, noting island deal possibilities).</p> <p>Political engagement and lobbying at UK and Scottish Government levels.</p> <p>Effective working of Economic Recovery Steering Group.</p>
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Risk Number.	Risk Title.				Cluster.	Owner.			
7.	Inadequate information security and management, and inadequate cyber security – With the increase in the use of publicly visible technology, there is an increased risk of exposure to threats from criminal and other malicious parties.				Technological.	Head of IT and Facilities.			
<b>Likelihood:</b>	3.	<b>Impact:</b>	4.	<b>RAG:</b>	Amber.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	6.
<b>Vulnerability.</b>		<b>Trigger.</b>			<b>Consequences.</b>		<b>Options.</b>	<b>Mitigating Actions.</b>	
The Council fails to maintain an adequate audit trail of all information created.		Inappropriate disclosure, sharing, retention or loss of data. Failure to comply with information governance			Customer distress and harm. Financial and legal implications. Reputational risk.		Treat.	The Records Management Improvement Plan sets out further actions required to ensure that the Council maintains compliance with its legal responsibilities, including the Data Protection Act 2018.	



<p>The Council does not handle, share and release all its data adequately.</p> <p>The Data Protection Act 2018 has introduced new duties for the Council.</p> <p>Failure to implement and maintain suitable cyber controls to protect assets.</p>	<p>legislation including the Data Protection Act 2018.</p>	<p>Inability to access information when required.</p> <p>Failure to deliver services.</p> <p>Failure to share information leading to duplication of effort.</p> <p>Not responding to information requests on time.</p> <p>Complaints against the Council.</p>		<p>Senior Management leadership in place regarding delivery of the Records Management Improvement Plan.</p> <p>The Council met the Cyber Essential (Basic) accreditation as required by the Scottish Government in February 2018; the target for this was June 2018.</p> <p>Cyber Essential + accreditation achieved, April 2019. Noted that the Information Services Programme Board decided, in June 2019, not to seek re-accreditation of CE+ for 2020 on the basis that all the same criteria, and more, was tested as part of the Public Services Network (PSN) compliance activity.</p> <p>PSN reaccreditation achieved in September 2019, and work underway to achieve re-accreditation.</p> <p>IT Security is managed proactively and there is an ongoing programme of patching / updating the hardware and software in operation across the Council.</p>
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Risk Number.	Risk Title.				Cluster.	Owner.			
8.	Inadequate access to superfast Broadband across Orkney and mobile connectivity.				Technological.	Executive Director of Development and Infrastructure.			
<b>Likelihood:</b>	4.	<b>Impact:</b>	4.	<b>RAG:</b>	Amber.	<b>Current Risk Score:</b>	16.	<b>Target Risk Score:</b>	8.
Vulnerability.	Trigger.			Consequences.		Options.	Mitigating Actions.		
Failure to lobby Governments to address the current digital divide and put in place	Orkney fails to secure maximum and equitable geographic coverage of superfast Broadband,			Failure to attract inward investment.		Treat.	Continue to support political lobbying and seek opportunities to progress policy.		

<p>infrastructure to ensure a step change in speeds.</p> <p>Failure to access mobile coverage.</p> <p>Failure to press the Government to deliver a longer-term plan to ensure that there are the right mechanisms, partnerships and commercial models in place.</p>	<p>wireless connectivity and significant improvements to Broadband services and mobile network across the islands.</p> <p>Orkney is unable to attract inward investment and sustain fragile communities.</p> <p>Educational infrastructure disadvantaged by lack of service.</p>	<p>Failure to attract skilled employees.</p> <p>Digital isolation across age groups.</p> <p>Failure to realise opportunities in respect of Telehealth, Telecare, mobile working and tele-learning.</p> <p>Poor online public service access including welfare benefits, etc.</p>	<p>Support the Scottish Government in the roll out of R100 infrastructure in Orkney.</p> <p>Support development and introduction of alternative commercial models, including 5G infrastructure.</p>
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Risk Number.		Risk Title.				Cluster.		Owner.	
9.		Lack of sustainability of partnerships and clarity of responsibilities and outcomes.				Partnership.		Head of Executive Support.	
<b>Likelihood:</b>	3.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	9.	<b>Target Risk Score:</b>	6.
Vulnerability.		Trigger.			Consequences.		Options.	Mitigating Actions.	
<p>Working in partnership exposes the Council to some degree of reputational risk, depending on the stability of the arrangements and outcomes delivered.</p> <p>Resource constraints may affect the success of the Health and Social Care partnership.</p>		<p>The Council does not implement a robust and effective framework for managing its key partnerships.</p> <p>Governance is not effective in relation to a partnership and objectives are not met.</p> <p>The resource pressures on the parent bodies affect the reputation of the partnership.</p>			<p>Uncertainty about roles.</p> <p>Impact upon service delivery.</p> <p>Loss of reputation due to inability to meet statutory requirements.</p> <p>Tension between partners.</p> <p>Efficiencies not achieved.</p> <p>Relationships with other bodies deteriorate.</p>		Treat.	<p>The Council will continue to work closely with partners under current frameworks which are monitored closely to ensure they are robust, effective and deliver good governance.</p> <p>Clear Terms of Reference and Partnership Schemes are critical in reducing risks.</p> <p>The Council will continue to review existing partnerships and explore new ones as opportunities arise to suit Orkney as a whole.</p> <p>Commitment from Cabinet Secretary received, which supports joint working.</p>	

1142

		Reduced ability to deliver on important projects for vulnerable people and their families.		
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Risk Number.	Risk Title.	Cluster.	Owner.
10.	Inadequate procurement compliance and sustainable communities.	Legislative.	Head of IT and Facilities.

<b>Likelihood:</b>	3.	<b>Impact:</b>	2.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	6.	<b>Target Risk Score:</b>	6.
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Vulnerability.	Trigger.	Consequences.	Options.	Mitigating Actions.
<p>Financial and non-financial savings have not yet been fully explored.</p> <p>Further work to be done to support local businesses to help them participate in procurement opportunities, building on the Meet the Buyer event which was first held in August 2016.</p>	<p>Legal challenge is a possibility unless the Procurement Regulations are complied with and processes followed.</p> <p>Officers fail to understand the limitations that the Procurement Regulations place on the Council.</p> <p>Officers do not follow due process and tendering must be repeated.</p> <p>Anticipated savings may not be fully realised through collaborative contracts.</p> <p>The local economy may not be as well supported as it could be.</p> <p>Member / officer disharmony due to lack of understanding of responsibilities.</p>	<p>Financial loss due to legal challenge.</p> <p>Reputational harm.</p> <p>Delays in services being procured due to re-tendering or court action.</p> <p>Loss to the local economy.</p> <p>Loss of effectiveness and efficiency.</p> <p>Lost opportunity in terms of savings.</p>	<p>Treat.</p>	<p>Procurement Member Officer Working Group in place.</p> <p>Procurement Working Group (Officers) set up to provide training, support and a corporate approach to procurement exercises and priorities.</p> <p>Frequent communication with this group is in place and training on the use of PCS Tender was completed by 19 staff in January 2018.</p> <p>Procurement Improvement Plan developed and kept under review.</p> <p>Sustainable Procurement Strategy approved by Members in February 2018.</p> <p>Procurement Manual updated in April 2019.</p> <p>Procurement and Commercial Improvement Programme (PCIP) assessment by Scotland Excel completed in September 2019. OIC score showed a good improvement from 49% to 58%.</p>

1143

				<p>Action plan to meet recommendations is being developed.</p> <p>Meet the Buyer event for October 2019 was held successfully. Event for 2020 put on hold due to the pandemic.</p> <p>Contracts Register is now updated at least monthly and the use of the Contracts Register is stressed to all staff who are making purchasing decisions.</p> <p>Proactive work with the Corporate Admin Group to look at the creation and use of local Framework Agreements, in the first instance this will develop a local framework for stationery.</p> <p>Contract Standing Orders under regular review.</p> <p>COVID-19 Supplier Relief Programme implemented.</p>
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11/21

Risk Number.		Risk Title.				Cluster.		Owner.	
11.		Health and Safety non-conformance.				Legislative.		Head of IT and Facilities.	
<b>Likelihood:</b>	3.	<b>Impact:</b>	2.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	6.	<b>Target Risk Score:</b>	4.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
Non-compliance with health and safety policies, rules and procedures by employees, members of the public, contractors etc.		Reportable accidents, work related ill health and dangerous occurrences.		Staff exposed to unnecessary risk or harm. Increase in staff absence or sickness. Reduction in staff morale. Enforcement action from the Health and Safety Executive. This may		Treat.	Frequency of Safety Committee meetings increased including a review of adverse events. Senior Management Team to promote a positive health and safety culture. Revamp of Health and Safety Policy and supporting guidance.		

		<p>include Improvement and prohibition notices and prosecution.</p> <p>Material breaches, if identified, are subject to cost recovery by way of “fees for intervention”.</p> <p>Civil action resulting in the payment of compensation for injury or damage etc.</p>		<p>Proactive health and safety to feature as a standing item in Senior Management Team and Corporate Management Team meetings.</p> <p>IOSH “Leading Safely” training has been refreshed for all Corporate Management Team and Senior Management Team members.</p> <p>Proactive Health and Safety campaigns organised and promoted to all Council employees started in April 2018.</p> <p>Review and potential investment of additional service-focused resources to strengthen operational health and safety effectiveness (one post in Development and Infrastructure Service potentially).</p>
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Risk Number.		Risk Title.				Cluster.		Owner.		
12.		Brexit – Implications following a “hard” no deal outcome.				Economic.		Chief Executive and Head of Marine Services and Transportation.		
<b>Likelihood:</b>	5.	<b>Impact:</b>	4.	<b>RAG:</b>	Amber.	<b>Current Risk Score:</b>		20.	<b>Target Risk Score:</b>	12.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.			
Loss of access to the single market, with associated implications around trade delays and reduction in supply. Loss of EU funding for projects and businesses in Orkney.		Restrictions to the supply chain. Restrictions on the free movement of people and workers’ rights within the EU area.		Insufficient supply of essential commodities (food, medical supplies, fuel). Negative impact on projects and businesses in Orkney should funding streams end and not be replaced.		Treat.	The Council “Island proofed” any Scottish Government response and fully participates in discussions with CoSLA, the Scottish Government and other groups as needed. Urgent discussions within the Community Planning Partnership once the terms of Brexit are known.			

<p>Disruption to current workforce and future restrictions on ability to recruit.</p>		<p>Difficulty in retaining staff and attracting new staff from the EU to work for the Council, possibly leading to service delivery difficulties due to staff shortages, as well increased pressure on other staff.</p> <p>Requirement for Export Health Certificates (issued by Environmental Health service) for all aquaculture and shellfish exports.</p>	<p>Urgent escalation of high / severe risks to the Scottish Government, including the operational difficulties with regard to Export Health Certificates.</p> <p>Working with CoSLA to develop and deliver key communications and guidance for existing staff from EU countries.</p> <p>Assessing impact on current staffing establishment.</p> <p>Tactical Incident Management Team, and Strategic Incident Management Team to be stood up as required. Both were in operation from December 2018 to April 2019, and then reconvened in September 2019.</p> <p>Internal No Deal EU Exit action plan actively managed and reviewed regularly.</p> <p>Working to ensure adequate staffing capacity within Environmental Health service to deal with substantial increase in workload.</p> <p>Given the likely concurrency of Brexit with the continued COVID-19 pandemic, Chair of IMT and lead Safety and Resilience officer have been identified and planning is underway to make sure both incidents can run simultaneously if required.</p>
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Risk Number.		Risk Title.				Cluster.		Owner.	
13.		House Build Programme – Risk of being unable to fully utilise Affordable Housing Supply Programme funding from the Scottish Government.				Financial.		Executive Director of Education, Leisure and Housing.	
<b>Likelihood:</b>	4.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	9.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
<p>A range of factors are affecting the Council's ability to spend the Affordable Housing Supply Programme's funding, in partnership with Orkney Housing Association Ltd. These factors include:</p> <p>Delays as a result of the COVID-19 crisis and contractors being unable to work for a period of time.</p> <p>There are issues affecting Scottish Water's sewerage system in Kirkwall and a need to separate surface water run off to free up capacity.</p> <p>The Housing Revenue Account holds a relatively high level of debt and debt repayments are substantial.</p> <p>The cost of meeting the Energy Efficiency Standard for Social Housing 2 by 2032 is serving to</p>		<p>Inability to commit to spending funding by 31 March 2021 and / or to deliver an increased housing stock by 31 March 2021.</p>		<p>Loss of funding to Orkney which would have been available for much needed social / affordable housing.</p> <p>Rising pressure on the Council's housing waiting list as a result of households having to wait longer to be rehoused.</p> <p>Difficulties with meeting the Council's statutory requirements in respect of homelessness by being able to move households into permanent accommodation.</p> <p>Issues with being able to deliver the Rapid Rehousing Transition Plan, only some of which are related to the Affordable Housing Supply Programme funding.</p> <p>Potential impact on other housing sectors,</p>		<p>Treat.</p>	<p>A house build group has been meeting regularly with membership from the Council's Housing Service, Development and Infrastructure, the Scottish Government, Scottish Water and Orkney Housing Association Ltd.</p> <p>Various actions are underway. These include:</p> <p>The Scottish Government has advised that some leniency will apply in respect of the deadline of 31 March 2021 as a result of the COVID-19 situation.</p> <p>A build project at Carness, Kirkwall is underway with 14 properties on-site currently and a further 18 to follow in the coming months.</p> <p>Infrastructure funding was secured to correct sound issues at the Pumping Station which allows planning permission to be granted for the remaining 18 properties at Carness, Kirkwall.</p> <p>Discussions are ongoing with Scottish Water to endeavour to free up sufficient capacity to enable additional planning applications to be approved.</p>		

<p>exacerbate issues with the Housing Revenue Account.</p> <p>The impact of the above on the level of affordability of rents for tenants, given that a small Housing Revenue Account suffers from limited economies of scale. Orkney generally has rents which are within the highest 6 in Scotland.</p> <p>There is a lack of resource across all partner agencies (and the construction sector) to facilitate being able to respond quickly to additional demands.</p>		<p>particularly the private rented sector as a result of a lack of social rented housing.</p> <p>Potential impact on economy if households cannot secure affordable housing in the area.</p> <p>Equally progressing a large number of build projects at one time may impact on prices for other building projects in the future.</p> <p>There is limited flexibility inside the school roll projections for Glaitness School, development in the catchment area may have some impact accordingly.</p>	<p>Orkney Housing Association Ltd is progressing a scheme to erect 12 houses at The Crafty in Kirkwall.</p> <p>Orkney Housing Association Ltd is endeavouring to progress 8 units at Kirk Park in Orphir.</p> <p>Within the Council, governance has been obtained to enable the Council to build 4 properties at Watersfield, Kirkwall, 2 properties at Repeater Road, Kirkwall, 8 properties at Garson, Stromness, and 2 properties at MacDonald Drive in St Margaret's Hope and to seek various design and build contracts which are being / have been procured accordingly.</p> <p>Off the shelf purchases are being investigated and considered (while considering the ability for the properties concerned to be brought up to the energy efficiency standards required by the Council).</p>
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1148

Risk Number.	Risk Title.				Cluster.	Owner.			
14.	Early Learning and Childcare Expansion Plan.				Reputational.	Executive Director, Education, Leisure and Housing.			
<b>Likelihood:</b>	4.	<b>Impact:</b>	3.	<b>RAG:</b>	Yellow.	<b>Current Risk Score:</b>	12.	<b>Target Risk Score:</b>	10.
<b>Vulnerability.</b>		<b>Trigger.</b>			<b>Consequences.</b>		<b>Options.</b>	<b>Mitigating Actions.</b>	
Leadership capacity. Insufficient number of qualified practitioners.		Failure to recruit high quality candidates. Delay in completing renovation works at Dounby,			Vacant posts. Lack of leadership in settings.		Treat.	Implementation of a Leadership pathway to support the development of leadership capacity in workforce.	



<p>Delay in completing large settings leading to lack of capacity.</p> <p>Failure to meet the National Standard.</p> <p>Insufficient budget to meet emerging demands of Scottish Government in relation to expansion.</p> <p>Insufficient capacity for ELC across the county.</p>	<p>Papdale, Glaitness and St Andrews.</p> <p>Care Inspectorate Inspection grades of adequate or lower.</p> <p>Risk of overspend on budget.</p> <p>Closure of Peedie Breeks before a replacement is operational.</p>	<p>Impact in quality and outcomes for children.</p> <p>Poor inspection grades.</p> <p>Failure to meet National Standard.</p> <p>Impact in quality and outcomes for children.</p> <p>Poor inspection grades.</p> <p>Inability to open setting.</p> <p>Lack of places for children in August 2020.</p> <p>Short improvement period (6 to 12 months) after which funded ELC will no longer be able to be offered at that setting.</p> <p>Budget overspend.</p> <p>Council unable to meet statutory requirement.</p> <p>Staff losses in settings in mainland Orkney due to lack of childcare.</p>	<p>Requirement for supporting practitioners to gain BA in Childhood Practice.</p> <p>Implementation of head teacher training to support development of pedagogical leadership capacity.</p> <p>Implement a programme of work to raise the profile of Early Learning and Childcare as a career.</p> <p>Establish Modern Apprenticeships and trainee posts in settings.</p> <p>Establish a managed student pathway to enable graduating students to gain experience necessary to meet the person specification in Early Years Practitioner job description.</p> <p>Deliver early years course to SVQ trainees and Modern Apprentices.</p> <p>Explore possibility of running SVQ from central team.</p> <p>Contingency plans in place for each of the settings.</p> <p>Implement an increased training offer, to include:</p> <p>Leadership pathway.</p> <p>Early years course (12x half day sessions) running twice.</p> <p>2 year old course (6x half day sessions).</p> <p>Maths course (8x half day sessions).</p> <p>Learning Language and Loving It (LLLI) (8x half day sessions).</p> <p>Nursery central teaching team increased by 1fte.</p>
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				<p>Teaching team upskilled to be able to deliver training including:</p> <p>Outdoor / nature kindergarten experiences.</p> <p>Family worker Lead Early Years Practitioner (LEYP) established in team-supporting the roll out of PEEP Learning Together Programme etc.</p> <p>Lobby Scottish Government to enable them to understand the unique island challenges relating to new policies.</p> <p>Ensure Orkney attendance at national meetings / forums to ensure the remote and rural voice is heard.</p> <p>Ensure elected members are well briefed prior to national meetings.</p> <p>Develop and implement a project plan for establishing a Council-led replacement for Peedie Breeks.</p>
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Risk Number.		Risk Title.				Cluster.		Owner.	
15.		Pandemic.				Pandemic.		Head of IT and Facilities.	
<b>Likelihood:</b>	5.	<b>Impact:</b>	5.	<b>RAG:</b>	Red.	<b>Current Risk Score:</b>	25.	<b>Target Risk Score:</b>	20.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
The spread of a pandemic virus is likely to significantly hamper the ability of the Council to perform its statutory functions.		World Health Organisation declaration of a global pandemic. The declaration of a Major Emergency has led to the appointment of an Emergency Controller and the introduction of		Service Delivery: Failure to carry out statutory duties - demand outstrips capacity. Cessation of non-urgent and elective work.		Treat.	Ongoing monitoring of workforce to give early indication of potential issues. Business Continuity Plans were invoked. Review of essential services in conjunction with Business Impact Analysis undertaken within Service Operational Recovery Teams (SORT).		

	<p>Emergency Governance Arrangements, approved by Council on 23 March 2020 which included temporary amendments to the Council's Standing Orders.</p>	<p>Unable to provide certain services.  Delays to capital programmes.  Ability to successfully resolve emergency incidents.  Ability to respond to concurrent events including Brexit or those contained within the Community Risk Register.  Deterioration in staff experience adversely affecting team performance.  Financial management and budgetary impact:  Incurring additional unbudgeted COVID-19 spend.  Increased costs, reduced income, impact on capital projects etc.  Appropriate governance.  Ability to pay staff.  Legacy financial impact.  Impact on Strategic Reserve Fund.  Health and Safety:  Failure to provide appropriate PPE.</p>	<p>Redeployment to move staff from non-critical areas to more front-line roles.  Consideration of issues within Strategic and Tactical environments.  Creation of RENEW framework.  Enhanced risk assessments in relation to COVID-19.  Regular staff updates online and directly from Chief Executive.  Positive staff leadership.  Provision of online support packages through HR.  Continuation of Duty Tactical Lead through emergency.  Specific Finance code organised to record all spending relating to COVID-19.  Central tracker evolving to capture COVID-19 costs, develop forecasts (revenue, capital, cash flow, procurement), management of stock, policy changes and Scottish Government reporting.  Finance embedded in Strategic Incident Management Team.  Communication with Scottish Government ongoing regarding forecast additional costs and corresponding additional funding required to deliver services to the standard required.  Home working solutions in place for staff where required.  Dialogue with Banks regarding processes.  Some internal audit capacity maintained.</p>
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		<p>Ability to carry out statutory duties and support frontline response.</p> <p>Exposure to virus, potential spreading and related absences.</p> <p>Potential harm to critical service users and providers.</p> <p>Demand outstrips supply for business as usual supplies.</p> <p>Demand outstrips supply for PPE.</p> <p>If the organisation does not seek to maintain and improve officer and staff wellbeing during the response to COVID-19, there is a risk of increased absences, loss of discretionary effort and overall decrease in operational capacity.</p> <p>Lack of scrutiny surrounding Council functions.</p> <p>Mandatory duties of the Council – schooling, social services.</p> <p>Permissive duties of the Council – education and economic development.</p>		<p>Co-ordination of ordering of Personal Protective Equipment (PPE) through Selbro.</p> <p>Collaboration with NHS Orkney regarding PPE availability.</p> <p>Initial ordering issues overtaken with use of Scotland Excel.</p> <p>Pre planner and continual procurement of relevant supplies to support frontline response.</p> <p>Use of NHS National Services Scotland (NSS) and own routes to market.</p> <p>Critical identification of PPE need.</p> <p>Engagement with Highland and Islands Local Resilience Partnership to identify shortages and need.</p> <p>Procurement reviewing suppliers to allow fast track enabling of different routes to market.</p> <p>Guidance published on Council website regarding usage.</p> <p>Advice provided regarding managerial and social distancing - reduction in face to face meetings.</p> <p>Alternative solutions for meetings are being adopted e.g. Skype, Microsoft Teams, Video conferencing.</p> <p>Special General Meetings are arranged at short notice for all matters requiring policy decisions.</p> <p>Confidential meetings held with Senior Management Team and Elected members</p>
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		<p>Regulatory powers – trading standards, environmental health and licensing.</p> <p>Joint working arrangements.</p>	<p>on a frequent basis to discuss COVID-19 matters.</p> <p>Regulatory committees, Monitoring and Audit Committee and Integration Joint Board meetings are taking place online through Microsoft Teams. Recordings of these are published on the Council website.</p> <p>The Strategic Incident Management Team meets regularly to enable swift determination of strategic matters.</p> <p>The Incident Management Team meets regularly to manage operational and tactical issues.</p> <p>Senior Management Team and Corporate Management Team continue to meet to address ongoing Council business.</p> <p>The Emergency Governance Arrangements are regularly reviewed to ensure the declaration of an emergency still remains relevant.</p> <p>Emergency response working strategy and structural arrangements are regularly reviewed.</p>
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Risk Number.		Risk Title.				Cluster.		Owner.	
16.		Inability to deliver core protection and support services for children and young people.				Legislative.		Interim Chief Officer, OHAC.	
<b>Likelihood:</b>	3.	<b>Impact:</b>	5.	<b>RAG:</b>	Amber.	<b>Current Risk Score:</b>	15.	<b>Target Risk Score:</b>	10.
Vulnerability.		Trigger.		Consequences.		Options.	Mitigating Actions.		
Children and young people are vulnerable due to the Council's need to improve policies, procedures and services as part of multi-agency child protection and support services, highlighted in the 'Report of a joint inspection of services for children and young people in need of care and protection in Orkney', February 2020.		Children and young people in need of protection and/or support do not have their needs met by the multi-agency team.		Children and young people are exposed to harm; children and young people are not provided with the best chances in early life; children and young people are not supported in closing the opportunity gap. When performance shortfalls are highlighted in inspection reports, this clearly drives improvement. However, a collateral consequence can be that it makes it more difficult to attract permanent good quality staff to work in Orkney children's and young people's social work and social care services, exacerbating vulnerabilities.		Treat.	Comprehensive multi-agency improvement plan has been developed which addresses all areas for improvement. Progress with this plan is closely monitored by the Chief Officers' Group and the relevant partner governance bodies.		



# **Procurement Annual Report**

**1 April 2019 to 31 March 2020.**

## Contents.

Introduction .....	6
Section 1 – Summary of Regulated Procurements Completed .....	7
Section 2 – Review of Regulated Procurement Compliance .....	7
Procurement Improvement Capability Programme (PCIP) .....	7
Internal Audit.....	8
Contract Standing Orders .....	8
Procurement Strategy .....	9
Section 3 – Community Benefit Summary.....	9
Section 4 – Supported Businesses Summary .....	12
Section 5 – Future Regulated Procurements Summary .....	12
Section 6 – Other Information .....	13
Supplier Development.....	13
Collaboration and Partnering Opportunities .....	13
Procurement Annual Spend Data .....	16
Procurement Spend – National Context.....	18
Climate Change Duties .....	19
Biodiversity Duty .....	19



## Definition of Key Terms

Contract.	An agreement between the Council and any Contractor made by formal agreement or by issue of acceptance or an official order for Supplies, Services or Works.
Contractor(s).	Includes any sole trader, partnership or company (limited or unlimited) or any duly incorporated trade, professional or commercial body.
Delegated Authority.	Officers who have been given formal written authority by their Executive Director or Chief Officer to manage procurement exercises within a specified value range on behalf of the Council.
EU Threshold.	The threshold for determining the application of the Regulations. In the case of the Procurement (Scotland) Regulations 2016 the threshold is £189,330 (Supplies and Services) and £4,733,252 (Works). In the case of the Utilities Contracts (Scotland) Regulations 2016 the threshold is £378,660 for Supplies and Services and £4,733,252 for Works.
EU Regulated Procurement.	Goods, Services or Works contracts with a value over the EU Threshold.
Framework Agreement.	An overarching agreement with supplier(s) to establish terms governing individual contracts that may be awarded during the life of the agreement ('call-offs'), concluded in accordance with Section 34 of the Public Contracts (Scotland) Regulations 2015.
Health and Social Care Services.	A public contract or framework for social and other specific services listed in Schedule 3 of the Public Contracts (Scotland) Regulations 2015.
Life-Cycle Costing.	All consecutive or interlinked stages, including research and development to be carried out, production, trading and its conditions, transport, use and maintenance, throughout the existence of the product or the works or the provision of the service, from raw material acquisition or generation of resources to disposal, clearance and end of service or utilisation.

Procurement.	The process leading to the award of a public contract or framework agreement or establishment of a dynamic purchasing system for the acquisition of works, supplies or services from an economic operator.
Public Contracts Scotland (PCS) portal.	The Scottish Government's official national advertising portal for public sector contract opportunities <a href="https://www.publiccontractsscotland.gov.uk/">https://www.publiccontractsscotland.gov.uk/</a> .
Quick Quote (QQ).	An online quotation facility which allows the Council to obtain competitive quotes electronically for: <ul style="list-style-type: none"> <li>• Low value requirements between £10,000 and £50,000; and</li> <li>• Unregulated Works Contracts, depending on complexity of contract (as defined in Clause 17).</li> </ul>
Quotation.	A formal offer to supply or purchase supplies, execute works or provide services where the estimated value of the contract does not exceed £50,000.
Regulated Procurement.	As defined by the Procurement Reform (Scotland) Act 2014 and referred to as the Reform Act 'slice' a regulated procurement for Goods or Services Contracts with a value of over £50,000 and for Works Contracts over £2,000,000 and less than the relevant Official Journal of the European Union (OJEU) Thresholds.
Regulations.	The Public Contracts (Scotland) Regulations 2015, the Procurement Reform (Scotland) Act 2014, the Procurement (Scotland) Regulations 2016 and / or the Concession Contract (Scotland) Regulations 2016 as the context requires, but where the Council is acting as a Harbour Authority and chooses to do so, the Utilities Contracts (Scotland) Regulations 2016.
Supplies.	Goods or the hire of goods and for any siting or installation of those goods.
Tender.	A formal offer to supply or purchase supplies, execute works or provide services where the estimated value of the contract is £50,000 (excluding VAT) or more.

Unregulated Works Procurement.	A contract for Works with a value of between £50,000 and £2,000,000, being a procurement not covered by the Regulations and procured utilising the Council's database of pre-approved contractors.
Works.	Building construction, building maintenance or engineering works.

## Introduction

Orkney Islands Council ('the Council'), provides a range of facilities and services to a community with a population estimated as 22,190 in mid-2018 by the Office of National Statistics. The Council is also the Harbour Authority with a port estate of 29 piers and harbours, a Roads Authority for the islands and operates a network of internal air and ferry services.

The Council provides procurement and related services for a wide range of works, supplies and services with an annual spend, for the financial year 2019 to 2020, of over £45 million.

The Council operates a devolved model of procurement across five directorates. The central Procurement Services Team is based within Corporate Services and consists of three full-time equivalent staff; a Procurement Manager, a Procurement Officer and an Assistant Procurement Officer. The Procurement Manager's responsibilities include development of a network of 18 trained and experienced officers across the Council who are assigned delegated responsibility for the procurement of supplies, services and works.

The Council published its Procurement Strategy, as required by the Procurement Reform (Scotland) Act 2014 ('the Act'), in January 2019. In order to report compliance with its Procurement Strategy and the Act itself, the Council must publish an annual report.

There are 11 key priorities identified in the Procurement Strategy as follows:

- Sustainability.
- Working with suppliers.
- Value for money.
- Collaboration and partnering.
- Governance.
- Contract management.
- Communication.
- E-Procurement.
- Monitoring and measurement.
- Guidance.
- Training.

The six key priority areas where targets have been identified and are attributable for the Procurement Strategy reporting period ending 31 March 2020 remain the same as for the previous year and are as follows:

- Sustainability.
- Working with suppliers.
- Value for money.
- Collaboration and partnering.
- Contract management.
- E-Procurement.

The guidance and template issued by the Scottish Government to report on our performance from 2017 to 2018 onwards has been used for this third Annual Procurement Report.

The reporting period for this third annual report is from 1 April 2019 to 31 March 2020.

In addition to the required information set out in the Act, this report includes performance against several strategic indicators as detailed in the Council's Procurement Strategy 2019 to 2021.

To evidence our progress against our strategic targets and the new duties introduced by the Act, the published Annual Report details the form of measurement taken. The statistics presented in this report provide the evidence which should, over time, show how the Council is progressing against both the national and local objectives. Targets were set in the Council's Procurement Strategy and progress towards these has been noted in this second Procurement Annual Report.

## **Section 1 – Summary of Regulated Procurements Completed**

Section 18(2) of the Act requires organisations to include **'a summary of the regulated procurements that have been completed during the year covered by the report'**.

As defined by the Act and referred to as the Reform Act 'slice' a regulated procurement is for Goods or Services Contracts with a value of over £50,000 and for Works Contracts over £2,000,000 and less than the relevant OJEU Thresholds.

A regulated procurement is completed when the award notice is published or where the procurement process otherwise comes to an end. This includes contracts and framework agreements.

Appendix 1 provides the breakdown of the 44 regulated procurements completed for the reporting period of 1 April 2019 to 31 March 2020.

## **Section 2 – Review of Regulated Procurement Compliance**

All procurement exercises carried out by the Council are required to be carried out in accordance with the Council's Contract Standing Orders (CSOs) and this is regularly updated to take account of changes in legislation and best practice in procurement.

Prior to the point of contract award, all recommendation reports are required to include a statement that the CSOs have been complied with, therefore full compliance is anticipated. Examples of internal and external review of the Council's processes and compliance with these processes are detailed in the audit / improvement capability outcomes as follows:

### **Procurement Improvement Capability Programme (PCIP)**

The Council first completed Scotland Excel's PCIP in July 2017. The PCIP is undertaken every two years and a second PCIP assessment for the Council took

place on 3 September 2019. Outcomes and recommendations from this exercise are incorporated as a process of ongoing procurement improvement.

The objective of the PCIP is to assist the Council to improve its structure, capability, processes and ultimately performance by attaining a level of a procurement performance that is appropriate to the scale and complexity of its business. As part of the PCIP the Council is required to demonstrate a prudent and well-planned approach to defining its supply needs. Assessment of the Council's procurement improvement capability is carried out every two years by Scotland's Centre of Expertise Scotland Excel and covers procurement activities carried out by the Council's Officers with Delegated Authority in the Procurement, Capital Projects, Facilities and Engineering Teams.

### **Internal Audit**

An internal audit of procurement was carried out in 2016 / 2017 with a final report issued in September 2017 which reviewed procurement activities in the Council in the light of the new regulations. The review was very positive in general with recommendations all of medium priority which included completion of the review of the Sustainable Procurement Policy, the Procurement Manual, the Council's Standard Terms and Conditions, referencing updates within the Council's Financial Regulations in line with the Council's CSOs and to instigate a process for review of access rights for the Officers with Delegated Procurement Authority. All of the recommendations have been implemented.

There has been no further audit of procurement carried out in the reporting year of 2019 to 2020, however an internal audit of contract management is currently underway and the outcome of this will be reflected in the Procurement Annual Report for the reporting period 2020 to 2021.

### **Contract Standing Orders**

The Council's CSOs were significantly updated, revised and published in June 2016 to include the provisions of the Act and the Procurement Scotland Regulations 2016. The CSOs were also updated to include recommendations of an internal audit on procurement at the Council. The CSOs were approved by General Meeting of the Council 5 July 2016.

Since then they have been updated 3 times. In October 2017 and March 2018 respectively to reflect an additional procedure to ensure there is documentation to evidence that there are no conflicts of interests for evaluation team member and to update the EU Threshold for procurement, and then in January 2020 which included the new EU thresholds and included an update on new procurement procedures in use by the Council.

Changes to the CSOs are highlighted to Senior Managers and key procurement staff and within the organisation by way of the Procurement Services Bulletin.

## Procurement Strategy

The Council's current Procurement Strategy was published in January 2019 for the following two years and three-month period to 31 March 2021. This version brings the Procurement Strategy in line with the ongoing annual reporting requirements.

Appendix 2 attached to this report is the Procurement Service Improvement Action Plan contains the Procurement Strategy targets set and progress made over the last financial year.

## Section 3 – Community Benefit Summary

The Council has a Sustainable Procurement Policy. This policy sets out the general principles that the Council will follow across all its procurement and commissioning activities to ensure that it is undertaken in a sustainable manner.

This Policy also sets out how the Council will plan and manage its procurement activities to meet the Council's corporate aims and objectives and comply with regulatory and legislative requirements. Finally, the policy supports the Council's commitment to sustainable procurement which is set out in the Council's Corporate Procurement Strategy 2019 to 2021:

<https://www.orkney.gov.uk/Service-Directory/P/procurement-strategy-2019-to-2021.htm>

It is intended for all of those who are involved in, or affected by, the Council's procurement activities throughout our community and beyond. The Council spends tens of millions of pounds each year on a diverse range of goods, services and works from third parties. It is important therefore that this spending power is used to support key Council objectives. The Sustainable Procurement Policy has been developed to help the Council to meet its legal duties and to deliver its key strategic objectives available at the link below:

[https://www.orkney.gov.uk/Files/Business-and-Trade/Sustainable\\_Procurement\\_Policy.pdf](https://www.orkney.gov.uk/Files/Business-and-Trade/Sustainable_Procurement_Policy.pdf)

Sustainable procurement supports the Council's values, as outlined in Orkney Islands Council Plan 2018 to 2023 and the Council's Delivery Plan 2018 to 2023:

<https://www.orkney.gov.uk/Council/C/corporate-strategic-plan-2018-2023.htm>

[https://www.orkney.gov.uk/Files/Council/Council-Plans/OIC\\_Delivery\\_Plan\\_2018\\_2023.pdf](https://www.orkney.gov.uk/Files/Council/Council-Plans/OIC_Delivery_Plan_2018_2023.pdf)

The Strategic Themes identified are as follows:

- Connected Communities.
- Caring Communities.
- Thriving Communities.
- Enterprising Communities.
- Quality of Life.

The Policy outlines how sustainable procurement supports and contributes to the implementation of the Council's Delivery Plan 2018 to 2023.

Community benefits must be considered for all procurement processes at or above £4 million in value to meet the Council's requirement to meet the sustainable procurement duty.

For each individual regulated procurement exercise, Officers with Delegated Procurement Authority must complete a 'Commodity Strategy for all Regulated Procurements' which includes a section on Community Benefits to be considered where applicable.

During the reporting period covered by this Procurement Annual Report there have been three procurements, where Community Benefits for procurements with a contract value over the £4,000,000 threshold, have been included and have been carried out by the Council.

These Procurements are as follows, and have either been completed or remain ongoing with the reporting period for this annual report:

<b>Date of Award.</b>	<b>Subject Matter.</b>	<b>Estimated Value (£).</b>	<b>Start Date.</b>	<b>End Date.</b>
13/02/2017.	Framework agreement for the Provision of personalised care and support services in Orkney for Individuals with Complex Needs, (Various Call off Contracts).	4,000,000.00.	13/02/2017.	12/02/2021.
08/09/2017.	New Stromness Care Facility.	7,276,005.03.	01/09/2017.	10/08/2019.
01/02/2019.	Supply of Two New Towage Boats.	12,000,000.00.	11/02/2019.	September 2020.

A summary of the Community Benefits included in the award criteria for the procurements included within the reporting period, and those in procurements that are not concluded yet, are as follows:

- Employment (skills and training, small or medium-sized enterprises (SMEs) / social enterprises / supported businesses).
- Fair Work Practices.

Monitoring of Community Benefits for exercises before this year have continued as planned.

In the instance of the provision of Personalised Care and Support Services contracts resulting from the framework agreement (awarded 13 February 2017), reporting of community benefits achieved are contained within quarterly contract management



meetings for each individual contract. Contracts are awarded throughout the life of the framework and will vary according to each contract where relevant.

For the Stromness Care Home construction project (awarded 8 September 2017) contract management meetings were held on a regular basis with the Contractor. Progress made towards the targets set for the Stromness Care Home are recorded at each monthly meeting.

For the two new Tugboats sea and shore staff will be trained in the use of new equipment and maintenance prior and following the vessels being delivered to Orkney waters. There is also a requirement for the knowledge of modern technology to effectively be passed on to increase the knowledge base of local suppliers. This will be necessary due to the requirement for a higher level of shore side backup for these vessels.

The following factors are routinely taken into consideration in relevant procurements, especially in construction or social care procurement. However, these may not always be specifically labelled as a Community Benefit Award Criteria:

- Climate change (carbon and energy consumption, carbon in production, adaption, carbon in vehicle emissions).
- Materials (scarcity, security).
- Waste (production, reuse / recondition / remanufacture).
- Hazardous materials / emissions.
- Bio-diversity (protection and enhancement).
- Heritage (protection and enhancement).
- Water (consumption and production).
- Employment (skills and training, SMEs / social enterprises / supported businesses).
- Communities.
- Fair and ethical trading (working conditions, conflict materials).
- Equality (protected characteristics).

There has been an increase in the inclusion of Community Benefit Clauses over the past financial year as recorded in the Procurement Strategy Improvement Plan, attached at Appendix 2.

Following the legislative changes, and as recorded for the previous two financial years on the Council's On-Contract Spend Register, there have been a total of nine procurements undertaken since 2016 to end of March 2020 reporting period where Community Benefit Clauses have been part of the award criteria.

For procurement of Category C (local contract / framework including local collaborative framework agreements) Contracts which are undertaken by the Council, it is now routine for Community Benefits to be included as part of the award criteria where the value of the contract is over £4 million.

Where the Council can access Category A (national collaborative) contracts or Category B (sectoral collaborative) contracts via Framework Agreements the overall anticipated value of the Framework is inevitably of a high value and likely to be over the £4 million threshold for the inclusion of community benefits.

Contracts awarded under Framework Agreements are likely to achieve Community Benefits. However, for contracts awarded via a Framework Agreement it is more difficult to identify Community Benefits which will be realised locally, except where the local supply chain is involved in the delivery of the Contract.

<b>Community Benefit Analysis.</b>	<b>1 April 2019 to 31 March 2020.</b>
Number of Contracts Community Benefit Clauses is applicable to.	5.
Number of Applicable Contracts with Community Benefit Clause.	5.
Percentage of total Applicable Contracts with Community Benefit Clauses.	100%.

## **Section 4 – Supported Businesses Summary**

The Act (<http://www.legislation.gov.uk/asp/2014/12/section/18>) included a new classification for supported business, and defined a supported business as ‘an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons and where at least 30% of the employees of the economic operator are disabled or disadvantaged’.

Public organisations can reserve the right to participate in procurement for the award of a public contract / framework to a supported business.

The classification change in 2016 expanded the potential for more businesses to be included in this category however the Council’s contract activity for the reporting year has not provided an opportunity to carry out such an exercise.

## **Section 5 – Future Regulated Procurements Summary**

The Procurement team has worked with Executive Directors across the Council to develop a forward procurement plans for their service areas. These plans identify the Council’s anticipated procurement activity for the coming year for Category C and C1 procurement (excluding Category A and B activity).

