Minute

Policy and Resources Committee

Tuesday, 21 February 2023, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors James W Stockan, Heather N Woodbridge, Graham A Bevan, Stephen G Clackson, Alexander G Cowie, David Dawson, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask, Raymond S Peace, John A R Scott, Gillian Skuse, Jean E Stevenson, Ivan A Taylor, Owen Tierney and Duncan A Tullock.

Present via remote link (Microsoft Teams)

Councillor Mellissa-Louise Thomson.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Oliver D Reid, Chief Executive.
- Karen Greaves, Corporate Director for Strategy, Performance and Business Solutions.
- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- James Wylie, Corporate Director for Education, Leisure and Housing.
- Gavin Mitchell, Head of Legal and Governance.
- Peter Diamond, Head of Education (for Items 20 to 22).
- Sweyn Johnston, Head of Enterprise and Economic Growth (for Items 10 to 25).
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Jim Lyon, Interim Head of Children, Families and Justice Services and Chief Social Work Officer (for Items 5 to 9).
- Erik Knight, Head of Finance.
- Lorna Richardson, Head of Neighbourhood Services (for Items 1 to 21).
- Alex Rodwell, Head of Improvement and Performance.
- Frances Troup, Head of Community Learning, Leisure and Housing (for Items 20 to 22).
- Inga Burton, Programme Manager Islands Deal (for Items 10 to 12).
- Stuart Allison, Service Manager (Enterprise) (for Items 11 to 20).
- Shonagh Merriman, Service Manager (Corporate Finance) (for Items 1 to 4).
- William Moore, Service Manager (Improvement and Performance) (for Items 1 to 11).
- Ian Rushbrook, Service Manager (Property and Capital Projects) (for Items 1 to 4 and 21 to 25).

- Maureen Spence, Service Manager (Democratic Services and Communications) (for Items 1 to 8).
- Anna Whelan, Service Manager (Strategy and Partnership) (for Items 1 to 6).
- Christie Hartley, Team Manager (Sustainable Tourism) (for Items 11 to 13).

In Attendance via remote link (Microsoft Teams)

- Stephen Brown, Chief Officer, Orkney Health and Social Care Partnership.

Observing

- Kenny MacPherson, Head of Property, Asset Management and Facilities (for Items 1 to 5 and 20 to 25).
- Carole Graves, Service Manager (Revenue and Benefits) (for Items 1 to 11).
- Kirsty Groundwater, Team Manager (Communications) (for Items 21 to 25).
- Glen Thomson, Senior Surveyor (for Items 21 and 22).

Apologies

- Councillor W Leslie Manson.
- Councillor James R Moar.
- Councillor Gwenda M Shearer.

Declarations of Interest

- Councillor Steven B Heddle – Item 12.
- Councillor John A R Scott – Item 21.
- Councillor James W Stockan – Item 11.
- Councillor Ivan A Taylor – Item 10.
- Councillor Mellissa-Louise Thomson – Items 10, 20 and 24.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

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

2. Revenue Expenditure Monitoring

2.1. Policy and Resources

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

Noted:

2.1.1. The revenue financial summary statement in respect of the undernoted services for the period 1 April to 31 December 2022, attached as Annex 1 to the report by the Head of Finance, which indicated an underspend position of £736,000:

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

2.1.2. The revenue financial detail by Service Area statement for the period 1 April to 31 December 2022, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

2.1.3. 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 report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

2.2. Orkney Health and Care

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

Noted:

2.2.1. The revenue financial summary statement in respect of service areas within the Orkney Health and Social Care Partnership, for which the Council was responsible, for the period 1 April to 31 December 2022, attached as Annex 1 to the report by the Head of Finance, which indicated a budget overspend position of £1,396,800.

2.2.2. The revenue financial detail by service area statement in respect of service areas within the Orkney Health and Social Care Partnership, for which the Council was responsible, for the period 1 April to 31 December 2022, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

2.2.3. 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.

2.3. Summary

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

Noted:

2.3.1. The summary revenue expenditure statement for the period 1 April to 31 December 2022, attached as Annex 1 to the report by the Head of Finance, which indicated the following:

- A total General Fund overspend of £1,994,600.
- A deficit in Sources of Funding of £1,651,200.
- A net Non-General Fund deficit of £22,963,000.

2.3.2. The financial detail across individual Sources of Funding for the period 1 April to 31 December 2022, including significant variances identified as Priority Actions, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

2.3.3. 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. Capital 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 Service Manager (Corporate Finance), the Committee:

Noted:

3.1. The summary financial position, as at 31 December 2022, 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, which indicated actual expenditure incurred as at 31 December 2022 of £17,695,000.

3.2. That the Head of Finance had reprofiled the capital programme for 2022/23, taking slippage and current timescales for completion of individual capital projects into consideration, in order to reflect the estimated outturn position for the current financial year.

The Committee scrutinised:

3.3. 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.

4. Treasury Management Strategy Statement and Annual Investment Strategy

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Committee:

Noted:

4.1. That, with effect from financial year 2023/24, the CIPFA Treasury Code required performance against the treasury management strategy and annual investment strategy to be scrutinised quarterly, rather than half-yearly as at present.

4.2. That, as a result of the new requirements within the CIPFA Treasury Code, consideration would be given to appropriate scrutiny arrangements in respect of approval of the treasury management strategy and annual investment strategy, together with quarterly performance reporting.

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

4.3. That the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24, attached as Appendix 1 to this Minute, be approved.

5. Council Plan 2023-28

After consideration of a report by the Corporate Director for Strategy, Performance and Business Solutions, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, the Committee:

Noted:

5.1. That, on 23 November 2022, when considering the draft Council Plan, the Policy and Resources Committee recommended:

- That the draft Council Plan 2023-2028 be approved for consultation.
- That the Corporate Director for Strategy, Performance and Business Solutions should submit, to the next meeting of the Committee, a final version of the Council Plan 2023-2028 and supporting Delivery Plan listing the key actions and projects that would deliver the target outcome under each strategic priority theme within the Council Plan.

5.2. That consultation was undertaken during the period 22 December 2022 to 20 January 2023, with the main issues raised summarised in section 4 of the report by the Corporate Director for Strategy, Performance and Business Solutions.

5.3. The final draft Council Plan 2023-2028, attached as Appendix 1 to the report by the Corporate Director for Strategy, Performance and Business Solutions, which had been amended to reflect the outcome of the public consultation.

5.4. The Delivery Plan to support the Council Plan 2023-2028, attached as Appendix 2 to the report by the Corporate Director for Strategy, Performance and Business Solutions, which contained a number of priority projects and milestones listed to indicate the work which would be undertaken to achieve the target outcome.

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

5.5. That the revised Council Plan for the period 2023 to 2028 and supporting Delivery Plan, attached as Appendices 2 and 3 respectively to this Minute, be approved.

6. Orkney Community Plan

Incorporating Local Outcomes Improvement Plan

After consideration of a report by the Corporate Director for Strategy, Performance and Business Solutions, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Strategy and Partnership), the Committee:

Noted:

6.1. That the Community Empowerment (Scotland) Act 2015 placed a duty on community planning partnerships to prepare and publish a Local Outcomes Improvement Plan (LOIP) setting out the local outcomes that a partnership had prioritised for improvement.

6.2. That the Orkney Partnership chose to publish a Community Plan which incorporated its statutory LOIP.

6.3. That the current Orkney Community Plan/LOIP 2021-23 was a two-year emergency Covid Recovery Plan that would expire at 31 March 2023.

6.4. That the Orkney Partnership Board decided that the new Orkney Community Plan/LOIP should have three strategic priorities as follows:

- Cost of Living.
- Sustainable Development.
- Local Equality.

6.5. That the Orkney Partnership Board agreed that the Plan should be for seven years, 2023 to 2030, so that the end of the Plan matched the target date it had set for the county to reach net-zero carbon emissions.

6.6. That, on 14 December 2022, the Orkney Partnership Board approved the draft Orkney Community Plan/LOIP 2023-30 for public consultation.

6.7. That consultation was undertaken during the period 22 December 2022 to 20 January 2023, alongside the draft Council Plan 2023-28.

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

6.8. The final draft Orkney Community Plan/ Local Outcomes Improvement Plan (LOIP) 2023-30, attached as Appendix 4 to this Minute, be approved insofar as it applied to the Council, subject to consideration of the outcomes for digital and transport connectivity under the strategic priority of Local Equality being amended so as to focus on meeting the needs of residents.

7. Review of Flag Flying Protocol

After consideration of a joint report by the Chief Executive and the Corporate Director for Strategy, Performance and Business Solutions, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Democratic Services and Communications), the Committee:

Noted:

7.1. That, on 22 June 2021, when considering a request to fly the Rainbow flag at the Council Offices on 26 June 2021 to mark Orkney Pride, the Council resolved that the Chief Executive should undertake a review of the flag flying protocol.

7.2. The revised flag flying protocol, attached as Appendix 1 to the joint report by the Chief Executive and the Corporate Director for Strategy, Performance and Business Solutions, which proposed the flags to be flown from Council properties on specific dates or events each year.

7.3. The proposed criteria which should be applied when considering requests to fly flags not included within the revised flag flying policy, as follows:

- No political element to the activity.
- No commercial element to the activity.
- No significant cost to the Council.
- Flying the flag does not conflict with another event already included in the proposed protocol.

On the motion of Councillor Steven B Heddle, seconded by Councillor James W Stockan, the Committee resolved to **recommend to the Council**:

7.4. That the Council's Flag Flying Protocol, attached as Appendix 5 to this Minute, be approved.

7.5. That, in regard to a request from an organisation not included within the flag flying protocol, powers be delegated to the Chief Executive, in consultation with the Convener, Leader and Depute Leader, to fly a flag, provided the request met the undernoted criteria, from either the Council Offices or Kirkwall Town Hall:

- No political element to the activity.
- No commercial element to the activity.
- No significant cost to the Council.
- Flying the flag does not conflict with another event already included in the approved flag flying protocol.

7.6. That, in the event of a continual clash of dates between two organisations, flags to be flown should be alternated annually between the Council Offices and Kirkwall Town Hall.

8. The Coronation of His Majesty the King

After consideration of a report by the Corporate Director for Strategy, Performance and Business Solutions, copies of which had been circulated, and after hearing a report from the Head of Human Resources and Organisational Development, the Committee:

Noted:

8.1. That the UK Government had announced an additional bank holiday on Monday, 8 May 2023, to mark the coronation of His Majesty the King.

8.2. That the coronation ceremony itself was scheduled to take place on Saturday, 6 May 2023.

8.3. That it was for individual councils to determine whether they wished to award employees an additional holiday on Monday, 8 May 2023.

8.4. That the Council could choose to recognise the event by granting either:

- An additional public holiday for its staff, in which case any employee required to work on Monday, 8 May 2023 would be recompensed in accordance with local arrangements in place for public holiday working; or
- An additional day of fixed annual leave that must be taken on Monday, 8 May 2023.

8.5. That, alternatively, the Council could choose not to award the additional holiday and consider either:

- That the day would be a normal day of Council operations and all employees would be expected to work as normal; or
- The public holiday already agreed for Monday, 1 May 2023 (May Day) be moved to Monday, 8 May 2023 for this year.

8.6. That, should the leave arrangements referred to at paragraphs 8.7 and 8.8 below be approved, the Council Offices, schools and all other services, other than those provided on a 24-hour basis, such as care homes, would be closed on Monday, 8 May 2023.

Councillor David Dawson, seconded by Councillor Steven B Heddle, moved that:

- Employees, in the employment of the Council on Monday, 8 May 2023, be awarded an additional day of fixed annual leave to be taken on Monday, 8 May 2023.
- Those employees who were required to work on Monday, 8 May 2023 to provide essential services should have a pro rata day in lieu added to their holiday entitlement for 2023/24.

Councillor Kristopher D Leask, seconded by Councillor P Lindsay Hall, moved an amendment that the Council should not award an additional annual day of leave to mark the coronation of His Majesty the King and therefore employees should be expected to work as normal.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Alexander G Cowie, P Lindsay Hall, Kristopher D Leask and Owen Tierney (4).

For the Motion:

Councillors Graham A Bevan, Stephen G Clackson, David Dawson, Steven B Heddle, Rachael A King, Raymond S Peace, John A R Scott, Gillian Skuse, Jean E Stevenson, James W Stockan, Ivan A Taylor, Mellissa-Louise Thomson, Duncan A Tullock and Heather N Woodbridge (14).

The Motion was therefore carried and the Committee thereafter resolved to **recommend to the Council**:

8.7. That employees, in the employment of the Council on Monday, 8 May 2023, be awarded an additional day of fixed annual leave to be taken on Monday, 8 May 2023.

8.8. That those employees who were required to work on Monday, 8 May 2023 to provide essential services should have a pro rata day in lieu added to their holiday entitlement for 2023/24.

9. Care Inspectorate – Fostering, Adoption and Adult Placement Services

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

Noted:

9.1. That, on 26 September 2022, the Care Inspectorate undertook a short notice, announced, inspection of the following registered services:

- Fostering Service.
- Adoption Service.
- Adult Placement Service (Continuing Care).

9.2. That, on 29 November 2022, the Care Inspectorate published its inspection reports in relation to the registered services referred to above.

9.3. That, in response to the inspection reports published on 29 November 2022, Action Plans were developed, addressing all the requirements and improvement areas identified from the inspection findings.

9.4. The key findings arising from the registered services inspection reports, summarised in sections 4, 5 and 6 of the report by the Chief Officer, Orkney Health and Social Care Partnership.

9.5. The positive findings arising from the registered services inspection reports, summarised in section 7 and attached as Appendix 7 to the report by the Chief Officer, Orkney Health and Social Care Partnership.

9.6. The Action Plans developed to address the findings arising from the registered services inspection reports, attached as Appendices 4, 5 and 6 to the report by the Chief Officer, Orkney Health and Social Care Partnership.