The Act has extended this timeframe to two years and Appendix 2 includes information regarding anticipated Regulated Procurements for that period. As referenced in the introduction above, this report includes information on all procurement activity and this is included in the Forward Plan, i.e. it also covers ‘non-regulated’ procurement.

See Appendix 3 for the Council’s Forward Plan.

## Section 6 – Other Information

### Supplier Development

A Meet the Buyer event has been held annually for the last four years. Given the Covid-19 pandemic there has not been a Meet the Buyer event organised for 2020/21 however contract specific market engagement events will take place in a format compatible with Coronavirus restrictions in place at the time where required and on a case by case basis. The events are organised by the Councils' Procurement Team together with service colleagues and the Business Gateway.

Scotland Excel have presented in person to the last three Meet the Buyer events, similarly the Supplier Development Programme has been active in providing support to contractors and actively involved in helping local firms do business better with the Council. The events have attracted between 10 and 50 individuals over the last four occasions and have been well received.

The following commitments have been made as part of the Council's Procurement Improvement Action Plan:

- To increase attendance at 'meet the buyer' or equivalent events to cover areas of concern, engage with local suppliers and advice on how to become a supplier to the Council. Encourage main contractors to engage with SMEs through the inclusion of Community Benefit clauses.
- Encourage suppliers to the Council to access support available to businesses, via Business Gateway Orkney and the Supplier Development Programme.

### Collaboration and Partnering Opportunities

In accordance with the Council's Procurement Strategy there is a Council Commitment regarding collaboration and partnering. It is recognised that greater efficiencies can be achieved by improved collaboration between different organisations within the public sector with similar requirements, whether within the local government sector or in other areas of the public sector, such as the Scottish Government, the Crown Commercial Service, Non-Departmental Public Bodies and the National Health Service (NHS).

Collaboration maximises the value of procurement whether it be through aggregation of demand or through the sharing of resources to reduce administration. Framework Agreements are noted as either a Category A Contract or a Category B Contract or Category C1 for local collaborative contracts in place. The Council's use of these is shown in the tables below.

The Council's internal contract register lists all purchases for works, services and supplies known to have a contract in place. This register does not include ad hoc purchases for values typically under the £10,000 minimum threshold as noted in the Council's CSOs. There are exceptions to this rule where the nature or complexity of the contract does warrant a contract in place, for example, IT licensing agreements, cleaning contracts etc.

In total there are 426 live contracts listed in the Council's contract for the year 1 April 2019 to 31 March 2020.

Tables 1, 2, 3 and 4 below summarise all live contracts as recorded on the Council's Contract Register by category for the previous three complete financial years and a corresponding split between Services, Supplies and Works.

**Table 1 – 1 April 2016 to 31 March 2017**

<b>Contract Category Analysis of Contracts (as recorded on the Contracts Register).</b>	<b>Number.</b>	<b>Percentage of Total Value.</b>	<b>Estimated Contract Value (£).</b>
Category A (national).	21.	11.64%.	2,830,560.07.
Category B (sectoral).	18.	7.45%.	1,811,503.54.
Category C (local single supplier).	163.	72.64%.	17,663,409.07.
Category C1 (local contract / framework including local collaborative framework agreements). (Example for Category C1 are the collaborative contracts in place with the Council as the lead with NHS Orkney for the provision of food for the schools, residential homes and the Balfour Hospital and specialist legal services working collaboratively and e-learning working.)	23.	2.00%.	486,816.67.
Category O (other).	101.	6.26%.	1,523,172.78.
<b>Total.</b>	<b>326.</b>	<b>100.00%.</b>	<b>24,315,462.12.</b>

<b>Type of Contract.</b>	<b>Number of Contracts.</b>	<b>Percentage of Total Contracts.</b>	<b>Value of Contracts (£).</b>	<b>Percentage of Total Value.</b>
Service.	240.	73.62%.	14,116,677.76.	58.06%.
Supply.	65.	19.94%.	4,814,221.17.	19.80%.
Works.	21.	6.44%.	5,384,563.20.	22.14%.
<b>Total.</b>	<b>326.</b>	<b>100.00%.</b>	<b>24,315,462.12.</b>	<b>100.00%.</b>

**Table 2 – 1 April 2017 to 31 March 2018**

<b>Contract Category Analysis.</b>	<b>Number.</b>	<b>Percentage of Total Value.</b>	<b>Estimated Contract Value (£).</b>
Category A (national).	18.	10.41%.	3,151,612.07.
Category B (sectoral).	43.	7.77%.	2,354,034.99.
Category C (local single supplier).	187.	74.85%.	22,667,547.25.

<b>Contract Category Analysis.</b>	<b>Number.</b>	<b>Percentage of Total Value.</b>	<b>Estimated Contract Value (£).</b>
Category C1 (local contract / framework including local collaboration). (Examples for Category C1, are as for 2016 / 2017, the provision of contracts for food, specialist legal services working collaboratively and e-learning working collaboratively with other Public Authorities with the addition of the provision of tax advisory services).	26.	1.60%.	484,316.67.
Category O (other).	112.	5.37%.	1,625,027.23.
<b>Total.</b>	<b>386.</b>	<b>100.00%.</b>	<b>30,282,538.21.</b>

<b>Type of Contract.</b>	<b>Number of Contracts.</b>	<b>Percentage of Total Contracts.</b>	<b>Value of Contracts (£).</b>	<b>Percentage of Total Value.</b>
Service.	256.	66.32%.	15,853,299.03.	52.35%.
Supply.	82.	21.24%.	4,589,907.12.	15.16%.
Works.	48.	12.44%.	9,839,332.06.	32.49%.
<b>Total.</b>	<b>386.</b>	<b>100.00%.</b>	<b>30,282,538.21.</b>	<b>100.00%.</b>

**Table 3 – 1 April 2018 to 31 March 2019**

<b>Contract Category Analysis.</b>	<b>Number.</b>	<b>Percentage of Total Value.</b>	<b>Estimated Contract Value (£).</b>
Category A (national).	120.	9.29%.	3,239,609.60.
Category B (sectoral).	29.	6.76%.	2,356,310.38.
Category C (local single supplier).	190.	75.57%.	26,339,687.96.
Category C1 (local contract / framework including local collaboration). (Examples for Category C1, are as for 2016 / 2017, the provision of contracts for food, specialist legal services working collaboratively and e-learning working collaboratively with other Public Authorities with the addition of the provision of tax advisory services).	12.	1.05%.	364,900.00.
Category O (other).	117.	7.33%.	2,553,243.36.
<b>Total.</b>	<b>468.</b>	<b>100.00%.</b>	<b>34,853,751.30.</b>

Type of Contract.	Number of Contracts.	Percentage of Total Contracts.	Value of Contracts (£).	Percentage of Total Value.
Service.	244.	52.14%.	17,163,049.95.	49.24%.
Supply.	162.	34.61%.	4,896,225.17.	14.05%.
Works.	62.	13.25%.	12,794,476.18.	36.71%.
<b>Total.</b>	<b>468.</b>	<b>100.00%.</b>	<b>34,853,751.30.</b>	<b>100.00%.</b>

**Table 4 – 1 April 2019 to 31 March 2020**

Contract Category Analysis.	Number.	Percentage of Total Value.	Estimated Contract Value (£).
Category A (national).	35.	7.63%.	£3,158,775.74.
Category B (sectoral).	33.	5.83%.	£2,413,179.78.
Category C (local single supplier).	201.	71.40%.	£29,559,423.37.
Category C1 (local contract / framework including local collaboration). (Examples for Category C1, are as for 2016 / 2017, the provision of contracts for food, specialist legal services working collaboratively and e-learning working collaboratively with other Public Authorities with the addition of the provision of tax advisory services).	12.	0.75%.	£311,378.48.
Category O (other).	145.	14.39%.	£5,959,463.85.
<b>Total.</b>	<b>426.</b>	<b>100.00%.</b>	<b>£41,402,221.23.</b>

Type of Contract.	Number of Contracts.	Percentage of Total Contracts.	Value of Contracts (£).	Percentage of Total Value.
Service.	277.	65.02%	£18,328,542.27	44.27%
Supply.	80.	18.78%	£12,044,994.21	29.09%
Works.	69.	16.20%	£11,028,684.75	26.64%
<b>Total.</b>	<b>426.</b>	<b>100.00%.</b>	<b>£41,402,221.23</b>	<b>100.00%.</b>

### Procurement Annual Spend Data

The Council is required by the Scottish Government to input its annual spend data to the Procurement Hub which records all purchasing transactions made by the Council

for each financial year. The information is processed and released back to the Council for the purposes of analysis and forward planning.

The following table provides a summary of key data for the Council spend data for the past five financial years.

<b>Financial Year.</b>	<b>2015 / 2016.</b>	<b>2016 / 2017.</b>	<b>2017 / 2018.</b>	<b>2018 / 2019.</b>	<b>2019 / 2020.</b>
Total Spend (£).	44,002,015.	40,922,973.	43,949,847.	45,158,580.	45,351,144.
Core Trade Spend (£).	39,228,692.	36,836,233.	38,934,328.	40,890,739.	41,136,579.
Input suppliers.	2,221.	2,245.	2,249.	2,129.	2,143.
De-dedicated Suppliers.	2,183.	2,216.	2,218.	2,091.	2,103.
Duplicate Suppliers.	38.	29.	31.	38.	40.
SME Suppliers.	761.	733.	702.	671.	730.
Local Suppliers.	235.	225.	228.	238.	249.
Transactions.	35,728.	34,655.	34,292.	34,684.	35,299.
Average Spend per supplier (£).	20,156.	18,467.	19,815.	21,596.	21,564.
Percentage of SME Spend.	70%.	75%.	63%.	67%.	65%.
Percentage of Local Spend.	48%.	43%.	41%.	47%.	41%.
Percentage of Core Trade Spend of Total Spend.	89.15%.	90.01%.	88.59%.	90.55%.	90.70%.

**Key to categories in Procurement Annual Spend table:**

- Total Spend - the total amount of spend for the 19/20 year.
- Input Suppliers - The number of suppliers, before de-duplication.
- De-duplicated Total Suppliers - The number of unique suppliers.
- Duplicate Suppliers - The number of suppliers which are duplicates of another supplier.
- Transactions - The total number of transactions.

- Avg. spend per supplier - The average spend per unique supplier.
- Core Trade Spend - Core Trade is a sub-set of your supply base that includes all Trade Suppliers and Social Care Provider with whom you have spent £1,000 or more in the financial year.
- SME Supplier - Small and Medium sized businesses where the supplier has less than 249 employees or where the annual revenue is less than £22.8m.
- SME Spend - Spend with SME as a percentage of Core Trade Spend.
- Local Suppliers – Spend with suppliers within the same local authority area as your organisation (based on Postcodes).
- Local Spend – Spend with local suppliers as a percentage of Core Trade Spend.

### Procurement Spend – National Context

The Council has the third highest value (48%) in comparison to the whole of Scotland for the reporting period 2018 to 2019, for total procurement spend on local SMEs (Figure 2).

Orkney’s procurement spend on local SMEs is 19% above the “all Scotland” national average of 29% (Figure 1).

Please note that the figures referred to in this section are the percentages of the Council’s spend on local SMEs which is a different data set to the figures recorded for percentage of SME Spend and percentage of Local Spend in the table above.

It should be noted that this information is sourced from the Local Government Benchmarking data sets and are the 2018 to 2019 figures. These are the most up to date statistics available to illustrate the national context.

### What percentage of my council’s procurement is spent on local enterprises?

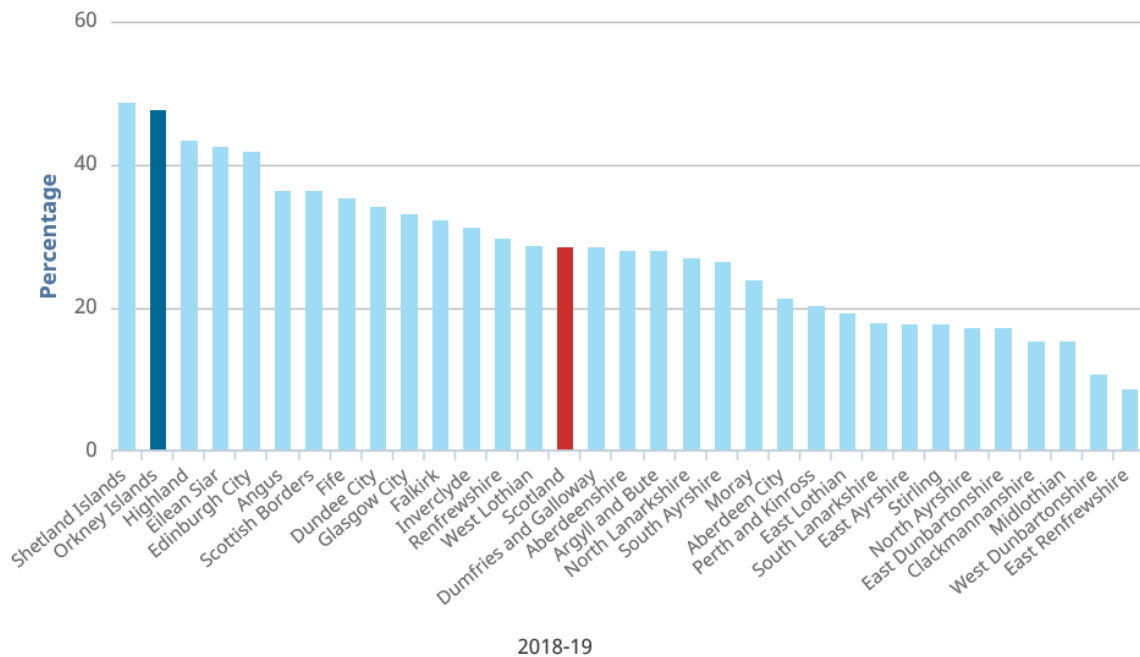
Figure 1: Percentage of Council Procurement spent on local SMEs 2018 to 2019.  
Source: [www.improvementservice.org.uk](http://www.improvementservice.org.uk), accessed 27 October 2020.





Figure 2: Percentage of Council Procurement spent on local SMEs – Scottish Local Authorities 2018 to 2019. Source: as above.

What percentage of my councils' procurement is spent on local enterprises?



## Climate Change Duties

The Climate Change (Scotland) Act 2009 places 'Climate Change Duties' (CCD) on public bodies, which require them to:

- Contribute to national carbon emissions reduction targets.
- Contribute to climate change adaptation.
- To do this sustainably.

All public bodies are required to report annually to the Sustainable Scotland Network at the Edinburgh Centre for Carbon Innovation, setting out what they are doing to fulfil their CCD.

The Council is currently preparing its CCD report for 2019 to 2020 which is due to be submitted by November 2020. Copies of previous CCD reports may be accessed at <https://sustainablesotlandnetwork.org/reports/orkney-islands-council>.

## Biodiversity Duty

Part 1 of the Nature Conservation (Scotland) Act 2004 places a 'Biodiversity Duty' on public bodies, requiring them to 'further the conservation of biodiversity' when carrying out their functions. Local authorities are well placed to deliver biodiversity conservation; as land managers and planning authorities, they can have a significant positive impact on biodiversity protection, as well as identifying opportunities for enhancement. Across a range of functions there are also opportunities for education,

community engagement, sustainable resource management, projects and initiatives which can deliver significant benefits for biodiversity.

The Wildlife and Natural Environment (Scotland) Act 2011 requires public bodies in Scotland to provide a publicly available report, every three years, describing the actions which they have taken to meet their Biodiversity Duty. Orkney Islands Council has already published Biodiversity Duty reports in 2014 and 2017 and these are available on the Council's website at <https://www.orkney.gov.uk/Service-Directory/B/Biodiversity.htm>. The next report, covering the period 2018-2020, is due for completion in December 2020.

The Council is a member of the Orkney Local Biodiversity Action Plan Steering Group and helps prepare and implement the Orkney Local Biodiversity Action Plan (LBAP). First published in 2002 then revised in 2008, 2013 and 2018, the LBAP identifies actions which can be taken locally, and which will contribute to the conservation of those species and habitats identified as being 'at risk' or 'threatened' in the UK. All four versions of the LBAP are available on the Council's website at <https://www.orkney.gov.uk/Service-Directory/B/Biodiversity.htm>.

Appendix 1

**Summary of Regulated Procurement carried out 1 April 2019 to 31 March 2020**

<b>Date of Award.</b>	<b>Supplier Name.</b>	<b>Subject Matter.</b>	<b>Estimated Value (£).</b>	<b>Start Date.</b>	<b>End Date.</b>
24/07/2019.	VSA Linn Moor School.	Residential Care (Autism Specific).	619,892.00.	01/01/2019.	30/06/2021.
13/02/2019.	Firefly Energi Orkney Ltd.	HEEPS:ABS.	125,000.00.	01/04/2019.	31/05/2021.
04/07/2019.	Who Cares? Scotland.	Children's Rights Service.	247,690.00.	08/07/2019.	30/06/2022.
10/09/2019.	JBT Distribution Ltd.	Road Haulage of Waste.	161,935.00.	01/10/2019.	30/09/2022.
02/04/2019.	Shetland Janitorial Supplies Ltd.	Supply and Servicing of Hygiene Units.	204,226.00.	02/04/2019.	31/03/2022.
19/08/2019.	ITP Energised.	Onshore Wind Farm Design and Consenting Work.	628,788.00.	20/08/2019.	30/06/2021.
27/08/2019.	ITP Energised.	Onshore Wind Farm Design and Consenting Work.	60,940.00.	02/09/2019.	31/12/2020.
29/11/2019.	ITP Energised.	Onshore Wind Farm Design and Consenting Work.	79,683.00.	29/11/2019.	31/05/2021.
14/06/2019.	Norscot Truck & Van Ltd.	18t Tipper.	114,928.00.	14/06/2019.	Purchase Only.
14/06/2019.	A M Phillip Trucktech Ltd.	26t Gritter.	156,250.00.	14/06/2019.	Purchase Only.
08/07/2019.	Wessex Archaeology Ltd.	Maritime Research Project – The Seas Around the North Isles.	126,750.00.	08/07/2019.	31/08/2022.
30/08/2019.	J W Gray.	Catering Framework – Groceries and Provisions.		01/09/2019.	31/08/2023.

<b>Date of Award.</b>	<b>Supplier Name.</b>	<b>Subject Matter.</b>	<b>Estimated Value (£).</b>	<b>Start Date.</b>	<b>End Date.</b>
30/08/2019.	James Wilson Orkney Ltd.	Catering Framework – Groceries and Provisions.		01/09/2019.	31/08/2023.
04/04/2019.	Schneider.	Cold Ironing System.	294,000.00.	28/04/2019.	31/10/2020.
21/06/2019.	Software Box Ltd.	Computer Hardware for Schools.	70,007.00.	21/06/2019.	Purchase Only.
15/07/2019.	Space Projects UK Ltd.	3 Welfare Units.	74,655.00.	15/07/2019.	Purchase Only.
27/05/2019.	Axial Systems Ltd.	Forcepoint Firewall and Installation.	53,414.00.	31/05/2019.	30/06/2019.
27/05/2019.	IT Worx Solutions Ltd.	Cisco Firewall Replacement.	50,718.00.	31/05/2019.	30/06/2019.
11/12/2019.	Age Scotland Orkney.	Dementia Post-Diagnostic Support Worker.	177,500.00.	03/02/2020.	02/02/2025.
11/11/2019.	APEM Ltd.	Ballast Water Sample Analysis – Plankton.	485,000.00.	15/11/2019.	14/11/2024.
18/11/2019.	ORCA.	Neolithic Research Project.	59,098.00.	30/11/2019.	30/04/2022.
17/10/2019.	Norscot Truck & Van Ltd.	18t Gritter.	131,582.00.	17/10/2019.	Purchase Only.
17/10/2019.	A M Phillip Trucktech.	32t Tipper.	111,220.00.	17/10/2019.	Purchase Only.
28/10/2019.	Bill Mackie Engineering Ltd.	2020 Vessel Re-fit MT Harald.	93,136.00.	04/11/2019.	18/11/2019.
17/02/2020.	J&V Coaches.	Cruise Liner Shuttle Bus Services.	1,650,000.00.	01/02/2020.	31/01/2025.
10/12/2019.	Bill Mackie Engineering Ltd.	2020 Vessel Re-fit MV Earl Sigurd.	97,989.00.	06/01/2020.	22/01/2020.

<b>Date of Award.</b>	<b>Supplier Name.</b>	<b>Subject Matter.</b>	<b>Estimated Value (£).</b>	<b>Start Date.</b>	<b>End Date.</b>
06/12/2019.	Wartsila Voyage UK Ltd (formerly Transas Marine Ltd).	Scapa VTS Upgrade.	158,200.00.	09/12/2019.	30/06/2020.
20/03/2020.	Swarco UK Ltd.	Supply and Commissioning of Electric Vehicle Charge points.	63,487.00.	20/03/2020.	31/10/2020.
11/03/2020.	Vivid Resourcing (G2V Recruitment Group Ltd).	Environmental Health Officer Agency Worker.	60,000.00.		
19/11/2019.	Irvine Plumbing and Electrical.	Nursery Extension.	172,063.00.	20/01/2020.	10/08/2020.
13/03/2020.	S R Paterson.	Stronsay School – Water Systems Replacement.	136,014.00.	01/07/2020.	30/10/2020.
17/07/2019.	Andrew Sinclair Ltd.	Hamnavoe House – Proposed New Fibre Link from Maraquoy Mast to Hamnavoe House.	65,986.00.	17/08/2019.	27/09/2019.
13/01/2020.	Alfred Flett Ltd.	Upgrade of entrance at Orkney Library.	70,000.00.	03/02/2020.	01/08/2020.
09/09/2019.	E Fraser Electrical Ltd.	Upgrade of fire detection in Council Houses.	200,000.00.	14/10/2019.	09/09/2022.
03/03/2020.	Calbarrie Compliance Services Ltd.	EICR and FAT.	150,000.00.	06/04/2020.	03/03/2023.
31/07/2019.	Orkney Builders (Contractors) Ltd.	Scapa Flow Visitor Centre & Museum New-Build Extension & Listed Pumping Station Building Refurbishment.	2,901,546.00.	09/02/2019.	03/01/2021.
12/03/2020.	Orkney Builders Ltd.	Alteration to Papdale Nursery and Primary School.	304,467.00.	15/06/2020.	30/10/2020.
03/02/2020.	R Clouston Ltd.	Replacement Public Conveniences at Fourth Barrier, Burray.	67,755.00.	02/03/2020.	02/10/2020.

<b>Date of Award.</b>	<b>Supplier Name.</b>	<b>Subject Matter.</b>	<b>Estimated Value (£).</b>	<b>Start Date.</b>	<b>End Date.</b>
28/10/2019.	S R Paterson Ltd.	New Plant Room and Groundworks associated with borehole installation to Smiddybrae House.	507,261.00.	21/11/2019.	31/07/2020.
19/04/2019.	WRC Construction Ltd.	MTC for kitchen and bathroom renewal.	300,000.00.	22/04/2019.	
03/02/2020.	BDS.	Kirkwall Pier Deck Refurbishment.	157,087.00.	17/02/2020.	01/05/2020.
30/04/2019.	Scaffold Orkney.	Stromsay Linkspan Painting.	142,000.00.	18/05/2019.	25/11/2019.
27/01/2020.	MacGregor Sweden AB.	Stromness Passenger Walkway – North Tower.	177,000.00.	27/01/2020.	13/04/2020.
13/12/2019.	Bryan Rendall (Electrical) Ltd.	Civil and Electrical Installation Works for new Hamnavoe Shore Power Supply.	220,111.00.	06/01/2020.	31/10/2020.

Appendix 2.

## Procurement Service Improvement Action Plan 2019 to 2020

<p><b>1. Sustainability.</b></p>	<p><b>The Council is conscious that its procurement decisions must take account of the social, economic and environmental impact it has on the people and communities of Orkney and elsewhere.</b></p>
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Council Commitment.	Action.	Progress to Date.	Completion date.	Status.
<p>1.1 To embed sustainability into the procurement process where it is relevant to the subject matter of the contract and to comply with the Council's Sustainability Duty.</p>	<p>Consideration of sustainability built into individual commodity strategy as evidence.</p>	<p>Development of a commodity strategy for each individual procurement as included in the reviewed CSOs approved in June 2016. Complete in Central Procurement Unit (CPU), roll out to other services in progress, where appropriate.</p>	<p>March 2018.</p>	<p>Complete.</p>
<p>1.2. Implementation of the Scottish Government 10 steps to Sustainable Procurement to assist sustainability and other responsible procurement themes.</p>	<p>Sustainable Procurement Policy 2017 to 2018 in place. Part of the new suite of legislation effective from June 2016. Ensure all proforma documentation is updated accordingly.</p>	<p>Sustainability clause in all Invitation to Quote and Invitation to Tender documentation issued by the CPU. Incorporated into all documentation when appropriate.</p>	<p>March 2018.</p>	<p>Complete.</p>
<p>1.3. To engage with the local supplier base to develop Community Benefit Clauses to maximise the potential of</p>	<p>Consultation event for spring / summer 2017 on Sustainable Procurement</p>	<p>Consultation complete and final Strategy published March 2018.</p>	<p>September 2018.</p>	<p>Complete.</p>

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
the local economy to compete for Council business for the economic benefit and sustainability of Orkney.	Policy update 2017 to 2018.			
1.4. To implement the use of Community Benefit Clauses in contracts as appropriate.	Update CSOs and procurement proformas for the Commodity strategy and the contract award recommendation report updated to ensure compliance with the new requirement to consider the inclusion of a community benefit clause for all procurement with a value over £4 million.	CSOs revised and updated 2018, proformas being updated accordingly.	March 2018.	Complete.
		Sustainability training to be developed for network of procurement officers with delegated authority.	December 2021.	On track.

1180

<b>Indicators: 1. Sustainability</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of relevant Procurements where Community Benefit Clauses have been included in the award criteria. This indicator was replaced by the one below in 2018 / 2019.	5% (100%).	10% (100%).	N / A.	N / A.	N / A.
Number of Procurements where Community Benefit Clauses have been included in the award criteria.	3.	4.	6 (5).	8 (5).	10.



<b>Indicators: 1. Sustainability</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of overall spend with the third sector and supported businesses.	7% (5.52%).	8% (10.65%).	11% (11.91%).	12% (10%).	13%.
Percentage of contract spend with local supplier base in Orkney.	50% (43%).	52% (41%).	55% (47%).	56% (41%).	57%.

<b>2. Working with Suppliers.</b>	<b>The Council recognises that there is a popular view amongst suppliers and contractors, and particularly amongst SMEs, that Councils are difficult to do business with and that communications are often poor.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
2.1 At all times adopt a professional approach in all of its business undertakings with suppliers and contractors. Where decisions are made every effort will be made, within the confines of the law and commercial confidentiality, to provide a full explanation of the reasoning behind the	Recording of evaluation decisions integrated to procurement process.	Feedback provided as required by law and within the 15-day mandatory timescale. European Social Fund / Scottish Government audit report recommendation to keep all individual evaluations on record incorporated into the procurement manual update.	June 2017.	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
procurement decision making process.				
2.2. To ensure that the procurement process is appropriate to the value and complexity of the goods, services and works that are being acquired and to keep bidding costs to the minimum necessary and remove barriers to participation by, for example small firms, the self-employed and the third sector without discriminating against others.	Documentation prepared that is proportionate to the value and complexity of the procurement.	Documentation and method of advertising considered as per CSOs in a proportionate and accessible manner, utilising Quick Quote wherever possible and contacting suppliers prior to release of advert or QQ.	April 2019.	Complete.
		How to Tender workshops run by Business Gateway on a regular basis.	April 2019.	Complete.
2.3. To engage with the local supplier sustainability of Orkney.	Reviewed on an ongoing basis.	Standard method statements in place for low value procurements and evaluation of submissions. Minimal documentation in place.	April 2019.	Complete.
2.4. Use outcome based tender specifications wherever possible – to allow businesses to propose innovative and alternative solutions to the Council's needs.	Method statements adopted.	Consider outcome-based specification training for delegated authority officers.	December 2021.	On track.

<b>Indicators: 2. Working with Suppliers.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of local supply base registered with the Supplier Development Programme. This indicator was replaced by the one below in 2018 / 2019.	8% (no systems in place to record this data).	12% (no systems in place to record this data).	N / A.	N / A.	N / A.
Number of local suppliers registered with the Supplier Development Programme.	N / A	36.	40 (36).	45 (51).	50.
Number of local supply base registered on the PCS Advertising Portal.	N / A	N / A	89 (83).	95 (84).	100.
Percentage of outcome-based specifications in place.	2% (no systems in place to record this data).	5% (no systems in place to record this data).	N / A.	N / A.	N / A.
Percentage of Council spend attributed to SMEs.	50% (75%).	52% (63%).	65% (67%).	66% (65%).	67%
Number of Local Suppliers (Local suppliers providing goods, services or works to the Council).	250 (225)	265 (228).	230 (238).	235 (249).	240.

<b>3. Value for money.</b>	<b>Section 1, Local Government in Scotland Act 2003 places a statutory duty on the Council to secure best value. Procurement activities which deliver value for money will contribute to the achievement of value for money.</b>
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**Best Value is continuous improvement in the performance of the Council's functions. In accordance with Best Value principles all proposed and current services arrangements shall be subject to review and option appraisal.**

**The aim of Council procurement must be the achievement of value for money (the optimum combination of whole life cost and quality) for the Council.**

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
3.1 To further develop tender evaluation procedures in order that contracts awarded represent value for money (or Most Economically Advantageous Tender where the full provisions of the Procurement Regulations apply) taking quality and price into consideration and not just lowest price.	Procurement advice and CSOs.	New Regulations June 2016 mandate regulated procurement and over to utilise Most Economically Advantageous Tender (MEAT) in all tender – CSOs reviewed in June 2016 include this requirement. Procurement Manual updated to include this.	June 2017.	Complete.
3.2. As part of value for money considerations the Council will take account of other relevant Council policies in relation to corporate social responsibility, sustainability and Community Benefits.	Sustainable Procurement Policy.	Example clause and link referring to Sustainable Procurement Policy included in all Invitation to Quote (ITQ) and Invitation to Tender (ITT) documentation issued by the CPU.	December 2017.	Complete.
		Procurement Bulletin distributed to Officers with Delegated Procurement featured new Sustainable Procurement Policy.	April 2019.	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
3.3. To raise awareness internally of potential framework savings and make recommendations to ensure a more consistent approach across all Council services.	Awareness training and improve visibility of available framework agreements to service areas.	Awareness training provided to Corporate Admin Group.	March 2018.	Complete.
		Contract information on the staff portal reviewed and updated.	March 2018.	Complete.

<b>Indicators: 3. Value for money.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage savings target secured through increase on-contract spend.	1% (no systems in place to record this data).	2.5% (no systems in place to record this data).	N / A.	N / A.	N / A.
Percentage of procurement spend covered by a contract.	55% (66%).	60% (78%).	80% (77%).	85% (91%).	88%.
Savings targets for frequently purchased items.	£50,000 (systems under development to record this).	£103,000 (systems under development to record this).	£97,000 (systems under development to record this).	TBC.	TBC.

<b>4. Collaboration and partnering.</b>	<b>Greater efficiencies can be achieved by improved collaboration between different organisations within the public sector with similar requirements, whether within the local government sector or in other areas of the public sector, such as the Scottish Government, the Crown Commercial Service, Non-Departmental Public Bodies and the NHS. Collaboration maximise the value of procurement whether it be through aggregation of demand or through the sharing of resources to reduce administration.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
4.1 Where collaborative arrangements provide a benefit to the Council there will be a strong presumption towards the use of contracts that have been established by Procurement Scotland (the national centre of procurement expertise) and Scotland Excel (the local government centre of procurement expertise).	Increase the use of framework agreements.	Use of frameworks the default position where no local market identified. Category C contracts only put in place where no local market or framework available that demonstrates best value.	June 2016.	Complete.
		New CSOs include section for framework agreements.	June 2016.	Complete.
4.2. Where it is demonstrated that collaborative contracts represent value for money to the Council the use of such contracts should be	Ensure all service areas are aware of collaborative contracts available and arrangement for	Change programme review in progress to identify where use of framework agreements could be maximised. Now business as usual.	March 2018.	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
mandatory across the Council to reduce off-contract buying.	purchasing goods and services.	Procurement Bulletin distributed to Officers with Delegated Procurement featured new Sustainable Procurement Policy.	April 2019.	Complete.
4.3. Where there is a known local supply base as well as collaborative contracts available for the Council to use, a twin track approach should be used to ensure best value is achieved and the local market has the opportunity to respond to contract opportunities.	All procurement exercises considered on this basis on a case by case basis. Procurement Manual to incorporate this approach.	Procurement Manual updated to incorporate this where contracting opportunity is below the threshold for regulated procurements.	April 2019.	Complete.
4.4. To collaborate wherever possible with the various Centres of Expertise and Procurement Expertise to maximise the value of strategic procurement.	Links with Scotland Excel strengthened, and regular commercial User Intelligence Group held with area representative.	Increase in use of framework agreements and an increase in the range of framework providers utilised.	April 2019.	Complete.

<b>Indicators: 4. Collaboration and partnering.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentages of contract spend utilising Collaborative Contracts.	15% (21.09%).	20% (19.78%).	22% (17.11%).	23% (14.47%).	25%.

<b>Indicators: 4. Collaboration and partnering.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of locally based contractors participating in Collaborative / Framework Contract Opportunities.	0% (0%).	1% (0%)	1% (0%).	1% (0%).	1%
Percentage of contract opportunities where local supply base has had the opportunity to submit bids.	N / A.	N / A.	10% (systems under development to record this data).	15% (system established for 2020 / 21 contract register).	20%.
Percentage of contract spend with local supplier base in Orkney.	50% (43%).	52% (41%).	50% (47%).	50% (41%).	50%.

<b>5. Governance.</b>	<b>The Council currently has a highly devolved procurement structure with the majority of services still carrying out a sizeable procurement role. The culture of compliance with the Councils governance arrangements is difficult to manage. The Council expects that all possible attention is given to the issue of accountability and governance in the area of procurement.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
5.1 The Council's Procurement Member Officer Working Group (PMOWG) will consider the strategic direction of Procurement.	PMOWG re-established and terms of reference reviewed.	PMOWG Terms of Reference agreed.	April 2019.	Complete.



<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
		PMOWG meets as needed throughout the year and has been amended to be a Consultative Group.	April 2019.	Complete.
5.2. The Council will introduce an embedded procurement officer network (a network of staff who are formally authorised to undertake procurement activities on behalf of the Council).	A network of lead procurement officers across service areas has been established. Delegated authority forms and guidance reviewed in consultation with Heads of Service.	Delegated authority forms reviewed and completed by relevant Directors.	April 2019.	Complete.
5.3. Suppliers will be given notice that goods, services and works should only be provided to the Council on the award of a contract or purchase order.	Confirm the position with colleagues in Finance.	This will be instigated when Purchase to Pay (P2P) has been established.	March 2020.	Overdue.
5.4. That no member of Council staff may award a contract or purchase order without written delegated authority.	CSOs and financial standing orders reviewed in 2014. (Reviewed again in 2016).	Register of Officers with delegated approval for procurement and purchase orders in place.	April 2019.	Complete
5.5. The key roles of budget holder and procurer will not be performed by the same member of staff.	CSOs reviewed.	Highlighted to relevant service areas via discussions with key Managers Procurement Manual and CSOs reviewed.	April 2019.	Complete.

Council Commitment.	Action.	Progress to Date.	Completion date.	Status.
5.6. The Council will endeavour to ensure there are no potential conflicts of interest in the procurement process.	Officers with delegated authority to carry out procurement to be made aware of the requirement to declare any potential conflict of interest.	Proforma form developed and in use by staff who are involved in the evaluation of tenders.	July 2017.	Complete.
5.7. The Council will endeavour to comply with the Scottish Procurement Policy Handbook. <a href="https://www.gov.scot/publications/public-procurement-reform-programme-scottish-procurement-policy-handbook/pages/0/">https://www.gov.scot/publications/public-procurement-reform-programme-scottish-procurement-policy-handbook/pages/0/</a> .	Scottish Government Routes 1, 2 and 3 are integral to the CSOs and the Procurement Manual.	CSOs and Procurement Manual are reviewed regularly (latest review carried out and completed in March 2018 for the CSOs and in April 2019 for the Procurement Manual). Future reviews scheduled for 2020, or when there are legislative changes.	July 2018 / April 2019.	Complete.
5.8. The Council will comply with the CSOs <a href="https://www.orkney.gov.uk/Council/C/Contract-Standing-Orders.htm">https://www.orkney.gov.uk/Council/C/Contract-Standing-Orders.htm</a> .	CSOs updated to reflect new legislation. iLearn Procurement Awareness iLearn module developed.	Updated CSOs available on the Council Website and Staff Portal.	July 2017.	Complete.
		iLearn training module under development.	December 2021.	On track.

<b>6. Contract management.</b>	<b>Active contract management is increasing across the Council with segmentation used to identify high value / high risk contracts to ensure targeting of staff resources to develop and apply a contract management plan at the implementation stage following contract award.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
6.1 To strengthen contract management procedures by holding regular meetings with major contractors to review performance and improve levels of contract compliance.	Contract management clause written into all relevant ITTs documentation.	Contract manager and administrator roles in place for Schools Investment Programme and high value / high risk projects.	March 2018.	Complete.
6.2. To roll out contract management arrangements to all high value high risk contractors.	Contract management clause written into all relevant ITTs. Segmentation approach to be embedded in proforma documentation as appropriate.	Service areas responsible for contract management for works and part of the Joint Contracts Tribunal (JCT) / New Engineering Contracts (NEC). Services operate effective contract management in consultation with CPU.	March 2018.	Complete.
		Formal contract management proforma to be developed for service contracts. Enhanced section is now included in the Procurement Manual	April 2019.	Complete.
		Documentation to be updated to reflect segmentation and identification of high risk / high cost projects as appropriate. Included in the Procurement Manual update.	April 2019.	Complete.
6.3. Exit strategy to be considered and documented for all contracts where appropriate.	Exit strategy to be considered as an integral part of contract management.	Procurement manual to be updated to reflect the importance of exit strategies in contract management processes where appropriate to the subject matter of the contract.	April 2019.	Complete.

<b>Indicators: 6. Contract management.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of contracts Classified as high value / high risk with an appropriate contract management plan in place.	25% (26.99%).	30% (53.85%).	60% (52.5%).	65% (57.98%).	70%
Percentage of contracts with an exit plan in place where appropriate.	N / A.	N / A.	60% (no systems in place to record this data).	65% (system established for reporting in the 2020 / 21 contract register).	70%.
Percentage value of savings negotiated during the annualised contract period where there is a contract in place.	1% (no data available).	2% (no data available).	N / A.	N / A.	N / A.
Percentage of contracts where improvements have been agreed and implemented.	1% (no data available).	2% (no data available).	N / A.	N / A.	N / A.

<b>7. Communication.</b>	<b>It is recognised that, key to the successful implementation of any new procurement processes or policy, there has to be an understanding amongst all stakeholders of the reasons behind such actions.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
7.1 To inform and advise its stakeholders by means of: Increasing the use of the PCS website at <a href="http://www.publiccontractsscotland.gov.uk/">http://www.publiccontractsscotland.gov.uk/</a> .	Promote the use of the PCS portal.	Significant increase in usage of PCS – Paper copies of tenders are now available on an exception basis only.	March 2020.	Complete.
7.2. Increasing the use of the procurement page on the Council's intranet (portal).	Increase awareness amongst council staff via bulletins and briefing notes to Senior Management Team (SMT) / Corporate Management Team (CMT).	Awareness raising ongoing amongst CPU staff and the network of procurement officers with delegated authority to carry out procurement is ongoing.	March 2018.	Complete.
7.3. Increasing the use of the procurement section of the Council's website.	Website information regularly updated.	Awareness raising via How to Tender workshops and Meet the Buyer Event.	August 2016.	Complete.
		Contracts register link on website and promoted via news item on the Council website.	August 2016.	Complete.
7.4. Increase attendance at 'meet the buyer' or equivalent events to cover areas of concern, engage with local suppliers and advice on how to become a supplier to the Council. Encourage main contractors to engage with SMEs through the inclusion of Community Benefit clauses.	Organise a Council wide Meet the Buyer event and consider joining the Supplier Development Requirement for Inclusion of Community Benefit clause now mandatory for all contracts with a value of over £4m.	Meet the Buyer events took place in August 2016, October 2017 and October 2018. Membership of the Supplier Development Programme. Continuing membership under review.  Fourth Meet the Buyer Event held 9 October 2019. No event planned for 2020 / 21 given the pandemic.	August 2016.	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
7.5. Encourage suppliers to the Council to access support available to business, via Business Gateway Orkney and the Supplier Development Programme.	Construction was one of the main focus areas for the Meet the Buyer Event (MTBE) on 25 August 2016.	MTBE 2018 October event planning commencing May 2018, a different focus planned for each next event, possibly Transport to be confirmed.	October 2018.	Complete.