The Committee scrutinised:

9.7. The inspection reports by the Care Inspectorate in respect of Fostering, Adoption and Adult Placement (Continuing Care) registered services, attached as Appendices 1 to 3 to the report by the Chief Officer, Orkney Health and Social Care Partnership, together with the associated Action Plans, attached as Appendices 4 to 6 to the report, and obtained assurance that planning and implementing actions to address the priority areas for improvement continued to develop and improve.

10. Council Tax – Charging on Empty Properties

Councillor Ivan A Taylor declared an interest in this item, his connection being that he held property interests which could, in the future, fall within the ambit of this policy, and was not present during discussion thereof.

Councillor Mellissa-Louise Thomson declared an interest in this item, her connection being that she held property interests which could, in the future, fall within the ambit of this policy, and was not present during discussion thereof.

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Improvement and Performance), the Committee:

Noted:

10.1. That the Council had powers under the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to vary or remove the discount available to taxpayers, or to charge an additional premium, where a property they were responsible for was unoccupied.

10.2. That, on 11 December 2018, when considering recommendations from the Policy and Resources Committee regarding the level of Council Tax discount or surcharge applied to empty properties the Council resolved:

- That, from 1 October 2019, an additional surcharge of 100% be applied to empty properties that had been unoccupied for a period exceeding 12 months, with delays beyond the 12-month period for certain categories of property.

10.3. That, on 12 February 2019 when considering the level of Council Tax discount to be applied to second homes, the Policy and Resources Committee recommended:

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

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

10.4. That a number of properties were at present exempt from Council Tax due to the owner having signed an undertaking with the Council that they would not allow occupation of the property on the basis of its condition being considered unfit for occupation.

10.5. That the Environmental Health service had reviewed the use of undertakings not to allow occupation, and was no longer permitting undertakings by property owners, having found no legal basis for the historic use of undertakings.

10.6. That the Finance service would review existing awards of exemption granted on the basis of undertakings to establish in each case whether there was a possible exemption from Council Tax on other grounds, or whether the property should be considered chargeable.

10.7. That current policy on when a surcharge was applied took account of how long a property had been unoccupied, rather than looking at whether the owner intended to bring the property back into use.

10.8. That, on the basis that a significant number of the properties, which were the subject of an undertaking, being reviewed have been empty for a number of years, removing the link to how long a property had been unoccupied would introduce a delay in the application of the surcharge in cases where the owner was taking steps to bring a property back in to use.

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

10.9. That the following amendments be made to policy on Council Tax charging applied to empty properties, to take effect from 1 April 2023:

- Removal of the 10% discount for second homes, with the exception of where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment.
- When introducing the additional surcharge on empty properties, removal of the two year time limit since a property was last occupied, in cases where:
  - The owner was finishing renovations prior to moving in, letting or selling, to instead introducing a one year time limit from the date renovations began, with discretion delegated to the Corporate Director for Enterprise and Sustainable Regeneration to extend the time limit by up to a further year where there were delays in the process, for example obtaining planning permission or a building warrant.
  - The owner was marketing the property for sale or let, to instead introducing a one-year time limit from the date the property was marketed.
  - The owner was working with the Council's Empty Homes and Development Officer to bring the property back into use.

11. Non-Domestic Rates – Empty Properties Relief Policy

Councillor James W Stockan declared an interest in this item, his connection being that he held property interests which could, in the future, fall within the ambit of this policy, and was not present during discussion thereof.

Signed: (Leader’s signature).

As the Chair, Councillor James W Stockan, had declared an interest in this item and left the meeting, the Vice Chair, Councillor Heather N Woodbridge, took the Chair for this item.

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Service Manager (Improvement and Performance), the Committee:

Noted:

11.1. That, on 23 November 2022, when considering amendments to the current Non-Domestic Rates relief policy, setting a local policy on relief for empty properties, the Policy and Resources Committee recommended:

- That the draft scheme of relief to empty properties, based on the existing national scheme, which aimed to encourage ratepayers to bring empty properties back in to use, by limiting the relief available on longer-term empty properties and protecting the Council from financial risk by applying a ‘hard’ cap on relief awards of £10,000 per ratepayer, per financial year, be approved for consultation with local ratepayers.
- That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report, to the next meeting of the Policy and Resources Committee, on the outcome of the consultation referred to above, together with a final scheme of relief to empty properties for adoption.

11.2. That consultation with ratepayers was undertaken between 18 January and 5 February 2023, with the main issues raised summarised in section 4 of the report by the Corporate Director for Enterprise and Sustainable Regeneration.

11.3. That the proposed scheme, attached as Appendix 2 to the report by the Corporate Director for Enterprise and Sustainable Regeneration, had been amended to reflect the outcome of the consultation.

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

11.4. That the scheme of relief to empty properties, attached as Appendix 6 to this Minute, which aimed to encourage ratepayers to bring empty properties back in to use, by limiting the relief available on longer-term empty properties and protecting the Council from financial risk by applying a ‘hard’ cap on relief awards of £10,000 per ratepayer, per financial year, be adopted from 1 April 2023.

Signed (Depute Leader’s signature).

12. Scottish Highlands and Islands Local Policy Innovation Partnership

Councillor Steven B Heddle declared an interest in this item, his connection being that his spouse was Director of the Institute of Northern Studies, and was not present during discussion thereof.

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Islands Deal Programme Manager, the Committee:

Noted:

12.1. That the UKRI Developing Local Policy Innovation Partnership Fund sought to make available £20M over four years for establishing networks of Local Policy Innovation Partnerships (LPIPs) to address social, community, economic and environmental priorities that contribute towards inclusive sustainable economic growth.

12.2. That the University of the Highlands and Islands (UHI) and Robert Gordon's University (RGU) approached the Council seeking support as a collaborating organisation as part of a Phase 1 application to the UKRI Developing Local Policy Innovation Partnership Fund, with a deadline of 12 January 2023.

12.3. That, in recognition of the urgency and, in consultation with the Convener, Leader and Depute Leader, on 11 January 2023, the Chief Executive exercised emergency powers by providing the Council's support for the bid by UHI and RGU to the UKRI Developing Local Policy Innovation Partnership Fund.

12.4. That, should the bid be successful, involvement of the Council would be limited from a practical perspective, with no financial requirement, but an expectation to participate in meetings and to help with a landscape review.

12.5. That successful applications would be announced in March 2023 with a project start date of 18 April 2023.

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

12.6. That, should the Phase 1 bid be successful, powers be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Leader and Depute Leader, to confirm and finalise the Council's involvement in the Scottish Local Policy Innovation Partnership, including a Phase 2 submission.

13. Dounby Visitor Infrastructure Hub

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Service Manager (Enterprise), the Committee:

Noted:

13.1. That, on 15 February 2022, when considering a draft Strategic Tourism Infrastructure Development Plan for public consultation, the Development and Infrastructure Committee recommended that the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services should submit expressions of interest in respect of eligible project development costs associated with the projects, detailed in Appendix 6 to that Minute, to VisitScotland's Rural Tourism Infrastructure Fund (RTIF), by the deadline of 24 February 2022.

13.2. That expressions of interest were submitted to the RTIF and the Council was subsequently awarded design grant support, totalling £98,400, to complete the design phase for five tourism infrastructure projects.