<b>8. e-Procurement.</b>	<b>The Council has yet to implement a process for the replacement of all paper-based purchase ordering systems with a modern e-Procurement system and where appropriate with corporate purchasing cards.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
8.1. To implement an e-Procurement system by December 2017.	PCS portal is used for all tender opportunities with a value of over £50,000 for goods and services and works providing an effective and secure e-procurement system.	PCS portal use is mandated across the Council. Contract award reminders sent out monthly to all service areas.	January 2018.	Complete.
8.2. To consider (as appropriate) use of e-procurement tools (e.g. e tendering and e European Standard Procurement Document (ESPD) (i.e. PCS-Tender)).	Training of staff needed prior to authorised usage of PCS-Tender.	Training has been completed for PCS-Tender which took place in January 2018. Electronic-ESPD now available for PCS which is in use by a number of Procurement Officers.	December 2017	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
8.3. To maximise the use of the PCS 'QQ' facility for low value / low risk procurements.	Briefing note distributed to all staff. Alternative methods of information dissemination iLearn modules under consideration.	QQ usage significantly increased – paper tenders only used on an exceptional basis only.	March 2018.	Complete.
		iLearn module under development.	December 2021.	On track.

<b>Indicators: 8. E-Procurement.</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target (Actual).</b>	<b>Target.</b>
	<b>2016 to 2017.</b>	<b>2017 to 2018.</b>	<b>2018 to 2019.</b>	<b>2019 to 2020.</b>	<b>2020 to 2021.</b>
Percentage of invoices paid within 30 days.	80%.	90% (81%).	81% (81%).	77% (71%).	TBC.
Percentage of invoices using e procurement / purchase to pay system.	4% (systems not in place yet).	25% (systems not in place yet).	60% (17%).	60% (32%).	60%.
Percentage of procurement undertaken using e tendering system i.e. PCS-Tender or ESPD Module.	N / A.	N / A.	10% (12%, applicable contracts 76%).	50% (36%, applicable contracts 90%).	100% (47% of applicable contracts).

<b>9. Monitoring and measurement.</b>	<b>Performance measurement within the Council has developed significantly in recent years. In order to measure improvement in effectiveness and efficiency it is important that an agreed set of standard indicators are adopted. The methods of monitoring and</b>
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	<b>measuring procurement performance are required to be proportionate to the scale and complexity of the Council’s procurement activities.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
9.1. The Council will implement as standard, the Best Practice Indicators (BPIs) that were recommended by the Public Procurement Reform Board as a means of measuring the effectiveness and efficiency of the procurement function.	BPIs uploaded to the procurement hub.	Key Performance Indicators (KPIs) reported on via corporate performance reporting system. Not all BPIs reported on directly, Performance Capability Assessment / PCIP pick up these in an alternative format.	July 2017.	Complete.
9.2. The PCIP performance reporting framework to be considered for incorporation and adoption of additional BPIs as appropriate.	Participation in the PCIP planned for July 2017.	Outcomes and recommendations from 2017 assessment incorporated into Procurement Improvement Plan.	March 2018.	Complete.

1196

<b>10. Guidance.</b>	<b>An important aspect of the role of the procurement function is to provide guidance and advice to both Council services and to all stakeholders.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
10.1. The Council will continue to develop procedural guidance as follows: The introduction of standard procurement guidance.	Update procurement manual in line with 2016 legislation and to incorporate new Strategic commitments.	Procurement Manual updated.	July 2018.	Complete.
10.2 Provide training in the use of standard procurement guidance.	Training to be developed and accessible for existing and new staff members.	Training accessed via Scottish Government and disseminated to new staff prior to taking up delegated procurement officer duties. Basic operational training under development for roll out as an iLearn module.	December 2021.	On track.
10.3 To develop a purchasing guide for those involved in the ordering of supplies and services.	Procurement manual in place.	Procurement manual under reviewed to match updated CSOs. Liaise with finance / review of relevant procurement sections.	July 2018.	Complete.
		Purchase to pay procedures to be developed in conjunction with the Integra Project Team.	March 2020.	Complete.
10.4. To review and publish standard selection questionnaire (ESPD), tender documentation and standard letters.	Standard documentation developed and in place.	ESPD (which replaces the Pre-Qualification Questionnaire) Standard documentation is in place for supplies and services. JCT and NEC contracts utilised for engineering and works contracts. New CSOs provide for the adoption of the ESPD and use of Routes 1, 2 and 3 of the procurement journey	March 2019.	Complete.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
		ensuring that the most up to date documentation is used.		
10.5. One suite of terms and conditions for all Council Requirements.	Standard terms and conditions under review.	Reviewed terms and conditions published on staff portal and Council website by end of 2017. New General Data Protection Regulations legislation incorporated and published on the Council's website.	May 2018	Complete.

<b>11. Training.</b>	<b>The Council recognises that training and development are essential to an effective procurement function and that this is a key element of the McClelland Review and the ongoing Procurement Capability Assessments.</b>
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<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
11.1. Develop training to ensure that procurement activities are compliant with legislation and obtaining value for money.	Training materials to be developed or accessed via Scottish Government or Scotland Excel training courses.	Training to ensure a wide range of officers both operational and at a strategic level were aware of the implications of the new legislation was undertaken in March 2016.	March 2016.	Complete.
		Suite of iLearn training modules under development.	December 2021	On track.

<b>Council Commitment.</b>	<b>Action.</b>	<b>Progress to Date.</b>	<b>Completion date.</b>	<b>Status.</b>
11.2. Develop a training plan to meet the training needs of the Network of Procurement Officers with Delegated Authority to carry out procurement activities. Ensure that Procurement Officers with Delegated Authority receive training in relevant legislation when changes take place.	Procurement awareness iLearn and fraud awareness under development. Resources for sustainable procurement and contract management iLearn modules or similar to be identified.	Draft training plan to include a suite of iLearn modules under development to include, procurement awareness, contract management, sustainable procurement and procurement fraud awareness. Consideration of potential e learning modules in progress. Still under development.	September 2021.	On track.
			December 2021.	On track.
11.3. To maintain a lessons learned log to ensure that organisational learning is captured and available for continuous improvement.	Distribute lessons learned log to network of Procurement Officers with delegated authority and share materials from training events attended by senior officers where relevant.	Lessons learned log updated on a regular basis, located on the staff portal and referred to in a briefing note to SMT / CMT.	November 2017.	Complete.

Appendix 3.

**Forward Plan for Regulated and Unregulated Procurements April 2020 to March 2022**

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Personalised Care and Support Services in Orkney for Individuals with Complex Needs (Framework).	Re-let. To be reviewed.	To be announced (TBA).	TBA.	TBA.	£4,000,000 (over the lifetime of the framework).	Regulated.
Telecare Calls Handling.	New.	September 2020.	November / December 2020.	March 2021.	£75,000 (over the 5 years)	Regulated.
Cleaning Services (Waiting Rooms and Public Conveniences various mainland and island locations).	Re-let.	Various 2020 to 2022.	Various throughout 2020 to 2022.	Various throughout 2020 to 2022.	TBA.	Unregulated.
Personalised Care and Support Services in Orkney for Individuals with Complex Needs (Framework Agreement Call Offs).	New and re-let.	Various 2020 to 2021.	Various throughout 2020 to 2021.	Various throughout 2020 to 2021.	£4,000,000 (over the lifetime of the framework).	Regulated.
Vehicles and Plant replacement.	New.	Various throughout 2020, 2021 and 2022.	TBA.	TBA.	£1,200,000 per financial year.	Regulated / Unregulated.

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Vessel Re-fits 2020 individual contracts.	Re-let.	Various throughout 2020 and 2021.	TBA.	TBA.	TBA.	Regulated.
Vessel Re-fit and Strategic Repair Framework 2020 to 2024.	New and re-let.	Various throughout 2020 to 2024.	Various throughout 2020 to 2024.	Various throughout 2020 to 2024.	£7,800,000 (over the lifetime of the framework).	Regulated.
Security Services for Orkney Harbour Authority.	Re-let.	September 2020.	September / October.	January 2021.	£80,000 (4-year contract).	Regulated.
Provision of Air Services.	Re-let.	September 2020.	January 2021.	April 2021.	£4,000,000 (4-year contract).	Regulated.
Outdoor Activity Instructors.	Re-let.	October 2020.	January 2021.	May 2021.	£88,000 (3-year contract).	Regulated.
Accommodation Based Step Down Services.	Re-let. be reviewed.	TBA.	TBA.	TBA.	£42,000 (2-year contract).	Unregulated.
Provision of School Teacher Transport – Eday.	Re-let.	August 2021.	September 2021.	November 2021.	£900 (2-year contract).	Unregulated.
Provision of School Teacher Transport – Stronsay.	Re-let.	August 2021.	October 2021.	December 2021.	£12,000 (2-year contract).	Unregulated.

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Provision of School Teacher Transport – Sanday.	Re-let.	August 2021.	October 2021.	December 2021.	£16,000 (2-year contract).	Unregulated.
Provision of School Teacher Transport – Rousay.	Re-let.	October 2021.	November 2021.	January 2022.	£21,900 (2-year contract).	Unregulated.
Paper and Stationery Supply.	New.	2020 / 2022.	TBA.	TBA.	TBA.	Regulated.
Various IT Contracts.	New and Re let.	Various 2020 and 2022.	TBA.	TBA.	TBA.	Regulated / Unregulated.
Banking Services.	Re-let.	Autumn 2020.	Spring 2021.	April 2021.	£72,000 (4-year contract).	Regulated.
Inspection and Testing of Vehicles for use as Taxi and Private Hire Cars.	Re-let.	Spring 2021.	Summer 2021.	Summer 2021.	£20,000 (5-year contract).	Unregulated.
Provision of Care and Repair Services.	Re-let.	Autumn 2021.	Spring 2022.	Spring 2022.	£1,140,000 (5-year contract).	Regulated.
Provision of Container Shipment of Waste to Shetland.	Re-let.	Autumn 2020.	Spring 2021.	Spring 2021.	£2,000,000 (4-year contract).	Regulated.
Provision of Business Gateway Services.	Re-let.	Summer 2022.	Autumn 2022.	December 2022.	£520,000 (5-year contract).	Regulated.

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Port Marine Safety Code – Designated Person.	Re-let.	Summer 2022.	Autumn 2022.	October 2022.	£74,900 (5-year contract).	Regulated.
Supply and Servicing of Hygiene Units.	Re-let.	Autumn 2021.	Spring 2022.	April 2022.	£204,226 (3-year contract).	Regulated.
Kerbside Collection Various.	New.	TBA.	TBA.	TBA.	£540,000 (3-year contract).	Regulated.
Boiler and Controls replacement Stromness Swimming Pool.	New.	Autumn 2023.	Winter 2023 / 2024.	Winter 2023 / 2024.	£150,000.	Unregulated.
External Wall Insulation to Hope Primary.	New.	Spring 2021.	Summer 2021.	Summer 2020.	£402,000.	Unregulated
Soulisquoy Infrastructure.	New.	Spring 2022.	Summer 2022.	Summer 2022.	£3,000,000.	Regulated.
Kirkwall Care Home.	New.	Spring 2021.	Summer 2021.	Summer 2021.	£10,390,000.	Regulated.
Demolition of the Former Papdale Halls of Residence.	New.	TBA.	TBA.	TBA.	£2,000,000.	Regulated.
Various Bus Contracts.	Re-let.	Autumn / Winter 2020.	Spring 2021.	August 2021.	TBA.	Regulated.
Various Bus Purchase (Consideration of Mainland Public Bus Services only).	New.	Autumn / Winter 2020.	January 2021.	New.	TBA.	Regulated.

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Barrier No. 1 – Resurfacing.	New.	2021.	2021.	2021.	TBA.	Regulated / Unregulated.
Sanday Linkspan Painting.	New.	2020.	2020.	2020.	£150,000.	Unregulated.
Burwick Linkspan Painting.	New.	2020.	2020.	2020.	£120,000.	Unregulated.
Kirkwall Pier Refurbishment - Phase 2.	New.	2020.	2020.	2020.	£75,000.	Unregulated.
North Isles Resurfacing and Lining.	New.	2020.	2021.	2021.	£50,000.	Unregulated.
Stones of Stenness Car Park.	New.	2020.	2020.	2020.	£200,000.	Unregulated.
Hatston Pier Marshalling Area.	New.	2020.	2021.	2021.	£250,000.	Unregulated.
Lyness Remediation.	New.	2021.	2021.	2021.	£300,000.	Unregulated.
Cursiter Quarry Advance Works.	New.	2021.	2021.	2021.	£750,000.	Unregulated.
Football Pitches Maintenance.	Re-let.	Autumn 2020.	Winter 2020.	Spring 2021.	£1,150,000 (5-year contract).	Regulated.
Grounds Maintenance Contract.	Re-let.	Autumn 2020.	Winter 2020.	Spring 2021.	£64,000 (5-year contract).	Regulated.



<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Orkney Library – lighting.	New.	TBA.	TBA.	TBA.	£108,000.	Unregulated.
Fixed Telephony.	New / Re let.	2020 / 2021.	TBA.	TBA.	TBA.	Regulated.
Former Bus Station Demolition.	New.	Autumn 2020.	Winter 2020.	January 2021.	£41,000.	Unregulated.
H30 / 31 Demolition	New.	Autumn 2020.	Winter 2020.	January 2021.	£50,000.	Unregulated.
Stromness Academy – External Wall Insulation – Phase 3 / 4.	New.	Summer 2020.	July 2020.	September 2020	£466,000.	Unregulated.
Kirkwall Town Hall – External Survey and Remedial Works.	New.	Spring 2021.	Spring 2021.	Summer 2021.	£450,000.	Unregulated.
Orphir School External Wall Insulation and Boiler Replacement.	New.	Winter 2021.	Spring 2022.	Spring 2022.	£462,000.	Unregulated.
Pickaquoy Centre – Lighting.	New	Winter 2020.	Winter 2020.	January 2021.	£250,000.	Unregulated.
Pickaquoy Centre – Running Track Replacement.	New	Spring 2021.	Spring 2021.	July 2021.	£161,000.	Unregulated.
Stromness Town Hall – External Survey and Remedial Works.	New.	Spring 2021.	Spring 2021.	Summer 2021.	£300,000.	Unregulated.

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Glaitness Nursery.	New.	Autumn 2020.	Autumn 2020.	Autumn 2020.	£1,457,900.	Unregulated.
Garden House.	New.	Autumn 2020.	Winter 2020.	January 2021.	£900,000.	Unregulated.
St Andrews Primary School Extension.	New.	September 2020.	November 2020.	January 2021	£2,700,000.	Regulated.
St Olafs Cemetery Extension.	New.	Winter 2020.	Winter 2020.	Winter 2020.	£130,000.	Unregulated.
Housing – Various Window Replacement.	New.	Winter 2020.	Spring 2021.	Spring 2021.	TBA	Unregulated.

### **Anticipated Long Term Capital Projects.**

<b>Subject matter of Contract.</b>	<b>New / Extended / Re-let.</b>	<b>Expected Contract Notice / Publication Date.</b>	<b>Expected Award Date.</b>	<b>Expected Start Date.</b>	<b>Estimated Value of the Contract (£).</b>	<b>Regulated / Unregulated.</b>
Orkney Integrated Waste Management facility.	New.	TBA.	TBA.	TBA.	TBA.	Regulated / Unregulated.
Renewables Project (Scale Wind) various.	New.	TBA.	TBA.	TBA.	TBA.	Regulated / Unregulated.
Private Wire Project various.	New.	TBA.	TBA.	TBA.	TBA.	Regulated / Unregulated.
Port Master Plan Various.	New.	TBA.	TBA.	TBA.	TBA.	Regulated / Unregulated.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

TABLE OF CONTENTS

**Required**

PART 1: PROFILE OF REPORTING BODY

PART 2: GOVERNANCE, MANAGEMENT AND STRATEGY

PART 3: EMISSIONS, TARGETS AND PROJECTS

PART 4: ADAPTATION

PART 5: PROCUREMENT

PART 6: VALIDATION AND DECLARATION

**Recommended Reporting: Reporting on Wider Influence**

RECOMMENDED – WIDER INFLUENCE

OTHER NOTABLE REPORTABLE ACTIVITY

**PART 1: PROFILE OF REPORTING BODY**

<b>1(a) Name of reporting body</b>
Orkney Islands Council

<b>1(b) Type of body</b>
Local Government

<b>1(c) Highest number of full-time equivalent staff in the body during the report year</b>
1613.98

<b>1(d) Metrics used by the body</b>			
Specify the metrics that the body uses to assess its performance in relation to climate change and sustainability.			
Metric	Unit	Value	Comments
Floor area	m2		Orkney Islands Council does not use this metric to assess its performance. The Carbon Management Plan is based on absolute emissions values.
Population size served	population		Orkney Islands Council does not use this metric to assess its performance. The Carbon Management Plan is based on absolute emissions values.

<b>1(e) Overall budget of the body</b>	
Specify approximate £/annum for the report year.	
Budget	Budget Comments
£103,477,900	Capital Fund: £19,323,000 General Fund Services Budget: £84,154,900

<b>1(f) Report year</b>	
Specify the report year.	
Report Year	Report Year Comments
Financial (April to March)	

**1(g) Context**  
Provide a summary of the body's nature and functions that are relevant to climate change reporting.

## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Orkney Islands Council provides the range of public services that are statutorily required of Scotland's local authorities. In addition, the Council operates an internal ferry service which connects the smaller North and non-linked South Isles with the Orkney Mainland; it also supports a daily scheduled air service between the mainland and six of the North Isles. Municipal waste is shipped to Shetland for incineration, where it helps power the Lerwick district heating system. The authority also provides pilotage and towage services, for oil industry operations at the Flotta oil terminal and ship to ship transfer of oil at anchor in Scapa Flow, as well as for visiting cruise liners. The Council operates the Orkney Wildlife Information and Records Centre which is staffed on a part-time basis.

## **PART 2: GOVERNANCE, MANAGEMENT AND STRATEGY**

### **2(a) How is climate change governed in the body?**

Provide a summary of the roles performed by the body's governance bodies and members in relation to climate change. If any of the body's activities in relation to climate change sit outside its own governance arrangements (in relation to, for example, land use, adaptation, transport, business travel, waste, information and communication technology, procurement or behaviour change), identify these activities and the governance arrangements.

The Council is a facilitating member of The Orkney Partnership which maintains Orkney's Community Plan and the Council's Corporate Plan 2018-2023 shares the Community Plan mission of 'Working together for a better Orkney'. The shared values of both Plans are: Resilience, Enterprise, Equality, Fairness, Innovation, Leadership and Sustainability. The Council's strategic priorities, developed together with the Orkney community are: Connected Communities, Caring Communities, Thriving Communities, Enterprising Communities and Quality of Life.

A delivery plan has been developed which lists the key actions and projects that will deliver the target outcome under each strategic priority theme. The delivery plan indicates which actions and projects are wholly in the control of the Council, and those which rely on external factors. It also contains some actions which are carried over from the previous Council Plan and the Council's response to the recommendations of the Accounts Commission contained in the Best Value Assurance Report of December 2017.

Climate change mitigation within Orkney Islands Council is led by its Strategic Projects team which, in turn, forms part of the Development & Infrastructure Service.

At the Community level, the Council is responsible for community planning, along with its partner organisations.

Both the Council's Corporate Asset Management Plan 2019-2023 and its Fleet and Plant Asset Management Plan 2013-2018 highlight energy performance as one of the key drivers which, when correctly interpreted, offer the 'building blocks' for sound decision making. The Corporate Asset Management Plan establishes an asset management framework to drive the development of service plans and promotes the principles of corporate reporting and investment prioritisation.

A Capital Planning and Asset Management Strategy Group provides co-ordination, direction and operational asset management planning; and the Senior Management Team, acting as an Officers' Capital Working Group, provides an oversight of the management of corporate assets within the Council, as well as a decision-making gateway to ensure that management decisions are undertaken in a corporate manner. Significant work is already underway in several of ten sectoral asset categories, where implementation of the energy database system monitoring and recording energy and water usage as part of the carbon emissions reduction programme are included under the Property category.

The Fleet and Plant Asset Management Plan reports on asset management performance, providing energy performance and environmental impact data for the Council's fleet vehicles and plant equipment. It also notes that, although work is already underway to reduce carbon emissions, further consideration must be given to this issue, given that the strategic approach to replacement is MEAT (Most Economically Advantageous Tender) focused at present. Equally, looking at the type of fleet we purchase, in fuel terms (i.e. fossil vs. alternatives), this is currently under review to consider the opportunities that are available to lessen the Council's carbon footprint by progressive replacement of the fleet with funded alternatives (i.e. hydrogen or electrically powered hybrids or single power sources). This may be influenced by the ongoing Local Authority participation in any Scottish Government requirements to discharge their duties in terms of the Climate Change (Scotland) Act 2009.

The Council's Economic Development Section promotes innovation in renewable energy generation and usage to support climate change mitigation throughout Orkney. It also, on behalf of the wider Orkney Community, facilitated the consultation and drafting of the Orkney Sustainable Energy Strategy which was launched in September 2017 and which aspires to lead a transition to a low carbon economy. During 2016 a Hydrogen Economic Strategy was prepared and this document was reviewed and updated in 2018-2019. The resulting draft Orkney Hydrogen Strategy underwent a period of public consultation during summer 2019.

The Council was one of the three founder funders of the European Marine Energy Centre (EMEC) and continues to be an observer to its Board of Directors. OIC has supported the development of new infrastructure to enable the testing and commercialisation of marine renewable energy technologies.

Orkney Islands Council is an active participant, along with the other two island authorities, in arguing for fairer transmission charging to improve the viability of renewable energy generation and export and to justify investment in a new transmission cable between Orkney and the Scottish mainland.

### **2(b) How is climate change action managed and embedded by the body?**

Provide a summary of how decision-making in relation to climate change action by the body is managed and how responsibility is allocated to the body's senior staff, departmental heads etc. If any such decision-making sits outside the body's own governance arrangements (in relation to, for example, land use, adaptation, transport, business travel, waste, information and communication technology, procurement or behaviour change), identify how this is managed and how responsibility is allocated outside the body (JPEG, PNG, PDF, DOC)

## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Orkney Islands Council's Carbon Management Programme 2016-26, Section 7 Governance, Ownership and Management explains how climate change action is managed by the authority: The Chief Executive, or his appointed delegate, will be the main driver for policy input to the Carbon Management Programme. They are responsible for setting the strategic direction for carbon management, agreeing the resources to be devoted to the Implementation Plan and reviewing the progress against the objectives outlined in the Plan. In May 2019 Orkney Islands Council joined organisations around the world in declaring a climate emergency. During 2020 a new post of Climate Change Officer was approved and recruitment is due to commence in 2021.

The Carbon Management Programme is now part of the Council's operations and is also a consideration as part of the budget setting process. Any scale of project or energy efficiency innovation bid will be presented to Elected Members (Policy and Resources Committee) through other channels on a case by case basis. The Programme will be reported to Members annually.

The Carbon Management Group reports all actions to the Head of Infrastructure and Strategic Projects, who in turn reports to the Council's Corporate Management Team. This link ensures progress is maintained by quickly identifying any risks to the programme to Officers who are able to make the necessary provisions to get the programme back on track.

The Energy Manager is responsible for evolving and implementing the Carbon Management Plan and for achieving its targets.

The Carbon Management team comprises: Head of Finance, Head of Infrastructure and Strategic Projects, Head of Schools, Fleet Manager, Waste Manager, Ferry Services Manager, Transport Manager, Service Manager of Community Social Services.

A Local Heat and Energy Efficiency Strategy (LHEES) Officer was appointed in March 2019. The LHEES project is scheduled to run until mid-March 2020.

### 2(c) Does the body have specific climate change mitigation and adaptation objectives in its corporate plan or similar document?

Provide a brief summary of objectives if they exist.

Objective	Doc Name	Doc Link
<p>Top priorities:</p> <ul style="list-style-type: none"> <li>Improve cycle and walking paths across Orkney.</li> <li>Work with partners to develop strategies for improving housing conditions and reducing fuel poverty.</li> <li>Continue to develop strategic projects, particularly to capitalise on the renewable sector.</li> <li>Explore ways to reduce the volume of, and cost of handling, the county's waste.</li> <li>Eliminate single use / disposable plastic items within the Council where possible, and support others to do likewise.</li> </ul> <p>Future aspirations:</p> <ul style="list-style-type: none"> <li>Encourage renewable and carbon-neutral transport. Increase the use of renewable fuels for Council transport and buildings.</li> <li>Improve electric vehicle infrastructure.</li> <li>Achieve a carbon neutral economy within Orkney.</li> </ul>	The Council Plan 2018-2023	<a href="http://www.orkney.gov.uk/search.htm?q=the+council+plan">http://www.orkney.gov.uk/search.htm?q=the+council+plan</a>

### 2(d) Does the body have a climate change plan or strategy?

If yes, provide the name of any such document and details of where a copy of the document may be obtained or accessed.

Orkney Islands Council has a Carbon Management Programme.

## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

2(e) Does the body have any plans or strategies covering the following areas that include climate change?				
Provide the name of any such document and the timeframe covered.				
Topic area	Name of document	Link	Time period	Comments
Adaptation	Orkney Flood Risk Management Plan.	<a href="http://www.orkney.gov.uk/Service-Directory/F/local-flood-risk-management-plan.htm">http://www.orkney.gov.uk/Service-Directory/F/local-flood-risk-management-plan.htm</a>	2016-2022	Flood Risk Management Strategies, led by SEPA were published in December 2015. These cover 14 Local Plan Districts (LPD) in Scotland, of which Orkney is a single LPD. Arising from these strategies is publication of the Local Flood Risk Management Plan in June 2016, led by Orkney Islands Council as a statutory duty of the Flood Risk Management (Scotland) Act 2009. The Local FRM Plan identifies actions, with a programme of implementation and funding, to meet the objectives set within the LDP Strategies.
Business travel	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Staff Travel	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Energy efficiency	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Fleet transport	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Information and communication technology	Information Technology Strategy	<a href="https://www.orkney.gov.uk/">https://www.orkney.gov.uk/</a>	2017-2020	
Information and communication technology	Medium Term Resource Strategy	<a href="https://www.orkney.gov.uk/">https://www.orkney.gov.uk/</a>		
Renewable energy	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Sustainable/renewable heat	Carbon Management Programme.	<a href="https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm">https://www.orkney.gov.uk/Council/C/Carbon-Management-Programme.htm</a>	2016-2026	
Waste management	Orkney and Shetland Area Waste Plan.	<a href="https://www.orkney.gov.uk/Service-Directory/R/policies-and-plans-waste-and-recycling.htm">https://www.orkney.gov.uk/Service-Directory/R/policies-and-plans-waste-and-recycling.htm</a>	2003-2020	



## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Water and sewerage	N/A	N/A	N/A	N/A
Land Use	Orkney Local Development Plan	<a href="http://www.orkney.gov.uk/Service-Directory/O/Orkney-Local-Development-Plan.htm">http://www.orkney.gov.uk/Service-Directory/O/Orkney-Local-Development-Plan.htm</a>	2017-2022	The Orkney Local Development Plan was adopted in April 2017.
Other	Orkney Islands Council Procurement Strategy	<a href="https://www.orkney.gov.uk/Service-Directory/P/procurement-strategy-2019-to-2021.htm">https://www.orkney.gov.uk/Service-Directory/P/procurement-strategy-2019-to-2021.htm</a>	2019-2021	The Council's Procurement Strategy 2019-21 was updated following a consultation process and published in January 2019. An updated implementation plan was created with actions complete noted and revised accordingly. The Implementation plan, actions and targets are now uploaded to the Council's Performance and Risk Management System with 6 monthly reporting through the Corporate Management team.
Other	Orkney Islands Council Sustainable Procurement Policy.	<a href="https://www.orkney.gov.uk/">https://www.orkney.gov.uk/</a>		The policy sets out the aims of this Council to ensure that sustainability is incorporated into our procurement activities to the benefit of not only the Council but also to our island communities, the economy and the environment.
Information and communication technology	Orkney Islands Council Digital Strategy Delivery Plan	<a href="https://www.orkney.gov.uk/">https://www.orkney.gov.uk/</a>	2018-2020	Reviewed annually by the Policy and Resources Committee to ensure that it continues to be aligned to other Council objectives and priorities.
Other	Orkney's Green Travel Plan	<a href="https://www.orkney.gov.uk/Service-Directory/E/Sustainable-and-Active-Travel.htm">https://www.orkney.gov.uk/Service-Directory/E/Sustainable-and-Active-Travel.htm</a>	2016	Orkney's Green Travel Plan aims to increase the number of people choosing to travel actively and sustainably, and to reduce the number of single occupancy car journeys.
Other	Orkney's Electric Vehicle Infrastructure Strategy	<a href="https://www.orkney.gov.uk/Service-Directory/E/electric-vehicle-infrastructure-strategy.htm">https://www.orkney.gov.uk/Service-Directory/E/electric-vehicle-infrastructure-strategy.htm</a>	2014 onward	The Strategy aims to set out an overarching plan for charging infrastructure in Orkney and provides targets for its roll-out across the county, subject to external funding.
Renewable energy	Orkney Sustainable Energy Strategy	<a href="https://www.orkney.gov.uk/Service-Directory/S/Sustainable-Energy-Strategy.htm">https://www.orkney.gov.uk/Service-Directory/S/Sustainable-Energy-Strategy.htm</a>	2017-2025	This strategy has been driven by the climate change challenge and so seeks to tackle related issues to reduce carbon and develop renewable energy.

**Public Sector Climate Change Duties 2020 Summary Report: Orkney Council**

Renewable energy	Orkney Hydrogen Strategy	<a href="https://www.orkney.gov.uk/Service-Directory/Renewable/h2-in-orkney-the-hydrogen-islands.htm">https://www.orkney.gov.uk/Service-Directory/Renewable/h2-in-orkney-the-hydrogen-islands.htm</a>	2019-2025	The Orkney Hydrogen Strategy sits within the Orkney Sustainable Energy Strategy as a community-owned document which seeks to identify how hydrogen can best be applied to energy systems in Orkney to maintain the early mover advantage by building on the success Orkney has had in attracting and demonstrating a number of world leading hydrogen projects already active on the Islands.
Other	Orkney Fuel Poverty Strategy	<a href="https://www.orkney.gov.uk/Council/C/orkneys-fuel-poverty-strategy-2017-to-2022.htm">https://www.orkney.gov.uk/Council/C/orkneys-fuel-poverty-strategy-2017-to-2022.htm</a>	2017-2022	The aim of the Strategy is to reduce Orkney's level of fuel poverty to the national average by 2022 and fully eradicate fuel poverty in Orkney by 2032.

**2(f) What are the body's top 5 priorities for climate change governance, management and strategy for the year ahead?**  
 Provide a brief summary of the body's areas and activities of focus for the year ahead.

## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

1. Orkney has some of the best wind, wave and tidal resources in Europe, and during summer it has long daylight hours. As a result, there has been a high uptake of renewable energy development across the islands, including well over 1,100 domestic scale micro generators (774 wind turbines producing 18,734 kw and 379 solar photo voltaic installations producing 1,446 kw); a combination of both community and private investment; and significant research and development that includes world's first grid connected wave and tidal energy test centre. Orkney has embraced renewable electricity production and use to the extent that in 2014 it produced 104% of its electricity needs. This equates to about 145 Gigawatt hours (GWh) per annum to meet a 140 GWh per annum demand. Ambitions for further renewable energy generation and export are hampered by lack of grid capacity. Were Orkney to have a stronger electrical connection to Scotland, this would enable further renewable energy to be generated and exported; however, despite many years of negotiation and highlighting of the opportunity to build Orkney's capability to contribute to national objectives through increased green production, which has not been supported through investment in Grid Network, Orkney has a weak connection. This means that existing renewable energy generators are being curtailed, and Scottish and Southern Energy (SSE) has had to restrict new Grid connections since September 2012. The Council will continue to promote the case for a new electricity cable linking Orkney with the Scottish mainland. Measures currently under consideration include project development work towards the Council becoming a developer of future onshore wind energy projects in Orkney. In September 2019 Ofgem published its decision to approve a Needs Case for Orkney, contingent on 135MW of new generation having planning permission, grid agreement and passing a financial audit by the end of 2021.
2. Previously the Council has been proactive in ensuring the delivery of active management of electricity transmission within the county; more recently, through its participation in preparing the Hydrogen Economic Strategy, it seeks to lend its support to hydrogen generation projects in the islands of Eday and Shapinsay. It sees the generation of hydrogen, using constrained electricity, as a sustainable, carbon-neutral source of energy for the future and intends to replace 10 of its diesel-powered fleet vehicles with vehicles powered by hydrogen fuel technology. During 2018-2019 the Strategy was reviewed and updated and a draft Orkney Hydrogen Strategy underwent a period of public consultation during summer 2019.
3. Conversely Orkney has the worst fuel poverty in Scotland; the Scottish House Condition Survey Local Authority Analysis, covering the period 2015 - 2017 and released in February 2019, showed that 57% of households in the islands were spending 10% or more of their household income on fuel supplies. This figure increased to 79% for pensioner households. This issue will continue to be a priority for the Council.
4. A study has been undertaken into the feasibility of investing in an onshore wind farm development where the energy produced would be transmitted by private wire to Council-run properties. This is now on hold, awaiting clarification on the availability of a grid connection to enable development of a wind energy project near Kirkwall.
5. Consider future options for waste management; these include energy recovery from waste and increased local processing of recyclates. The elimination of single use / disposable plastics, where possible, is a Council priority.

### **2(g) Has the body used the Climate Change Assessment Tool(a) or equivalent tool to self-assess its capability / performance?**

If yes, please provide details of the key findings and resultant action taken.

No, but the Council implements its Carbon Management Plan.

**2(h) Supporting information and best practice**

Provide any other relevant supporting information and any examples of best practice by the body in relation to governance, management and strategy.

Council plans, programmes and strategies undergo Strategic Environmental Assessment (SEA) where one of the issues routinely considered is Climatic Factors.

Orkney Islands Council supports flexible working, with the option to work condensed hours; this can reduce the need to travel to work.

Active travel to work is promoted and the Council also provides electric bikes for use by employees.

All meeting rooms are equipped with video conference and teleconference facilities, reducing the need to travel in order to attend meetings.

Recycling is encouraged throughout the council offices.

**PART 3: EMISSIONS, TARGETS AND PROJECTS**

**3a Emissions from start of the year which the body uses as a baseline (for its carbon footprint) to the end of the report year**

Complete the following table using the greenhouse gas emissions total for the body calculated on the same basis as for its annual carbon footprint /management reporting or, where applicable, its sustainability reporting. Include greenhouse gas emissions from the body's estate and operations (a) (measured and reported in accordance with Scopes 1 & 2 and, to the extent applicable, selected Scope 3 of the Greenhouse Gas Protocol (b)). If data is not available for any year from the start of the year which is used as a baseline to the end of the report year, provide an explanation in the comments column.

(a) No information is required on the effect of the body on emissions which are not from its estate and operations.

Reference Year	Year	Scope1	Scope2	Scope3	Total	Units	Comments
Baseline carbon footprint	2005/06	17019.3	5807.2	476.6	23303	tCO2e	
Year 1 carbon footprint	2006/07	16202.3	5772.6	549	22524	tCO2e	
Year 2 carbon footprint	2007/08	15694.9	5992.3	562.5	22250	tCO2e	
Year 3 carbon footprint	2008/09	15616.5	5605.8	495.1	21717	tCO2e	
Year 4 carbon footprint	2009/10	16251.3	5955.1	550.4	22757	tCO2e	
Year 5 carbon footprint	2010/11	15996.8	5443.4	550.3	21991	tCO2e	
Year 6 carbon footprint	2011/12	15033.2	5507.3	470	21011	tCO2e	
Year 7 carbon footprint	2012/13	15853.1	5780.4	428	22062	tCO2e	
Year 8 carbon footprint	2013/14	14674.4	6543.4	457.4	21675	tCO2e	
Year 9 carbon footprint	2014/15	16530.6	7029.8	649.2	24210	tCO2e	
Year 10 carbon footprint	2015/16	16292.5	6998	692	23983	tCO2e	
Year 11 carbon footprint	2016/17	16278.4	5319.7	1049.2	22647	tCO2e	
Year 12 carbon footprint	2017/18	16370	4535.4	1127.7	22033	tCO2e	
Year 13 carbon footprint	2018/19	16344.8	3380.5	1023	20748	tCO2e	
Year 14 carbon footprint	2019/20	16058.6	2868.5	978.4	19906	tCO2e	

**3b Breakdown of emission sources**

Complete the following table with the breakdown of emission sources from the body's most recent carbon footprint (greenhouse gas inventory); this should correspond to the last entry in the table in 3(a) above. Use the 'Comments' column to explain what is included within each category of emission source entered in the first column. If, for any such category of emission source, it is not possible to provide a simple emission factor(a) leave the field for the emission factor blank and provide the total emissions for that category of emission source in the 'Emissions' column.

Total	Comments – reason for difference between Q3a & 3b.	Emission source	Scope	Consumption data	Units	Emission factor	Units	Emissions (tCO2e)	Comments
20748.3		Grid Electricity (generation)	Scope 2	11429138	kWh	0.23314	kg CO2e/kWh	2665.0	Metered Supplies.
		Grid Electricity (generation)	Scope 2	874638	kWh	0.23314	kg CO2e/kWh	204.0	Street Lighting.
		Grid Electricity (transmission)	Scope 3	12303776	kWh	0.02005	kg CO2e/kWh	247.0	Tx & Dist Losses.
		Gas Oil	Scope 1	952073	litres	2.75776	kg CO2e/litre	2626.0	Heating Oil.
		LPG	Scope 1	129322	litres	1.55537	kg CO2e/litre	201.0	Heating LPG.
		Average Car - Unknown Fuel	Scope 3	1348978	km	0.1714	kg CO2e/km	231.0	Business Mileage.
		Domestic flight (average)	Scope 3	1888105	passenger km	0.2443	kg CO2e/passenger	461.0	Domestic Flights.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

	Long-haul flights (average)	Scope 3	178710	passenger km	0.21256	kg CO2e/passenger	38.0	Long-haul Flights.
	Ferry (average passenger)	Scope 3	10586	passenger km	0.11287	kg CO2e/passenger	1.0	Ferry.
	Marine Gas Oil	Scope 1	2893806	litres	2.7754	kg CO2e/litre	8031.0	Ferry Fleet.
	Marine Gas Oil	Scope 1	529186	litres	2.7754	kg CO2e/litre	1469.0	Tug Boat Fleet.
	Marine Gas Oil	Scope 1	215671	litres	2.7754	kg CO2e/litre	599.0	Harbour Craft Fleet.
	Aviation spirit	Scope 1	140000	litres	2.16802	kg CO2e/litre	304.0	Inter-Island Air Transport.
	Diesel (average biofuel blend)	Scope 1	120000	litres	2.54603	kg CO2e/litre	306.0	Public Transport.
	Diesel (average biofuel blend)	Scope 1	555317	litres	2.54603	kg CO2e/litre	1414.0	Construction and Waste.
	Other	Scope 1	2101	tonnes	0.52847	kg CO2e/tonne	1110.0	Waste.

**3c Generation, consumption and export of renewable energy**

Provide a summary of the body's annual renewable generation (if any), and whether it is used or exported by the body.

Technology	Renewable Electricity		Renewable Heat		Comments
	Total consumed by the organisation (kWh)	Total exported (kWh)	Total consumed by the organisation (kWh)	Total exported (kWh)	
Solar PV	0	163742			Solar PV panels fitted to council housing, energy is used by tenants or exported to grid, OIC does not consume any of this energy.
Wind	35975	0			No export metering, energy used in OIC properties or exported to grid.
Solar PV	9119	0			PV panels on non domestic properties, energy used by OIC, no export meter fitted.
Ground Source Heat Pump			828508	0	This is the metered RHI energy.

**3d Targets**

List all of the body's targets of relevance to its climate change duties. Where applicable, overall carbon targets and any separate land use, energy efficiency, waste, water, information and communication technology, transport, travel and heat targets should be included.

Name of Target	Type of Target	Target	Units	Boundary/scope of Target	Progress against target	Year used as	Baseline figure	Units of baseline	Target completion	Comments
Carbon Management	annual	42	tCO2e reduction	All emissions	20	2005/06	25880	tCO2e	2025/26	

**3e Estimated total annual carbon savings from all projects implemented by the body in the report year**

Total	Emissions Source	Total estimated annual carbon savings (tCO2e)	Comments
0	Electricity		
	Natural gas		
	Other heating fuels		

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Waste		
Water and sewerage		
Business Travel		
Fleet transport		
Other (specify in comments)		

**3f Detail the top 10 carbon reduction projects to be carried out by the body in the report year**

Provide details of the 10 projects which are estimated to achieve the highest carbon savings during report year.

Project name	Funding source	First full year of CO2e savings	Are these savings figures estimated or actual?	Capital cost (£)	Operational cost (£/annum)	Project lifetime (years)	Primary fuel/emission source saved	Estimated carbon savings per year (tCO2e/annum)	Estimated costs savings (£/annum)	Behaviour Change	Comments
Hamnavoe House	Internal Capital programme	2020/21	Actual	630000		30	Burning Oil (Kerosene)	25	6000	CO2 monitors installed, staff manage natural ventilation.	Renewable heating system being installed, to be commissioned 2020.

**3g Estimated decrease or increase in the body's emissions attributed to factors (not reported elsewhere in this form) in the report year**

If the emissions increased or decreased due to any such factor in the report year, provide an estimate of the amount and direction.