13.3. That, given the limited time available before the RTIF application deadline, the Dounby Visitor Infrastructure project was prioritised as a draft Place Plan, which included the project, had already been developed with the Dounby community.

13.4. That the project proposal described refurbishment of the Council's car park located at the B9057/A986 crossroads to deliver a market green, a civic space with infrastructure to serve the needs of both the community and visitors, at an estimated gross capital cost of £949,500.

13.5. That an application for RTIF grant funding was submitted to VisitScotland on 18 January 2023, seeking up to 75% capital funding for the project, with notification of the outcome expected on 6 March 2023.

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

13.6. That, subject to the successful outcome of the grant funding application to the Rural Tourism Infrastructure Fund, the Stage 2 Capital Project Appraisal in respect of the Dounby Visitor Infrastructure Hub, attached as Appendix 7 to this Minute, be approved.

13.7. That, as an exception to the Capital Project Appraisal process due to VisitScotland's accelerated timetable, the proposed Dounby Visitor Infrastructure Hub be added to the capital programme for 2023/24 onwards, at an estimated gross capital cost of £949,500.

13.8. That the capital cost of the Dounby Visitor Infrastructure Hub be funded as follows:

- 75% funding from the Rural Tourism Infrastructure Fund.
- 25% match funding from the Council's Tourism Infrastructure Fund.

13.9. That, grant funding permitting, the construction contract for the proposed Dounby Visitor Infrastructure Hub should include demolition of the Council's existing public toilets on the B9057 at Dounby, with the site restored to a state suitable for future development.

14. Pension Fund Sub-committee together with Pension Board

After consideration of the draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 16 November 2022, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Heather N Woodbridge, seconded by Councillor P Lindsay Hall, to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 16 November 2022, attached as Appendix 8 to this Minute, as a true record.

15. Investments Sub-committee

After consideration of the draft Minute of the Meeting of the Investments Sub-committee held on 16 November 2022, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor Heather N Woodbridge, seconded by Councillor Kristopher D Leask, to approve the Minute of the Meeting of the Investments Sub-committee held on 16 November 2022, attached as Appendix 9 to this Minute, as a true record.

16. Police and Fire Sub-committee

After consideration of the draft Minute of the Meeting of the Police and Fire Sub-committee held on 24 November 2022, copies of which had been circulated, the Committee:

Resolved, on the motion of Councillor David Dawson, seconded by Councillor Raymond S Peace, to approve the Minute of the Meeting of the Police and Fire Sub-committee held on 24 November 2022, attached as Appendix 10 to this Minute, as a true record.

17. Human Resources Sub-committee

After consideration of the draft Minute of the Meeting of the Human Resources Sub-committee held on 31 January 2023, copies of which had been circulated, the Committee:

Resolved:

17.1. On the motion of Councillor John A R Scott, seconded by Councillor Ivan A Taylor, to approve the Minute of the Meeting of the Human Resources Sub-committee held on 31 January 2023 as a true record.

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

17.2. That the recommendation at paragraph 2.5 of the Minute of the Meeting of the Human Resources Sub-committee held on 31 January 2023, attached as Appendix 11 to this Minute, be approved.

18. Police and Fire Sub-committee

After consideration of the draft Minute of the Meeting of the Police and Fire Sub-committee held on 14 February 2023, copies of which had been circulated, the Committee:

Resolved:

18.1. On the motion of Councillor David Dawson, seconded by Councillor Duncan A Tullock, to approve the Minute of the Meeting of the Police and Fire Sub-committee held on 14 February 2023 as a true record.

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

18.2. That the recommendation at paragraph 2.5 of the Minute of the Meeting of the Police and Fire Sub-committee held on 14 February 2023, attached as Appendix 12 to this Minute, be approved.

19. Exclusion of Public

On the motion of Councillor James W Stockan, seconded by Councillor Graham A Bevan, the Committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

20. Cost of Living Crisis – Business Support

Councillor Mellissa-Louise Thomson declared an interest in this item, her connection being that she was involved with a business which might apply for support, and was not present during discussion thereof.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Head of Enterprise and Economic Growth, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to potential support schemes for businesses in response to the Cost of Living crisis.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

21. Request for Financial Assistance

Councillor John A R Scott declared an interest in this item and was not present during discussion thereof.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a joint report by the Corporate Director for Education, Leisure and Housing and the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Head of Community Learning, Leisure and Housing, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to a request for financial assistance.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

22. Proposed New Nursery at Orkney College

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Corporate Director for Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Head of Education, the Committee:

Noted:

22.1. That, on 1 March 2022, when considering a Stage 2 Capital Project Appraisal in respect of the proposed new nursery at Orkney College, the Policy and Resources Committee recommended:

- That the Stage 2 Capital Project Appraisal in respect of the proposed new nursery at Orkney College, attached as Appendix 10 to the Minute, be approved.
- That the Corporate Director for Education, Leisure and Housing should submit an application to the Islands Infrastructure Fund for 2023/24 in respect of the proposed new nursery at Orkney College, which maximised the level of grant funding within the Fund guidelines once established.
- That, as an exception to the Capital Project Appraisal process and conditional upon success of the application to the Islands Infrastructure Fund, the proposed new nursery at Orkney College be added to the capital programme for 2022/23 onwards, at a gross cost of £2.52 million.

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

22.2. That the existing provision within the General Fund capital programme in respect of the new nursery at Orkney College be increased by £630,417, from £2,520,000 to £3,150,417.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

23. Asset Management Sub-committee

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6, 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of the draft Minute of the Meeting of the Asset Management Sub-committee held on 31 January 2023, copies of which had been circulated, the Committee:

Resolved:

23.1. On the motion of Councillor Ivan A Taylor, seconded by Councillor Jean E Stevenson, to approve the Minute of the Meeting of the Asset Management Sub-committee held on 31 January 2023 as a true record.

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

23.2. That the recommendation at paragraph 9.12 of the Minute of the Meeting of the Asset Management Sub-committee held on 31 January 2023, attached as Appendix 13 to this Minute, be approved.

Councillor Stephen G Clackson left the meeting at this point.

24. Property in Stromness

Councillor Mellissa-Louise Thomson declared an interest in this item and left the meeting at this point.

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to property in Stromness.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

25. Conclusion of Meeting

At 15:52 the Chair declared the meeting concluded.

Signed: (Leader’s signature).

Treasury Management Strategy Statement

and Annual Investment Strategy

Orkney Islands Council
2023/2024

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1 Introduction

1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising mainly from investing activities of the Strategic Reserve Fund, and are separate from the day-to-day treasury management activities.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators).
- a policy on statutory repayment of loans fund advances, (how residual capital expenditure is charged to revenue over time.)
- the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an Annual Investment Strategy, (the parameters on how investments are to be managed.)

A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

An annual treasury report – This is a backward-looking review document and **provides** details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is currently undertaken by the Policy and Resources Committee.

Quarterly Reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.
- the policy for statutory repayment of loans fund advances.