Total	Emissions source	Total estimated annual emissions (tCO2e)	Increase or decrease in emissions	Comments
	Estate changes	tbc	increase	Hamnavoe House open but St Peter's care home not disposed of, both buildings operating for a period.
	Service provision			
	Staff numbers			
	Other (specify in			

**3h Anticipated annual carbon savings from all projects implemented by the body in the year ahead**

Total	Source	Saving	Comments
240	Electricity		
	Natural gas		
	Heating Oil	240	Smiddybrae Care Home Heat Pump, St Andrews Primary School Heat Pump, St Peter's Care Home replacement.
	Heating Oil		

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Water and sewerage		
Business Travel		
Fleet transport		
Other (specify in comments)		

<b>3i Estimated decrease or increase in the body's emissions attributed to factors (not reported elsewhere in this form) in the year ahead</b>				
If the emissions are likely to increase or decrease due to any such factor in the year ahead, provide an estimate of the amount and direction.				
<b>Total</b>	<b>Emissions source</b>	<b>Total estimated annual emissions (tCO2e)</b>	<b>Increase or decrease in emissions</b>	<b>Comments</b>
	Estate changes	tbc	Increase	New nursery provision will increase the estate footprint.
	Service provision			
	Staff numbers			
	Other (specify in	tbc	decrease	New tugs will have better fuel efficiency.

<b>3j Total carbon reduction project savings since the start of the year which the body uses as a baseline for its carbon footprint</b>	
If the body has data available, estimate the total emissions savings made from projects since the start of that year ("the baseline year").	
<b>Total</b>	<b>Comments</b>
0	Figure not available.

<b>3k Supporting information and best practice</b>
Provide any other relevant supporting information and any examples of best practice by the body in relation to its emissions, targets and projects.
The capital and revenue projects over the next few years will expand the use of external insulation and renewable heating systems to address carbon emissions from our estate. LED lighting is also being investigated for refurbishment project in office and school buildings and libraries.



## **PART 4: ADAPTATION**

### **4(a) Has the body assessed current and future climate-related risks?**

If yes, provide a reference or link to any such risk assessment(s).

A Flood Risk Management Plan was produced by Orkney Islands Council in June 2016. Current flood risk actions are as set out in this plan, which may be accessed from the council's website at [https://www.orkney.gov.uk/Files/Planning/Flooding/Orkney\\_LFRMP\\_Accessible.pdf](https://www.orkney.gov.uk/Files/Planning/Flooding/Orkney_LFRMP_Accessible.pdf)

The interim report on the Orkney Flood Risk Management Plan was published in March 2019 and tracks progress on the actions identified in the Plan. This report is available at [https://www.orkney.gov.uk/Files/Planning/Flooding/Section\\_37\\_Orkney\\_Report\\_Accessible.pdf](https://www.orkney.gov.uk/Files/Planning/Flooding/Section_37_Orkney_Report_Accessible.pdf).

OIC works with flood risk management partners SEPA and Scottish Water to ensure that, as actions are undertaken, the best climate change and drainage system data is used appropriately. Orkney Islands Council continues to contribute to the North of Scotland Regional Resilience Partnership Community Risk Register. This focuses on the risks taken from the Partnerships 3 Local Resilience Groups and prioritises them in terms of likelihood and impact.

A copy of the Community Risk Register can be found at [http://www.firescotland.gov.uk/media/864538/north\\_crr\\_version\\_1.2.pdf](http://www.firescotland.gov.uk/media/864538/north_crr_version_1.2.pdf)

The Kirkwall Harbour Flood Prevention Scheme was exercised regularly, and promotion of wider flood awareness continues to be undertaken by the Orkney Local Emergency Co-ordination Group, through local media and promotion of Floodline.

### **4(b) What arrangements does the body have in place to manage climate-related risks?**

Provide details of any climate change adaptation strategies, action plans and risk management procedures, and any climate change adaptation policies which apply across the body.

OIC worked with SEPA on the development of the revised coastal flood warning system for Orkney. This SEPA system has been live since September 2018. The coastal flood warning system drives public alerts and warnings and operational discussions between OIC and SEPA at times of heightened flood risk.

The Kirkwall Harbour Flood Protection Scheme and associated works were completed in 2018. Operation of the scheme is triggered when threshold values are reached for Kirkwall in the coastal flood warning system.

In December 2019 the preferred scheme from the St Margaret's Hope Flood Protection Study Options Report was put forward for prioritisation for Scottish Government funding.

Flood Protection Studies for Whitehall, St Mary's, Hoy (Walls Causeway) and Pierowall are all scheduled for completion before the end of 2022.

Kirkwall Surface Water Management Plan, prepared by OIC in consultation with flood risk partners, was issued to SEPA in December 2019.

OIC maintains a schedule of all clearance and repair works undertaken throughout the county as required under section 18 of the Flood Risk Management (Scotland) Act 2009.

OIC is currently working with SEPA to identify flood risk management objectives for the second cycle of the flood risk management process under the 2009 Act.

OIC is developing water and flooding guidance to developers in Orkney in order to ensure that flood risk management requirements are met and make sure that opportunities for environmental enhancement, promotion of biodiversity and mitigation of the effects of future climate change are not missed.

During the period of review, we undertook additional risk preparedness workshops within our island communities, resulting in the formation of Local Resilience Groups being established, who are developing their community resilience plans.

The review of the national risk register has been completed with the national planning assumptions review almost complete. This will then form the basis of the North of Scotland Community Risk Register (CRR) which similar to previous years will be published online.

The Kirkwall Flood Prevention Scheme is operational and activated on two occasions. These events resulted in the Orkney Local Emergency Co-ordinating Group activating a multi-agency response across multiple locations, using assets from HMCD, SFRS, Police Scotland and OIC. Each event was reviewed, and any lessons learnt incorporated in the respective plan.

### **4(c) What action has the body taken to adapt to climate change?**

Include details of work to increase awareness of the need to adapt to climate change and build the capacity of staff and stakeholders to assess risk and implement action.

In September and October 2018, along with the Scottish Flood Forum, Orkney Islands Council assisted SEPA with the launch of the revised Floodline service for Orkney. The Floodline launch events provided a useful opportunity to meet affected householders, businesses and organisations at risk of flooding and offer advice on how to minimise damage and disruption.

The Orkney Local Emergency Co-ordinating Group continues to promote the Floodline warning scheme to our communities, to ensure that our communities are aware of the alerts and warnings, giving advice on flood protection and prevention measures.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

4(d) Where applicable, what progress has the body made in delivering the policies and proposals referenced N1, N2, N3, B1, B2, B3, S1, S2 and S3 in the Scottish Climate Change Adaptation Programme(a) ("the Programme")?					
<p>If the body is listed in the Programme as a body responsible for the delivery of one or more policies and proposals under the objectives N1, N2, N3, B1,B2, B3, S1, S2 and S3, provide details of the progress made by the body in delivering each policy or proposal in the report year. If it is not responsible for delivering any policy or proposal under a particular objective enter "N/A" in the 'Delivery progress made' column for that objective.</p> <p>(a) This refers to the programme for adaptation to climate change laid before the Scottish Parliament under section 53(2) of the Climate Change (Scotland) Act 2009 (asp 12) which currently has effect. The most recent one is entitled "Climate Ready Scotland: Scottish Climate Change Adaptation Programme" dated May 2014.</p>					
Objective	Objective	Theme	Policy / Proposal reference	Delivery progress made	Comments
Understand the effects of climate change and their impacts on the natural environment.	N1	Natural Environment	N1-8	The Orkney Local Flood Risk Management Plan was published in June 2016. The Kirkwall Surface Water Management plan, developed by OIC in consultation with flood risk partners, was issued to SEPA in December 2019.	In December 2019 the St Margaret's Hope Flood Protection Study Options Report was issued to SEPA and the preferred option put forward for prioritisation for Scottish Government funding.
			N1-10	During 2020 the Council's Engineering Service worked closely with the Marine and Planning Services to masterplan development sites to the west of Kirkwall. The main objectives of this joint working were to ensure that surface water flood risk can be addressed sustainably and make sure that every opportunity is taken to enjoy the multiple benefits of sustainable drainage, integrated with public amenity and active travel networks. It is anticipated that similar joint working will be undertaken for other new development areas in future.	The Council shares tide level information on request with SEPA, recorded on OIC tide gauges, to continually update knowledge and awareness of sea levels in the locality and monitor the risk of flooding.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Support a healthy and diverse natural environment with capacity to adapt.	N2	Natural Environment	N2-2	The Council's Open Space Strategy highlights the benefits, goods and services provided by areas of open space / green spaces. These include natural flood risk management, benefits for biodiversity and for public health and well-being.	The Council's Open Space Strategy highlights the benefits, goods and services provided by areas of open space. These include natural flood risk management, benefits for biodiversity and for public health and well-being. The Vision and Action Plan includes the following objectives: 1. Protecting and improving open space; 2. Improving open space networks and linkages; 3. Enabling greater access to open space; 4. Providing opportunities to improve health, well-being and education; 5. Protecting and enhancing biodiversity; 6. Enabling business and community involvement; and 7. Monitoring and managing open space strategy objectives.
			N2-11	The Local Development Plan 2017 seeks to support a healthy and diverse natural environment with capacity to adapt. Its Policy 9 Natural Heritage & Landscape includes the following sub-sections: A Natural Heritage Designations; B Protected Species; C Wider Biodiversity and Geodiversity; D the Water Environment; E Peat and Soils; F Trees and Woodland.	Further guidance on implementing Policy 9 is included in Supplementary Guidance Natural Environment (2017).
			N2-17	The Orkney Local Development Plan 2017 outlines the Council's duty as a responsible authority to protect and, where possible, improve the water environment. Policy 9D: The Water Environment seeks to ensure that planning decisions contribute to the achievement of River Basin Management Planning objectives.	Further guidance on implementing Policy 9 is included in Supplementary Guidance Natural Environment (2017).
			N2-18	The Orkney Local Flood Risk Management Plan was published in June 2016.	

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

			N2-20	The Pentland Firth and Orkney Waters Marine Spatial Plan, published in 2016, includes General Policy 5B: Coastal Processes and Flooding.	The Plan will support proposals for development and/or activities, including any linked shore-based requirements, that demonstrate: 1. compliance with Scottish Planning Policy; 2. that they will not exacerbate present or future risks of flooding or erosion; 3. that sensitive uses should generally not be located in areas shown to be at risk of flooding unless appropriate measures are in place; 4. how resilience and adaptation strategies have been incorporated within proposed developments over their lifetime to adapt to the effects of climate change, coastal erosion and coastal flooding. Any development must not compromise the objectives of the Flood Risk Management Act.
Sustain and enhance the benefits, goods and services that the natural environment provides.	N3	Natural Environment	N/A	N/A	N/A
Understand the effects of climate change and their impacts on buildings and infrastructure networks.	B1	Buildings and infrastructure networks	B1-13	The Orkney Local Flood Risk Management Plan was published in June 2016.	
			B1-14	River Basin Management Planning is addressed in the Orkney Local Development Plan 2017 through Policy 9 Natural Heritage and Landscape; Policy 12 Coastal Development; and Policy 13 Flood Risk, SuDS and Wastewater Drainage.	
			B1-19	The Kirkwall Surface Water Management plan, developed by OIC in consultation with flood risk partners, was issued to SEPA in December 2019.	Other locations within Orkney that suffer from surface water flooding will be monitored and responded to on a reactive basis.
Provide the knowledge, skills and tools to manage climate change impacts on buildings and infrastructure.	B2	Buildings and infrastructure networks		N/A	N/A

**Public Sector Climate Change Duties 2020 Summary Report: Orkney Council**

Increase the resilience of buildings and infrastructure networks to sustain and enhance the benefits and services provided.	B3	Buildings and infrastructure networks	B3-3	The Orkney Local Development Plan 2017 seeks to increase the resilience of the built environment to the effects of climate change. The Council's policy on flood risk aligns closely with Scottish Planning Policy 2014 and is included in Policy 13 Flood Risk, SuDS and Wastewater Drainage. Coastal erosion is addressed through Policy 12 Coastal Development.	
			B3-6	A Managing Agent has been contracted to deliver energy surveys, technical surveys, installations and attract Energy Company Obligation (ECO) funding for the Council's HEEPS: ABS programme. The Council's 2019/20 funding allocation is £1M and we originally projected that this would support 125 private sector households. Measures include external wall, internal wall, loft & under-floor insulation.	The construction sector in Orkney has complied with national guidelines for the COVID-19 pandemic and has therefore been at standstill for several months. The original deadline for installations was 31 May 2020 but an extension has been authorised by the Scottish Government. Following an official restart of activities, we will complete energy efficiency installations and look to launch a 2020/21 programme.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

		<p>B3-7</p>	<p>The Council reports on the Energy Efficiency Standard for Social Housing (EESH) within the Annual Return on the Charter (ARC), which is submitted to the Scottish Housing Regulator. Sustained progress is being made to meet the EESH.</p> <p>As at 31 March 2020: Total stock - 952; Pass - 826; Exemption - 33; Fail – 93. Works continue to be progressed to bring properties up to the EESH. Also, as properties are returned to us by tenants (void events), we assess and install relevant energy efficiency upgrades prior to a new tenancy commencing. These upgrades range from modest insulation measures, such as a loft top-up or under floor installations, to more significant internal wall insulation and heating system upgrades. Recent changes to ECO may present opportunities to attract external funding and consider new capital programmes. As at 31 March 2020: Total stock - 952; Pass - 826; Exemption - 33; Fail – 93. Works continue to be progressed to bring properties up to the EESH. Also, as properties are returned to us by tenants (void events), we assess and install relevant energy efficiency upgrades prior to a new tenancy commencing. These upgrades range from modest insulation measures, such as a loft top-up or under floor installations, to more significant internal wall insulation and heating system upgrades. Recent changes to ECO may present opportunities to attract external funding and consider new capital programmes.</p>	<p>These works will continue to improve the Council's pass rate for EESH and its deadline of December 2020. From next year, EESH2 presents a new longer-term target; to maximise the number of social rented homes meeting an EPC B by 2032. We also note that the EESH2 milestone is likely to include air quality and environmental impact requirements, from 2025.</p>
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Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

			B3-8	<p>Scottish Housing Quality Standards (SHQS): All properties were required to meet the SHQS by April 2015, and properties should continue to meet it thereafter. An additional standard, the Energy Efficiency Standard for Social Housing (EESH) was introduced, with the initial targets to be achieved by 2020. The Council's energy efficiency surveys and upgrades inform both SHQS works and EESH planning and reporting. However SHQS covers other building elements (roofs, windows, bathrooms, kitchens, etc.). The reporting of SHQS, which is part of the Annual Return against the Charter (ARC), considers a few more classifications than simply pass / fail. As at 31 March 2018: Total stock, 957 properties; 878 passes, 45 exemptions; 31 abeyances; 3 fails (energy efficiency criterion).</p>	<p>A property may be classified as being in abeyance when work cannot be done for 'social' reasons relating to tenants' or owner-occupiers' behaviour, for example where owner-occupiers in a mixed ownership block do not wish to pay a share of a secure door entry system and do not consider it to be necessary. Another example would be where the tenant is elderly or suffering from a medical condition that has led them to feel that they do not wish work to be undertaken on their home at this point in time. A property can be classified as an exemption where the property is capable of meeting the SHQS on a particular element but the landlord believes it is not possible to meet it for technical or legal reasons or because the cost is considered disproportionate.</p>
Understand the effects of climate change and their impacts on people, homes and communities.	S1	Society		<p>Orkney Islands Council has promoted the use of Floodline and the work of National Flood Forum, a charity to help, support and represent people at risk of flooding.</p>	
Increase the awareness of the impacts of climate change to enable people to adapt to future extreme weather events.	S2	Society	S2-5	<p>The Council continues to assist communities through the Community Resilience Groups in the development of their community resilience plans.</p>	<p>Water and flooding guidance currently under development will include direction on property resilience for existing properties at risk of flooding. Guidance will include information on risk assessment requirements, property surveys, flood resistance and recovery and mitigation measures, in line with current UK best practice.</p>
Support our health services and emergency responders to enable them to respond effectively to the increased pressures associated with a changing climate.	S3	Society	S3-6	<p>The Council commissioned training in Integrated Emergency Management that has enhanced our understanding of multi-agency working during an incident.</p>	



## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

### 4(e) What arrangements does the body have in place to review current and future climate risks?

Provide details of arrangements to review current and future climate risks, for example, what timescales are in place to review the climate change risk assessments referred to in Question 4(a) and adaptation strategies, action plans, procedures and policies in Question 4(b).

As part of the work it does with flood risk management partners over each 6 year cycle as set by the 2009 Flood Risk Management (Scotland) Act, OIC assesses changing flood risk throughout Orkney. A number of actions from the first cycle remain to be completed by 2022 and work on identifying actions for the 2nd cycle are currently underway.

Each of the forthcoming Flood Protection Studies will be based upon current climate information and guidance. From the end of 2019 all studies will be based on UKCP18 information along with current mapping and, where needed, surveys.

SFRS continue to develop the Community Risk Register for the Highlands and Islands. This includes the National Planning Assumptions. This is used to develop the North of Scotland Regional Resilience Partnership Community Resilience Plan. The previous iteration of the plan can be found online at [http://www.firescotland.gov.uk/media/864538/north\\_crr\\_version\\_1.2.pdf](http://www.firescotland.gov.uk/media/864538/north_crr_version_1.2.pdf)

### 4(f) What arrangements does the body have in place to monitor and evaluate the impact of the adaptation actions?

Please provide details of monitoring and evaluation criteria and adaptation indicators used to assess the effectiveness of actions detailed under Question 4(c) and Question 4(d).

In February 2020 the impending arrival of Storm Ciara prompted the deployment of Kirkwall Harbour Flood Prevention Scheme barriers and gates. The successful deployment and operation over a number of days demonstrated that the planning, preparation and training carried out had been effective.

This event provided an opportunity to review the effectiveness of the defences and note was taken of necessary actions where need for these was identified.

The work to review the Orkney Islands Council Business Impact Analysis has been completed. These results will be exposed to a threat analysis which will include the contents of the HILRP Community Risk Register and the Council's and Service's risk registers.

On two occasions following notification of storm and flood warnings the Orkney Local Emergency Co-ordinating Group activated the Kirkwall Harbour Flood Prevention Scheme and wider flood preventions measures at several locations across Orkney, demonstrating the ability to react and respond to national warnings.

### 4(g) What are the body's top 5 priorities for the year ahead in relation to climate change adaptation?

Provide a summary of the areas and activities of focus for the year ahead.

Undertake the public consultation on the findings of the St Margaret's Hope Flood Study. This was due to take place in spring 2020 but has been delayed due to coronavirus precautions.

Promote and assist, where possible, the constitution of a flood action group in St Margaret's Hope.

Determine the next steps to be taken regarding flood protection in St Margaret's Hope.

Preparation of the flood protection study for Whitehall.

The COVID 19 outbreak has highlighted the vulnerability of food security of our remote communities. We will continue to support our Community Resilience Groups in identifying local solutions, through workshops and suitable funding opportunities.

### 4(h) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to adaptation.

OIC worked with flood risk management partners Scottish Water and SEPA on the surface water management plan for Kirkwall, with increased frequency of surface water planning meetings leading up to the submission of the document in December 2019.

The Orkney Local Plan District Partnership meetings normally take place twice per year with every other meeting incorporating the Local Advisory Group. During 2020 the frequency of meetings between SEPA and OIC has increased due to work leading up to the preparation of the 2nd cycle FRM Strategy for Orkney.

The Person at Risk Database project has moved from development into operation following the data cleanse undertaken of existing databases.

An exercise is being developed for early 2021 surrounding the response to a major accident at the Flotta Oil Terminal; this will exercise our current major incident plan. A review is currently being undertaken of the Oil Pipeline Major Accident Plan. The exercise and review will further enhance the protection of our environment.



## **PART 5: PROCUREMENT**

### **5(a) How have procurement policies contributed to compliance with climate change duties?**

Provide information relating to how the procurement policies of the body have contributed to its compliance with climate changes duties.

The Council's Procurement Strategy 2019-21 was updated following a consultation process and published in January 2019 and an updated implementation plan created with actions complete noted and revised accordingly. The implementation plan, actions and targets are now uploaded to the Council's Performance and Risk Management System with 6 monthly reporting through the Corporate Management team.

The Council also has a duty to prepare an Annual Report to publish its progress towards meeting the targets stated in its Procurement Strategy, including its progress towards meeting the outcomes stated in the Sustainable Procurement Policy on an annual basis. The procurement strategy was developed utilising the Scottish Government's proforma template to meet the Council's Statutory requirement to publish an up to date Council wide procurement strategy and includes a section on sustainability. Progress in meeting the aims of the Procurement Strategy is reported on in the Council's Procurement Annual Report and is published on the Council's Website at <http://www.orkney.gov.uk/Service-Directory/P/procurement-annual-report.htm>. The Council's second Annual Report was published on 29 October 2019. The Council's third Procurement Annual Report for the reporting period up to the end of March 2020 is currently being prepared and is anticipated to be uploaded to the website by the end of October 2019.

Sustainability is identified as one of the 2016 to 2018 objectives with the following actions noted:

- 1.1 To embed sustainability into the procurement process where it is relevant to the subject matter of the contract and to comply with the Council's Sustainable Procurement Duty.
- 1.2 Implementation of the Scottish Government 10 steps to Sustainable Procurement to assist sustainability and other responsible procurement themes.
- 1.3 To engage with the local supplier base to develop Community Benefit Clauses to maximise the potential of the local economy to compete for Council business for the economic benefit and sustainability of Orkney.
- 1.4 To implement the use of Community Benefit Clauses in contracts as appropriate.

The Council's Sustainable Procurement Policy published in February 2018 identified the following 4 outcomes:

- Outcome 1 - the social and economic benefits from our sustainable procurement are maximised;
- Outcome 2 - the negative environmental impacts are minimised and the environmental benefits maximised from our procurement;
- Outcome 3 - Orkney Islands Council has a more sustainable supply chain; and
- Outcome 4 - sustainable procurement is embedded within the Council.

A sustainability clause is now inserted in all Invitation to Quote and Invitation to Tender documentation.

### **5(b) How has procurement activity contributed to compliance with climate change duties?**

Provide information relating to how procurement activity by the body has contributed to its compliance with climate changes duties.

The SPQQ has now been replaced by the European Standard Procurement Document (ESPD) as of 18 April 2016 which includes questions relating to environmental management quality management systems and a scoring matrix similar to the SPQQ. This policy is now due for a review which will be completed during the 2020-21 reporting period.

The Council's revised and updated Sustainable Procurement Policy was published in February 2018 following a public consultation and sets out the aims of this Council to ensure that sustainability is incorporated into our procurement activities to the benefit of not only the Council but also to our island communities, the economy and the environment. The Policy can be downloaded from the Council's website at: <http://www.orkney.gov.uk/Service-Directory/P/sustainable-procurement.htm>

### **5(c) Supporting information and best practice**

Provide any other relevant supporting information and any examples of best practice by the body in relation to procurement.

## Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Each contract is considered on a case by case basis and sustainability criteria are included as appropriate. The preparation of a procurement strategy / commodity strategy for each procurement above £50K for goods and services is increasingly used across the organisation. The document includes a section which considers sustainability issues at the outset of the project and requires signing off by the Service Director before the procurement can proceed. Revised OIC Contract Standing Orders issued in June 2016 make it mandatory for a commodity strategy to be completed for all Regulated Procurements (i.e. over £50K for goods and services and £2m for works) and for EU Regulated procurements. <http://www.orkney.gov.uk/Council/C/Contract-Standing-Orders.htm>

In addition to this, the Council's approach to the Sustainable Procurement Duty is detailed in the procurement Strategy and the Council's Contract Standing Orders as below:

Before undertaking a Tendering exercise the Chief Executive, Executive Directors or Chief Officer shall take into account the social, economic and environmental impacts of the proposed Contract and whether the Contract will contribute to the achievement of sustainable development in accordance with the Sustainable Procurement Duty and the Council's Sustainable Procurement Policy.

For any procurement equal to or greater than £4,000,000, the Council must consider whether to impose community benefit requirements as part of the procurement.

The Chief Executive, Executive Directors or Chief Officer will consider only factors that are relevant and proportionate to the proposed Contract.

Sustainable procurement - Sustainability test: The Procurement Officer must provide details of the following social, economic and environmental elements of the proposed procurement that should be addressed through the Specification / Evaluation Criteria / Key Performance Indicators, e.g.:

- Is there any legislation that could affect the specification of this procurement, e.g. Health & Safety legislation?
- Do Government Buying Standards specifications apply to this procurement?
- Is there a more effective method of invoicing and payments, e.g. are purchasing cards or lodged purchasing card appropriate methods of payment for this procurement?
- Are Community Benefits achievable as a result of this procurement?
- Are there any diversity issues that need to be considered, for example accessibility needs, religious needs, differing diets etc..
- Is this procurement suitable as a reserved contract?

The Council's Procurement Manual has been updated and circulated to staff in April 2019 and, in particular, to officers who have delegated authority to carry out procurement exercises. The Procurement Manual includes a section on Community Benefits and details the requirements in terms of completing the contract notice and provides the following guidance to procurement officers;

The following factors are routinely taken into consideration in relevant procurements, in particular, in construction or social care procurement, however these may not always be specifically labelled as a Community Benefit Award Criteria:

- o Climate change (carbon and energy consumption, carbon in production, adaption, carbon in vehicle emissions).
- o Materials (scarcity, security).
- o Waste (production, reuse / recondition / remanufacture).
- o Hazardous materials / emissions.
- o Bio-diversity (protection and enhancement).
- o Heritage (protection and enhancement).
- o Water (consumption and production).
- o Employment (skills and training, SMEs / social enterprises / supported businesses).
- o Communities.
- o Fair and ethical trading (working conditions, conflict materials).
- o Equality (protected characteristics).

This is not an exhaustive list. Further details on these indicators, including definitions, are available from the sustainability test available at the following link:  
<https://www2.gov.scot/Topics/Government/Procurement/policy/corporate-responsibility/Sustainability/ScottishProcess/SustainableProcurementTools/SustainabilityTest>

**PART 6: VALIDATION AND DECLARATION**

**6(a) Internal validation process**

Briefly describe the body's internal validation process, if any, of the data or information contained within this report.

The report is reviewed by the Council's Corporate Management Team.

**6(b) Peer validation process**

Briefly describe the body's peer validation process, if any, of the data or information contained within this report.

The draft report is presented for approval to a meeting of the Council's Policy and Resources Committee, prior to ratification by a General Meeting of the Council.

**6(c) External validation process**

Briefly describe the body's external validation process, if any, of the data or information contained within this report.

External validation of waste data is undertaken by SEPA. This is done on an annual basis for the calendar year 1 January to 31 December.

**6(d) No validation process**

If any information provided in this report has not been validated, identify the information in question and explain why it has not been validated.

**6e - Declaration**

I confirm that the information in this report is accurate and provides a fair representation of the body's performance in relation to climate change.

Name	Role in the body	Date
Eileen Summers	Environment Officer	22/10/2020

**RECOMMENDED – WIDER INFLUENCE**

**Q1 Historic Emissions (Local Authorities only)**

Please indicate emission amounts and unit of measurement (e.g. tCO2e) and years. Please provide information on the following components using data from the links provided below. Please use (1) as the default unless targets and actions relate to (2).

(1) UK local and regional CO2 emissions: **subset dataset** (emissions within the scope of influence of local authorities):

(2) UK local and regional CO2 emissions: **full dataset**:

**Select the default target dataset**

Subset

**Table 1a - Subset**

Sector	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Units	Comments
Total Emissions	189.5	177.3	191.6	177.4	177.5	170.5	163.1	155.1	145.1	142.2	137.8	ktCO2	
Industry and Commercial	78.7	74.5	83.3	77.8	76.9	75.0	74.3	70.1	64.3	63.9	62.7	ktCO2	
Domestic	80.7	73.1	78.7	70.8	72.6	67.0	59.3	54.4	48.8	45.8	43.7	ktCO2	
Transport total	30.1	29.6	29.6	28.8	28.1	28.5	29.5	30.5	31.9	32.5	31.4	ktCO2	
Per Capita	9.1	8.5	9.0	8.3	8.2	7.9	7.6	7.2	6.6	6.5	6.2	tCO2	
Waste												tCO2e	
LULUCF Net Emissions												ktCO2	
Other (specify in 'Comments')													

**Table 1b - Full**

Sector	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Units	Comments
Total Emissions	254.4	240.9	255.4	239.1	236.2	230.8	224.4	211.7	201.5	198.0	192.4	ktCO2	
Industry and Commercial	86.1	81.4	90.4	84.9	83.5	81.9	83.7	76.3	71.3	71.1	69.8	ktCO2	
Domestic	80.7	73.1	78.7	70.8	72.6	67.0	59.3	54.4	48.8	45.8	43.7	ktCO2	
Transport total	30.1	29.6	29.6	28.8	28.1	28.5	29.5	30.5	31.9	32.5	31.4	ktCO2	
Per Capita	12.3	11.5	12.0	11.2	11.0	10.7	10.4	9.8	9.2	9.0	8.7	tCO2	
Waste												tCO2e	Waste which cannot be recycled is
LULUCF Net Emissions	57.4	56.8	56.6	54.6	52.0	53.4	51.8	50.5	49.5	48.6	47.6	ktCO2	
Other (specify in 'Comments')													

Sector	Description	Type of Target (units)	Baseline	Start year	Target	Target /	Saving in	Latest Year	Comments

**Q2b) Does the Organisation have an overall mission statement, strategies, plans or policies outlining ambition to influence emissions beyond your corporate boundaries? If so, please detail this in the box below.**

The Council Plan 2018-2023 identifies the following priorities:  
 Improve cycle and walking paths across Orkney.  
 Encourage renewable and carbon-neutral transport.  
 Improve electric vehicle infrastructure.  
 Work with partners to develop strategies for improving housing conditions and reducing fuel poverty.  
 Continue to develop strategic projects, particularly to capitalise on the renewable sector.  
 Explore ways to reduce the volume, and cost of handling, of the county's waste.  
 One of the Plan's target outcomes is: A vibrant carbon neutral economy which supports local businesses and stimulates investment in all our communities.  
 One of its Future Aspirations is: Achieve a carbon neutral economy within Orkney

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Q3) Policies and Actions to Reduce Emissions														
Sector	Start year for policy / action implementation	Year that the policy / action will be fully implemented	Annual CO2 saving once fully implemented (tCO2)	Latest Year measured	Saving in latest year measured (tCO2)	Status	Metric / indicators for monitoring progress	Delivery Role	During project / policy design and implementation, has ISM or an equivalent behaviour change tool been used?	Please give further details of this behaviour change activity	Value of Investment (£)	Ongoing Costs (£/ year)	Primary Funding Source for Implementation of Policy / Action	Comments

Please provide any detail on data sources or limitations relating to the information provided in Table 3

Q4) Partnership Working, Communication and Capacity Building. Please detail your Climate Change Partnership, Communication or Capacity Building Initiatives below.

Key Action Type	Description	Action	Organisation's project role	Lead Organisation (if not reporting organisation)	Private Partners	Public Partners	3rd Sector Partners	Outputs	Comments
Research & Development	Orkney Islands Council is a project partner in the Surf 'n' Turf project, which generates hydrogen through electrolysis. Wind energy from the community-owned wind turbine and tidal energy generated at the EMEC Fall of Warness tidal test site provide the energy for the project. Due to the nature of the local electricity grid, this energy would otherwise be curtailed and wasted.	Partnership working of climate change or sustainability	Participant	Community Energy Scotland.	European Marine Energy Centre (EMEC), ITM Power.	Orkney Islands Council, Orkney College, University of the Highlands & Islands (UHI).	Eday Renewable Energy	Hydrogen generated is transported to the Orkney mainland on a specifically designed trailer. Through a hydrogen fuel cell located on Kirkwall harbour it provides heat and power for various uses on the harbour.	Orkney College, University of the Highlands and Islands, has designed hydrogen safety awareness training aimed at more general hydrogen users, as well as mariners that will be working with hydrogen on board vessels.
Research & Development	During May 2018 Orkney Islands Council welcomed the official launch of the BIG HIT hydrogen project (Building Innovative Green Hydrogen in Isolated Territories). The project aims to demonstrate how hydrogen produced locally using renewable energy can be used sustainably in ways which benefit islands and other remote communities. BIG HIT uses energy from the Shapinsay community-owned turbine to generate hydrogen from electrolysis. Due to the nature of the local electricity grid, this energy would otherwise be curtailed and wasted. BIG HIT is a 10.2 million euro European project spanning 5 years and includes 12 partners from 6 European countries.	Partnership working of climate change or sustainability	Participant	The Foundation for the Development of New Hydrogen Technologies in Aragon (FHA).	European Marine Energy Centre (EMEC). Calvera. Giacomini. ITM Power. Symbio FCell	Orkney Islands Council. Technical University of Denmark. Scottish Hydrogen & Fuel Cell Association. Ministry of Transport & Infrastructure, Malta.	Shapinsay Development Trust.	BIG HIT aims to demonstrate that hydrogen can be used for heat, using hydrogen catalytic boilers installed in the local Shapinsay primary school; and for transport. Also included in the project is a hydrogen refuelling station located at Hatston Industrial Estate.	EU funding has enabled the Council to add five Renault Symbio electric/hydrogen vans to its fleet. These have a range in excess of 200 miles. However, a key constraint to their use has been the consistency of hydrogen supply. Orkney Islands Council won the Driving Efficiency Through Technology prize at the Local Government Chronicle awards which were held in London during March 2019.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Research & Development	Port Glasgow-based Ferguson Marine Engineering Limited successfully led a European consortium in a bid for EU funding to enable the building and launch, during 2018, of the world's first sea-going car and passenger ferry fuelled by hydrogen. Known as HySeas III, the supported development is expected to cost around 12.6 million Euros. The vessel's fuel will be produced from electricity generated by renewable energy technology, marking a paradigm shift towards entirely emissions-free marine transport.	Partnership working of climate change or sustainability	Participant	Ferguson Marine Engineering Limited and University of St Andrews.	Kongsberg Maritime (Norway), Ballard Power Systems Europe (Denmark), McPhy France); DLR (the German aerospace agency) and Interferry (Belgium/US), the world's largest ferry owners' organisation.	Orkney Islands Council		Employing Ballard technology, already proven across millions of miles of road transport, the initial objective is to construct and prove the vessel's modular drive train onshore, testing for stress and durability under conditions employing real-world data from existing vessels. The successful test will then allow a vessel to be constructed to operate in Scotland's inshore waters, in and around Orkney, where hydrogen is already being produced in volume from constrained renewable energy.	The project has been delayed due to the liquidation of the primary contractor Ferguson marine Engineering Ltd (FMEL) who were the main contractor for the project and potential builders of the Vessel. Presently the project is in the process of removing FMEL from the project as the Scottish Government who now own the yard expressed no interest in continuing involvement. However it is proposed that CMAL (Caledonian Maritime Assets Ltd) replace Fergusons to work up a Vessel design which is pending approval by EU funders.
Research & Development	During October 2018 Innovate UK awarded funding to develop the UK's first hydrogen injection system for a hydrogen / diesel ferry. The HyDIME (Hydrogen Diesel Injection in a Marine Environment) project will design and integrate a hydrogen diesel fuel injection system on board a commercial ferry to be deployed in the Orkney Islands.	Partnership working of climate change or sustainability	Participant	Ferguson Marine Engineering Ltd	European Marine Energy Centre (EMEC).	Orkney Islands Council		This builds on the outcomes from previous innovation projects in Orkney Islands, which enable excess energy produced from wind and tidal turbines to be harnessed and used to produce hydrogen on the islands of Eday and Shapinsay. The hydrogen will power a ferry operating between the main town of Kirkwall and the island of Shapinsay, which is the location of the BIG HIT project's 1MW electrolyser.	The 12-month HyDIME project will provide a stepping stone to de-risk and kick-start future hydrogen marine projects and contribute to reducing emissions within the maritime industry. With the need to reduce harmful emissions, using hydrogen as a fuel is becoming increasingly popular as an alternative to fossil fuels. The project will apply, with Ultra Low Emission Mileage Company (ULEMCo), a globally unique technology in hydrogen dual fuel.

Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

<p>Research &amp; Development</p>	<p>Work is underway to refurbish, update and extend the former Stromness Primary School and old Stromness Academy. Once completed, these buildings will provide the base for a 3.75 acre Orkney Research and Innovation Campus (ORIC) which will support the growth of existing research and innovation activity and the expansion of companies in Orkney's marine renewables, energy and low carbon sector.</p>	<p>Partnership working of climate change or sustainability</p>	<p>Participant</p>			<p>Orkney Islands Council. Highlands and Islands Enterprise.</p>		<p>The £6.5 million ORIC project seeks to strengthen Orkney's global lead in the field of renewables research and innovation, providing purpose built business and educational facilities within Stromness, where much of the sector's activity is currently focused.</p>	<p>An open day took place on 26 October 2019, showcasing the new Robert Rendall building – named after the renowned Orcadian naturalist and poet. The facility, located on the site of the former Stromness Primary School, represents the first phase of the project. First phase tenants include Heriot-Watt University's International Centre for Island Technology (ICIT), Solo Energy, and Robert Gordon University. In addition, the building also offers areas that can be rented by external organisations and local businesses involved in relevant sectors.</p>
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**OTHER NOTABLE REPORTABLE ACTIVITY**

Q5) Please detail key actions relating to Food and Drink, Biodiversity, Water, Procurement and Resource Use in the table below.				
Key Action Type	Key Action Description	Organisation's Project Role	Impacts	Comments
Other.	In May 2019 Orkney Islands Council joined organisations around the world in declaring a climate emergency.	Lead.	The Council will work with partners to continue raising awareness with the community and promote understanding of the climate emergency and to identify and implement actions that can be taken within the community to contribute towards carbon reduction. It will also develop further delivery plan targets for consideration by the Policy and Resources Committee.	During 2020 a new post of Climate Change Officer was approved and recruitment is due to commence in 2021.
Other.	Early in 2020 a Short-Term Working Group was established by the Orkney Community Planning Partnership Board to help develop a collective approach to climate change and the climate emergency.	Partner.	The Climate Change Short-Term Working Group aims to champion and promote existing activity on low carbon issues and further embed the Board's collective response to the challenge of responding and adapting to, and protecting Orkney's citizens, businesses, habitats and wildlife from the devastating effects of climate change. It will also consider how best the Orkney Partnership, in the context of community planning requirements, and the opportunities under Strategic Objectives 8 (Environmental Wellbeing and Biosecurity) and 9 (Climate Change and Energy) of the National Islands Plan will enable Orkney to work towards achieving net zero carbon emissions by 2045.	The Short-Term Working Group convened for the first time in February 2020. Covid-19 restrictions mean that further meetings are being held online for the foreseeable future.
Resource Use.	A campaign by Orkney Islands Council to boost metals recycling rates in the county was shortlisted in the 'Campaign of the year (Up to 10k)' category of the MRW National Recycling Awards.	Partner with not-for-profit organisation Alupro.	Orkney's 'Metal Matters' campaign was aimed at promoting a wider range of metals that householders could recycle in Orkney, and encouraging uptake. It saw the amount of metals deposited at the Council's Household Waste and Recycling Centres increase by 44.5% (by weight) between September 2017 and January 2019, while metal put out for kerbside collections increased by 19.4% in the same period.	The increases in metal packaging recycling helped divert valuable finite resources from incineration, and also offset the costs of providing waste disposal services by £4,500 per annum over this period.
Resource Use	During recycling week (23-29 September), Orkney Islands Council ran a mini-campaign encouraging residents to recycle more foil trays and household foil.	Partner with not-for-profit organisation Alupro.	The campaign built on the Metal Matters initiative launched in 2017, which saw an impressive increase in the amount of metals being recycled.	Recycling a tonne of aluminium saves nine tonnes of CO2 emissions and four tonnes of bauxite, the material from which aluminium is made. Aluminum can be recycled indefinitely. An average household can expect to use 182 foil trays and 144 metres of foil wrap each year.
Resource Use.	During August 2019 Orkney Islands Council urged all motorists to 'switch over to switching off' following concerns raised by members of the public about fumes from idling vehicles.	Lead.	Motorists were advised to 'do their bit' by switching off the engine if it looks like they could be waiting for more than 30 seconds. Modern cars use virtually no extra fuel when re-started without pressing the accelerator.	An idling vehicle can produce up to twice as many exhaust emissions as a vehicle in motion.
Other.	Orkney Islands Council investigated an additional two sites for potential community wind farms in the county - to add to the project already under investigation on Hoy. The new projects under consideration are located at Faray, in the North Isles, and at Quanterness, St Ola.	Lead.	'Orkney's Community Wind Farm Project' aims to generate income and community benefit for Orkney. If approved, all profit from the projects would stay in the islands, enabling the Council to preserve and enhance key services and providing a foundation for communities to drive projects of their own.	The developments would also allow the Council to join other local developers in making a contribution to a Needs Case for a new interconnector for Orkney, thereby supporting the renewable energy industry in Orkney, including future development of the marine energy sector.
Other	On 31 January 2020 Orkney Islands Council submitted an application to develop a wind farm on an area of land at Quanterness, St Ola.	Lead.	The proposed development includes six turbines of maximum height 149.9m with a maximum wind farm capacity of 50MW.	
Other.	During 2019 the ReFLEX Orkney project progressed from feasibility studies into a demonstration phase. Funded by UK Research and Innovation (UKRI) through the Industrial Strategy Challenge Fund, ReFLEX Orkney aims to integrate electricity, transport and heat networks in Orkney using advanced software to balance energy demand and supply.	Partner.	The project will help Orkney maximise the potential of its renewable production capabilities and reduce the county's carbon footprint. Work is also underway to set up a new local energy company to offer advice to local consumers and businesses on their energy needs, as well as providing affordable leasing options for new domestic and commercial batteries, electric vehicles and charging points in Orkney. This will include the launch of a local electricity tariff.	Led by the European Marine Energy Centre (EMEC), the consortium includes locally-based partners Aquatera, Solo Energy, Community Energy Scotland, Heriot-Watt University and Orkney Islands Council.



Public Sector Climate Change Duties 2020 Summary Report: Orkney Council

Other.	A project to supply locally produced 'green' electrical power to the MV Hamnavoe NorthLink ferry while docked in Stromness, Orkney, got underway during 2019. The shoreside installation work is being carried out by Schneider Electric, a market leader in the digital transformation of energy management and automation. The project will see the installation of a cable connection system to the ship to provide overnight shore power, pier cables and a transformer upgrade - with the power coming through Orkney's renewable energy resources.	Partner.	This power supply system, known as 'cold ironing', will cut the current overnight carbon footprint from the vessel's diesel generators and engines, lowering the MV Hamnavoe's fuel consumption by at least 500 tonnes a year and resulting in a significant reduction in carbon dioxide (CO2). It will also make a contribution towards further reducing nitrogen oxides (NOx), sulphur oxides (SOx) and noise.	The 'Stromness Multi-modal Low Carbon Transport and Active Travel Hub' project has three other elements: Installation of an electric bus charger at the ferry terminal to open up opportunities for an electric vehicle to be used on the Stromness to Kirkwall route; Installation of electric vehicle charging points for ferry users as well as all other EV owners; Procurement of electric bicycles for use by members of the public, plus associated shelters and charging facilities.
Other	A public consultation drop-in event was held in April 2019, on the Council's proposal to develop an Active Travel Plan for the parish of Stenness and the adjacent Heart of Neolithic Orkney World Heritage Site.	Lead.	The purpose of the event was to understand if, and how, local people currently use active travel methods in the area and what facilities could be developed in future to help them do this more often.	The Council's Development and Infrastructure Committee had already approved a World Heritage Site Masterplan document in partnership with Historic Environment Scotland and also agreed to undertake a feasibility study to look at active and sustainable travel options in the World Heritage Site.
Biodiversity	In 2019 the North Isles Landscape Partnership Scheme (NILPS) collaborated with the Orkney Skate Trust (OST) on an innovative project to learn more about the critically endangered Flapper Skate and general marine life in the North Isles. The project involved placing cameras, baited with food, on the sea floor for short periods in selected locations around the islands. Footage of marine animals attracted to the bait has provided an insight into marine life in the area.	Partner.	The OST's key objective is, through various research projects, to discover more about local Flapper Skate biology and ecology, as well as their spatial and temporal distribution and population dynamics. The aims of the research include the implementation of local conservation measures to specifically protect Flapper Skate, their nursery grounds and eggcases, while at the same time contributing scientific data to other conservation NGOs and government agencies.	The Flapper Skate is the largest known skate in the world and Orkney's network of over 70 islands and skerries provide a refuge for the species – where the marine environment provides optimum conditions for their survival.
Biodiversity.	Another NILPS project will see habitat enhancement works undertaken at selected sites within the North Isles. The focus is on areas that lie outside of designated sites and are currently not included within agri-environment schemes.	Partner.	Funding has been granted to the Sanday Gardening Club to set up a small nursery that could produce plug plants and seed for use within the habitat restoration project. Discussions with members of the North Ronaldsay community to fund a similar project are also underway. Progress has been made on four sites in Papa Westray and land management agreements for proposed works are close to completion as of October 2020. Sites in North Ronaldsay are also in the process of detailed evaluation. Sites identified in other Isles will be assessed during 2021.	A programme of training activities was planned for 2020 and these included workshops to encourage the collection of native wildflower seeds and propagation of plug plants. Covid-19 restrictions have led to the postponement of these activities; however, an alternative means of delivery for some events has been sought. During 2019 and 2020 the Scheme has also funded two tranches of work at the RSPB Onziebust reserve in Egilsay. This work has focused on restoration of wet grassland for wading birds and has included the use of specialist Softrak cutting machinery to reduce rank and tussocky areas of vegetation in wet fields, and the creation of additional pools and scrapes.
Other.	An Orkney-wide energy efficiency survey was undertaken during 2019.	Partner.	Information provided by the survey will help with the targeting of future insulation and heating programmes in Orkney, aid the development of a Local Heat and Energy Efficiency Scheme for the islands, and maximise the benefits of the multi-partner ReFLEX Orkney project.	The aim is to improve energy efficiency, tackle fuel poverty and further enhance Orkney's position as the forerunner in the fields of renewable and sustainable energy.
Other.	In February 2020 people in Orkney were encouraged to take part in a survey to gather information surrounding their views and experiences of electric vehicles and associated charging technology. Orkney is one of 11 Scottish local authorities to be chosen to participate in round two of the "Switched on Towns and Cities Feasibility Study Programme" - run by the Energy Saving Trust and funded by Transport Scotland.	Partner.	The feedback gained through the survey, which runs until March 14, will help inform feasibility studies towards a programme supporting the Scottish Government's ambition to create 20 electric towns and cities by 2025. Ten local authorities participated in round one, which completed in June 2019. Now Orkney has been chosen to participate in the second round. The objective is to explore a range of solutions that will enable local authorities to develop strategies to help with the transition to a low carbon economy.	Each local study will provide a report that includes detailed insights and information on a range of topics including plug-in vehicle forecasts and recommendations for publicly accessible charge points, designed for varied user groups. Additionally, the studies will highlight complementary measures for incentivising and enabling people to participate in low carbon transport options. The feasibility studies will inform and help facilitate action to increase the uptake of plug-in electric vehicles in Scotland's towns and cities.
Water.	The Council's Marine Services team has data loggers deployed at a number of locations to monitor variations in marine water temperatures within Orkney waters.	Participant.	This is a long-term project which forms part of a wider programme to monitor the presence of marine non-native species within the harbour area.	

**Public Sector Climate Change Duties 2020 Summary Report: Orkney Council**

Other.	The Council aims to take a lead role in the future Orkney Islands Marine Planning Partnership, supported by an Advisory Group of stakeholders representing local economic, environmental, community and recreational interests. A diverse range of stakeholder groups have been involved including fisheries, aquaculture, renewable energy, ports and harbours, diving, marine tourism and environmental protection.	Lead.	During 2019-2020 the Council's Development and Marine Planning team commenced the preparation of a 'State of the Environment' assessment of the seas around the islands out to 12 nautical miles. This project was undertaken in collaboration with a range of stakeholders, with the overall aim of gathering information and sharing knowledge of the marine environment.	Following understandable delays due to the COVID19 pandemic, progress has been made recently by Scottish Ministers to continue the process to delegate the powers to Orkney Islands Council. These powers will allow OIC to undertake preparation of a statutory regional marine plan and associated functions.
Other.	During 2019 a project was completed to improve access through the Happy Valley Local Nature Reserve by upgrading an informal route through a wet meadow.	Lead.	The path has opened a wider area for visitors to enjoy all year round and will help reduce pressure on existing woodland paths. The project was funded by the Scottish Government and European Community Orkney LEADER 2014-2020, the Scottish Landfill Communities Fund and the Friends of Happy Valley.	The boardwalk was constructed using recycled plastic materials.
Other.	During 2019 and 2020 the Council embarked on a project to enhance the visitor experience at the Mull Head Local Nature Reserve.	Lead.	Lengths of recycled plastic boardwalk were installed in particularly wet areas, along with finger-post way markers which encourage visitors to adhere to recognised routes, avoiding causing damage to sensitive habitats and disturbance to breeding birds. A GPS Tour Guide app was created which provides a range of natural and cultural heritage information at 20 locations around the reserve. New interpretation panels will be installed in the car park during late 2020.	The Mull Head leaflet has been updated and reprinted and additional signage installed to guide the way to the Visitor Centre. Hazard signs were also installed to warn visitors of proximity to high cliffs. New gates have been erected and fencing repaired with the aim of establishing a programme of conservation grazing by sheep on part of the reserve where the vegetation has become rank and overgrown. A group of young people from the local Connect Project also spent a day at the reserve, helping restore a pathway through the wetland area at the Visitor Centre.
Other.	During 2019 the Council was successful in sourcing funding from Sustrans to install new paths and landscape an area of open space in Kirkwall known as Arcadia Park.	Participant.	Between 2019 and spring 2020, 125 trees and over 2,500 woody shrubs were planted in the park, tarmac paths were laid and sheltered seating was installed.	Although the land is owned by the Council, during 2017 management of the park was undertaken by the Orkney Alcohol Counselling and Advice Service (OACAS). It is now looked after by Voluntary Action Orkney (VAO). The aim is to create an area where people of all ages can walk, cycle and spend time outdoors, experiencing the peaceful surroundings of the park and the wildlife it supports.

**Q6) Please use the text box below to detail further climate change related activity that is not noted elsewhere within this reporting template**

During September 2019 it was confirmed that the UK energy regulator OFGEM has conditionally approved SSEN proposals to build a 220MW interconnector linking Orkney with the Scottish mainland. Approval is dependent on at least 135 MW of new wind farm projects in Orkney either being awarded a Contract for Difference (CfD) or being judged 'likely to be developed' by December 2021.

# Orkney Islands Council

## Biodiversity Duty Report 2018-2020



**Images on cover: Orkney vole © Alastair Skene; Short-eared owl © Ian Francis;  
Puffballs © Sydney Gault; Common carder bumblebee © Sydney Gault**

## Contents

Orkney Islands Council .....	1
Biodiversity Duty Report 2018-2020.....	1
Introduction.....	4
Mainstreaming .....	7
Actions taken to improve biodiversity conservation .....	12
Partnership working and biodiversity communications .....	19
Biodiversity highlights and challenges .....	26
Monitoring.....	30
Forthcoming developments in biodiversity conservation.....	30
Contribution to the 2020 Challenge for Scotland’s Biodiversity national targets ...	31



## Introduction

Biological diversity, or biodiversity, is a term used to describe the variety of life on Earth. The Convention on Biological Diversity<sup>1</sup> refers to:

- The wide range of living organisms present on land and in water – animals, plants, fungi, bacteria and other simple microorganisms;
- Genetic variation within species;
- The variety of habitats and ecosystems – the different places where organisms live and how they interact with one another and their surrounding environment.

Scotland's rich and varied landscapes are made up of a complex mosaic of habitats that support approximately 90,000 animal, plant and microbe species. However, pressures such as pollution, habitat degradation and climate change have caused a decline in biodiversity across the world, including here in Scotland.

The Scottish Government has developed a biodiversity strategy which sets out the key steps needed to address this decline. The original strategy, Scotland's Biodiversity: It's in Your Hands<sup>2</sup>, was published in 2004. In 2013, it was supplemented by the 2020 Challenge for Scotland's Biodiversity<sup>3</sup> which sets out the major steps needed to improve the state of nature in Scotland. The two documents together now constitute the Scottish Biodiversity Strategy. The Scottish Government has also produced Scotland's Biodiversity: A Route Map to 2020<sup>4</sup> to help direct priorities for action.

### The Biodiversity Duty

The Nature Conservation (Scotland) Act 2004 places a duty on all public bodies, including local authorities, to "further the conservation of biodiversity" while carrying out their responsibilities. This is commonly known as the 'Biodiversity Duty'. In complying with the Biodiversity Duty, public bodies in Scotland must have regard to the Scottish Biodiversity Strategy.

The Wildlife and Natural Environment (Scotland) Act 2011 places a further obligation on public bodies to provide a publicly available report, every three years, on the actions undertaken to comply with the Biodiversity Duty.

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<sup>1</sup> Convention on Biological Diversity, United Nations. 1992 <https://www.cbd.int/convention/>

<sup>2</sup> Biodiversity – It's in Your Hands, Scottish Government. 2004  
<https://www.gov.scot/publications/scotlands-biodiversity---its-in-your-hands/>

<sup>3</sup> 2020 Challenge for Scotland's Biodiversity, Scottish Government. 2013  
<https://www.gov.scot/publications/2020-challenge-scotlands-biodiversity-strategy-conservation-enhancement-biodiversity-scotland/>

<sup>4</sup> Scotland's Biodiversity: A Route Map to 2020, Scottish Government 2015  
<https://www.gov.scot/publications/scotlands-biodiversity-route-map-2020/>

Local authorities are well placed to deliver biodiversity conservation; as land managers and planning authorities they can have a significant positive impact on biodiversity protection, as well as identifying opportunities for enhancement.

This is the third Biodiversity Duty report to be prepared by Orkney Islands Council and it summarises the Council's delivery of the Duty during the period 1 January 2018 to 31 December 2020. It addresses the following themes:

- Mainstreaming.
- Actions taken to improve biodiversity conservation.
- Partnership working and biodiversity communications.
- Biodiversity highlights and challenges.
- Contribution to national targets.

The report may be accessed from the Council's website at [www.orkney.gov.uk](http://www.orkney.gov.uk) and a paper copy will also be available to view at Customer Services, Council Offices, School Place, Kirkwall, KW15 1NY.

### **Orkney's natural environment – a brief summary**

Orkney is an archipelago, a cluster of around 90 islands and smaller skerries, surrounded by clear, relatively shallow water. Located at approximately 59 degrees north, between the North Atlantic and the North Sea, the area is exposed to frequent gales and high energy wave conditions. Orkney's climate is relatively mild due to the warming effect of the North Atlantic Drift which flows northward past its western coasts. The county has a land area of approximately 990 km<sup>2</sup> and a coastline of over 980 km. Only 19 islands are inhabited with the highest number of people living on the largest island, mainland. In 2019 the mid-year population estimate was 22,270<sup>5</sup>.

The Orkney Islands are particularly valued for the abundance and variety of their wildlife. Towering cliffs provide nesting sites for seabirds; moorland hills support many more bird species, including breeding hen harrier, short-eared owl and red-throated diver and rough grasslands provide habitat for the Orkney vole, a small mammal which is unique to the Orkney Islands. The seas surrounding the islands support benthic habitats such as maerl beds, horse mussel beds, flame shell beds and seagrass meadows, as well as a range of mobile species including harbour and grey seal, sea trout and several cetacean species.

A number of areas are designated for conservation under national and/or international legislation:

- 36 Sites of Special Scientific Interest.
- 13 Special Protection Areas (SPA).

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<sup>5</sup> National Records of Scotland <https://www.nrscotland.gov.uk/files/statistics/council-area-data-sheets/orkney-islands-council-profile.html>

- 2 proposed Special Protection Areas (pSPA).
- 6 Special Areas of Conservation (SAC).
- 1 Ramsar site.
- 3 Natural Heritage Marine Protected Areas (NC MPA).
- 2 Local Nature Reserves (LNR).

It is important to be aware however, that there is a significant degree of overlap, e.g. SSSIs may also be designated as SPAs, SACs and/or Ramsar sites.

Out-with the statutorily designated sites, a suite of Local Nature Conservation Sites is identified in the Orkney Local Development Plan. These are areas of land and water that are recognised as having high biodiversity value and therefore worthy of protection, albeit at a lower level than that afforded to national and international sites. They contain valuable habitats which support a wide range of Orkney's wildlife and include areas of heath, wetland, coast, native woodland, unimproved grassland, freshwater lochs and burns. They also provide 'stepping-stones' allowing species to move more freely through the countryside.



**Female hen harrier © RSPB; Heath spotted orchid © Sydney Gauld; and Great yellow bumblebee on red clover © John Crossley**



## Mainstreaming

Orkney Islands Council is made up of twenty-one elected Councillors representing six multi-member wards. The Council operates through a system of committees and sub-committees with officers reporting to these on relevant matters. The Council has five main services:

- Chief Executive's Service.
- Corporate Services.
- Development and Infrastructure.
- Education, Leisure and Housing.
- Orkney Health and Care.

The full service structure is illustrated in Figure 1 below.

**Figure 1: Orkney Islands Council organisational chart (2020)**



## Guiding principles and outcomes

The Council's vision and aspirations for Orkney are outlined within the **Orkney Community Plan** which incorporates **Orkney's Local Outcomes Improvement Plan (LOIP) for 2018-2021**<sup>6</sup>. Under the Community Empowerment (Scotland) Act 2015, each community planning partnership must prepare and publish a LOIP. This

<sup>6</sup> Orkney Community Plan and Local Outcomes Improvement Plan. Orkney Islands Council <https://www.orkney.gov.uk/Council/C/council-partners.htm>

replaces the former Single Outcome Agreement. The Plan and LOIP are produced by the Orkney Partnership and describe what the member organisations aim to achieve over the three-year period and beyond, as the Partnership's contribution to both Orkney's local priorities and the ambition of the Scottish Government for the whole of Scotland.

The shared mission of the Orkney Partnership is "Working together for a better Orkney" and it is guided by six key values:

- Resilience.
- Enterprise.
- Equality.
- Fairness.
- Leadership.
- Sustainability.

The Community Plan's vision is that:

"By 2030, Orkney will be a first-choice location for people to live and work. Orkney will have nationally significant training and investment opportunities. Orkney will attract visitors from around the world to admire its natural environment, heritage and cutting-edge business and industrial facilities. Above all, Orkney will be the place to enjoy an exceptional quality of life, a fulfilling career and a sustainable lifestyle."

The Council's **Corporate Strategic Plan 2018-2023**<sup>7</sup> shares the key values of the Community Plan and outlines how the Council is working to deliver this vision.

### **Plans, policies and strategies**

Biodiversity can only be delivered effectively across the Council if it is incorporated into relevant plans, policies and strategies. Council plans, policies and strategies which are particularly key to furthering the conservation of biodiversity include the following:

The **Orkney Local Development Plan 2017 (LDP)**<sup>8</sup> shares the vision of the Community Plan and highlights the role of the natural environment in underpinning many sectors of the county's economy, as well as its importance in supporting a high quality of life in the islands. It includes policies which seek to protect Orkney's environment from the detrimental effects of development, in particular Policy 9 Natural Heritage and Landscape and Policy 12 Coastal Development. Additional guidance on conserving biodiversity, as well as options for biodiversity

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<sup>7</sup>Orkney Islands Council Corporate Strategic Plan 2018-2023  
<https://www.orkney.gov.uk/Council/C/corporate-strategic-plan-2018-2023.htm>

<sup>8</sup> Orkney Local Development Plan 2017-2022, Orkney Islands Council  
<https://www.orkney.gov.uk/Service-Directory/O/Orkney-Local-Development-Plan.htm>

enhancement, are provided in Supplementary Guidance: Natural Environment and Supplementary Guidance: Aquaculture<sup>9</sup>.

The **Pilot Pentland Firth and Orkney Waters Marine Spatial Plan**<sup>10</sup> was developed jointly by Marine Scotland, Orkney Islands Council and Highland Council and sets out an integrated planning policy framework to guide marine development, activities and management decisions, whilst ensuring the quality of the marine environment is protected. Its vision is that the Pentland Firth and Orkney waters will be a clean, healthy, safe, attractive and productive marine environment that is rich in biodiversity and managed sustainably to support thriving and resilient local communities.

The next stage in marine planning will be the preparation of a **Regional Marine Plan for Orkney**. Following understandable delays due to the COVID19 pandemic, progress has been made recently by Scottish Ministers to continue the process to delegate powers to Orkney Islands Council. These powers will allow OIC to undertake preparation of a statutory regional marine plan and associated functions.

A public announcement went out on the 3rd of September in the *Orcadian* and the Marine Scotland website; the closing date for representations the 1st of October. As no comments were received, Marine Scotland have moved onto the next stage of the process and seek to confirm the final direction with Ministers. Part of that process includes updating the draft direction dates. After this, the next step is to send a submission to the Minister to approve and sign, then hopefully issue, the final Direction to Orkney Islands Council.

In the meantime, work has continued to prepare background documents to ensure that, once the Direction is in place, OIC can progress quickly with the plan-making process. Key tasks will include setting up the Advisory Group, which will provide expert input and guidance, preparation of the Statement of Public Participation (SPP) and commencing the Strategic Environmental Assessment process, as well as scoping the marine plan.

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<sup>9</sup> Orkney Local Development Plan 2017-2022 Supplementary Guidance. Orkney Islands Council. <https://www.orkney.gov.uk/Service-Directory/D/guidance-for-the-plan-2.htm>

<sup>10</sup> Pilot Pentland Firth and Orkney Waters Marine Spatial Plan, Scottish Government 2016. <https://www.gov.scot/publications/pilot-pentland-firth-orkney-waters-marine-spatial-plan/>



**Bloody Henry starfish © Jenni Kakkonen**

As the plan-making process is an iterative one, new data and information will be welcome and used to inform the plan, as well as the many associated documents required. There will be various formal opportunities for stakeholders to feed into the plan, as outlined in the SPP.

The **Orkney Open Space Strategy**<sup>11</sup> identifies open space as a key resource which contributes to the quality of the natural environment, biodiversity, visual amenity, personal health and wellbeing. It includes guidance on how natural and semi-natural greenspaces can be enhanced for biodiversity.

Initially published in 2014, the **Orkney Outdoor Access Strategy**<sup>12</sup> was reviewed and updated in 2016-17. Key aims of the Strategy include the provision of a range of access opportunities suitable for different user groups and people of all abilities which are safe, welcoming and enjoyable; and the promotion of responsible behaviour in the countryside through education and information.

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<sup>11</sup> Orkney Open Space Strategy, Orkney Islands Council 2014.

<sup>12</sup> Orkney Outdoor Access Strategy, Orkney Islands Council 2017.  
<https://www.orkney.gov.uk/Service-Directory/O/Outdoor-Access.htm>



The **Orkney Core Paths Plan**<sup>13</sup> was reviewed and updated in 2018 and includes a suite of maps showing the core paths for each area or island. Many of these paths provide public access to high quality natural heritage sites. Examples include the linear path WM26 which follows the coast through the Stromness Heaths and Coast SAC; path R6 which offers a circular route on Faraclett Head, part of the Rousay SPA; and path W1 which takes in the West Westray SPA.

In the Council's current **Procurement Strategy**<sup>14</sup> sustainability is one of the key priority areas where targets are identified for reporting. Consideration is to be given to the elimination of single use / disposable plastic items used by the Council where possible, and support others to do likewise.

Within Orkney Islands Council, the Development and Infrastructure Service takes a lead role in delivering the Biodiversity Duty. The Environment Officer post within Development and Marine Planning has a specific remit to further the conservation of biodiversity through the **Orkney Local Biodiversity Action Plan (LBAP)**<sup>15</sup>. The current LBAP covers the period 2018-2023 and is the third in a series of focused revisions of the original Orkney LBAP 2002. It addresses biodiversity action planning through a set of four themes: Greenspace, Farmland, Peatland and the Marine Environment. Under each theme a range of objectives, targets and actions is identified which will seek to bring benefit to biodiversity in Orkney during the lifetime of the Plan.

### **Procedures and processes**

Specific procedures and processes are adopted by certain Council Services to ensure that they routinely assess the effects of their activities on biodiversity, adhere to environmental law and adopt good practice. Strategic Environmental Assessment (SEA) is one of these and guidance is provided on the IT portal for the benefit of Council officers. The Orkney Local Development Plan, as well as the Supplementary Guidance documents for the Natural Environment and Aquaculture all underwent the full SEA process. A Habitats Regulations Assessment was also undertaken of the LDP.

Other procedures used to assess and mitigate adverse effects on biodiversity include:

- Consultation with the Environment Officer or similar expert.
- Use of ecological consultants.
- Environmental Impact Assessment.

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<sup>13</sup> Orkney Core Paths Plan, Orkney Islands Council 2018. <https://www.orkney.gov.uk/Service-Directory/C/Core-Paths.htm>

<sup>14</sup> Procurement Strategy 2019-2021 Orkney Islands Council <https://www.orkney.gov.uk/Service-Directory/P/procurement-strategy-2019-to-2021.htm>

<sup>15</sup> Orkney Local Biodiversity Action Plan <https://www.orkney.gov.uk/Service-Directory/L/Local-Biodiversity-Plan.htm>

- Pre-works ecological surveys.

## Actions taken to improve biodiversity conservation

Biodiversity action within OIC services is detailed below.

### Planning Service

Planning is a key service in the delivery of biodiversity conservation through the preparation and implementation of land use policies to enable protection of Orkney's natural heritage.

The Development and Marine Planning team covers a range of responsibilities associated with policy and project development for the use, and development, of land. Its core remit is the preparation and review of the Orkney Local Development Plan and associated policy documents. In carrying this out, individual members of the team have responsibility for addressing a wide range of issues including biodiversity, archaeology, conservation, access and design. The team also plays a leading role in the Council's regeneration projects.

The current national planning policy framework supports the conservation and, where appropriate, enhancement of protected natural heritage sites, protected species and biodiversity in the wider landscape. The Local Development Plan and planning guidelines reflect these overarching aims and translate them into planning policies for the local context.

The Development Management team implements the policies of the Local Development Plan through the determination of planning applications. The Council's Environment Officer is routinely consulted for advice on planning applications which have potential to impact on biodiversity.

### Marine planning

The Pilot Pentland Firth and Orkney Waters Marine Spatial Plan developed jointly by Marine Scotland, Orkney Islands Council and Highland Council sets out an integrated planning policy framework to guide marine development, activities and management decisions, whilst ensuring the quality of the marine environment is protected. It will establish a useful basis for the preparation of the two separate regional marine plans for Orkney and the North Coast Scottish Marine Regions.

Orkney Islands Council has adopted the Plan as non-statutory planning guidance, acknowledging its status as a material consideration in the determination of relevant planning applications. The Council has also approved the Plan as a material consideration in the determination of works licence applications.

The Council aims to take a lead role in the future Orkney Islands Marine Planning Partnership, supported by an Advisory Group of stakeholders representing local economic, environmental, community and recreational interests. A diverse range of stakeholder groups have been involved, including fisheries, aquaculture, renewable energy, ports and harbours, diving, marine tourism and environmental protection.

Following understandable delays due to the COVID-19 pandemic, progress has been made recently by Scottish Ministers to continue the process to delegate the powers to Orkney Islands Council. These powers will allow OIC to undertake preparation of a statutory regional marine plan and associated functions.

A public announcement went out on the 3rd of September in the *Orcadian* and the Marine Scotland website; the closing date for representations the 1st of October. Marine Scotland have now moved onto the next stage of the process and seek to confirm the final direction with Ministers. Part of that process includes updating the draft direction dates. After this, the next step is to send a submission to the Minister to approve and sign, then hopefully issue, the final Direction to Orkney Islands Council.

In the meantime, work has continued to prepare background documents to ensure that, once the Direction is in place, OIC can progress quickly with the plan-making process. Key tasks will include setting up the Advisory Group, which will provide expert input and guidance, preparation of the Statement of Public Participation (SPP) and commencing the Strategic Environmental Assessment process, as well as scoping the marine plan.

During 2019-2020 the Council's Development and Marine Planning team commenced the preparation of a 'State of the Environment' assessment of the seas around the islands out to 12 nautical miles. This project is being undertaken in collaboration with a range of stakeholders, with the overall aim of gathering information and sharing knowledge of the marine environment.

### **Biological Recording**

The Orkney Wildlife and Information and Records Centre (OWIARC) is part of the planning service, where an extensive database of species records is managed and available to inform the assessment of effects of proposed developments. The Centre is based in the Orkney Library and Archive, where it is staffed on a part-time basis. Currently, around 449,452 species records are held on two recording systems: Recorder 6 and Mapmate.

### **Marine Services**

During 1974, alongside development of the Flotta Oil Terminal, a programme was established to monitor and assess the impact of terminal operations on the marine intertidal environment of Orkney, in particular Scapa Flow. Initially developed and led by a team from Dundee University, the programme was taken over in 1990 by the Council's Marine Environmental Unit.

The long-term monitoring of the Orkney sandy shores was continued during the reporting period, with benthic macroinvertebrate and sediment particle size samples routinely collected from 13 locations around the coast of Scapa Flow. In 2018 samples were collected from Mainland sites only, as sampling on the island of Hoy was cancelled due to a winter storm named 'The Beast from the East' A review of the sandy beach sampling was completed in late 2019 and the number of sites visited annually was reduced to four, with eleven more sites visited every three

years. These changes were prompted by the findings of a PhD thesis published by the Unit's Biologist. Therefore, in 2020, sandy shore samples were collected from three sites with the fourth not being sampled due to restrictions in place for the coronavirus pandemic. Each year the macroinvertebrate samples were hand sorted and identified in-house at the Environmental Unit, with sediment samples being sent to a specialist laboratory for granulometry analysis.

No rocky shore Marine Biodiversity and Climate Change (MarClim) surveys were conducted during the reporting period due to other surveys and work commitments taking priority in 2018 and 2019 and coronavirus restrictions in 2020.

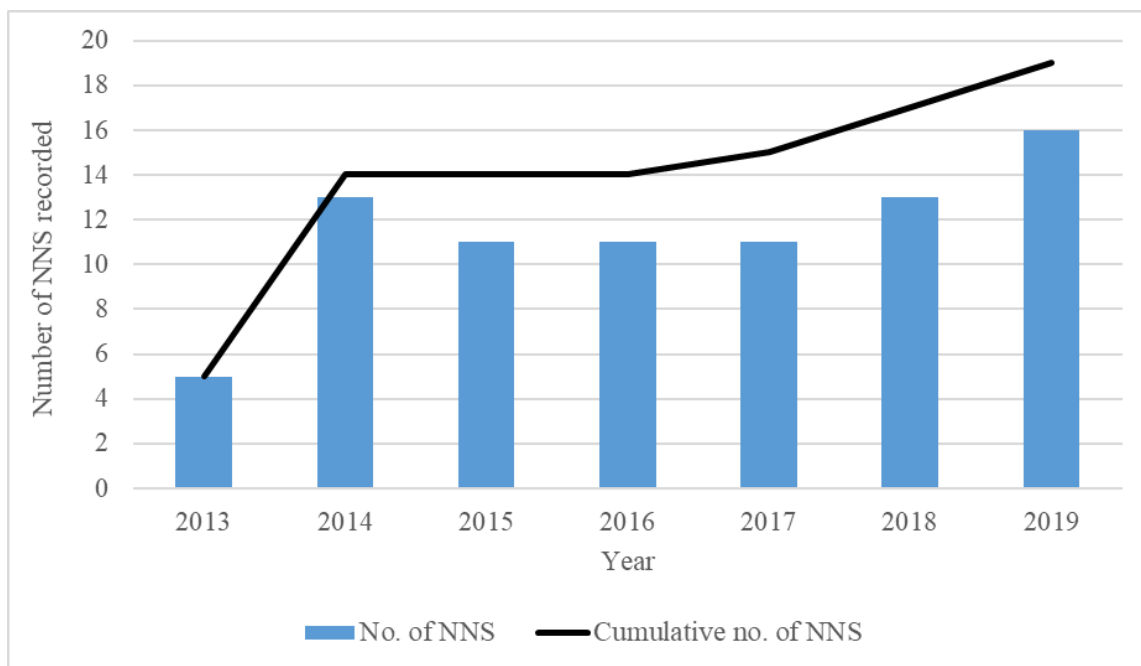
The Council's Ballast Water Management Policy for Scapa Flow allows for the discharge of exchanged and treated (if treatment facilities are fitted to the vessel) ballast from vessels within Scapa Flow, subject to adherence to strict conditions. An important part of the Policy is a monitoring and recording programme for the presence of non-native species which commenced in 2013 with a baseline study. As this is an inherent part of the approved policy, enabling the Council to fulfil its responsibilities under the Wildlife and Natural Environment (Scotland) Act 2011, the monitoring programme will proceed during future years. As an addition to the non-native species monitoring programme, scrape samples are routinely collected from visitor yacht moorings. This sampling provides further distributional data on the presence of marine non-native species in Orkney.



**The Grinds navigation buoy © Jenni Kakkonen**



Marine non-native species monitoring surveys were conducted during the months of June-October each year. The monitoring included: intertidal surveys, scrape sample collections from navigational buoys, phytoplankton and zooplankton sample collection from a pilot boat using plankton nets, benthic grab sample collection from a vessel using a Van Veen grab sampler, visits to all three of Orkney's marinas, salinity samples and sea water temperature logging. In addition to these surveys, scrape samples were collected from 18 visitor yacht mooring buoys. All samples were sent to a taxonomic laboratory for identification. In 2020, due to coronavirus pandemic restrictions, no samples were collected from Westray marina or visitor yacht moorings and no benthic samples were collected. Figure 1 below illustrates the findings of the non-native species monitoring programme and shows that the number of species recorded increased in 2018 and 2019 compared to previous years' findings; however, results of the 2020 sampling were not available at the time of writing this report.



**Figure 1. Number and cumulative number of non-native species recorded during the non-native species monitoring programme.**

The monitoring of radioactivity in the marine environment of Orkney began in 1984 and a programme of triennial (every three years) monitoring of radioactivity in periwinkles and kelp from specific locations around the Orkney coast has been running since 1997. In spring 2018 the Marine Environmental Unit team collected 20 samples of winkles and kelp from 10 locations. The samples were sent to the GAU-Radioanalytical National Oceanography Centre, Southampton for processing and analysis for gamma and alpha emitting radionuclides. The report conclusions indicate low levels of radioactivity in the marine biota around Orkney. The levels of radioactive particles have remained the same or decreased since the last survey was undertaken in 2015.

Weekly seawater samples were collected from Scapa Pier and sent to the marine Scotland (Science) Laboratory in Aberdeen. This programme was set up to assist in the understanding of toxic phytoplankton distribution and bloom occurrence and to provide samples for nutrient analysis, as part of the Marine Scotland (Science) Long Term Monitoring Programme.

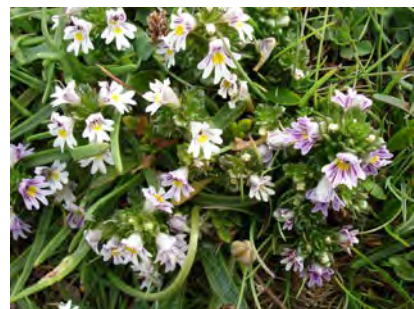
## Roads Service

Maintenance of the county's road verges, ditches and drainage channels is the responsibility of the Council's Roads Service and verge cutting is carried out during the summer months, with the exception of selected verges which are classed as Conservation Verges.

Conservation Verges may contain fine examples of a particular species or alternatively, may support a wide range of species and, for these reasons they are generally left uncut until September to enable the plants to complete their annual growth cycle.

The Community Councils are consulted annually on the Verge Maintenance Plan and invited to provide feedback.

Interest in wildflowers appears to be increasing and, during 2019, various members of the public contacted the Roads Service and/or the Environment Officer to suggest additional verges that might be considered for conservation management. These were surveyed and found to meet the criteria to allow them to be added to the set of Conservation Verges. Throughout the Orkney Islands there are over 1125 miles of roadside verges, amounting to an area of at least 525 ha. During 2020, 90.10 miles of verge were under conservation management.



**Bird's foot trefoil, Dog violet: both images © Sydney Gauld; Eyebright**

## Education

Natural heritage education is provided by the RSPB Field Officer on behalf of Orkney Islands Council. The following topics are offered:

- Bird ID, behaviour and making fat balls.
- The Big Schools Bird Watch.
- Raptors and dissecting owl pellets.
- Nature walk (various locations).
- Sensory walk.
- Nests and nest building.
- Improving school grounds for wildlife.
- Mini-beast hunting and survey techniques (terrestrial and aquatic).
- Marine litter.
- Bird watching trips.
- Sea eagles.
- Transient art.
- Rock pooling.
- Wildflowers and trees.
- Bumblebees.
- Bird friendly farming.
- Orkney Native Wildlife Project.

The Field Officer also helps run the John Muir Award, which is recommended for upper primary pupils and older, mainly focusing on the Discovery award. Participating schools have undertaken project work at places such as Happy Valley, Scapa Beach and RSPB nature reserves such as Brodgar and Hobbister.

## Special education projects

### Little Tern Project

The Little Tern Project alongside No. 4 Barrier progressed well during 2018 and 2019, completing its 3<sup>rd</sup> and 4<sup>th</sup> years. During the first year of the project 11 adults raised eight chicks; however, before the schools became involved, the little terns had failed in their breeding attempts at this site for many years. The project involves erecting temporary fencing where the terns nest and providing protection from disturbance.

Pupils from Burray and St Margaret's Hope primary schools created posters to remind members of the public that the terns would be nesting and how to avoid disturbing them. Children from both schools visited the beach before the terns returned from their migration. They set up the fenced area with decoys and chick shelters and cleaned the beach of litter. During both years the terns experienced increasingly successful breeding seasons:

- During 2018, 31 adults returned and raised 21 chicks.
- During 2019, 27 adults returned and raised 28 chicks.

During 2019 group of secondary pupils on work experience assisted with the removal of the fence after the birds had departed. An MSc student from Heriot Watt University also carried out a study into the provisioning of the colony and disturbance rates.

Restrictions in place to address the coronavirus pandemic meant that the project couldn't go ahead in 2020 and, unfortunately, no little terns are believed to have fledged from the site this year. In view of the success of this project, it is hoped that the schools will be able to be involved again in future years.



Little tern decoy © RSPB

### Egilsay corncrakes

Rousay primary pupils successfully completed their project learning about, carrying out surveys and undertaking conservation work for the endangered corncrake in Egilsay. They learned about the life history of corncrakes, the reason for their decline and how to survey successful breeding habitat. They also created new nettle corridors to provide cover for the birds during the early part of the year.

### White Tailed Eagles

The RSPB warden for Hoy, with support from the Field Officer, worked with Hoy school pupils, engaging them over the white-tailed eagles that have nested in the island in recent years. Pupils learned about the birds' life history and specifically about the Hoy eagles. During 2018 they visited the eagle watch car park where they could see the eagle and their chicks. They also named them: Bakko (Norse for first-born baby) and Craggie (Norse for observation).

## Corporate Services

The Procurement team's **Sustainable Procurement Policy**<sup>16</sup> actively promotes the Council's biodiversity duty. It confirms that where appropriate the Council will specify through its procurement processes, requirements which protect and enhance green spaces, habitats, species, sustainable farming practices and biodiversity, both locally and globally. It includes an assurance to protect and enhance priority habitats and species in Orkney.

## Partnership working and biodiversity communications

### The Orkney Local Biodiversity Action plan

The Council is lead partner for the Orkney Local Biodiversity Action Plan Steering Group which includes the Environment Officer, the Marine Services' Biologist and the manager of the OWIARC. The Group also comprises representatives from Scottish Natural Heritage (SNH), Scottish Environment Protection Agency (SEPA), Scottish Government Rural Payments and Inspections Directorate (SGRPID), Heriot Watt University, Royal Society for the Protection of Birds (RSPB), the Scottish Agricultural College (SAC Consulting) and the Orkney Field Club. The Steering Group is responsible for the preparation and delivery of the Orkney LBAP.

The originally LBAP was published in 2002 and includes 59 Habitat Action Plans for nationally and locally important habitat types that are found in Orkney. The current revision of the LBAP covers the period 2018-2022 and focuses on four themes:

- Greenspace.
- Farmland.
- Peatland.
- The Marine Environment.

LBAP actions completed by the Council during the last three years include:

- Ensuring the provision of good path access to natural and semi-natural environments around settlements.
- Areas for biodiversity enhancement have been identified through the Kirkwall Urban Design Framework. These include the area now known as Arcadia Park as well as the Papdale Play Park.
- A number of paths have been identified which would benefit from improved shelter, through planting trees and shrubs that are appropriate to the location and are beneficial for biodiversity. These include some paths in the vicinity of Papdale Play park.

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<sup>16</sup> <https://www.orkney.gov.uk/Service-Directory/P/sustainable-procurement.htm>



- A list of nature-friendly plant species has been prepared and uploaded to the Council's website. Entitled *Pollinator friendly plants for Orkney gardens*, the list can be accessed at <https://www.orkney.gov.uk/Service-Directory/L/outputs-from-the-orkney-lbap-2018-2022.htm>

### **Climate Emergency**

On 14 May 2019 Orkney Islands Council was among the first local authorities in Scotland to declare a climate emergency. At its meeting on 28 May 2019 the Orkney Partnership Board agreed to develop a collective approach to climate change and the climate emergency.

As a first step, information was collated on what partners were collectively doing across Orkney in terms of a climate change response and carbon reduction targets. This information was presented to the Board on 18 September 2019. The Board discussed aspects of the specific threats and potential opportunities that the climate emergency and climate change impacts have, in relation to achieving the specific aims of the Local Outcomes Improvement Plan (LOIP). It was agreed to:

- Create a framework for aggregated climate change actions and targets amongst partners and, when opportunities arise, increase joint working to assist delivery.
- Consider the addition of the climate emergency as one of the Partnership's cross-cutting challenges.

The Board agreed to establish a Short-Life Working Group to take forward this work by creating a framework and identifying key actions, following which it would make recommendations to the Board.