Treasury management issues

- the current treasury position.
- treasury indicators which limit the treasury risk and activities of the Authority.
- prospects for interest rates.
- the borrowing strategy.
- policy on borrowing in advance of need.
- debt rescheduling.
- the investment strategy.
- creditworthiness policy, and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations particularly Finance Circulars 5/2010 and 7/2016.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect ‘’all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The members have undertaken taken training during 2022/2023 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained by the Authority. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

1.5 Treasury Management Consultants

The Authority uses Link Group, Treasury solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2 The Capital Prudential Indicators 2023/24 – 2025/26

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	11.708	28.409	28.630	17.372	7.825
HRA	2.199	1.366	6.365	1.346	0.00
Total	**13.907**	**29.775**	**34.995**	**18.718**	**7.825**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	1.696	0.150	0.150	0.150	0.150
Capital grants	7.397	9.489	15.991	11.901	7.300
Capital reserves	0.998	2.799	0.000	8.070	0.00
Revenue	0.359	1.671	0.599	0.569	0.569
Net financing need for the year	**3.457**	**15.666**	**18.255**	**(1.972)**	**(0.194)**

2.2 The Authority's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. From 1.4.16, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority currently has no such schemes within the CFR.

The Authority is asked to approve the CFR projections below:

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement					
CFR – Non-HRA	39.756	55.864	70.622	65.047	62.521
CFR – HRA	10.094	10.471	11.541	12.236	11.838
Total CFR	**52.540**	**66.335**	**82.163**	**77.283**	**74.359**
Movement in CFR	**0.991**	**13.795**	**15.828**	**(4.880)**	**(2.924)**

Movement in CFR represented by					
Net financing need for the year (above)	3.457	15.666	18.255	(1.972)	(0.194)
Less loan fund repayments and other financing movements	(2.466)	(1.871)	(2.427)	(2.908)	(2.730)
Movement in CFR	**0.991**	**13.795**	**15.828**	**(4.880)**	**(2.924)**

2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Strategic Reserve Fund	233.035	255.498	225.612	227.072	232.866
Other Fund balances / reserves	40.991	41.000	30.000	30.000	30.000
Capital receipts	1.962	1.900	1.900	1.900	1.900
Provisions	32.168	34.686	38.467	40.467	41.034
Other	9.658	9.600	9.600	9.600	9.600
Total core funds	**317.814**	**342.684**	**305.579**	**309.039**	**315.400**
Working capital*	(2.439)	(2.500)	(2.500)	(2.500)	(2.500)
Under/over borrowing	(17.738)	(26.278)	(22.135)	(17.284)	(14.389)
Expected investments	**297.637**	**313.906**	**280.944**	**289.255**	**298.511**

*Working capital balances shown are estimated year-end; these may be higher mid-year

2.5 Statutory Repayment of Loans Fund Advances

The Authority is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Authority makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to authorities so long as a prudent provision is made each year. The Authority has previously adopted the following policy on the repayment of loans fund advances, which remains unchanged:

For loans fund advances, the policy will be to maintain the practice of previous years and apply the Asset Method, with all loans fund advances being repaid in equal instalments of principal with reference to the life of an asset.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31 March 2022 and for the position as at 31 December 2022 are shown below for both borrowing and investments, including the Strategic Reserve Fund investments managed in-house and externally.

TREASURY PORTFOLIO

	actual 31.3.22	actual 31.3.22	current 31.12.22	current 31.12.22
Treasury investments	£000	%	£000	%
banks	6,319	2%	2,630	1%
building societies - unrated	0	0%	0	0%
building societies - rated	0	0%	0	0%
local authorities	3,000	1%	0	0%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	4,300	1%	4,600	2%
certificates of deposit	9,000	3%	4,000	1%
Total managed in house	**22,619**	**7%**	**11,230**	**4%**
property investments	20,649	6%	20,649	7%
local investments	9,220	3%	9,220	3%
Strategic Reserve Fund managed in house	**29,869**	**9%**	**29,869**	**10%**
bond funds	44,078	14%	38,937	13%
diversified growth fund	43,752	14%	30,832	11%
equity fund	106,917	33%	99,887	34%
credit strategies fund	22,044	7%	20,450	7%
property funds	27,941	9%	23,603	8%
global private debt fund	8,928	3%	9,106	3%
alternative income fund	17,187	5%	27,831	10%
Strategic Reserve Fund managed externally	**270,848**	**84%**	**250,647**	**86%**
Total treasury investments	**323,336**	**100%**	**291,746**	**100%**
Treasury external borrowing				
local authorities	0	0%	0	0%
PWLB	35,000	100%	30,000	100%
other	86	0%	71	0%
LOBOs	0	0%	0	0%
Total external borrowing	**35,086**	**100%**	**30,071**	**100%**
Net treasury investments / (borrowing)	**288,250**		**261,675**	

The Authority’s forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
External Debt					
Debt at 1 April	35.114	35.086	40.057	60.029	60.000
Expected change in Debt	(0.029)	4.971	19.972	(0.029)	(0.00)
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000
Actual gross debt at 31 March	**35.086**	**40.057**	**60.029**	**60.000**	**60.000**
The Capital Financing Requirement	**52.540**	**66.335**	**82.163**	**77.283**	**74.359**
Under / (over) borrowing	**17.454**	**26.278**	**22.135**	**17.284**	**14.389**

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Finance reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	65.000	70.000	70.000	70.000
Other long-term liabilities	0.000	0.000	0.000	0.000
Total	65.000	70.000	70.000	70.000

The Authorised Limit for External Debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the Statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised limit £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	75.000	85.000	85.000	85.000
Other long-term liabilities	0.000	0.000	0.000	0.000
Total	75.000	85.000	85.000	85.000

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8 November 2022. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered.

Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn

whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on Borrowing in Advance of need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 24 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the Council, at the earliest meeting following its action.

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 Annual Investment Strategy

4.1 Investment Policy – Management of Risk

The Authority's investment policy has regard to the following: -

The Council's investment policy implements the requirements of the following:-

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Authority's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

In the current economic climate, it is also considered appropriate to maintain a degree of liquidity to cover cash flow needs but to alos consider ''laddering'' investments for periods of up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the Scottish Government and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in in Appendix 5.4 under the categories of 'specified' and 'non-specified' investments.
5. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally,

they were classified as being non-specified investments solely due to the maturity period exceeding one year.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in appendix 4.2.
8. This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under **IFRS 9**, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government). With much of the Council's investment instruments held in the Strategic Reserve Fund, as part of the Harbour Fund, it is not anticipated that the impact of IFRS 9 on the General Fund will be significant.
13. Externally managed fund investments are managed by externally appointed fund managers operating within individual mandates as part of an agreed investment strategy which sets both the permitted asset class limit and range. The appointed fund managers are authorised to manage risk within these mandates.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- ‘’watches’’ and ‘’outlooks’’ from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on a weekly basis. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.
- Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, as well as

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

information on any external support for banks to help support its decision-making process.

* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see appendix 5.4.

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Limits

The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. The list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Against this view the Treasury officers expect for its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds, short-dated deposits (overnight to 100 days) and long-dated deposits (up to 365 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Authority is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
Principal sums invested for longer than 365 days	£m 75	£m 75	£m 75
Current investments as at 31 December 22 in excess of 1 year maturing in each year	Nil	Nil	Nil

The budgeted investment earnings rates for returns on the Council's strategic reserve fund investments is derived from the approved investment strategy for the portfolio of investments that are managed by appointed external fund managers.

A revised investment strategy was implemented in 2017, introducing a new allocation to Enhanced Yield Debt as an alternative to Government Bonds which should marginally improve investment returns going forward. Since then, a further review has taken place which has resulted in the adoption of an income focused strategy in 2019. Both these changes in strategy are reflected in the forecast for the next three years as follows:

- • 2020/2021 5.60%.
- • 2021/2022 5.20%.
- • 2022/2023 5.20%.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 365 days), in order to benefit from the compounding of interest.

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio for both in-house and external investments:

Investment Portfolio	Benchmark	Target Mandate
In-house cash balances	90-day LIBOR	Outperform benchmark
Bonds	UK Corporate Bonds – Market Iboxx Sterling Non-Gilts ex BBB	Benchmark over a rolling 3-year period
Equities	Global Equities - MSCI All Country World Index (NDR)	Benchmark over a rolling 3-year period +1.5% p.a.
Equities – Global Alpha	FTSE All Share (9%), MSCI All County World Index (49%), UK Base Rate (27%), FTSE Act (15%)	Outperform benchmark over a rolling 3-year period
UK Property Fund	MSCI All Balanced Property Fund Index Weighted Average	Outperform benchmark over a rolling 3-year period
Diversified Growth Fund	3-month SONIA	Benchmark over a rolling 3-year period +3.0% p.a.
High Yield Debt Strategies	3-month SOFR	Benchmark over a rolling 3-year period +5.0% p.a.
Secured Income Fund	10 Year Gilts	Benchmark over a rolling 3-year period +2.0% p.a.
Global Private Debt Fund	90-day LIBOR	Benchmark over a rolling 3-year period +6.0% p.a.

The Council appreciates that the provision of LIBOR and associated LIBID rates ceased at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) and will report back to members accordingly.

4.6 End of Year Investment Report

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

4.7 External Fund Managers

As at 31 March 2023, it is estimated that £244.0m of the Authority's funds will be externally managed on a discretionary by externally appointed fund managers.

A review of the investment strategy for the Authority's strategic reserve fund, undertaken by the Investments Sub-committee in 2016, concluded that although the existing strategy had been effective in adding value, while at the same time preserving the value of the Fund in real terms, it did identify scope to improve the risk and return profile of the fund through the use of specialist pooled funds to diversify away from Equities as an asset class.

In 2018 the Investment Sub-Committee reviewed the investment strategy again and on 28 February 2019 resolved to further diversify into Illiquid Debt and Secured Income by way of direct investment to a pooled fund. It was further resolved that the equity allocation be split on a 50/50 basis between funds held on a growth basis, with a newly appointed Fund Manager, whilst retaining Schroders on a simplified single global equity strategy with the existing value style basis. The Corporate Bonds allocation was to be transferred to a specialist passive manager. These diversifications were to be matched by a proportionate reduction in growth assets.

The Head of Finance developed an Action Plan, in consultation with Hymans Robertson, to implement the changes to the investment strategy. Interviews with potential fund managers took place in August and October 2019 after which fund managers were appointed to three new mandates, as follows:

- Baillie Gifford – Global Alpha.
- Barings – Global Private Loan Fund III.
- Blackrock – UK Strategic Alternative Income Fund.

In addition to the above appointments, Legal and General Investment Managers were appointed through a national framework to manage the bond allocation for the Strategic Reserve Fund on a passive basis.

The process to put the new mandates in place commenced in 2019 and has continued into the 2022/23 financial year. The pace of diversification has been slower than originally envisaged due volatility experienced in the markets relating to COVID-19 and the war in Ukraine.

The Authority's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Authority and the fund manager(s) additionally stipulate guidelines on duration and other limits in order to contain and control risk.

5 Appendices

5.1. Prudential and treasury indicators.

5.2. Interest rate forecasts.

5.3. Economic background.

5.4. Treasury management practice TMP1 – credit and counterparty risk management.

5.6. Approved countries for investments.

5.7. Treasury management scheme of delegation.

5.8. The treasury management role of the section 95 officer.

5.1 The Capital Prudential and Treasury Indicators 2023/24 – 2025/26

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital Expenditure

Capital expenditure £m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Social Care	0.141	5.430	6.312	1.625	0.000
Roads and Transportation	1.699	3.767	1.300	0.950	0.950
Education and Leisure	3.906	4.017	2.841	0.260	0.000
Marine Services	1.529	9.099	7.986	1.255	0.569
Other Services	4.433	6.096	10.191	13.282	6.306
Non-HRA	**11.708**	**28.409**	**28.630**	**17.372**	**7.825**
HRA	**2.199**	**1.366**	**6.365**	**1.346**	**0.000**
Total	**13.907**	**29.775**	**34.995**	**18.718**	**7.825**

5.1.2 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

a. Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

%	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	0.7%	0.8%	1.3%	1.7%	1.5%
Scapa Flow Oil Port	17.2%	18.5%	20.5%	20.3%	21.1%
Miscellaneous Piers	14.6%	19.2%	11.7%	14.8%	15.7%
Housing Revenue Account	19.5%	19.1%	19.5%	18.8%	18.0%

The estimates of financing costs include current commitments and the proposals in this budget report.

The above ratio for the Housing Revenue Account shows the amount of rent income being committed to servicing the long-term debt associated with the Authority's house building strategy and as such, 35% should be regarded as the upper limit for the cost of capital relative to net revenue on the Housing Revenue Account, for the term of the current 5-year capital programme.

HRA Ratios

£	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt £m	**10.094**	**10.471**	**11.541**	**12.236**	**11.838**
HRA revenues £m	**3.935**	**4.186**	**4.343**	**4.453**	**4.711**
Ratio of debt to revenues %	**38.98**	**39.98**	**37.63**	**36.39**	**39.8**

£	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt £m	**10.094**	**10.471**	**11.541**	**12.236**	**11.838**
Number of HRA dwellings £m	**981**	**989**	**1027**	**1027**	**1027**
Debt per dwelling £	**10.290**	**10.587**	**11.238**	**11.914**	**11.527**

5.1.3 Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Authority is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	40%	0%
5 years to 10 years	0%	0%
10 years to 20 years	0%	0%
20 years and above	60%	100%

5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 Interest Rate Forecasts 2022-2025