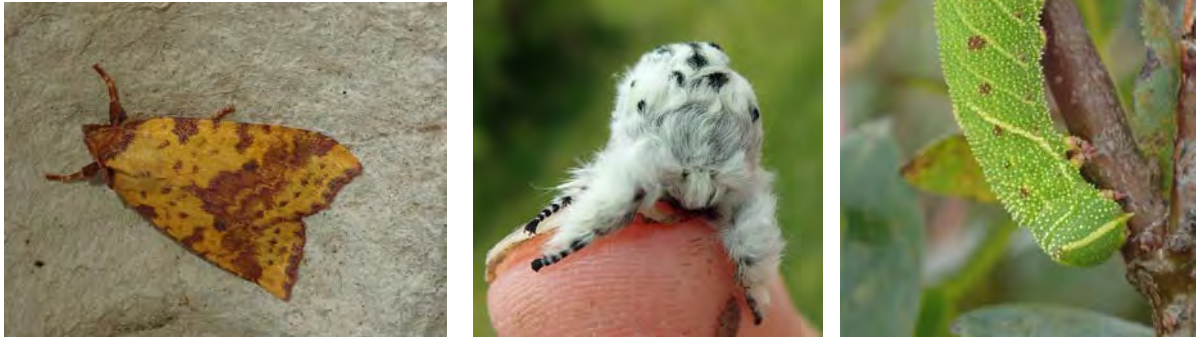
The Climate Change Short-Life Working Group aims to champion and promote existing activity on low carbon issues and further embed our collective response to the challenge of responding and adapting to, and protecting Orkney's citizens, businesses, habitats and wildlife from the devastating effects of climate change. It will also consider how best the Orkney Partnership, in the context of community planning requirements, and the opportunities under Strategic Objectives 8 (Environmental Wellbeing and Biosecurity) and 9 (Climate Change and Energy) of the National Islands Plan will enable Orkney to work towards achieving net zero carbon emissions by 2045.

### **Courses and events**

Each year a range of publicly available courses and events are organised by the Orkney Wildlife Information Advice and Records Centre (OWIARC). During 2018-2020 these were:

- Native woodland course 16 June 2018 (eight participants).
- Leaf miners course 8 September 2018 (seven participants).
- Liverworts identification course 4 May 2019 (seven participants).
- Moth trapping at Mull Head Visitor Centre 17 August 2019 (open day).

A further course on Orkney's geology was planned for 2020 but could not go ahead due to COVID-19 restrictions.



**Pink Barred Sallow, Puss Moth and Poplar Hawkmoth Caterpillar: all images © Sydney Gauld**

### **The Orkney Woodland Project**

The Orkney Woodland Project continues to operate, and 2018 saw the appointment of Jane Rawle as local agent for The Woodland Trust (Scotland). Jane is available to provide advice on all aspects of tree planting and woodland management, as well as information on available grants. The Council's Environment Officer and the County Archaeologist are routinely consulted on new woodland proposals to ensure that these don't result in any unintentional impact on existing habitats and species, or archaeological interests.

### **The North Isles Landscape Partnership Scheme**

The North Isles Partnership Scheme has two umbrella projects that include work to conserve biodiversity through habitat restoration and the recording / monitoring of wildlife in Orkney's North Isles.

#### Habitat Survey and Restoration Project

This project will see habitat enhancement works undertaken at selected sites within the North Isles. The focus is on areas that lie outside of designated sites and are currently not included within agri-environment schemes.

During 2019 and 2020 surveys to identify potential sites for inclusion in the project were carried out by community members in six of the North Isles (Papa Westray, Westray, North Ronaldsay, Eday, Stronsay and Sanday). Approximately 30 sites were identified where there was some potential for improvement to the habitat and where landowners had shown interest in the possibility of work being undertaken.

The second stage of the project has been to make detailed assessments of the sites and conduct further consultation with landowners. Progress has been made on four sites in Papa Westray and land management agreements for proposed works are

close to completion as of October 2020. Sites in North Ronaldsay are also in the process of detailed evaluation. Sites identified in other Isles will be assessed during 2021.

During 2019 and 2020 the Scheme has funded two tranches of work at the RSPB Onziebust reserve in Egilsay. This work has focused on restoration of wet grassland for wading birds and has included the use of specialist Softrak cutting machinery to reduce rank and tussocky areas of vegetation in wet fields, and the creation of additional pools and scrapes. This work will continue over the duration of the NILPS.

A programme of training activities was planned for 2020 and these included workshops to encourage the collection of native wildflower seeds and propagation of plug plants. Covid-19 restrictions have led to the postponement of these activities; however, an alternative means of delivery for some events has been sought. Funding has been granted to the Sanday Gardening Club to set up a small nursery that could produce plug plants and seed for use within the habitat restoration project. Discussions with members of the North Ronaldsay community to fund a similar project are also underway.

### Community Wildlife Recording

This project aims to encourage and facilitate community members to record wildlife and to send sightings to the Orkney Wildlife Information Advice and Records Centre. Some specific research and recording projects are also included, focusing on selected priority species and important groups, such as the great yellow bumblebee, otter, flapper skate. Wading birds and marine wildlife

A community snorkel training event took place in Wyre during 2019. Similar events across the North Isles were postponed in 2020 but are now due to go ahead in 2021. These will be combined with talks and marine wildlife recording activities.

In 2019 the NILPS funded the Orkney Skate Trust to record the presence of flapper skate and other marine animals with the use of baited video cameras. The filming took place in various locations across the North Isles in the summer of 2019. The films will form part of community events that are due to take place in 2021.

During autumn 2019 and winter 2020 work to survey the North Isles otter population began. Eday and North Ronaldsay were both surveyed and mapped for presence and distribution of otters, and trail cameras were used to provide additional information about individual animals and behaviour. A community talk about the project was delivered in Eday. During autumn 2020 and winter 2021 surveys will be undertaken in Sanday and Stronsay, with further work in Eday and North Ronaldsay.

As a result of Covid-19, many community training and recording events planned for summer 2020 could not go ahead. However, the NILPS website is being updated with information and resources about biological recording and the priority species that the project will focus on. This will provide some means and encouragement for people to get involved autonomously, until events and group activities can commence / resume.





**Grey seal and pup**

### **Happy Valley LNR Access Project**

During 2019 a project was completed to improve access through the Happy Valley Local Nature Reserve. An informal route through a wet meadow was upgraded, opening a wider area for visitors to enjoy all year round and reducing pressure on existing woodland paths. A boardwalk path was installed, connecting with a set of steps leading down to the mature woodland and creating a circular route. The steps had previously been commissioned by the Friends of Happy Valley, a local volunteer group which has been involved in the maintenance of Happy Valley since 2005. To take account of the wet ground conditions, the boardwalk was constructed using recycled plastic materials.

Two new seating areas were also created, using locally sourced stone: one in the wet meadow, overlooking the pond, and the other in a sheltered part of the 'young tree field' During the early months of 2020 the Friends of Happy Valley planted additional trees alongside the pond. Over time these will grow and provide shelter to the new seating area.



**One of the new stone seats at Happy Valley © LEADER Orkney Programme**



**Boardwalk path at Happy Valley © LEADER Orkney Programme**

The project was funded by the Scottish Government and the European Community Orkney LEADER 2014-2020 Programme; the Scottish Landfill Communities Fund and the Friends of Happy Valley.



## Arcadia Park

During 2019 the Council was successful in sourcing funding from Sustrans, to install new paths and landscape an area of open space in Kirkwall known as Arcadia Park. Between 2019 and spring 2020, the tarmac paths were laid, 125 trees and over 2,500 woody shrubs were planted, and sheltered seating was installed.

Although the land is owned by the Council, during 2017 management of the park was undertaken by the Orkney Alcohol Counselling and Advice Service (OACAS). It is now looked after by Voluntary Action Orkney (VAO). The aim is to create a place where people of all ages can walk, cycle and spend time outdoors, experiencing the peaceful surroundings of the park and the wildlife it supports.

## Other biodiversity actions

**Bag the Bruck** is a voluntary clean-up of rubbish which is undertaken each spring on over 50 sites throughout the Orkney Islands, mostly on the islands' many beaches. This initiative aims to address the serious threat that marine litter presents to both wildlife and people. Until 2014 Bag the Bruck was organised by a local group, Environmental Concern Orkney; however, it has now been taken over by members of the Outdoor Orkney group. Orkney Islands Council has supported Bag the Bruck for many years through the provision of gloves and bags and also by collecting and disposing of the waste collected. Bag the Bruck 2020 had to be cancelled due to restrictions to address the Covid-19 pandemic.



A Bag the Bruck event in Stronsay © Stronsay School

A similar scheme, **Pick up Three Pieces**, was established by staff and pupils at Glaitness Primary School and encourages people to remove and dispose of 3 pieces of waste when they visit certain local beaches. PU3P has been adopted by other areas within Scotland and is now the shore-based element of KIMO Scotland's "Fishing for Litter" initiative, making it a national campaign.

The Council's Environment Officer took part in Family Day at the **Orkney International Science Festival** in 2018 and 2019 with stands containing information and activities to raise awareness of the importance of a range of wildflowers and ornamental plants for bumblebees and other insect pollinators. On 30 August 2018 she also helped deliver a seed collection event on wildflower propagation in Egilsay.

During 2019 she provided locally sourced wildflower seed and helped children at Shapinsay Community School to grow plug plants and create a small area of wildflower meadow within the school grounds. On 25 October 2019 she delivered a wildflower presentation at a meeting of the Orkney Field Club and just before lockdown on 3 March 2020 she gave a similar presentation to the Stromness Garden Club.

## **Biodiversity highlights and challenges**

### **Highlights**

#### **Mull Head LNR Access and Interpretation Project**

During 2019 and 2020 the Council embarked on a project to enhance the visitor experience at the Mull Head Local Nature Reserve.

Lengths of recycled plastic boardwalk were installed in particularly wet areas, along with finger-post way markers to encourage visitors to adhere to recognised routes, avoiding causing damage to sensitive habitats and disturbance to breeding birds. Hazard signs were also installed to warn visitors of proximity to high cliffs.

A GPS Tour Guide app was created which provides a range of natural and cultural heritage information at 20 locations around the reserve. The app is available on smart phones and may also be accessed remotely online, allowing potential visitors to sample what the reserve has to offer. New interpretation panels are also planned for the car park.

New gates have been erected and fencing repaired with the aim of establishing a programme of conservation grazing by sheep on part of the reserve where the vegetation has become rank and overgrown.

The Mull Head leaflet has been updated and reprinted and additional signage installed to guide the way to the Visitor Centre. A group of young people from the local Connect Project also spent a day at the reserve, helping restore a pathway through the wetland area in front of the Visitor Centre.

The project was funded by the National Lottery Heritage Fund, the Scottish Government and the European Community Orkney LEADER 2014-2020 Programme.

#### **Little Green Holm**

During October 2020 Councillors agreed to take ownership of the island of Little Green Holm, as an investment towards the ongoing conservation of part of Orkney's biodiversity. The Crown had offered the island to Orkney Islands Council at no cost, other than the administration costs associated with the transaction itself.

Lying 4km north of Shapinsay and 2km south-west of Eday, Little Green Holm is vegetated, with a coastline made up of rocks and boulders. Together with the neighbouring island of Muckle Green Holm, the low-lying island is part of a Site of

Special Scientific Interest which supports a nationally significant population of grey seals.

The site was last monitored in 2014 when the seal colony was found to be in favourable condition. A pup survey undertaken in 2010 estimated that 900 pups were born on the Holms; at the time, this figure represented around 2% of grey seal pups born within the UK.

The Council's acquisition of Little Green Holm will provide the Authority with an opportunity to ensure that the island can continue as a haul-put and breeding site for grey seals.

## **Challenges**

### **Orkney Community Wind Farm Project**

Through 'Orkney's Community Wind Farm Project', the Council's Strategic Projects team is investigating three sites for potential community wind farms in the county – at Wee Fea in Hoy, Faray in the North Isles and at Quanterness in St Ola.

All three developments are extensive and present a number of environmental challenges, not least their effects on biodiversity.

The site of the proposed Hoy wind farm is located within a Local Nature Conservation site and is adjacent to an area of Hoy that is designated as a Site of Special Scientific Interest, Special Protection Area and Special Area for Conservation.

The Faray site forms part of the Faray and Holm of Faray Special Area for Conservation and Site of Special Scientific Interest, which is designated for its importance as a grey seal haulout and breeding site.

The Quanterness site is located on farmland but is close to several designated natural heritage sites.

A planning application to develop five turbines at Quanterness was submitted by Orkney Islands Council to the Scottish Government in January 2020; and a further application for a six-turbine wind farm at Wee Fea was submitted in October 2020. During October 2020 the Council launched a public consultation on revised plans for a six-turbine development on Faray, in advance of a planning application being submitted early in 2021.

### **Orkney Native Wildlife Project**

In June 2018, Orkney Islands Council joined RSPB and NatureScot (formerly Scottish Natural Heritage) as a partner in the Orkney Native Wildlife Project.

The Project aims to safeguard the unique and internationally important native wildlife of Orkney by addressing the threat it faces from invasive non-native stoats.

Stoats are native to the UK mainland but not to Orkney, where they were first recorded in 2010. Since then, the stoat population has increased and spread

throughout Mainland Orkney and the Linked Isles including Burray and South Ronaldsay. The animals have no natural predators in Orkney and pose a very serious threat to the county's wildlife, particularly the Orkney vole, hen harrier, short-eared owl and other ground nesting birds for which the islands are internationally important and which draw many visitors to Orkney.

By working with local communities, schools, tourism groups and landowners, the Project will remove stoats from Orkney and put measures in place to prevent them re-invading. This is key to preventing loss of biodiversity in Orkney and protecting it as a stronghold for internationally rare and threatened species, as well as protecting the local economy.

The primary goal of the Project is to eradicate stoats from Orkney. It will also provide a legacy by:

- Putting in place biosecurity plans across the Mainland and other islands to ensure no incursions of stoats are repeated.
- Developing a science programme that will continue as part of long-term native wildlife monitoring after the Project has ended.
- Engaging communities and visitors with local wildlife and raising awareness of the islands' importance for wildlife with tourism providers, to ensure it continues to provide lasting benefits for the local economy.
- Engaging Orkney's younger generations with local wildlife through an education programme in schools and opportunities to be Young Ambassadors and involved with the project's monitoring plan.

The Project is the first stoat eradication conducted in the northern hemisphere, the largest stoat eradication programme to date and the first of its size on a fully inhabited island.

While the Project was being developed and funding sought, it was essential to prevent stoats spreading. Stoats are good swimmers and have been known to swim up to 3km. Therefore, in late 2017 a coastal biosecurity trap network was deployed in five areas of Mainland Orkney identified as potential 'jumping off' points.

Following this, in 2018, a conservation detection dog was brought over from New Zealand (the first of its kind in the UK) and spent three months checking for signs of stoats on islands within swimming distance of the Mainland and Linked Isles. No stoat presence was confirmed on the islands.

In late 2018 funding was acquired, thanks to generous support from the National Lottery Heritage Fund and EU LIFE, for a five-year project which began in early 2019.

The team quickly began identifying and obtaining land access to lay eradication traps across the Orkney Mainland and Linked Isles. Lethal, humane traps known as DOC200s are used. These are housed in specially designed boxes which ensure they operate humanely, and to minimise the risk of catching animals other than stoats. Approximately 80% of trap boxes contain two traps and the remainder a single trap.

By the end of 2019, 500 trap boxes were deployed and being actively checked in South Ronaldsay and Burray and the biosecurity trap network had been expanded to include trap lines in eight high-risk islands. By the end of March 2020, traps were also deployed in protected areas in the West Mainland and more than 1,000 were deployed in the East Mainland.

Currently, thanks to the support of more than 750 landowners, the Project has over 5,000 trap boxes deployed. This includes 1,653 active traps in the East Mainland and Linked Isles networks and just over 400 traps in the combined Mainland and island biosecurity network which are being checked on an approximate three-week cycle. There are currently over 2,500 traps deployed in the West Mainland which will be opened once the entire network has been deployed. The Project is aiming to have the entire network deployed and active by early 2021 and is making a final effort to obtain the land access needed to achieve this.

To date, the Project has caught 591 stoats in the East Mainland and Linked Isles and in the West Mainland biosecurity network.

In addition to maintaining biosecurity trap networks and initiating incursion responses to investigate potential sightings, the Project's biosecurity officer has been developing ties with island communities, establishing a biosecurity working group and developing biosecurity plans. Three stoat detection dogs will be joining the Project team towards the end of 2020 and checks will be conducted on all high-risk islands as soon as possible. To date, no stoat sightings have been confirmed on these islands and no stoats caught.

In 2019, the Project's monitoring programme conducted a baseline study. Important bird species such as hen harrier and voles will continue to be monitored each summer over the course of the Project and a full analysis will be conducted in the final year. The Project is grateful to the Orkney Raptor Study Group and RSPB Scotland for the invaluable information provided, as well as all the short-eared owl sightings submitted through the *Short-eared owls in Orkney* Facebook page.

The Project's volunteer trapping and monitoring programmes were also started during 2019 with members of the public joining the Project team for wildlife surveys and volunteering to host traps in their gardens.

Finally, the Project started delivering educational sessions. From May 2019 to March 2020 the Project visited 11 schools and gave 90 wildlife lessons covering a range of topics to 1,379 children.

The Covid-19 pandemic has had a huge effect on the Project. All activities were put on hold at the end of March 2020 and, while the Project was able to resume trapping operations in June 2020, other activities remain seriously curtailed. As a result, the Project requested and received a one-year extension to late 2024.

## Monitoring

A set of indicators has been identified, to monitor the effects of implementing the Orkney Local Development Plan and associated Supplementary Guidance documents. These indicators are monitored annually over the lifetime of the Plan.

The Environmental Unit team at Marine Services continues to implement a range of marine monitoring programmes, as described above under the section 'Actions taken to improve biodiversity conservation'.

## Forthcoming developments in biodiversity conservation

The United Nations is due to organise the 15<sup>th</sup> meeting of the Conference of the Parties (COP 15) to the Convention on Biological Diversity (CBD) in Kunming, China in May 2021, where a post-2020 global biodiversity framework and renewed Plan of Action will be adopted. This meeting will be complementary to the COP 26 Climate Summit which is planned to be held in Glasgow during November 2021.

The post-2020 framework is to implement broad-based action in support of a 2050 vision, '*Living in harmony with nature*'. A 'net zero' draft framework has been produced with four long-term goals for 2050, eight milestones to assess progress in 2030 and 20 action-oriented 2030 targets.

At COP 15 the draft framework will be subject to negotiation by CBD Parties, including the UK Government, and it will involve setting dedicated 2030 and 2050 targets for increasing natural ecosystems and reducing the number of threatened species.

Nature-based Solutions (NbS), their potential in climate change mitigation and adaptation and restoring biodiversity is a priority theme of the UK COP 26 Presidency.

NbS are actions that work with and enhance nature, to help address societal challenges. Biodiversity supports and is at the core of holistic, Nature-based Solutions. There are clear synergies between biodiversity enhancement, NbS and overarching goals to achieve net-zero carbon emissions.

An example of how the NbS concept has already been adopted locally is the establishment of areas of wildflower meadow and tree planting within the surface water management scheme for Foreland Road, Kirkwall.



## Contribution to the 2020 Challenge for Scotland's Biodiversity national targets

Targets / key steps from Chapter 1 (Healthy ecosystems).	Contribution to key step?	Justification.
1.1 Encourage and support ecosystem restoration and management, especially in catchments that have experienced the greatest degradation.	Yes.	The Orkney LBAP 2018-2022 includes actions to raise awareness of farming for biodiversity through the education system. ' <i>Develop an awareness of environmental good practice</i> ' is one of the modules delivered by the Orkney College. Key environmental issues addressed by the module include biodiversity depletion, pollution, climate change, resource depletion and damage to ecosystems.
1.2 Use assessments of ecosystem health at a catchment level to determine what needs to be done.	N/A.	N/A.
1.3 Government and public bodies, including SNH, SEPA and FCS, will work together towards a shared agenda for action to restore ecosystem health at a catchment-scale across Scotland.	N/A.	N/A.
1.4 Establish plans and decisions about land use, based on an understanding of ecosystems. Take full account of land use impacts on the ecosystems services that underpin social, economic and environmental health.	Yes.	Orkney Local Development Plan Policies 9 Natural Heritage and Landscape and 12 Coastal Development seek to protect ecosystem services that underpin social, economic and environmental health. Further guidance on how this can be achieved is provided in Supplementary Guidance: Natural Environment.

<b>Targets / key steps from Chapter 2 (Natural capital).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
2.1 Encourage wide acceptance and use of the Natural Capital Index (2012) including a comparable measure for the marine environment.	N/A.	N/A.
2.2 Use this index to influence decision-making and market-based approaches, so that the wider monetary and non-monetary values for ecosystem services are recognised and accounted for.	N/A.	N/A.
2.3 Undertake a major programme of peatland conservation, management and restoration.	Yes.	The Orkney LBAP includes actions to undertake a project to restore an area of degraded bog peatland and deliver peatland restoration advisory events. During 2019 RSPB established a pilot restoration project on an area of land at Nutland in the parish of Rendall.

<b>Targets / key steps from Chapter 3 (Biodiversity, health and quality of life).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
3.1 Provide opportunities for everyone to experience and enjoy nature regularly, with a particular focus on disadvantaged groups.	Yes.	Key aims of the Orkney Outdoor Access Strategy are to “provide a range of access opportunities suitable for different user groups and people of all abilities which are safe, welcoming and enjoyable; and “promote responsible behaviour in the countryside through education and information”.  Orkney’s Core Path Plan includes a number of paths which provide public access to high quality natural heritage

Targets / key steps from Chapter 3 (Biodiversity, health and quality of life).	Contribution to key step?	Justification.
		sites. Examples include the linear path WM26 which follows the coast through the Stromness Heaths and Coast SAC; and path R6 which offers a circular route on Faraclett Head, part of the Rousay SPA.
3.2 Support local authorities and communities to improve local environments and enhance biodiversity using green space and green networks, allowing nature to flourish, and so enhancing the quality of life for people who live there.	N/A.	N/A.
3.3 Build on good practice being developed by the National Health Service (NHS) and others to help encourage greenspace, green exercise and social prescribing initiatives that will improve health and wellbeing through connecting people with nature.	Yes.	<p>During 2018 Council officers worked closely with the Orkney Alcohol Counselling and Advisory Service and NHS Orkney to secure funding for biodiversity enhancement and installation of new paths and seating within an existing area of green space, opposite the new Balfour Hospital in Kirkwall. Now named Arcadia Park, this space is accessible for people with reduced mobility and offers a safe and inspiring area for gentle exercise and quiet contemplation.</p> <p>In 2019 Council officers joined forces with the Papdale East Play Park Association (PEPPA) to both develop plans and source funding to enable improvements to an existing play area alongside The Meadows in Kirkwall. Again, this project will include enhancements for biodiversity.</p>
3.4 Increase access to nature within schools, and	Yes.	Outdoor education for schools is delivered by the RSPB Field Officer on

<b>Targets / key steps from Chapter 3 (Biodiversity, health and quality of life).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
support teachers in developing the role of outdoor learning across the Curriculum for Excellence.		behalf of the Council.
3.5 Encourage public organisations and businesses to review their responsibilities and action for biodiversity and recognise that increasing their positive contribution to nature and landscapes can help meet their corporate priorities and performance.	N/A.	N/A.

<b>Targets / key steps from Chapter 4 (Wildlife, habitats and protected spaces).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
4.1 Ensure that the management of protected places for nature also provides wider public benefits.		The Council manages both the Mull Head and Happy Valley Local Nature Reserves. Projects were undertaken in 2019 and 2020 to upgrade access at both sites, and to provide enhanced interpretation at the Mull Head reserve.
4.2 Align habitat restoration on protected areas with national goals for improving ecosystem health, with local priorities determined at the catchment or landscape scales.	N/A.	N/A.
4.3 Integrate protected areas policy with action for wider habitats to combat fragmentation and restore	Yes.	Orkney Local Development Plan Policy 9 Natural heritage and landscape seeks to ensure that all development proposals avoid further fragmentation

<b>Targets / key steps from Chapter 4 (Wildlife, habitats and protected spaces).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
key habitats.		or isolation of habitats and, where possible, incorporate new benefits for biodiversity.
4.4 Develop a wildlife management framework to address the key priorities for sustainable species management, conservation and conflict issues, including reintroductions and invasive non-native species.	Yes.	Along with RSPB and SNH, the Council is a partner in the Orkney Native Wildlife Project. The project aims to safeguard the unique and internationally important native wildlife of Orkney by addressing the threat it faces from an invasive non-native predator, the stoat.
4.5 Involve many more people than at present in this work and improve understanding of the poorly known elements of nature.	Yes.	The Orkney LBAP seeks to improve public knowledge and understanding of the natural environment.  The Orkney Wildlife Information and Advice Centre provides courses which focus on a range of species, not simply those that are more familiar.

<b>Targets / key steps from Chapter 5 (Land and freshwater management).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
5.1 Promote an ecosystem approach to land management that fosters sustainable use of natural resources and puts biodiversity at the heart of land-use planning and decision making.	Yes.	Orkney Local Development Plan Policy 9 Natural Heritage and Landscape and Policy 12 Coastal Development seek to protect ecosystem services that underpin social, economic and environmental health.
5.2 Ensure that measures taken forward under the Common Agricultural Policy encourage land managers to develop and	Yes.	The Orkney LBAP 2013-2016 promoted a number of habitat types as Local Priorities for Agri-Environment Climate Scheme land management projects through the Scottish Rural

Targets / key steps from Chapter 5 (Land and freshwater management).	Contribution to key step?	Justification.
retain the diversity of wildlife habitats and landscape features.		Development Programme (SRDP). Many of these projects remain underway and will continue to be financially supported through the SRDP until 2021.
5.3 Support 'High Nature Value' farming and forestry.	N/A.	N/A.
5.4 Put in place the management necessary to bring Scotland's protected areas into favourable condition and improve the ecological status of water bodies.	N/A.	N/A.
5.5 Ensure that biodiversity and ecosystems objectives are fully integrated into flood risk management plans and restore wetland habitats and woodlands to provide sustainable flood risk management.	Yes.	The Local Flood Risk Management Plan for Orkney takes account of the county's internationally and nationally designated natural heritage sites. The environmental effects of the plan were identified and reported during screening for Strategic Environmental Assessment and a Habitats Regulations Appraisal.
5.6 Restore and extend natural habitats as a means of building reserves of carbon and to help mitigate climate change.	N/A.	N/A.
5.7 Provide clear advice to land and water managers on best practice.	N/A.	N/A.

Targets / key steps from Chapter 6 (Marine and Coastal).	Contribution to key step?	Justification.
6.1 Adopt a Scottish Marine Plan and develop regional marine plans to aid balanced decision making in the marine environment.	Yes.	Orkney Islands Council will take a lead role in the future Orkney Islands Marine Planning Partnership, supported by an Advisory Group of stakeholders representing local economic, environmental, community and recreational interests.
6.2 Establish a coherent network of Marine Protected Areas, promoting sustainable use and conservation.	Yes.	There are two Nature Conservation Marine Protected Areas in Orkney's inshore waters. These are the Wyre and Rousay Sounds MPA and Papa Westray MPA. Both are protected through the policies of the Orkney Local Development Plan and the pilot Pentland Firth and Orkney Waters Marine Spatial Plan.
6.3 Collate information on the location and sensitivity of priority marine features and make this information available to support their protection.	Yes.	<p>Actions identified under the Marine Environment theme of the Orkney LBAP 2018-2022 seek to build on current knowledge of the distribution and abundance of the following PMFs in local inshore waters:</p> <ul style="list-style-type: none"> <li>• Flame shell beds</li> <li>• Maerl beds</li> <li>• Seagrass meadows</li> <li>• Flapper skate</li> <li>• Sea trout</li> </ul>
6.4 Achieve good environmental status for Scottish seas.	Yes.	<p>Implementation of the Orkney Local Development Plan and the pilot Pentland Firth and Orkney Waters Marine Spatial Plan contributes towards this target.</p> <p>The Council supports Bag the Bruck and Pick Up Three Pieces, two schemes which encourage people to clean up local beaches.</p>

<b>Targets / key steps from Chapter 6 (Marine and Coastal).</b>	<b>Contribution to key step?</b>	<b>Justification.</b>
6.5 Bring Common Fisheries Policy fish stocks to levels consistent with Maximum Sustainable Yield wherever possible and take account of biodiversity in managing inshore fisheries.	N/A.	N/A.
6.6 Implement a rapid-response framework to prevent colonisation of new invasive species in Scotland's seas and islands.	N/A.	N/A.
6.7 Improve the monitoring of the marine environment to identify changes and guide progress towards the above outcomes.	Yes.	The Council's Ballast Water Management Policy for Scapa Flow includes a monitoring and recording programme for the presence of non-native species. Scrape samples are also routinely collected from visitor yacht moorings. Together, these sampling programmes provide distributional data on the presence of marine non-native species in Orkney.



## Minute

### Pension Fund Sub-committee, together with Pension Board

Thursday, 16 September 2020, 10:30.

Microsoft Teams.



## Present

### Pension Fund Sub-committee:

Councillors W Leslie Manson, Alexander G Cowie, Barbara Foulkes, Steven B Heddle, Rachael A King, Stephen Sankey and James W Stockan.

### Pension Board:

### Employer Representatives:

Councillors J Harvey Johnston, Owen Tierney and Duncan A Tullock, Orkney Islands Council.

Andrew Blake, Orkney Ferries Limited.

### Trade Union Representative:

Karen Kent (Unison) and Eoin Miller (Unite)

## Clerk

- Sandra Craigie, Committees Officer.

## In Attendance

- Gareth Waterson, Head of Finance.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

### Audit Scotland:

- Colin Morrison, Senior Auditor.

## Observing

- Lorraine Stout, Press Officer.

## Apology

### Pension Board:

### Trade Union Representative:

- Peter Trodden (Unison).

## **Not Present**

### **Pension Board:**

### **Trade Union Representative:**

- Mark Vincent (GMB).

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor W Leslie Manson.

## **1. Form of Voting**

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

## **2. Disclosure of Exempt Information**

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 6 as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

## **3. Revenue Expenditure Outturn**

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

Noted:

**3.1.** The revenue expenditure outturn statement in respect of Pension Fund services for financial year 2019/20, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £34,330,300.

The Sub-committee scrutinised:

**3.2.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

## **4. Revenue Expenditure Monitoring**

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

Noted:

**4.1.** The revenue financial summary statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2020, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £47,010,900.

**4.2.** The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2020, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

**4.3.** The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

## **5. Interim Funding Review**

After consideration of a report from the Head of Finance, copies of which had been circulated, the Sub-committee:

Noted:

**5.1.** That the funding level of the Orkney Islands Council Pension Fund was reported at 112.7% as at 31 March 2017, as part of the triennial actuarial valuation exercise carried out by the Actuary, Hymans Robertson.

**5.2.** That, in light of the uncertainty surrounding future financial conditions, the financial position of the Pension Fund was monitored by means of interim funding reviews in the period up to the next triennial valuation.

**5.3.** That an interim funding review had now estimated the funding level of the Pension Fund to be 104.6% as at 31 March 2020, which represented a surplus of £38,000,000 as at 31 March 2017, decreasing to a surplus of £17,000,000 as at 31 March 2020.

**5.4.** That investment returns over the three-year period to 31 March 2020 had been mainly strong but took a sharp decline in the final quarter of financial year 2019/20 due to the effects of the COVID-19 pandemic on financial markets, which had been further compounded by the effects of the significant increase in liabilities since the 2017 valuation.

**5.5.** That the balance of assets relative to the assessed future cost of member benefits had decreased over the past year by £35,000,000, from a surplus of £52,000,000 as at 31 March 2019 to a surplus of £17,000,000 as at 31 March 2020.

**5.6.** That the contribution rates were reviewed as part of the 2017 formal valuation carried out as at 31 March 2017 and the Actuary had reported that no immediate action was required as a result of the interim funding review for the Pension Fund.

**5.7.** That the interim funding review gave an indication of the results that may be expected at the 2020 formal triennial actuarial valuation as at 31 March 2020, which was currently being carried out.

## **6. Statement of Managed Pension Funds**

On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, the Sub-committee resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

After consideration of a report by the Head of Finance, and after hearing a report from the Accounting Manager (Corporate Finance), copies of which had been circulated, the Sub-committee:

Noted:

**6.1.** The review of the investment manager's performance for the quarter to 30 June 2020, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

**6.2.** That the Pension Fund investments returned a gain of 19.3% over the quarter to 30 June 2020, which was 7.7% ahead of the benchmark and was considered excellent.

**6.3.** That the value of the Pension Fund had increased by 9.0% over the 12-month period to 30 June 2020, being 4.5% ahead of the target, which was also considered excellent.

**6.4.** That an average return of 11.0% per annum for the Pension Fund remained 2.4% ahead of the target over the five-year period.

**6.5.** That, although the Pension Fund increased by £73,300,000 over the quarter ending 30 June 2020, this included recovery of £55,100,000 in the reduction in value experienced by the investments for the quarter ending 31 March 2020 as a result of market fluctuations surrounding the COVID-19 pandemic.

**6.6.** The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter ending 31 March 2020, as attached as Appendix 2 to the report by the Head of Finance.

**6.7.** The Governance Summary extracted from Baillie Gifford's performance report for the quarter ending 30 June 2020, attached as Appendix 3 to the report by the Head of Finance.

## **7. Conclusion of Meeting**

At 11:46 the Chair declared the meeting concluded.

Signed: L Manson.

## Minute

### **Pension Fund Sub-committee, together with Pension Board**

Monday, 26 October 2020, 11:30.

Microsoft Teams.



## **Present**

### **Pension Fund Sub-committee:**

Councillors W Leslie Manson, Alexander G Cowie, Barbara Foulkes, Steven B Heddle, Rachael A King and Stephen Sankey.

### **Pension Board:**

### **Employer Representatives:**

Councillors J Harvey Johnston, Owen Tierney and Duncan A Tullock, Orkney Islands Council.

Andrew Blake, Orkney Ferries Limited.

### **Trade Union Representative:**

Karen Kent (Unison) and Eoin Miller (Unite)

## **Clerk**

- Hazel Flett, Senior Committees Officer.

## **In Attendance**

- John W Mundell, Interim Chief Executive.
- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Michael Scott, Solicitor.

### **Audit Scotland:**

- Gillian Woolman, Audit Director.
- Claire Gardiner, Senior Audit Manager.
- Colin Morrison, Senior Auditor.

## **Observing**

- Karen Greaves, Head of Executive Support.
- Avril Litts, Accounting Manager (Strategic Finance).
- Shonagh Merriman, Accounting Manager (Corporate Finance).

- Katie Gibson, Accounting Officer.
- Lorraine Stout, Press Officer.

## **Apology**

- Councillor James W Stockan.

## **Pension Board:**

### **Trade Union Representative:**

Eileen Swanney (Unison).

## **Not Present**

## **Pension Board:**

### **Trade Union Representative:**

- Mark Vincent (GMB).

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor W Leslie Manson.

## **1. Form of Voting**

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

## **2. Orkney Islands Council Pension Fund**

### **Audit Report to those charged with Governance**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Audit Director, Audit Scotland, the Sub-committee:

Noted:

**2.1.** That Audit Scotland, as the Council's external auditors, had concluded their audit of the Orkney Islands Council Pension Fund's Annual Report and Accounts for the year ended 31 March 2020.

**2.2.** That Audit Scotland had provided an unqualified certificate on the Pension Fund's Annual Report and Accounts for the year ended 31 March 2020.

**2.3.** That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

**2.4.** That, during the course of the audit, a number of presentational, consistency and disclosure errors were identified within the financial statements, which had been adjusted in the final accounts.

**2.5.** That no material weaknesses in the accounting and internal control systems relating to the Pension Fund were identified during the audit.

**2.6.** Audit Scotland's covering letter in respect of the Orkney Islands Council Pension Fund Annual Audit Report, attached as Appendix 1 to the report by the Head of Finance.

**2.7.** Orkney Island's Council's Letter of Representation to Audit Scotland in connection with their audit of the financial statements of Orkney Islands Council Pension Fund for the year ended 31 March 2020, attached as Appendix 2 to the report by the Head of Finance.

**2.8.** The Annual Audit Report to Members of the Pension Fund Sub-committee and the Controller of Audit, in respect of the Orkney Islands Council Pension Fund, attached as Appendix 3 to the report by the Head of Finance.

### **3. Pension Fund – Annual Accounts**

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee

Noted:

**3.1.** The requirement, in terms of the Local Authority Accounts (Scotland) Regulations 2014, for a local authority, or a committee of the authority, whose remit included audit or governance functions, to consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts relate.

**3.2.** That, in terms of the Coronavirus (Scotland) Act 2020, the deadline for publication of final accounts could be extended by two months, if required, from 31 October 2020 to 31 December 2020.

**3.3.** That, although the Audited Accounts would be signed after 30 September 2020, publication would still take place by the original deadline of 31 October 2020.

**3.4.** The Management Commentary, comprising pages 1 to 12 of the Annual Report and Accounts of the Orkney Islands Council Pension Fund, attached as Appendix 1 to the report by the Head of Finance, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2020, with the key facts and figures summarised at section 4.3 of the report by the Head of Finance.

On the motion of Councillor Rachael A King, seconded by Councillor Barbara Foulkes, the Sub-committee resolved, in terms of delegated powers:

**3.5.** That the Annual Report and Accounts of the Orkney Islands Council Pension Fund 2019/2020, attached as Appendix 1 to this Minute, be approved.

#### **4. Conclusion of Meeting**

At 12:18 the Chair declared the meeting concluded.

Signed: L Manson.





**ORKNEY**  
ISLANDS COUNCIL

**Annual Report and Accounts of the  
Orkney Islands Council Pension  
Fund 2019/2020**



**Contents**

Management Commentary .....	1
Statement of Responsibilities for the Annual Accounts.....	13
Remuneration Report .....	15
Annual Governance Statement.....	16
Governance Compliance Statement.....	24
Annual Accounts 2019-2020.....	29
Pension Fund Account.....	29
Notes to the Annual Accounts .....	31
Independent Auditor's Report.....	55
Annex 2 – Actuarial Statement for 2019-2020 .....	60
Annex 3 - Glossary of Terms .....	63
Additional Information .....	65



## **Management Commentary**

### **Introduction**

Welcome to the Annual Report and Accounts for the Orkney Islands Council Pension Fund for the year ended 31 March 2020.

The Local Government Pension Scheme (Scotland) Regulations 2018 require the Council, as administering authority for the Fund, to produce a separate statement of accounts for the Pension Fund and incorporate it into an Annual Report.

This Annual Report has been produced to provide Elected Members, Employers, scheme members and other interested parties with information concerning the administration and performance of the fund for financial year 2019-2020 and we hope you find its content useful.

To assist in the understanding of the Annual Report and Accounts we would encourage you to make reference to the Management Commentary in the first instance.

We realise that pensions are a highly complicated subject. It is, however, important that members take the time to try and understand the scale of benefits that they will receive when they retire - whether this is from the Local Government Pension Scheme itself or through other pension arrangements, such as the State Pension.

### **Overview of Fund Business**

Under the statutory provisions of the Local Government Pension Scheme, Orkney Islands Council is designated as an “Administering Authority” and is required to operate and maintain a pension fund – the Orkney Islands Council Pension Fund (“the Fund”).

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. Contributions to the Fund are made by employee members and by participating employers. The Fund also receives income from its investments, which include equities, bonds and pooled investment vehicles.

The Fund operates under the terms of the Local Government Pension Scheme, which is a public-sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the scheme, a person must be employed by a relevant employer and not eligible to join another public-sector pension scheme. Teachers are not included as they have a separate national pension scheme.

## Review of the Year

### Key Facts and Figures:

Value of the Fund at 31 March 2020 was £376.6 million (£390.7m at 31 March 2019).

An Operational and Investment Income Loss of £14.1 million was incurred on the activities of the fund (compared to a surplus of £24.3m for the year ended 31 March 2019).

The decrease in fund value over the year was largely the result of a loss on market value of investments of £22.3m. Further outflows, including benefits payable (£8.9m) and management expenses (£2.1m) were offset by investment income of £8.2m and contributions receivable of £10.3. Overall this represents a year on year decrease of 3.6% in the value of the fund.

Performance of the Fund on a three year rolling average basis has been 3.4% p.a., giving a relative return above benchmark of 0.5%.

Fund membership increased by 147 to 4,048.

Employers contributed £7.6 million to the Fund (£7.5m to 31 March 2019).

Employees contributed £2.7 million (£2.5m to 31 March 2019).

Pension and other benefits paid out were £8.9 million (£7.4m to 31 March 2019).

Transfer values paid into the Fund because staff changed employers was £1.1 million (£0.8m to 31 March 2019).

Transfer values out of the Fund because staff changed employers was £0.4m (£0.7m to 31 March 2019).

The past year has proved to be a challenging year for investors in general, with global financial markets registering significant losses across most asset classes with the possible exception of bonds. Following a sustained period of strong investment performance throughout 2019, a sharp correction in Quarter 1 of 2020 saw the financial markets close the year well down. Much of the volatility in the markets was caused by concern over the outbreak of Covid-19, and the extent of the restrictive measures being imposed by respective Governments resulted in the shutdown of entire economies across the developed world in an attempt to prevent the spread of the virus.

Over the 12 months to 31 March 2020, the Pension Fund's investments returned a loss of 4.1% which was 1.9% behind the fund specific benchmark. Returns from the Fund have performed ahead of its benchmark over each of the previous 3, 5 and 10-year periods. The target is for the fund manager to outperform the aggregate benchmark over a rolling 5-year period.

The benchmark return of -2.2% generally reflects variable market conditions for investors during the year.

The table shown within the Investment strategy section, page 5, details the allocation of the fund within asset class or pooled investment vehicle.

The value of the fund decreased by £14.1m or 3.6% in the financial year and totalled £376.6m at 31 March 2020.

The change in value of the fund over any given period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of its investments. During the year a net capital loss of £22.3m (2019: £15.2m gain) was offset by income into the fund from dividends and interest of £8.2m (2019: £8.1m), and a surplus of member contributions receivable over pension payments and management expenses of £0.07m (2019: £1.1m).

The Accounts are based on the market value of investments at 31 March 2020. This means that they include the profit or loss that has been made, due to the change in the value of investments, over the period from the date of their purchase to 31 March 2020 even though no actual sale has taken place. This notional value is defined as "unrealised" profit or loss. By contrast "realised" profits and losses are those that have arisen from actual sales throughout the year. Of the net capital loss of £22.3m in the year, £42.1m was an unrealised loss (2019: £1.6m loss) and £19.8m (2019: £16.8m) realised profit.

After allowing for projected liabilities on the fund, the funding level has dropped to 104.6% at 31 March 2020 from its value of 115.3% last financial year end, calculated on an ongoing funding basis. The primary cause of this decline is a decrease in return on assets, a decline in contributions less benefits accruing and the negative impact of change in yields and inflation.

We are pleased to report that the Fund maintains a position above its 100% funding target, being in surplus by £17m at the financial year end (2018-2019: £52m) according to the actuary's most recent funding update.

### **Investment Trends and Influences**

The Fund is measured against a bespoke or fund specific benchmark reflecting the composite performance of the respective asset classes adjusted for weighting of the Fund assets.

The Fund's investments continue to be actively managed primarily by investment managers Baillie Gifford who have provided the following commentary:

"Investment markets made good progress over much of 2019 and actually started 2020 in a relatively calm fashion too, carrying through many of the same opportunities and risks which defined the global economy towards the end of 2019, with a focus on trade and latterly the progress on US-China trade negotiations at the forefront. However, as the international effects of Covid-19 began to emerge in mid-February, areas such as listed equities and property – two of the more economically exposed asset classes – began to fall in value. Shortly after this, there was a much more synchronised sell-off across a broad range of asset classes as a sense of the scale around the potential impact of the coronavirus (Covid-19) gained momentum and many investors raised money to meet outflows, to cover collateral requirements or, more simply, to hold a greater percentage of their assets in cash.

All markets have experienced extreme levels of volatility. Conditions in bond markets have proven to be particularly challenging and, at the same time, property related

investments suffered substantial price falls as it became clear that rent collection and dividend payments would be impacted in the near term. What has become painfully apparent for the corporate world and financial markets more broadly is how many businesses and whole economic sectors have effectively been put on hold. From an investment perspective, this is a scenario without precedent, and diversification has proved less helpful than would have been hoped in the short term.

Nonetheless, despite the traumas of the first quarter of 2020 the fund's investments [managed by Baillie Gifford] have held up well over the year as a whole, falling some 3.7% after fees in a year when global equities fell over 6%. This is in large part due to the strong relative performance of the global equity portfolio which is the largest part of the fund. Generally, this has been helped by the strong operational performance and resilience of the underlying holdings and it is this which has also helped both the global and UK equity portfolios to outperform over the last five years – a more meaningful period over which to judge performance given Baillie Gifford's long-term approach. We continue to adopt a long-term, low-turnover, stock driven, fundamental approach and it is thus the operational performance of the fund's holdings which will determine returns over the long term.

As we look forward from here, we are cautious around the prospects for economic activity and markets in general. We expect the impacts of the virus to be long-lasting, with some freedoms curtailed for an extended period. When looking out over the longer term, however, we retain our optimism. We do not believe this crisis will fundamentally change the global economy's ability to generate growth: once we emerge from it, we believe it is likely that the very extensive and supportive policies which have been implemented, in combination with energy prices at 20-year lows, will allow a reasonable recovery.

Accordingly, within the fund's multi-asset investments there will be a time to significantly add economic risk exposure, and we will continue to work hard towards identifying those assets we would buy at the point at which we consider both valuations and economic outlook to be suitably compelling. In the meantime, we remain optimistic about the fund's equity investments, and about their ability to exploit their competitive advantages even in a challenging environment.”



## Investment Strategy

The Investment Strategy of the Fund is to invest monies in a prudent and diversified manner, in accordance with the Scheme regulations and in recognition of the inherent risks that accompany any investment in the respective asset classes. The strategy is set out in the Statement of Investment Principles which can be viewed on request.

A revised investment strategy was approved in February 2019. The process of transitioning to the revised strategy started during 2019 with the selection, appointment and onboarding of new fund managers, but the transition of investments was subsequently delayed in Quarter 1 2020 due to the impact of Covid-19 on the financial markets. The revised asset allocation and range guidelines were applied with effect from December 2019 and are shown in the Asset Allocation table below together with the actual asset allocation at 31 March 2020

Asset Class	Asset Allocation at 31/03/2020	Range Guideline	Fund Specific Benchmark
	%	%	%
<b>Growth</b>			
UK Equities	9.1%	41-61	8.0
Overseas Equities	52.1%		43.0
Global Pooled - Diversified/Multi-Asset Growth	24.6%	14-34	24.0
<b>Income</b>			
Infrastructure Credit	0.0%	0-20	5.0
Private Debt	1.7%		5.0
<b>Protection</b>			
UK Gilts	6.2%	5-25	7.5
UK Indexe-Linked Gilts	5.4%		7.5
Cash	0.9%	0-10	0.0
<b>Total</b>	<b>100%</b>		<b>100.0</b>

The Fund has acted to reduce its holdings in growth-seeking assets in favour of funding a new allocation to income generating assets as part of a strategy to further diversify the Fund's investments. Nevertheless, holdings in equities still account for 61.2%, with indirect holdings in Diversified Growth and Multi-Asset Growth pooled funds accounting for a further 24.6% of the Fund's portfolio as at 31 March 2020. The remaining 14.2% is held in Private Debt, Bonds and Cash at 1.7%, 11.6% and 0.9% respectively.

Along with new allocations to infrastructure equity and private debt, other changes included an increase in the bonds allocation which is to be managed passively going forward. These changes are intended to reduce the risk profile of the fund and will be matched by a proportionate reduction in growth assets.

As a result of its exposure to equities, the relative performance of the Fund against its benchmark can be volatile over the short term. However, the fund continues to have a strong funding position together with a net contribution from its dealings with

members which allows it to take a long-term view across successive investment cycles.

The top 10 direct equity holdings within the fund at 31 March 2020 were:

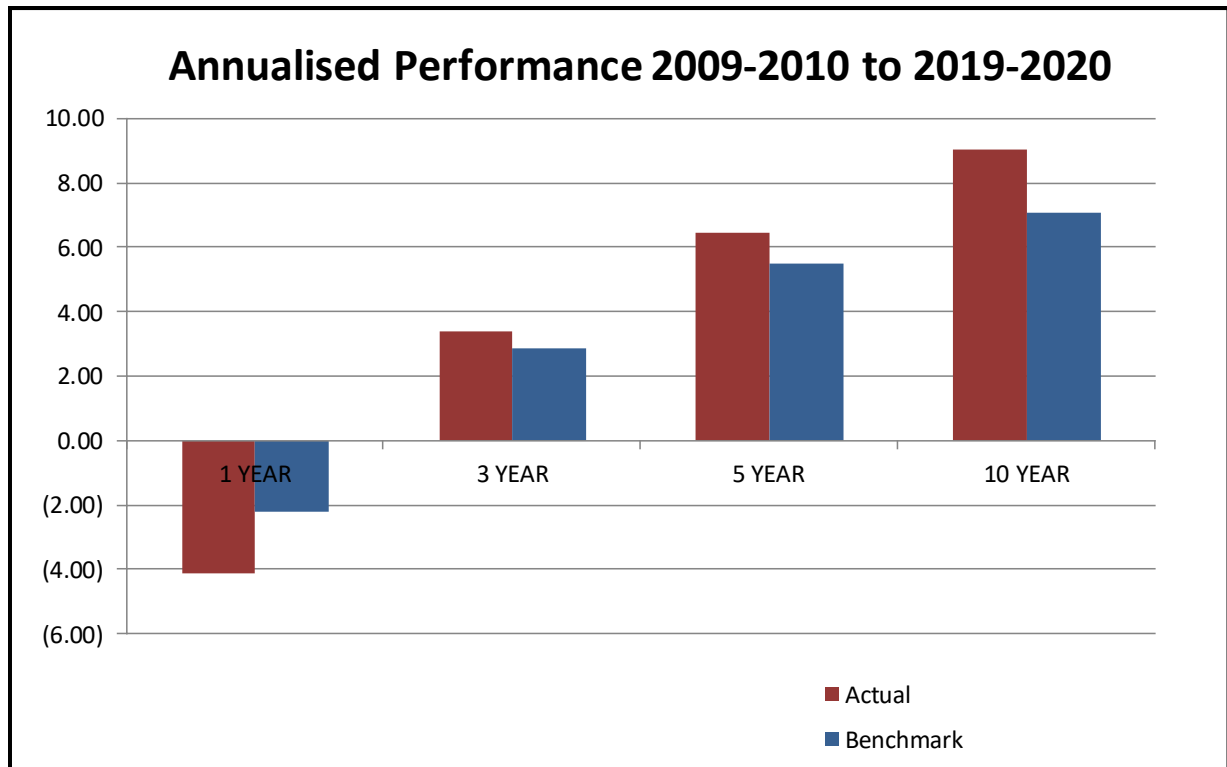
<b>Company</b>	<b>Market Value of Holding</b>
	<b>£ m</b>
Baillie Gifford Multi Asset Growth Fund C Acc*	52.0
Baillie Gifford Diversified Growth Fund C Acc*	40.7
Amazon.com	7.9
Alibaba	6.5
Naspers	6.2
Prudential	5.9
Moody's	5.8
Alphabet Inc Class C	5.8
UK Treasury 4.25% 07/12/2049	5.5
Microsoft	5.0

\* Capital Accumulated.

## Investment Performance

The performance of the Pension Fund managed investment funds has been measured against a bespoke or fund specific benchmark since the 1 April 2017, following the closure of the previous peer group benchmark, and reflects the weighting or concentration of individual asset classes within the approved investment strategy. The benchmark is maintained by Hymans Robertson. A revised investment strategy was approved in February 2019 and included principally new allocations to infrastructure equity and private debt, funded by a further reduction in the Fund's exposure to equities. The weightings of the fund specific benchmark were subsequently amended in December 2019 to reflect the revised investment strategy and signalled the start of the process to transition the Fund's investments to the new strategy. The Fund's performance target for this accounting period is to outperform the fund specific benchmark measured over a rolling 5-year period. The average performance over the last 5 years of 6.5% remains ahead of the benchmark of 5.5%.

The following graph summarises investment performance on an annualised basis over 1, 3, 5 and 10-year periods.



## **Structure of Administration**

### **Staffing**

Administration of the Scheme is carried out in-house and undertaken by the Payroll and Pensions section within Orkney Islands Council's Chief Executive's Service.

The Pensions team within the Payroll and Pensions section has 4.0 full time equivalents, consisting of one full time Pensions Manager, two Senior Assistants and an Administrative Assistant. In addition to maintaining scheme members' records using data supplied by all Fund employers, the Pensions team also provides frontline services to scheme members. As well as answering telephone calls and responding to electronic and written correspondence, face to face meetings are provided where requested.

The staff resources detailed above are supplemented by shared staff resources within the Chief Executive's Service, providing additional governance, payments, investment and accounting expertise. In addition, the Human Resources and Performance section, within Orkney Islands Council's Corporate Services also supports the work of the Pension section by arranging pre-retirement workshops for scheme members who are within two years of retirement.

### **Systems**

Scheme members' records are maintained on Aquila Heywood's pensions administration system known as Altair. Every current and former employee of Fund employers, including Orkney Islands Council, who has a pension entitlement in the Fund is included in the Altair system.

The Council's ResourceLink Payroll system is used to pay pensioner benefits. The Pensions team is restricted to read only access of the payroll system, with amendments being made to pensioner records via a formal request process to the Payroll team.

## Administration Performance

Orkney Islands Council as administering authority is committed to providing a high-quality pension service to both members and employers and ensuring members receive their correct pension benefits entitlement.

Administration performance figures monitored by the Pension Fund are currently under review, with a view to ensuring they continue to be relevant and appropriate. Performance for financial year 2019-2020 against the key service standards as set by the Pension Fund Sub-committee is summarised as follows:

Category	Performance Standard – No of Working Days	Number of records processed within standard	Number of records processed Outwith standard	Percentage of records processed within standard	Prior Year Performance
New Entrant Information	10	248	0	100.0%	N/A
Leaver Information	10	128	0	100.0%	N/A
Deferred Benefit Information	1 Month	83	4	95.4%	N/A
Pension Estimates	10	102	1	99.0%	65.0%
Retirements	5	87	0	100.0%	100.0%
Transfers In	10	42	1	97.7%	95.6%
Transfers Out	10	11	0	100.0%	94.7%
Refunds	5	27	0	100.0%	93.6%

## Fund Update

Membership details are shown below along with a short description for each membership status:

Membership	2018-2019	2019-2020
Contributing members	1,969	2,017
Pensioners	974	1,041
Deferred members	958	990
<b>Total</b>	<b>3,901</b>	<b>4,048</b>

<b>Contributing Member</b>	Someone who is currently employed by a scheduled or admitted body and is making contributions from pay to the Pension Scheme. Such a person is referred to as an “active” member.
<b>Deferred Member</b>	Someone who was once a contributing member and who has chosen to leave his or her accumulated contributions in the Fund to benefit from a pension in due course.
<b>Pensioner/Dependent Member</b>	Someone who is receiving benefits from the Fund either as a former contributor or as a dependant of a former contributor who has deceased.

**Employer Bodies**

The Fund invested and administered pensions on behalf of 6 current and former employers during financial year 2019-2020. These include scheduled bodies, brought into the Fund by legislation, and admitted bodies, which chose to join the Fund. The detailed listing of employers and their membership numbers is contained in Note 26 of the Annual Report and Accounts for the Fund.

**Pension Increases**

Pensions which are in payment and deferment are increased each April in accordance with the Pension (Increase) Act 1971. Since April 2011, this increase has been linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

**Actuarial Valuation**

Annex 2 contains the formal Actuarial Statement for financial year 2019-2020 which is prepared in line with International Accounting Standard (IAS) 26 and supports the preparation of the Financial Statements for the Pension Fund.

The last triennial valuation, as at the 31 March 2017, revealed that the Fund's assets were valued at £335m, and were sufficient to meet 112.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This compared with 114.4% at the previous March 2014 valuation. The resulting surplus at the 2017 valuation was £38m.

The funding level of the Pension Fund has been maintained broadly in-line with the previous valuation after allowing for a reduction in the future expected investment returns, resulting from a fall in the real gilt yield, and the adoption of a lower Asset Outperformance Assumption than the previous valuation. An increase in liabilities has largely been offset by positive membership experience and better than anticipated investment returns.

Following the Fund's actuary (Hymans Robertson) recommendation, as a result of the valuation process, the contribution rate for 2017-2018 of 19.2% was reduced to 18.2% and 17.6% in 2018-2019 and 2019-2020 respectively, with a further reduction to 17.0% to be applied 2020-21.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and also makes an allowance for expected future salary growth to retirement.

The most recent funding update produced at 31 March 2020 showed that the funding surplus has decreased since the last full valuation. This can be attributed to a fall in asset returns partially offset by contributions less benefits accruing, coupled with the impact of change in yields and inflation, resulting in a reduction from last year's funding level of 115.3%, to 104.6% at 31 March 2020.

## Main Risks and Uncertainties facing the Fund

Awareness of risk and risk mitigation is a key facet of the Fund's strategic and operational activities. Whilst it is not possible to eliminate risk entirely, the Fund has taken steps to evaluate risk and put strategies and controls in place to minimise its adverse effects.

The Fund has its own risk register, which details some 36 risks faced by the fund and can be viewed at <https://www.orkney.gov.uk/>. The risk register is reviewed annually by the Pension Fund Sub-committee and Pension Board.

Principal risks, and the way in which they are managed, are as follows:

**Financial Mismatch**, the risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities. The Pension Fund Sub-committee measures and manages financial mismatch in several ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns. It also assesses risk relative to liabilities by monitoring benchmark returns relative to liabilities. The Pension Fund Sub-committee keeps under review demographic assumptions which could impact on the cost of benefits. These assumptions are considered formally in the triennial valuation and reviewed annually within funding update reports (Navigator) produced by the Fund's actuary, Hymans Robertson.

**Systemic Risk**, the risk of an interlinked and simultaneous failure of several asset classes and/or investment managers. The Pension Fund Sub-committee seeks to manage systemic risk by the appointment of investment managers. The Pension Fund Sub-committee regularly reviews total asset values within asset class.

**Liquidity Risk**, the risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. This is controlled by the regular estimation of cash flow to ensure that sufficient cash balances are available. By holding the majority of its assets in liquid assets such as equities and bonds, unexpected cash flow requirements can be met by the realisation of assets. Liquidity risk is also moderated by the Fund continuing to have a surplus of contributions receivable over pensions payable.

**Custody Risk**, the risk of losing rights to Fund assets when they are held in custody or being traded. The Pensions Sub-committee manages custody risk by the monitoring of custodian activities. The Fund has appointed Bank of New York Mellon's London branch as its Custodian.

**Transition Risk**, the risk of incurring unexpected costs or losses when assets are transferred between asset classes. When carrying out significant transitions the Pensions Sub-committee will take professional advice and consider the appointment of specialist transition managers.

**Pension Fund Sub-committee and Pensions Board**

In line with Scheme regulations, the Pension Fund Sub-committee and Pensions Board are now fully established and, in accordance with the respective terms of reference which were agreed at the first meeting, the group have met concurrently on four occasions during 2019-2020.

Training activity for the members of the Pension Fund Sub-Committee and Pension Board was undertaken during the financial year 2019-2020, in accordance with the agreed training plan, to enable Councillors charged with the governance of the Fund to execute their role as quasi-trustees effectively. In recognition of the complex and ever changing environment of Local Government Pension Scheme finance, and specifically to address the governance requirements, the Chartered Institute of Public Finance and Accountancy Code of Practice on Public Sector Pensions Finance Knowledge and Skills has been adopted.

**Acknowledgement**

We would like to take this opportunity to thank our colleagues in Chief Executive's Services and the members of the Pension Fund Sub-committee and the Pensions Board for their help and co-operation in managing the financial affairs of the Pension Fund.

**Gareth Waterson, BAcc, CA**  
Head of Finance  
26 October 2020

**Councillor James Stockan**  
Leader  
26 October 2020

**John W Mundell, OBE**  
Interim Chief Executive  
26 October 2020



## **Statement of Responsibilities for the Annual Accounts**

### **Responsibilities of the Orkney Islands Council as Administering Authority**

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Orkney Islands Council Pension Fund (the Fund) and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.
- Manage the affairs of the Fund to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

**Signed on behalf of Orkney Islands Council**

**Councillor James Stockan**

Leader

26 October 202

## **The Head of Finance's responsibilities**

The Head of Finance is responsible for the preparation of the Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Annual Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Code (in so far as it is compatible with legislation).

The Head of Finance has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the annual accounts give a true and fair view of the financial position of the Orkney Islands Council Pension Fund as at 31 March 2020, and of its transactions for the year ended 31 March 2020.

**Gareth Waterson, BAcc, CA**

Head of Finance

26 October 2020

## Remuneration Report

The Pension Fund does not directly employ any staff. We have therefore not included a remuneration report within the Annual Report.

All staff are employed by Orkney Islands Council, and their costs reimbursed by the Pension Fund.

The Councillors, who are members of the Pension Fund Sub-committee and Pension Board are also remunerated by Orkney Islands Council.

Details of Councillor and Senior Employee remuneration can be found in the accounts of Orkney Islands Council on the Council's website [https://www.orkney.gov.uk/Council/Statement\\_of\\_Accounts/Statement-of-Accounts.htm](https://www.orkney.gov.uk/Council/Statement_of_Accounts/Statement-of-Accounts.htm).

## **Annual Governance Statement**

### **Scope of Responsibility**

The Orkney Islands Council acts as Administering Authority for the Orkney Islands Council Pension Fund. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. The Code is available on the Council's website. The authority's financial and management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in local government.

The Local Code of Corporate Governance evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The document is regularly reviewed and updated.

### **Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2020 and up to the date of approval of the Annual Accounts.

### **Purpose of the Governance Framework**

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.

The Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of a number of key policy documents including a Triennial Valuation Report, a Funding Strategy Statement and Statement of Investment Principles. These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls to mitigate those risks.

### **Review of Effectiveness**

Orkney Islands Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. This includes ensuring appropriate advice is given to the Pension Fund on all governance matters, providing training to all members of the Pension Fund Sub-committee and Pension Board, keeping proper administrative and financial records and accounts and maintaining an effective system of arrangements for governance control.

The system of internal financial controls operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, committees and sub-committees, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular this includes:

- Comprehensive accounting systems that records income and expenditure for both member and investment activities.
- Regular reviews of investment reports that measure investment returns against agreed benchmarks.
- Regular reviews of investment manager reports that measure performance against agreed targets, and
- Independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Council's independent internal audit section. The Pension Fund Sub-committee is integral to overseeing independent and

objective assurance and monitoring improvements in internal control and governance.

### **Administering Authority**

Orkney Islands Council is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Orkney Islands geographic area.

The Council has delegated the management of the investments of the Pension Fund to the Pension Fund Sub-committee and has established a Pension Board which is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations, and the requirements of the Pension Regulator.

### **Regulatory Framework**

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

The Scottish Public Pensions Agency (SPPA) is responsible for regulating the LGPS in Scotland and the Council administers the pension scheme in accordance with guidance and regulations issued by the SPPA.

The Orkney Islands Council scheme is open to all employees of scheduled bodies except those whose employment entitles them to belong to another statutory pension scheme (e.g. Teachers). Employees of admitted bodies can join the scheme subject to those bodies meeting the statutory requirements and on such terms and conditions as the Council (as Administering Authority) may require. A list of scheduled and admitted bodies is attached as Annex 1.

The Pension Fund Sub-committee (the Sub-committee) is a formal sub-committee of Orkney Islands Council's Policy and Resources Committee. The Scheme of Administration for the Council refers to the Pension Fund Sub-committee all matters relating to the management of investments of the Council's Pension Fund.

Financial affairs are conducted in compliance with the Council's Financial Regulations which are reviewed and updated on a regular basis.

Funds are invested in compliance with the Fund's Statement of Investment Principles.

### **Pension Fund Sub-Committee and Pension Board**

The members of the Pensions Sub-committee together with the Pensions Board act as quasi-trustees and oversee the management of the Orkney Islands Council Pension Fund (the Fund).

Their overriding duty is to ensure the best possible outcomes for the Fund, its participating employers and scheme members.

The members' knowledge is supplemented by professional advice from officers of the Council, professional advisers and other external providers.

The Pension Fund Sub-committee is comprised of seven members of the Council:

- Leader (Chair of Policy and Resources Committee).
- Deputy Leader (Vice Chair of Policy and Resources Committee), and
- Five other elected members of the Council appointed by Policy and Resources Committee.

The Scheme Actuary, the Independent Investment Consultant, Head of Finance, Pensions Manager and the Solicitor for the Council or their nominated representatives also attend the Pension Fund Sub-committee meetings as advisers.

The Pension Fund Sub-committee meets at least quarterly. Additional meetings are called as appropriate and papers and minutes are publicly available on the Council's website, unless they have been considered as private business in terms of Schedule 7A to the Local Government (Scotland) Act 1973. Minutes of the Pension Fund Sub-committee are also presented to the Policy and Resources Committee of the Council.

Membership of the Pensions Board consists of equal numbers made up of 4 trade union representatives and employer representatives, drawn from Orkney Islands Council and scheduled or admitted bodies in membership of the Pension Fund. Pension Board representatives may not participate in or act as members of the Pension Fund Sub-committee or the Monitoring and Audit Committee. Local Authority employer representatives will normally be Elected Members of the Council.

The Pension Board meets at least quarterly. A majority of either side, trade union or employer representatives, may requisition a special meeting of the Pension Board in exceptional circumstances.

While the statutory roles and function of the Pension Fund Sub-committee and Pension Board are separate, the normal practice is that both bodies meet at the same time to consider the same agenda, with the Chair of the Pension Fund Sub-committee chairing the concurrent meeting. The Council's Standing Orders apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

If the Pension Fund Sub-committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies is as follows:

- In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can defer a decision of the Pension Fund Sub-committee for further consideration if any of the defined grounds are met. Whilst this process is undertaken the decision of the Pension Fund Sub-committee is still competent.
- If there is no agreement after the matter has been referred back to the Pension Fund Sub-committee, the decision of the Pension Fund Sub-committee stands and the difference in view between the Pension Board and the Pension Fund Sub-committee will be published in the form of a joint secretarial report on the Pension Fund website, included in the Pension Fund annual report and notified to the Scottish LGPS Advisory Board, and

- The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

### **Administration and Financial Management of the Fund**

The Council's Head of Finance is the Officer with responsibility to ensure proper administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.

The Head of Finance is responsible for:

- The financial accounting of the Fund.
- The preparation of the Pension Fund Annual Report.
- Being the principal advisor on management of investments to the Council in its capacity as Trustee to the Fund and as the Fund's Administering Authority.

The day-to-day management of the investment activities of the Fund is administered by the Corporate Finance Team within the Chief Executive's Service.

The pension benefits policy oversight and day-to-day administration for the Fund is administered by the Pensions Team within the Chief Executive's Service.

The annual financial statement of the Fund is subject to external audit. The auditors are appointed by Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.

### **Professional Advisers and External Service Providers**

Hymans Robertson is appointed to act as Actuary and Investment Consultants to the Fund. The services provided include advice on investment strategy, funding level and actuarial valuations. Hymans Robertson also provides independent performance measurement services for the Fund and has responsibility for measuring and reporting on the performance of the Fund during the year.

Following an independent review of the Fund's investment strategy undertaken in financial year 2018-2019 by Hymans Robertson, progress continues to be made in the move away from the 100% asset allocation to a single fund manager, with appointments to new Infrastructure Equity, Private Debt and Passive Bonds mandates concluded.

The Fund's appointed investment managers have responsibility for the selection, retention and disposal of individual investments. Where appropriate, they also implement the Pension Fund Sub-committee's policy in relation to socially responsible investment and corporate governance.

The Bank of New York Mellon is the Fund's appointed global custodian and is responsible for the safekeeping of the assets including the processing of transactions and submission of tax claims.



### **Internal and External Control and Review**

The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, committees and sub-committees. It is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular this includes:

- Comprehensive accounting systems that record income and expenditure for both member and investment activities.
- Regular reviews of investment reports that measure investment returns against agreed benchmarks.
- Regular reviews of investment manager reports that measure performance against agreed targets.
- Independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Orkney Islands Council's independent internal audit section. The Monitoring and Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

The Pensions team within the Payroll and Pension section consists of 4 full time equivalents.

The Head of Finance (Section 95 officer) for the Council as Administering Authority is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate advice is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

The Chief Internal Auditor (CIA) reports to the Monitoring and Audit Committee and functionally to the Executive Director of Corporate Services. He is in regular contact with the Head of Finance and Monitoring Officer. The CIA provides an independent and objective internal audit annual report and assurance statement on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.

Given the structural size of the Council, there are common controls over Council systems and pension systems. Internal audit's work on Council systems also contributes to providing management assurance that Pension Fund operations and transactions are appropriately controlled.

## Risk Management

The Fund's Risk Register was last reviewed and updated at the concurrent meetings of the Pension Fund Sub-committee together with the Pensions Board on 26 February 2020. The risk register incorporates a risk matrix to clearly demonstrate the Pension Funds current threats relative to the individual risks anticipated, and a summary and prioritisation of risks to indicate the descriptive risks ranking.

Risk awareness is embedded into the investment performance management process.

Some of the main risks identified in the last review of the risk register were as follow:

- The risk that administration performance measures and targets may no longer be appropriate for the Fund. The specific risk has been addressed by the regular review of performance measures.
- Changes in legislation and other regulatory frameworks, such as pooling and merging of LGPS schemes in Scotland, may impact adversely on the Fund in terms of funding levels and governance structures. The risk has been added in relation to the consultation that is on-going into the structure of the LGPS schemes in Scotland, the outcome of which is still unclear.
- Brexit risks potentially impacting the Fund's assets and liabilities, added due to the on-going uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020 and how this could impact on the Fund's investments.
- The outcome of the McCloud judgement and how it will impact on the future liabilities of the Fund. A level of uncertainty remains on how the UK Government will legislate on the remedial action to be taken by Pension Funds to compensate individuals for the difference in treatment since the pension reforms on the grounds of age discrimination.

The full risk register is available via the following link to the Council's website:

<https://www.orkney.gov.uk/Council/C/pension-fund-sub-committee.htm>

## Significant Governance Issues

The following issues were highlighted in the Audit Report for financial year 2018-2019:

- It was noted on the Audit Report that the performance measures used to monitor the performance of the administration of the Fund were set many years ago, with the risk that the measures and targets may no-longer be the most appropriate for the fund. A review of the administration performance standards was presented to the Pension Fund Sub-committee on 26 February 2020.
- It was noted in the Audit Report that the Pension Fund Supplement of the Local Government Overview, produced annually by Audit Scotland, was not currently reviewed by the Pension Fund Sub-committee, and it was recommended that the overview report supplement be reported at the earliest available opportunity. The Financial Overview – Scottish Local Government Pension Scheme was subsequently reported to the Pension Fund Sub-committee on 27 November 2019.

In addition to the points above, it is noted that the impact of the Covid-19 pandemic on the Pension Fund as at the reporting date of the 31 March 2020 was minimal in terms of the administration of the Pension Fund in that the lockdown only started on the 24 March 2020. The 2019-20 financial statements do however reflect a correction in the financial markets at that time which is reflected as a fall in the value of the fund's investments. This was however seen as an overreaction by the financial markets to the unprecedented level of restrictions imposed by respective governments across the developed world in an attempt to contain the spread of the Covid-19 virus, and while much uncertainty remains, most of this value has since returned to the Fund's investments. The 2020-21 financial statements will reflect the impact that the pandemic is continuing to have on the Pension Fund in that reporting period.

### **Access to Information**

Pension Fund Sub-committee papers, minutes and the Funds Annual Report and Accounts are available via the Council's website <https://www.orkney.gov.uk/>.

### **Opinion**

Our review of the effectiveness of the system of internal financial control is informed by:

- The work of Internal Audit and the professional pensions and accountancy staff within the Council.
- The External Auditor's reports.
- The Head of Finance (Section 95 Officer), whose duties include putting in place the arrangements for the proper administration of financial affairs of the Pension Fund.

The internal financial control environment was enhanced through the adoption of a Risk Register, Procedural Standing Orders and the establishment of a scheme of delegation for the Pension Fund Sub-committee and supported by the Pension Board.

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems during the year ended 31 March 2020.

**Councillor James Stockan**  
Leader  
26 October 2020

**John W Mundell, OBE**  
Interim Chief Executive  
26 October 2020

## Governance Compliance Statement

The Regulations that govern the management of LGPS funds in Scotland require that a Governance Compliance Statement is published. The following compliance statement sets out the extent to which the Orkney Islands Council Pension Fund governance arrangements comply with best practice.

Principle	Compliance and Comments
<b>1. Structure</b>	
<p>The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.</p>	<p>Compliance in Full: Yes</p> <p>On 17 February 2015, the Policy and Resources Committee (PRC) established a Pension Fund Sub Committee (PSC) and delegated to it the power to discharge all functions and responsibilities relating to the Council's role as administering authority for Orkney Islands Council Pension Fund (the Fund). The PSC is the main committee in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Services Act 2013. The PRC further agreed to establish a Pensions Board (PB) as a secondary committee to underpin the work of the main committee.</p>
<p>That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p>	<p>Compliance in Full: Yes</p> <p>There are no admitted bodies or deferred members represented on the PRC or PSC. Orkney Ferries Limited an admitted body currently has a representative on the PB. The existing membership of the PSC includes both active and pensioner members of the Orkney Island Council Pension Fund.</p>
<p>That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p>	<p>Compliance in Full: Yes</p> <p>The agreed terms of reference for operation of the PSC include the requirement to produce a formal minute of all meetings. The PSC sit at the same time as the PB allowing them to communicate with each other on the day they sit.</p>

<p>That where a secondary committee or panel has been established; at least one seat of the main committee is allocated for a member from the secondary committee or panel.</p>	<p>Compliance in Full: Yes</p> <p>The PSC and PB sit at the same place and time to assist with the formation of a consensus. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.</p>
<p><b>2. Representation</b></p>	
<p>That all key stakeholders are afforded the opportunity to be represented within the Pensions Board. These include:</p> <ul style="list-style-type: none"> <li>• Employing authorities including non-scheme employers, e.g. admitted bodies;</li> <li>• Scheme members including deferred and pensioner scheme members <ul style="list-style-type: none"> <li>• Where appropriate, independent professional observers, and</li> <li>• Expert advisors (on an ad-hoc basis).</li> </ul> </li> </ul>	<p>Compliance in Full: Yes</p> <p>In accordance with the terms of reference for the operation of the PB, membership comprises 8 members; four trade union representatives and four employer representatives.</p> <p>Input from Hymans Robertson as expert advisors to the Pension Fund is routinely sought on policy matters.</p>
<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.</p>	<p>Compliance in Full: Yes</p> <p>In accordance with the terms of reference, all members of the PB and PSC are treated equally. The two bodies sit at the same time to facilitate equal opportunity.</p>
<p><b>3. Selection and Role of Lay Members</b></p>	
<p>a) That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.</p>	<p>Compliance in Full: Yes</p> <p>At the inaugural meeting of the Pension Fund Sub Committee and Pensions Board, held concurrently on 24 April 2015, respective Terms of Reference were duly approved for each body. In addition an induction programme has been provided to members. Induction training was provided to new members following the local elections in May 2017.</p>

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliance in Full: Yes
	The declaration of Member's interests is a standard item on the agenda of the PSC and PB.
<b>4. Voting</b>	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliance in Full: Yes
	Full voting rights are given to all members of the PSC.
<b>5. Training/ Facility Time/ Expenses</b>	
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliance in Full: Yes
	The CIPFA Code of Practice for Public Sector Pensions Finance Knowledge and Skills, together with a Knowledge and Skills Framework to support the Code has been adopted as the basis for training and development of members and officers involved in Pension Fund financial matters. CIPFA Framework Members' training is funded from the Council's Pension Fund. The training policy was approved in 2015/16, and is aligned to CIPFA's Knowledge and Skills Framework.
b) That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliance in Full: Yes
	All members are treated equally under the training policy.
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training.	Compliance in Full: Yes
	The Administering Authority of the Pension Fund Sub-committee and Pension Board has to date considered the training requirements of committee members collectively and provided training on that basis. A log has been established of all training provided to members and this is monitored and reported as appropriate. The annual training plan for 2019-20 was approved by the PSC at its meeting of 27 February 2019.

<b>6. Meeting Frequency</b>	
a) That an administering authority's main committee or committees meet at least quarterly	Compliance in Full: Yes
	The PSC and PB are scheduled to meet at least four times a year.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committees sits.	Compliance in Full: Yes
	The PSC and PB are scheduled to meet at least four times a year.
c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliance in Full: Yes
	On 17 February 2015, the PSC agreed to establish a Pensions Board (PB), with representatives from Trade Unions and admitted bodies.
<b>7. Access</b>	
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliance in Full: Yes
	All members are treated equally.
<b>8. Scope</b>	
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliance in Full: Yes.
	The PSC deal with all matters relating to both the administration and investment of the Pension Fund. The PSC is formed from members of the Policy and Resources Committee of the Council.

<b>9. Publicity</b>	
That administering authorities have published details of their governance arrangements in such a way that stakeholders, can express an interest in wanting to be part of those arrangements.	Compliance in Full: Yes.
	<p>The Orkney Islands Council Pension Fund governance documents are available upon request.</p> <p>The Council as administering authority communicates regularly with employers and scheme members.</p>

**Gareth Waterson, BAcc,**  
**CA** Head of Finance  
 26 October 2020

**Councillor James**  
**Stockan** Leader  
 26 October 2020

**John W Mundell, OBE**  
 Interim Chief Executive  
 26 October 2020



## Annual Accounts 2019-2020

### Pension Fund Account

The Pension Fund Account sets out all income and expenditure of the Pension Fund.

2018-2019 £'000		2019-2020 £'000	Notes
	<b>Dealings with members, employers and others directly involved in the scheme</b>		
10,126	Contributions Receivable	10,332	5
777	Transfers In	1,096	6
10,903		11,428	
(7,376)	Benefits Payable	(8,851)	5
(701)	Payments to and on account of leavers	(439)	7
(8,077)		(9,290)	
<b>2,826</b>	<b>Net additions from dealings with members</b>	<b>2,138</b>	
(1,709)	Management Costs	(2,071)	18
<b>1,117</b>	<b>Net additions including management expenses</b>	<b>67</b>	
	<b>Return on Investments</b>		
8,099	Investment Income	8,232	8
15,244	Profits/(losses) on disposal of investments and changes in the market value of investments	(22,289)	9,12
(146)	Taxes on Income	(132)	
<b>23,197</b>	<b>Net Return/(Loss) on Investments</b>	<b>(14,189)</b>	
<b>24,314</b>	<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>(14,122)</b>	
366,392	Opening Net Assets of the Scheme	390,706	
<b>390,706</b>	<b>Closing Net Assets of the Scheme</b>	<b>376,584</b>	

## Net Assets Statement as at 31 March 2020

The Net Assets Statement sets out the value, as at the statement date, of all assets and current liabilities of the Fund. The net assets of the Fund (assets less current liabilities) represent the funds available to provide for pension benefits as at 31 March 2020.

31 March 2019 £'000		31 March 2020 £'000	Notes
	<b>Managed Funds</b>		
240,799	Equities	230,515	
42,009	Fixed Income	43,443	
101,099	Pooled Investment Vehicles	99,282	
6,482	Cash Equivalents	3,329	
390,389		376,569	<b>10</b>
	<b>Current Assets</b>		
3	Cash Balances	6	
286	Contributions due	71	
1,026	Current Debtors	1,139	
1,315		1,216	<b>16</b>
	<b>Current Liabilities</b>		
(998)	Current Creditors	(1,201)	<b>17</b>
317	<b>Net Current Assets/(Liabilities)</b>	15	
390,706	<b>Net Assets of the Scheme available to fund benefits at the year end</b>	376,584	

The Fund Account and Net Assets Statement do not show any liability to pay pensions or other benefits in the future. The liability to pay pensions is detailed in Note 4 Actuarial Present Value of Promised Retirement Benefits.

The audited accounts were issued on 26 October 2020.

**Gareth Waterson, BAcc, CA**  
Head of Finance  
26 October 2020

## Notes to the Annual Accounts

### 1. The Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme, established under the Superannuation Act 1972, with pensioners receiving index-linked pensions. It is administered by Orkney Islands Council in accordance with The Local Government Pension Scheme (Scotland) Regulations 2014 (as amended) and was contracted out of the State Second Pension until the 6 April 2016 when the new State Pension was introduced. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

### 2. Basis of Preparation of the Financial Statements

Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 to observe proper accounting practices.

The accounts for the Fund have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

### 3. Statement of Accounting Policies

A summary of the more important accounting policies has been set out below:

#### 3.1. Basis of Preparation

The accounts have been prepared on an accruals basis and do not take account of liabilities to pay pensions and other benefits after the year end. However, the actuarial position does account for such obligations. This is disclosed in Note 4 of the accounts and should be read in conjunction with the Actuarial Statement (Annex 2). The going concern concept assumes that the Pension Fund will continue in existence for the foreseeable future.

#### 3.2. Transfers to and from other schemes

Transfer values represent the amounts receivable and payable during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out are accounted for when receivable/payable, which is normally when the member liability is accepted or discharged.

Transfers to the Fund from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receivables basis and are included in Transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### 3.3. Financial Instruments

##### Investments

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this

date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at a fair value in accordance with the requirements of the Code and IFRS 13 (see note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures. Market values, which are assessed as follows:

- 3.3.1. Market quoted securities are valued at bid market prices on the final day of the accounting period.
- 3.3.2. Fixed interest securities are valued at a market value based on current yields.
- 3.3.3. Pooled investments, which comprise the fund manager's unit trusts and open-ended investment companies, are valued at closing bid prices where bid and offer prices are published, or closing single price where single price is published.
- 3.3.4. Unquoted equity/debt and infrastructure asset valuations are provided by fund administrators following independent validation.

Since Investments are all held for trading, disclosure in the accounts is at fair value through profit and loss. Fair values are derived from unadjusted quoted prices in active markets.

#### **3.4. Recognition of Income and Expenditure**

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- 3.4.1. Expenses in relation to services received (including services provided by Orkney Islands Council) are recorded as expenditure when the services are received rather than when payments are made.
- 3.4.2. Dividend income is recognised when the right to receive payment is established.
- 3.4.3. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement.

#### **3.5. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **3.6. Administrative Overheads**

The Payroll and Pensions section of Orkney Islands Council is responsible for administering the Pension Fund. The Section receives an allocation of the overheads of the Council which is based on its direct cost and the amount of central services consumed.

### **3.7. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **3.8. Investment Income**

Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend.

### **3.9 Contributions Income**

Normal contributions, both from the members and employers, are accounted for on an accrual basis.

Employers' augmentation contributions and pension strain costs are accounted for in the period in which the liability arises. Any amounts due in the year but unpaid will be classed as current financial assets.

### **3.10. Foreign Currency**

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used.