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

5.3 Economic Background

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

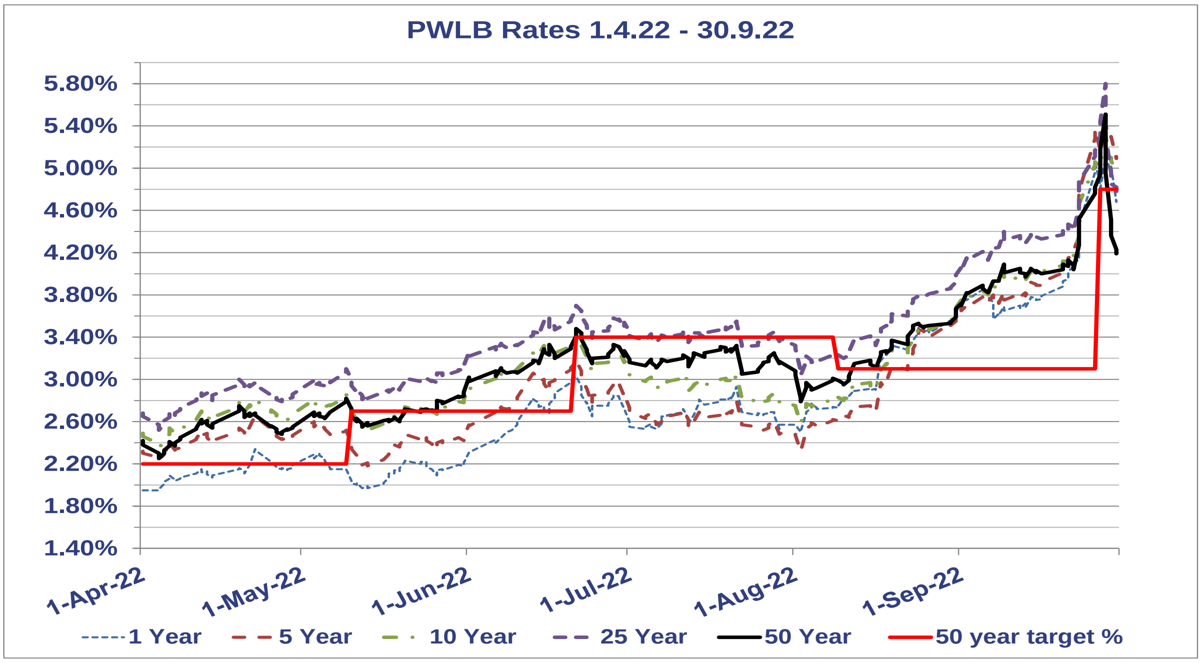
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

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At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5.4 Treasury Management Practice (TMP1): Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1 and table 2.

Treasury risks

All the investment instruments in tables 1 and 2 are subject to the following risks:

1. **Credit and counterparty risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.
2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small

level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale, b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1 & 2 headed as ‘market risk’ will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g., those investing in investment instruments with a view to obtaining a long-term increase in value.
4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation’s finances, against which the organisation has failed to protect itself adequately. This Authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. It also manages interest rate risk by maintaining a number of discrete investment portfolios which are managed by external fund managers. The separation of equites, multi-asset and bond investments in this way effectively minimises the Council’s exposure to interest rate movements.
5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

1. **Credit and counterparty risk:** this Authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.
2. **Liquidity risk:** this Authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
3. **Market risk:** this is a risk that, through adverse market fluctuations in the value of the principle sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, as a cash rich local authority the Council carries an active exposure to market risk, e.g. those investing in investment instruments through the Strategic Reserve Fund with a view to obtaining a long-term increase in value.
4. **Interest rate risk**: this Authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control

of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

5. **Legal and regulatory risk:** this Authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations. This applies to all types of investment instruments.

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 & 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The Authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.
2. **High creditworthiness banks and building societies.** See paragraph 4.2 for an explanation of this Authority's definition of high creditworthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high creditworthiness, the Authority will ensure diversification of its portfolio by ensuring that no more than 25% of the total portfolio can be placed with any one institution or group at any one time.
3. **The Council's Current Provider of Banking Services.** In normal circumstances the authority will ensure diversification of its portfolio ensuring that no more than 25% of the total portfolio can be placed with any one institution or group at any one time. In restricted circumstances, however, to be determined on a case by case basis by the Head of Finance as Section 95 Officer to the Council, the Council's banker is further authorised to hold an unlimited amount, or up to 100%, of Council funds either in the form of cash or bonds as part of the transition process or portfolio restructuring exercise, in respect of the Strategic Reserve Fund managed fund investments, for a maximum period of up to 7 working days.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an Authority approves as being 'permitted'.

1. Deposits

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

b) **Term deposits with high creditworthiness banks and building societies.** See paragraph 4.2 for an explanation of this Authority's definition of high creditworthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Authority will ensure diversification of its portfolio of deposits ensuring that no more than 25% of the total portfolio can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.

c) **Call accounts with high creditworthiness banks and building societies.** The objectives are as for 1b. but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the Authority has ready access to cash when needed to pay bills.

d) **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide authorities with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

e) **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

2. Deposits with Counterparties Currently in Receipt of Government Support / Ownership

These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this Authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Term deposits with high creditworthiness banks which are fully or semi nationalised.** As for 1b. but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Authority considers that this indicates a low and acceptable level of residual risk.

b. **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

3. Collective Investment Schemes Structured as Open-Ended Investment Companies (OEICS)

a. **Government liquidity funds.** These are the same as MMFs (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this Authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60-day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas

£2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

c. **Ultra-short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF, but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. Securities Issued or Guaranteed by Governments

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

a. **Treasury bills.** These are short term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

b. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

c. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

d. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

e. **Bonds issued by Multi-Lateral Development Banks (MLDBs).** These are similar to c. and d. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

5. Securities Issued by Corporate Organisations

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earning on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category, but corporate organisations can have a wide variety of creditworthiness, so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. Other

Property fund. This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants paying their rent / lease etc., a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Diversified Growth Fund. This is a collective investment fund specialising in a diversified investment approach. Rather than holding individual stocks and shares a collective fund offers the advantage of more diversified investment over a wider portfolio of investments and range of asset classes. This can be attractive for authorities who want exposure to the potential for asset classes including listed equities, private equity, high yield and investment grade bonds, structured finance, emerging market bonds, absolute return, insurance linked, commodities, infrastructure and currency assets to rise in value. By their very nature, some of these asset classes are regarded as being higher risk and as such it is not considered prudent to hold individual stocks as a direct investment. The risk profile of the collective investment fund is managed as a whole to smooth out the volatility in terms of the performance of individual investments and across asset classes.

Enhanced Yield Debt or Multi Asset Credit Fund. This is a collective investment fund specialising in enhanced yield debt focused strategies or multi asset credit investment approach. Rather than holding individual stocks and shares a collective fund offers the advantage of targeting a select group of investments and range of asset classes. This can be attractive for authorities who want exposure to the specialist area of enhanced yield debt strategies or multi asset credit asset classes including for example senior secured corporate debt, high yield, mezzanine corporate debt, property debt, infrastructure debt, asset-backed securities and distressed debt. Some of these asset classes are regarded as being both higher risk and by their nature can be more illiquid, as such it is not considered prudent to hold individual stocks as a direct investment. The risk profile of the collective investment fund is managed as a whole to smooth out the volatility in terms of the performance of individual investments and across asset classes.

Private Debt Fund. This is an investment fund specialising in directly originated senior secured loans to private equity-owned businesses. Private debt provides a spread pick-up versus the syndicated loan markets. The privately negotiated debt deals tend to be structured with strong financial covenants which protect lenders. Lenders in the private credit market can also benefit from origination fees, which benefit banks in the syndicated market.