### **3.11. Management Expenses**

Management expenses includes direct management fees from external fund managers appointed to manage a segregated portfolio(s) of investments, indirect management charges levied on pool funds, transactions costs and expenses associated with the administration and governance of the Fund.

### **3.12. Acquisition Cost**

Any acquisition costs of investments are included in the book cost of the investment.

### **3.13. Critical Judgements in Applying Accounting Policies**

#### **Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard IAS 19. The judgements which have the greatest impact on pension fund liabilities are those around the discount rate, the inflation rate and the life expectancy of members.

### 3.14. Assumptions made about the future and other major sources of estimation and uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because such factors cannot be determined with certainty, actual results could be materially different from the assumptions and estimate. The items in the financial statements at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.
Unquoted Private Debt	Unquoted private debt investment are valued by the administrators of the specialist pooled Fund using various valuations techniques that require significant judgement in determining appropriate assumptions. In recognition that these investments are relatively illiquid and to ensure objectivity in the valuation process the results are then validated by independent administrators. Nevertheless, as these investments are not publicly listed there is a greater degree of subjectivity and estimation involved in the valuation process. Pooled Investment - Private Debt £6.549m - There is a risk that this investment maybe under or overstated in the accounts.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	11%	36,425
0.5% increase in the Salary Increase Rate	2%	6,050
0.5% increase in the Pension Increase Rate	9%	29,899

### 3.15. Accounting Standards that were issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Three standards have been issued but not yet adopted:

- IFRS 16 Leases
- IAS 28 Investments in Associates and Joint Ventures.
- IAS 19 Employee Benefits: Plan amendment, curtailment or settlement.

We do not expect any of these to impact on the Pension Fund.

### 3.16. Events after the Balance Sheet

Events after the net assets statement date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 3.8.1. those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- 3.8.2. those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

While much uncertainty still exists around the future of the Government's unprecedented measures to contain the spread of Covid-19, it is clear that the virus has proved more troublesome than originally envisaged to get under control, with the result that the duration of the current lockdown restrictions have had to be extended into June 2020.

Financial markets have however reacted positively to the actions being taken by respective Governments across the globe to contain the virus, with the result that much of the value lost to stocks and shares in Quarter 1 2020 was regained in May 2020 as investors found their appetite for risk again. As at 29 May 2020, the value of the Pension Fund investments stood at £430.1m, representing a gain in value of £53.7m or 14.3% since the 31 March 2020. The accounts have not been adjusted for these events which took place after the reporting period.

The recent announcement that plans for a phased relaxation in the lockdown restrictions were under active discussion by Government is also an indication that the reinfection numbers are finally moving in the right direction. This also follows a similar pattern experienced in other countries that are ahead of us in the curve.

Although it is likely that much of 2020 will be written off in terms of lost economic activity, better than expected manufacturing data has added to the view that the economy could recover relatively quickly from the pandemic driven slump, with for example, the Euro Zone economy showing signs that it is rebounding faster than expected. That said, it remains a concern that other countries have experienced a resurgence of infection rates following the easing of lockdown measures, so it will be vitally important to keep this under control.

The draft annual accounts were signed by the Head of Finance on 26 June 2020. Events taking place after the date of authorisation for issue have not been reflected

in the financial statements. Material events between the balance sheet date and the date of signing have been considered and where necessary reflected in the financial statements.

#### 4. Actuarial Present Value of Promised Retirement Benefits

The Fund's actuary undertakes a valuation of the Fund's liabilities to pay future retirement benefits. This is calculated in line with the IAS 19 every year using the same base data as the triennial funding valuation, rolled forward to the current financial year and taking into account changes in membership numbers and updated assumptions.

In order to assess the value of liabilities on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Annex 2).

The actuarial present value of promised retirement benefits at 31 March 2020 was £353m (2019: £391m).

This figure is used for statutory accounting purposes by Orkney Islands Council Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The IAS 26 valuation is not used for calculations undertaken for funding purposes and setting contributions payable to the Fund and has no validity in other circumstances.

#### Financial Assumptions

Year ended	31 March 2019 % p.a.	31 March 2020 % p.a.
Inflation/Pensions Increase Rate	2.5%	1.9%
Salary Increase Rate	2.9%	2.2%
Discount Rate	2.4%	2.3%

Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28.

#### Longevity Assumptions

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners*	23.3 years	26.2 years

\*Future pensioners are assumed to be currently aged 45.

#### Commutation assumption

An allowance is included for future retirees to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.



**5. Analysis of Contributions Receivable**

	2018-2019			2019-2020		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Employee Contributions	2,252	278	2,530	2,384	291	2,675
Employer Contributions	6,703	775	7,478	6,854	788	7,642
Strain Costs	109	9	118	15	0	15
<b>Total</b>	<b>9,064</b>	<b>1,062</b>	<b>10,126</b>	<b>9,253</b>	<b>1,079</b>	<b>10,332</b>

**6. Analysis of Benefits Payable**

	2018-2019			2019-2020		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Pensions Paid	5,083	183	5,266	5,519	189	5,708
Dependants Pensions	403	18	421	436	21	457
Lump Sums Paid	1,255	25	1,280	2,368	76	2,444
Death Grants Paid	276	133	409	242	0	242
<b>Total</b>	<b>7,017</b>	<b>359</b>	<b>7,376</b>	<b>8,565</b>	<b>286</b>	<b>8,851</b>

Orkney Islands Council, the administering authority, is at present the only scheduled body.

**7. Transfers In**

Transfers in to the scheme during 2019-2020 were £1.1m (2018-2019: £0.8m). This represents the total of transfer values in respect of individual members joining the scheme.

**8. Payments to and on Account of Leavers**

2018-2019 £'000		2019-2020 £'000
(26)	Contributions Returned	(23)
(675)	Individual Transfers to other Schemes	(416)
0	State Scheme Premiums	0
<b>(701)</b>		<b>(439)</b>

**9. Investment income**

	<b>2018-2019</b>	<b>2019-2020</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Equities</u></b>		
Equities UK	1,649	1,599
Equities Global	2,379	2,872
<b>Total Equities</b>	<b>4,028</b>	<b>4,471</b>
<b><u>Fixed Income</u></b>		
UK Bonds	522	541
Overseas Bonds	0	0
Index Linked	395	288
<b>Total Fixed Income</b>	<b>917</b>	<b>829</b>
<b>Pooled Investment Vehicle - Multi-Asset Growth</b>	<b>1,656</b>	<b>1,384</b>
<b>Pooled Investment Vehicle - Diversified Growth</b>	<b>1,484</b>	<b>1,306</b>
<b>Pooled Investment Vehicle - Private Debt</b>	<b>0</b>	<b>230</b>
<b>Interest on Cash and Deposits</b>	<b>14</b>	<b>12</b>
<b>Totals</b>	<b>8,099</b>	<b>8,232</b>

**10. Change in the Market Value of Investments**

	<b>2018-2019</b>	<b>2019-2020</b>
	<b>£'000</b>	<b>£'000</b>
Realised	16,842	19,760
Unrealised	(1,598)	(42,049)
<b>Total</b>	<b>15,244</b>	<b>(22,289)</b>

## 11. Analysis of Investments

As at 31 March 2020 the market value of the assets under management is as follows:

	31 March 2019	31 March 2020
	£'000	£'000
<b><u>Equities</u></b>		
<b>UK</b>		
Quoted	44,732	34,226
<b>Overseas</b>		
Quoted	196,067	196,289
<b>Total Equities</b>	<b>240,799</b>	<b>230,515</b>
<b><u>Fixed Income</u></b>		
UK Bonds	21,021	23,178
UK Government Gilts	20,988	20,265
<b>Total Fixed Income</b>	<b>42,009</b>	<b>43,443</b>
<b>Pooled Fund - Multi-Asset Growth</b>	<b>56,731</b>	<b>52,023</b>
<b>Pooled Fund - Diversified Growth</b>	<b>44,368</b>	<b>40,710</b>
<b>Pooled Fund - Private Debt</b>	<b>0</b>	<b>6,549</b>
<b>Cash and Deposits</b>	<b>6,482</b>	<b>3,329</b>
<b>Totals</b>	<b>390,389</b>	<b>376,569</b>

The following table provides an analysis of investments by fund manager:

	31 March 2019		31 March 2020	
	£'000	%	£'000	%
Baillie Gifford	390,389	100.0	370,020	98.3
Barings	0	0.0	6,549	1.7
<b>Totals</b>	<b>390,389</b>	<b>100.0</b>	<b>376,569</b>	<b>100.0</b>

## 12. Reconciliation of Movements in Investments

Investments decreased in value to £376.6m as at 31 March 2020 (31 March 2019: £390.4m) a movement of £13.8m.

During 2019-2020, sales of investments totalled £60.3m and purchases totalled £71.9m, including £22.7m and £6.9m respectively relating to the transitioning to the revised investment strategy. Transaction costs are included in the cost of purchases and sales proceeds.

The following individual investments exceed 5% of the total value of the net assets of the Pension Fund at 31 March 2020.

	2019	2020
	£'000	£'000
Baillie Gifford & Company – (Multi Asset Growth)	56,731	52,023
Baillie Gifford & Company – (Diversified Growth Fund)	44,368	40,710
Baillie Gifford & Company – (Act Index-Linked Gilts)	20,988	0

**13. Investment Transactions**

<b>2019-2020</b>	<b>Opening Market Value</b>	<b>Purchases</b>	<b>Sales</b>	<b>Change in Market Value</b>	<b>Closing Market Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investment Assets</b>	0	0	0	0	0
<b>Managed Fund Investments</b>					
Equities	239,524	38,437	(36,215)	(12,293)	229,453
UK Bonds	21,021	2,074	(1,379)	1,462	23,178
Index Linked Bonds	0	21,487	0	(1,222)	20,265
Pooled Investment – British Small Companies	1,275	17	0	(230)	1,062
Pooled Investment - Private Equity	0	6,889	0	(340)	6,549
Pooled Investment – Fixed Interest	20,988	288	(22,666)	1,390	0
Pooled Investment – Multi-Asset Growth	56,731	1,384	0	(6,092)	52,023
Pooled Investment – Diversified Growth	44,368	1,306	0	(4,964)	40,710
<b>Total Transactions</b>	<b>383,907</b>	<b>71,882</b>	<b>(60,260)</b>	<b>(22,289)</b>	<b>373,240</b>
<b>Cash Deposits</b>	<b>6,482</b>				<b>3,329</b>
<b>Internal Net Current Assets / (Liabilities)</b>	<b>317</b>				<b>15</b>
<b>Total</b>	<b>390,706</b>				<b>376,584</b>

<b>2018-2019</b>	<b>Opening Market Value</b>	<b>Purchases</b>	<b>Sales</b>	<b>Change in Market Value</b>	<b>Closing Market Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investment Assets</b>	0	0	0	0	0
<b>Managed Funds</b>					
Equities	218,502	41,220	(35,256)	15,058	239,524
UK Bonds	20,272	21	(5)	733	21,021
Pooled Investment – British Small Companies	1,382	0	0	(107)	1,275
Pooled Investment – Fixed Interest	20,165	5,102	(4,223)	(56)	20,988
Pooled Investment – Multi-Asset Growth	56,025	0	0	706	56,731
Pooled Investment – Diversified Growth	43,974	1,484	0	(1,090)	44,368
<b>Total Transactions</b>	<b>360,320</b>	<b>47,827</b>	<b>(39,484)</b>	<b>15,244</b>	<b>383,907</b>
<b>Cash Deposits</b>	<b>5,466</b>				<b>6,482</b>
<b>Internal Net Current Assets / (Liabilities)</b>	<b>606</b>				<b>317</b>
<b>Total</b>	<b>366,392</b>				<b>390,706</b>

## 14. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair value.

### Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds and quoted unit trusts.

### Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value based on observable data.

### Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instruments' valuation is not based on observable market data.

The fund manager uses various valuation techniques that require significant judgement in determining appropriate assumptions.

Valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of International Financial Reporting Standards and United States Generally Accepted Accounting Principles.

The following table provides an analysis of the financial assets of the Fund, grouped into Levels 1, 2 and 3, based on the level at which the fair value is observable.

Fair Value Through Fund Account	31 March 2019 £000's	31 March 2020 £000's
Level 1: Quoted Market Price	267,027	276,225
Level 2: Using Observable Inputs	123,362	93,795
Level 3: With Significant Unobservable Inputs	0	6,549
<b>Net Investment Assets</b>	<b>390,389</b>	<b>376,569</b>

### Transfers Between Levels 1 and 2

£20.3m of UK Government Gilts were transferred from Level 2 to Level 1 in March 2020 as a result of the movement of units away from pooled funds as part of the Fund's transitioning to the revised investment strategy. All transfers between levels are recognised in the month in which they occur.

### Reconciliation of Fair Value Measurements Within Level 3

The following table provides a reconciliation of fair value measurements within level 3.

	Market Value 01 April 2019 £000's	Transfers Into Level 3 £000's	Transfers Out Of Level 3 £000's	Purchases During the Year £000's	Sales During the Year £000's	Unrealised Gains/ (Losses) £000's	Realised Gains/ (Losses) £000's	Market Value 31 March 2020 £000's
Private Debt	0	0	0	6,889	0	(400)	60	6,549

### Basis of Valuation

The basis of valuation of each class is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represents the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market Quoted Investments	Level 1	Published bid market prices ruling on the final day of the accounting period.	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value on current yields.	Not required	Not required
Pooled Funds - Overseas Unit Trusts and Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Unquoted Equity/Debt & Infrastructure	Level 3	Valuation provided by administrators to the Fund and are validated by independent administrators.	EBITDA with multiple discounts for lack of marketability control premium.	A degree of estimation is involved in the valuation. Material events, including movement in exchange rates and Covid-19.

### Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends and consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset Type	Assessed Valuation Range (+/-)	Value at 31 March 2020 £'000	Value on Increase £'000	Value on Decrease £'000
Private Debt (i)	7.2%	6,549	7,021	6,077

- i. The underlying assets are a series of privately originated loans. As such the valuations of these loans could move due to changes in a number of factors and assumptions including short term interest rates, inflation, the outlook for the profitability of the component companies and the likelihood of these companies to repay the loans. The potential movement of +/- 7.2% reflects the extent to which this value could vary based on each of these factors and assumptions.

### 15. Financial Instruments

Categories of Financial Instruments.

The following categories of financial instrument are carried in the Net Assets Statement:

Financial Instruments Balances	31 March 2019 £'000	31 March 2020 £'000
<b>Investments</b>		
Financial Assets at fair value through profit/loss	383,907	373,240
Loans and receivables - cash and cash equivalents	6,482	3,329
<b>Total Investments</b>	<b>390,389</b>	<b>376,569</b>
<b>Current Assets and Liabilities</b>		
Debtors	1,315	1,216
Financial liabilities at amortised cost	(998)	(1,201)
<b>Total Current Assets and Liabilities</b>	<b>317</b>	<b>15</b>

### Income, Expenses, Gains and Losses

Financial Instruments Gains/Losses	31 March 2019	31 March 2020
	Financial Assets	
	£'000	£'000
Net gains/(losses) on financial assets at fair value through profit and loss	15,244	(22,289)
Investment Income	8,099	8,232
Investment management expenses including taxation	(1,855)	(2,203)
<b>Total Investment Gains and Losses</b>	<b>21,488</b>	<b>(16,260)</b>

## Fair Values of Assets and Liabilities

Financial assets represented by investments are carried in the Net Assets Statement at their current market value (bid price), as determined by the investment manager and the global custodian, based a Fair Value Hierarchy detailed at Note 13.

## 16. Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Responsibility for managing the Fund's risk rests with the Pension Fund Sub-committee, revised investment strategy was approved in February 2020.

### 16.1. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Funding Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its Investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

### Sensitivity analysis

In consultation with the Fund's independent provider of performance and analytical data (Hymans Robertson), the Council has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK Equities	27.5
Global Equities	28.0
UK Index-Linked Gilts (long term)	9.3
UK Fixed Interest Gilts (medium term)	7.6
Diversified Growth	13.8
Private Debt	7.2
Cash	0.3
<b>Total Fund Volatility</b>	<b>18.9</b>

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:



			Potential change in year in the net assets available to pay benefits	
Asset Type	Value	% Change	Favourable Market Movement	Unfavourable Market Movement
	£'000		£'000	£'000
UK Equities	34,226	27.5%	43,638	24,814
Global Equities	196,289	28.0%	251,250	141,328
UK Index-Linked Gilts (long term)	20,265	9.3%	22,150	18,380
UK Fixed Interest Gilts (medium term)	23,178	7.6%	24,940	21,416
Diversified Growth and Multi Asset Growth	92,733	12.5%	104,325	81,141
Private Debt	6,549	7.2%	7,021	6,077
Cash	3,329	0.3%	3,339	3,319
<b>Total Fund Volatility</b>	<b>376,569</b>	<b>18.9%</b>	<b>447,741</b>	<b>305,397</b>

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

## 16.2 Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its Investment Advisers, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2019 £'000	31 March 2020 £'000
Cash and cash equivalents	6,482	3,329

## Sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates:

Asset Type	Carrying amount as at 31 March 2020 £'000	Potential change in year in the net assets available to pay benefits	
		1% Interest Movement £'000	-1% Interest Movement £'000
Cash and Cash Equivalents	3,329	33.3	(33.3)
<b>Total Change in Assets Available</b>	<b>3,329</b>	<b>33.3</b>	<b>(33.3)</b>

### 16.3 Currency Exposure Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund is invested in both private debt and equities overseas that are denominated in currencies other than £UK. The Fund also holds a low level of bonds denominated in overseas currencies.

The following table summarises the Fund's currency exposure at 31 March 2020:

Currency exposure - asset type	Asset value 31 March 2019 £'000	Asset value 31 March 2020 £'000
Overseas Quoted Equities	193,178	192,106
Pooled Funds - Global Basket	2,889	10,733
<b>Total</b>	<b>196,067</b>	<b>202,839</b>

### Sensitivity analysis

Following analysis of historical data in consultation with Hymans Robertson, the council considers the likely volatility associated with foreign exchange movements to be 10%.

A 10% fluctuation is considered reasonable based on Hymans analysis of long-term historical movements. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset values as at 31 March 2020 £	Potential % movement	Value on Increase £	Value on Decrease £
Overseas Quoted Equities	192,106	10.0%	211,317	172,895
<b>Total Change in Assets Available to Pay Benefits</b>	<b>192,106</b>	<b>10.0%</b>	<b>211,317</b>	<b>172,895</b>

### 16.4 Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Council's Annual Treasury Management Strategy Statement sets out the Fund's approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the

Council's credit criteria. The Strategy has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2020, including current account cash, was £0.006m. (31 March 2019: £0.003m). The Fund also held cash under its investment management arrangement. This was held with the following institutions:

	Rating (Fitch)	Balance 31 March 2020 £'000
<b>Bank current accounts</b>		
Royal Bank of Scotland	A+	6
<b>Cash held in Portfolio</b>		
Bank of New York Mellon (BNY)	AA	1,116

### 16.5 Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2020, the Fund had illiquid assets of £6.549m (2018-2019: £0.0m).

### 17. Current Assets

	31 March 2019 £000's	31 March 2020 £000's
Income Due	624	613
Recoverable Tax	313	360
Cash Balances	3	6
Transfer values receivable	89	129
Contributions due - Employers	210	51
Contributions due - Employees	76	20
Orkney Islands Council	0	0
Sundry Debtors	0	37
<b>Total Current Assets</b>	<b>1,315</b>	<b>1,216</b>

**18. Current Liabilities**

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£000's</b>	<b>£000's</b>
Orkney Islands Council	619	626
Sundry Creditors	315	432
Transfer values payable	0	87
Benefits Payable	64	56
<b>Total Current Liabilities</b>	<b>998</b>	<b>1,201</b>

**19. Management Expenses**

	<b>2018-2019</b>	<b>2019-2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment Management Expenses</b>		
Investment managers fees	1,189	1,408
Custodian fees	44	60
Other Investment management expenses	8	133
Stamp Duty	37	15
Other Transaction Taxes and Levies	11	17
Broker Commission	38	30
<b>Total Investment Management Expenses</b>	<b>1,327</b>	<b>1,663</b>
<b>Administration Costs</b>		
Staff time and Support allocations	286	309
<b>Total Administration Costs</b>	<b>286</b>	<b>309</b>
<b>Governance</b>		
Audit costs	21	21
Professional fees	75	78
<b>Total Governance Costs</b>	<b>96</b>	<b>99</b>
<b>Total</b>	<b>1,709</b>	<b>2,071</b>

## 20. Code of Transparency

The Code of Transparency enables a greater understanding of the investment process and better cost management through the fund managers disclosure of transaction costs.

Total transaction costs for each asset class are detailed below:

2019-2020	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	31,837	29,829	31,189	0	92,855
Bonds	0	0	1,599	0	1,599
Pooled Funds	0	0	0	699,512	699,512
Foreign Exchange	0	0	3,058	0	3,058
<b>Total</b>	<b>31,837</b>	<b>29,829</b>	<b>35,846</b>	<b>699,512</b>	<b>797,024</b>

2018-2019	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	47,613	38,029	18,934	0	104,576
Bonds	0	0	(18)	0	(18)
Pooled Funds	0	0	0	426,947	426,947
Foreign Exchange	0	0	2,049	0	2,049
<b>Total</b>	<b>47,613</b>	<b>38,029</b>	<b>20,965</b>	<b>426,947</b>	<b>533,554</b>

The nature of the transaction costs groups are as follows:

- Transaction Taxes – includes stamp duty and any other financial transaction taxes.
- Broker Commissions – payments for execution services, including exchange fees, settlement fees and clearing fees.
- Implicit Costs – indirect costs associated with buying and selling securities, being an estimate of market impact.
- Indirect Transaction Costs – transaction costs incurred within pooled funds when they buy and sell their underlying investments.

In addition to the transaction costs, the portfolio has incurred indirect fees of £255,831 (2018-2019: £250,946) paid from the Net Asset Value of the pooled funds.

## 21. Audit Fees

In 2019-2020 the agreed audit fee for the year was £21,000 (2018-2019: £21,000).

## 22. Agency Arrangements

The Orkney Islands Council Pension Fund pays discretionary pensions to former employees of Orkney Islands Council who were awarded compensatory added years in accordance with the Orkney Islands Council's Early Retirement and Severance Scheme, but subject to limitations set out in the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulation 1998. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the Council. The total amount of these payments was £254k in 2019-2020 (2018-2019: £265k).

Members of The Fund who elected before 1 April 2008 to purchase added years of membership can continue to do so unless the member elects to cease the contract. Administration of added years' contracts is carried out by the Orkney Islands Council Pension Fund on behalf of Orkney Islands Council. Costs borne by the fund relating to added years are incorporated into the overall administration cost and are immaterial in value.

## 23. Statement of Investment Principles and Funding Strategy Statement

The Council as Administering Authority approved its current Statement of Investment Principles in February 2020. The Statement defines the Fund's operational framework insofar as investments are concerned. It is reviewed periodically to ensure that it continues to reflect the needs of the Fund and the views of its stakeholders.

The Funding Strategy Statement defines how the Fund intends to meet its financial obligations and was effective from 10 May 2018.

Both these documents are available on the Council website under the related download section [here](#), and are also available on request from the Council's Head of Finance.

## 24. Investment Management Arrangements

The Orkney Islands Council Pension Fund investments are managed on an active basis by external fund managers.

From the 1 April 2017 the benchmark is a fund specific benchmark which means managed investment funds are measured against a range of indices reflecting the weighting or concentration of individual asset classes within the approved investment strategy. The target is to outperform the bespoke benchmark over rolling five-year periods.

## 25. Stock Lending

In accordance with the Statement of Investment Principles 2020, stock lending is not permitted within any of its segregated investment mandates. As at 31 March 2020 no stock had been released to a third party under a stock lending arrangement.

## 26. Related Party Transactions

Orkney Islands Council Pension Fund is administered by Orkney Islands Council. The Council incurred costs of £0.309m (2018-2019: £0.286m) in relation to administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £6.87m to the fund in 2019-2020 (2018-2019: £6.81m). With the exception of the year end creditor balance shown at Note 17 all monies owing to and from the Fund were paid in the year.

The Fund had a balance due to Orkney Islands Council of £0.626m as at 31 March 2020 (The fund had a balance due to Orkney Islands Council of £0.619m as at 31 March 2019).

All the members of the Pensions Sub-committee and the members of the Pensions Board are active members of the pension scheme. Each Councillor is required to declare any financial or pecuniary interest related to specific matters on the agenda at each meeting

The employees who hold key positions in the financial management of the Pension Fund; and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below:

	Accrued pension 2018-2019		Accrued pension 2019-2020	
	Pension	Lump Sum	Pension	Lump Sum
	£	£	£	£
Chief Executive*	47,391	82,500	61,884	84,045
Head of Finance / Section 95 Officer	33,965	51,930	37,276	54,080

\*until 20 Nov 2019.

## 27. Membership Details

Under the Local Government Pension Scheme (LGPS), member contributions are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier.

### Eligibility to join the scheme

Orkney Islands Council employees with a contract for 3 months duration or more are automatically entered into the LGPS. Employees with a contract of less than 3 months duration will be automatically enrolled into the LGPS if they satisfy the automatic enrolment criteria, however they can opt in if they do not meet the automatic enrolment criteria.

A person employed by a community admission body or a person employed by a transferee admission body is eligible to be a member if the person, or class of employees to which the person belongs, is designated in the admission agreement by the body as being eligible for membership of the Scheme.

If they satisfy the above statement they should be automatically entered into the LGPS if they have a contract for 3 months or more otherwise they can opt in if they have a contract for less than 3 months.

Employees of community admission bodies and transferee admission bodies are also enrolled into the Local Government Pension Scheme if they satisfy the auto enrolment criteria.

The following table gives details of the various bodies' membership.

<b>Membership Details at 31/03/2020</b>	<b>Active</b>	<b>Deferred</b>	<b>Pensioner</b>	<b>Dependant</b>
Orkney Islands Council	1,859	902	858	136
Orkney Islands Property Development	2	4	4	0
Pickaquoy Centre Trust	61	29	8	0
Orkney Enterprise	4	4	3	0
Orkney Tourist Board (Visit Scotland)	0	4	4	0
Orkney Ferries Limited	91	47	24	4
<b>Summary of Members</b>				
OIC	1,859	902	858	136
Admitted Bodies	158	88	43	4
<b>Totals</b>	<b>2,017</b>	<b>990</b>	<b>901</b>	<b>140</b>

## 28. Scheme Arrangements

Career Average Revalued Earnings Scheme (CARE) – LGPS 2015

A number of important changes have been made to the LGPS from 1 April 2015. The changes, which have been agreed between the Trade Unions, COSLA and the Scottish Government, ensure that the Scheme complies with the terms of the Public Pensions Act 2013.

From 1 April 2015 the pension Scheme moved away from a final salary to a career average revalued earnings scheme (CARE).

The main changes of this scheme were:

- A move towards benefits being worked out using career average revalued earnings (CARE) rather than final salary.
- Pensions being built up at a rate of 1/49th of annual pensionable pay.
- Member's normal retirement age being linked to their own State Pension Age. Members may still be able to retire from age 60 but a reduction for early payment may apply.
- Protection of benefits for members aged 55 and over at 1 April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced, and
- Benefits built up before April 2015 will continue to be calculated using actual final pensionable pay at date of leaving.

## 29. Funding and Valuation Note

In line with the Local Government Pension Scheme (Scotland) Regulations 2014, the Fund's actuary undertakes a funding valuation every three years. The actuarial valuation assesses the health of the fund and provides a check that the funding strategy and assumptions used are appropriate. It also sets the future rates of contributions payable by employers. The most recent full actuarial valuation by the Fund's actuaries Hymans Robertson was to 31 March 2017. The next valuation will take place as at 31 March 2020.



The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to maintain 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and contributions are sufficient to meet expected future pension benefits payable.

At the 2017 actuarial valuation, the Fund was assessed as 112.7% funded (114.4% at the March 2014 valuation). This corresponded to a surplus of £38m (2014 valuation: surplus of £29m) at that time.

The assessed Primary contribution rate for 1 April 2018 – 31 March 2021 (i.e. the rate which employers in the Fund pay) at March 2017 was 20.7%, with applied Secondary contribution rates giving the required minimum contribution rates as follows:

2018/19: 18.2%

2019/20: 17.6%

2020/21: 17.0%

In accordance with the Funding Strategy Statement the administering authority has adopted employer contributions of 17.6% for 2019-2020. The valuation of the Fund has been undertaken using a 'risk based' approach which considers how each employer's assets and liabilities may evolve over the future. The principal assumptions were:

## Financial Assumptions

Financial Assumptions	31-Mar-14	31 March 2017	
	Funding basis (% p.a.)	Funding basis (% p.a.)	Gilts basis (% p.a.)
Discount rate	5.10%	3.10%	1.40%
Price inflation	2.70%	2.40%	2.40%
Pay increases	4.50%	2.80%	2.80%
Pension increases:			
in excess of GMP	2.70%	2.40%	2.40%
post-88 GMP	2.70%	2.40%	2.40%
pre-88 GMP	0.00%	0.00%	0.00%
Revaluation of deferred pension	2.70%	2.40%	2.40%
Revaluation of accrued CARE pension	2.70%	2.40%	2.40%
Expenses	1.00%	0.70%	0.70%

\* GMP = guaranteed minimum pension

### Mortality assumptions

The mortality assumptions used and applied to all members are based on the Self-Administered Pension Schemes year of birth tables with no further improvements in lifespans estimated from 2017.

### 30. Additional Voluntary Contributions

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits in addition to those which they are required to make as members of the Local Government Pension Scheme. These contributions are known as Additional Voluntary Contributions and are treated separately from the scheme's assets under arrangement with Prudential Assurance Company Limited.

During the year, member contributions amounted to £0.490m (2018-2019: £0.469m).

Members contributions are invested in a "with profits" Fund or a "deposit" Fund. During the year the value of AVC investments increased by £0.216m to £3.127m as at 31 March 2020 (2019: £2.912m) excluding the final bonus.

### 30. Contingent Liabilities and Contractual Commitments

On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation however due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on the Fund at this time.

As at the 31 March 2020, as part of the transitioning arrangements to the revised investment strategy, the Fund had contractual commitments to invest up to £20m and £13.2m in each of the new mandates to Infrastructure Equity and Private Debt respectively. The drawdowns of these commitments are expected to take place over a period of three years and will be funded from within the Fund's portfolio of investments.

## **Independent Auditor's Report**

### **Independent auditor's report to the members of Orkney Islands Council as administering authority for Orkney Islands Council Pension Fund and the Accounts Commission**

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual report of Orkney Islands Council Pension Fund (the fund) for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Pension Fund Account, the Net Assets Statement and notes to the annual accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the financial transactions of the fund during the year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland Website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### **Responsibilities of the Head of Finance and Orkney Islands Council Pension Fund Sub Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Orkney Islands Council Pension Fund Sub Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual report**

The Head of Finance is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

**Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

## Annex 1 - Scheduled and Admitted Bodies

**Orkney Islands Council Pension Fund****Scheduled Bodies**

- Orkney Islands Council.

**Admitted Bodies****Active Admitted Bodies**

- Orkney Tourist Board (Visit Scotland).
- Orkney Ferries Limited
- Orkney Enterprise
- Pickaquoy Centre Trust
- Orkney Islands Property Development Limited

## **Annex 2 – Actuarial Statement for 2019-2020**

### **Orkney Islands Council Pension Fund (the Fund)**

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### **Description of Funding Policy**

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2018. In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/ dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are reasonably stable where appropriate.
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers).
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 66% chance that the Fund will return to full funding over 20 years.

### **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £335 million, were sufficient to meet 112.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2017 valuation was £38 million.



Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2018 to 31 March 2021 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2017 valuation report.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

#### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2017 valuation were as follows:

Financial assumptions	31-Mar-17
Discount rate	3.1%
Pay increases	2.8%
Price inflation/Pension increases	2.4%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	23.8 years
Future Pensioners*	23.3 years	26.2 years

\*Currently aged 45.

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from Orkney Islands Council, Administering Authority to the Fund.

### Experience over the period since 31 March 2017

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the 2019/20 financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported at the previous formal

valuation. The next actuarial valuation will be carried out as at 31 March 2020. The Funding Strategy Statement will also be reviewed at that time.

**Julie West FFA**

For and on behalf of Hymans Robertson LLP

May 2020

Hymans Robertson LLP

20 Waterloo Street, Glasgow G2 6DB

## **Annex 3 - Glossary of Terms**

### **Active Management**

An investment management style that seeks to outperform by way of self-selected decisions on stock choice, timing of market incursions, or asset allocation. Compare this with Passive Management.

### **Asset Allocation**

The division of the Fund's assets between different classes of assets, for example, UK Equities, Japanese Equities, UK Bonds. In the long run the asset allocation choices should support the Fund's strategic financial objectives. In the short term tactical changes might be made to achieve short- term advantage.

### **Balanced Management**

An arrangement under which investments are spread over a range of asset classes at the manager's discretion. The manager controls investments over as many classes as are available under the Fund's overall strategy. Compare this with specialist management.

### **Growth Manager**

An investment manager who fundamentally believes in picking stocks that he believes will achieve an above-average growth in profits. This is sometimes caricatured as buying stock irrespective of price because the price will rise. Compare this with value manager.

### **Mandate**

An agreement between an investment manager and his client as to how investments are to be managed, specifying whatever targets and investment limitations are to apply.

### **Passive Management**

A style of investment management that seeks performance equal to market returns or to some appropriate index. Such investment entails a more mechanical approach to asset allocation and stock selection because such decisions are largely dictated by general market shifts rather than individual manager discretion. Compare this with active management.

### **Pooled Fund**

A fund in which a number of investors hold units rather than owning the underlying assets. This is a useful way for smaller funds to diversify investments without exposing them to undue risks. Unit Trusts are pooled funds as are Open-ended Investment Companies. Compare this with segregated fund.

### **Return**

The value of capital enhancement and income received by a fund in a year, expressed as a percentage of the opening value of the fund. If values fall "Return" would be negative.

**Risk**

The danger or chance that returns will vary against benchmarks or targets. If risks are high the expected return should be higher still (the risk premium).

**Segregated Fund**

The management of a particular fund's assets independently of those of other funds managed by the same investment house. Compare this with a pooled fund.

**Specialist Management**

The use of a number of managers, each specialising in a particular asset class. Such managers have no say in asset allocation, being only concerned with stock selection.

**Value Manager**

A manager who selects stocks that he believes to have potential that is not reflected in the price. This is sometimes caricatured as buying stock because it is cheap. Compare this with growth manager.

**Vested/Non- Vested Obligations**

Vested obligations refer to employee benefits that are not conditional on future employment. Non- vested obligations refer to employee benefits that are conditional on future employment.

**Pension Fund Strain**

The cost to employers of the early release of pension benefits.

**Operating Surplus/Deficit**

The surplus/deficit arising from dealing with members, employers and others directly involved in the scheme.

## Additional Information

### Key Documents Online

You can find further information on our website

<https://www.orkney.gov.uk/Council/P/pension-fund-annual-reports.htm>, including the following documents:

- Annual Report and Accounts

Auditors: Audit Scotland

### Fund Advisers

Actuaries: Hymans Robertson

Bankers: Royal Bank of Scotland

Investment Advisors: Hymans Robertson

Investment Custodians: Bank of New York Mellon

Performance Measurement: Hymans Robertson

Additional Voluntary Contributions (AVC) Managers: Prudential

Investment Managers: Baillie Gifford & Co  
Barings

### Contact Details

For further information and advice on administration, benefits and scheme membership please contact:

Bryan Hay Telephone: 01856 873535. Extension: 2108.  
Pensions Manager Email: [bryan.hay@orkney.gov.uk](mailto:bryan.hay@orkney.gov.uk)

Scheme members should have a copy of the "Employees' Guide to the Local Government Pension Scheme Administered by the Orkney Islands Council", and can obtain their own copy of an Annual Report on request or visit Orkney Islands Council Pension Fund website at: <https://www.orkney.gov.uk/>.

For further information on the Fund's Investments, please contact:

Gareth Waterson Telephone: 01856 873535. Extension: 2103.

Head of Finance Email: [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk)

Colin Kemp Telephone: 01856 873535. Extension: 2106.

Corporate Finance Senior Manager Email: [colin.kemp@orkney.gov.uk](mailto:colin.kemp@orkney.gov.uk)

## Minute

### Asset Management Sub-committee

Tuesday, 3 November 2020, 10:30.

Microsoft Teams.



### Present

Councillors W Leslie Manson, Norman R Craigie, Robin W Crichton, Andrew Drever, Steven B Heddle, John A R Scott and James W Stockan.

### Clerk

- Hazel Flett, Senior Committees Officer.

### In Attendance

- Hayley Green, Head of IT and Facilities.
- Colin Kemp, Corporate Finance Senior Manager.
- Karen Bevilacqua, Solicitor.
- Kenny MacPherson, IT Service Manager.
- John Wrigley, Roads and Environmental Services Manager.
- Gwyn Evans, Surveying Manager.

### Observing

- Karen Greaves, Head of Executive Support.
- Graeme Christie, Estates Manager.
- Lorraine Stout, Press Officer (for Items 1 to 4).

### Declaration of Interest

- Councillor John A R Scott – Item 4.

### Chair

- Councillor W Leslie Manson.

## 1. Form of Voting

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

## **2. Revenue Expenditure Monitoring**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

**2.1.** The revenue financial summary statement, in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 30 September 2020, attached as Annex 1 to the report by the Head of Finance, indicating a budget underspend position of £462,600.

**2.2.** The revenue financial detail by service area statement, in respect of service areas for which the Asset Management Sub-committee was responsible, for the period 1 April to 30 September 2020, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

**2.3.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

## **3. Corporate Asset Maintenance Programmes**

### **Revenue Expenditure Monitoring**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

**3.1.** The summary position of expenditure incurred, as at 30 September 2020, against the approved corporate asset revenue maintenance programmes for financial year 2020/21, as detailed in section 4.1 of the report by the Head of Finance.

The Sub-committee scrutinised:

**3.2.** The summary of larger works undertaken as reactive repairs, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance on progress being made with delivery of the approved corporate asset revenue maintenance programmes.

## **4. Corporate Asset Improvement and Replacement Programmes**

### **Capital Expenditure Monitoring**

Councillor John A R Scott declared a non-financial interest in this item, being a Council-appointed trustee of the Pickaquoy Centre Trust, but concluded that his interest did not preclude his involvement in the discussion.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

**4.1.** The summary position of expenditure incurred, as at 30 September 2020, against the approved corporate asset capital improvement and replacement programmes for 2020/21, as detailed in section 4.1 of the report by the Head of Finance.

The Sub-committee scrutinised:

**4.2.** The detailed analysis of expenditure figures and project updates, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance with regard to significant budget variances and progress made with delivery of the approved corporate asset capital improvement and replacement programmes for 2020/21.

## **5. Information Technology Strategy Delivery Plan**

After consideration of a report by the Executive Director of Development and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of IT and Facilities, the Sub-committee:

Scrutinised progress made in implementing the Information Technology Strategy, as outlined in the updated Delivery Plan, attached as Annex 1 to the report by the Executive Director of Development and Infrastructure, and obtained assurance on the satisfactory progress with actions contained in the Delivery Plan.

## **6. Conclusion of Meeting**

At 11:50 the Chair declared the meeting concluded.

Signed: L Manson.



## **Minute**

### **Police and Fire Sub-committee**

Tuesday, 17 November 2020, 14:00.

Microsoft Teams.



### **Present**

Councillors Andrew Drever, David Dawson, Alexander G Cowie, J Harvey Johnston, Gwenda M Shearer, Magnus O Thomson and Heather N Woodbridge.

### **Clerk**

- Sandra Craigie, Committees Officer.

### **In Attendance**

- Hayley Green, Head of IT and Facilities.

### **Police Scotland:**

- Chief Inspector Matthew Webb, Area Commander.

### **Scottish Fire and Rescue Service:**

- Raymond Fallon, Group Manager.

### **Observing**

- Rebecca McAuliffe, Press Officer.

### **Declaration of Interest**

- Councillor Andrew Drever – Item 2.

### **Chair**

- Councillor Andrew Drever.

## **1. Form of Voting**

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

## **2. Performance Against Local Policing Plan**

Councillor Andrew Drever declared a non-financial interest in this item, in that he was Chair of Orkney Drugs Dog, but as the matter was not discussed in detail, he did not leave the meeting.

After consideration of a report by Chief Inspector Matthew Webb, Area Commander, copies of which had been circulated, the Sub-committee:

Scrutinised performance in respect of the Local Policing Plan 2020-23 for the period 1 April to 30 September 2020, attached as Appendix 1 to the report by the Area Commander, together with updates in relation to Serious and Organised Crime, Counter Terrorism and local events, and obtained assurance.

## **3. Performance Against Orkney Fire and Rescue Plan**

After consideration of a report by Iain Macleod, Local Senior Officer, copies of which had been circulated, and after hearing a report from Raymond Fallon, Group Manager, the Sub-committee:

Scrutinised the statistical performance of the Scottish Fire and Rescue Service, Orkney Islands area, for the period 1 July to 30 September 2020, detailed in the Quarterly Performance Report, attached as Appendix 1 to the report by the Local Senior Officer for Orkney, Shetland and the Western Isles, and obtained assurance.

## **4. Conclusion of Meeting**

At 14:50 the Chair declared the meeting concluded.

Signed: A Drever.