Strategic Alternative Income Fund. This is a collective investment fund specialising in private market assets. Rather than holding individual stocks and shares a collective fund offers the advantage of targeting a select group of investments and range of asset classes. This can be attractive for authorities who want exposure to the potential for asset classes including infrastructure debt, renewable energy, real estate debt, long lease property and private credit. By their very nature, some of these asset classes are regarded as being higher risk and can be more illiquid, as such it is not considered prudent to hold individual stocks as a direct investment. This type of fund is designed to deliver predictable, long-term cash flows that have explicit and implicit linkage to inflation.

Table 1: Permitted Investments in House – Treasury Management and Common Good

This table is for use by the in-house treasury management team.

1.1 Deposits

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility (DMADF)	--	term	no	100%	6 months
Term Deposits – local authorities	--	term	no	100%	2 years
Call Accounts – banks and building societies **	Green	instant	no	100%	2 years
Term Deposits – banks and building societies **	Green	term	no	100%	2 years
Fixed Term Deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	20%	2 years
Collateralised Deposit (see note 2)	UK sovereign rating or note 1	term	no	20%	2 years

1.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	See note 1	term	no	100%	2 years
Banks part nationalised by high credit rated (sovereign rating) countries – non-UK	Sovereign rating or note 1	term	no	20%	2 years
Fixed term deposits with variable rate and variable maturities: - Structured deposits	See note 1	term	yes	20%	2 years

1.3 Collective investment schemes structured as Open-Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1a. Money Market Funds (CNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
1b. Money Market Funds (LVNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
1c. Money Market Funds (VNAV)	MMF rating	instant	No See app 5.5	20%	60-day weighted average
2a. Ultra-Short Dated Bond Funds with a credit score of 1.25	Bond fund rating	T+1 to T+5	yes	20%	90-day weighted average
2b. Ultra-Short Dated Bond Funds with a credit score of 1.5	Bond fund rating	T+1 to T+5	yes	20%	90-day weighted average
3. Bond Funds	Bond fund rating (or alternative measure if not rated)	T+2 or longer	yes	20%	10-year weighted average
4. Gilt Funds	UK sovereign rating	T+2 or longer	yes	20%	10-year weighted average

1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	20%	1 year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	20%	30 years
Bond issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	20%	30 years
Sovereign Bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	yes	20%	30 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	Sale T+1	yes	20%	30 years

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of Deposit issued by banks and building societies	Green	Sale T+0	yes	20%	2 year
Commercial Paper other	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+0	yes	20%	90 days
Floating rate notes	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+0	yes	20%	30 years
Corporate Bonds other	Short-term F1, A1, P1, Long-term A, Viability C, Support 2	Sale T+3	yes	20%	30 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

1.6 Other

	*** Minimum Credit Criteria / fund rating**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Property Funds	--	T+4	yes	20%	30 years
Diversified Growth Funds	-	T+4	Yes	20%	30 years
Enhanced Yield Debt Strategies or Multi Asset Fund	-	T+4	Yes	20%	30 years
Local authority mortgage scheme	Short-term F1, A1, P1, Long-term AA-, Viability B, Support 3			£5M	5 years

Table 2: permitted investments for use by external fund managers – Strategic Reserve Fund and Common Good

2.1 Deposits

	* Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	Max. maturity period
Term Deposits – local authorities	--	term	no	100%	2 years
Call Accounts – banks and building societies **	See note 1	instant	no	100%	On call
Term Deposits – banks and building societies **	* Short-term F1, A1 P1, Long-term A	term	no	100%	2 years
Collateralised Deposit (see note 2)	UK sovereign rating or note 1	term	no	20%	2 years

2.2 Deposits with counterparties currently in receipt of government support / ownership

	*** Minimum Credit Criteria**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
UK part nationalised banks	UK sovereign rating	Term or instant	no	20%	2 years
Banks part nationalised by high credit rated (sovereign rating) countries – non-UK**	UK sovereign rating or AA- long-term rating	Term or instant	no	20%	2 years

2.3 Collective investment schemes structured as Open-Ended Investment Companies (OEICs)

	*** Minimum Fund Rating**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
1a. Money Market Funds (CNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
1b. Money Market Funds (LVNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
1c. Money Market Funds (VNAV)	MMF rating	instant	No see app 5.5	20%	60 days weighted average
2. Ultra-Short Dated Bond funds with a credit score of 1.25	Bond fund rating	T+>1	yes	20%	90 days weighted average
3. Ultra-Short Dated Bond funds with a credit score of 1.5	Bond fund rating	T+>1	yes	20%	10 years weighted average
4. Bond Funds	Bond fund rating (or alternative measure if not rated)	T+>1	yes	20%	10 years weighted average

5. Gilt Funds	Bond fund rating (or alternative measure if not rated)	T+>1	yes	20%	10 years weighted average

2.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	20%	1 year
UK Gilts	UK sovereign rating	Sale T+1	yes	20%	100 years
Bond issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	20%	100 years
Sovereign Bond issues (other than the UK govt)	AAA (or state your criteria if different)	Sale T+1	yes	20%	100 years
Bonds issued by Multilateral Development Banks	AAA (or state your criteria if different)	Sale T+1	yes	20%	100 years

2.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of Deposit issued by banks and building	*Short-term F1, A1, P1, Long-term A	Sale T+1	yes	20%	1 year
Commercial Paper other	* Short-term F1, A1, P1, Long-term A	Sale T+1	yes	20%	90 days
Corporate Bonds other	* Short-term F1, A1, P1, Long-term A	Sale T+3	yes	20%	75 years
Floating Rate Notes	* Long-term A	Sale T+1	yes	20%	75 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

2.6 Other

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property Funds	-	T+4	Yes	20%	30 years
Diversified Growth Funds	-	T+4	Yes	20%	30 years
Enhanced Yield Debt Strategies or Multi Asset Funds	-	T+4	Yes	20%	30 years
Infrastructure Equity	-	T+4	Yes	20%	50 years
Illiquid or Private Debt Funds	-	T+4	Yes	20%	30 years
Secured Income/Secured Finance		T+4	Yes	20%	30 years

It should be noted that the external fund managers appointed to manage the Council's managed fund portfolios are authorised through agreed investment guidelines to hold permitted investments in the form of non-treasury investments as described in Appendix 6 to this strategy document i.e. equity shares, unit trusts and bond holdings.

7. Permitted Investments – Non Treasury Investments.

Definition of non-treasury investments

Regulation 9 adds to the normal definition of investments the following categories:-

- a. All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment.
- b. Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
- c. Loans made to third parties are investments.
- d. Investment property is an investment.

However, the following loans are excluded from the definition of investments:

Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

External fund managers appointed to manage the Council's managed fund portfolios are authorised through agreed investment guidelines to hold permitted investments in the form of non-treasury investments as defined above i.e. equity shares, unit trusts and bond holdings.

Under current investment guidelines fund managers are authorised to hold up to 100% of the managed funds either in the form of bonds, equities, property or unit trusts including collective investment vehicles such as diversified growth and multi asset fund investments.

Each type of permitted investment has been detailed in Table 2 above, as part of the permitted investments for use by external cash and managed fund managers.

The Consent includes as an investment any loan issued to a local authority company or other entity formed by as local authority to deliver services, or a third party, subject to a maximum amount of £25M and a maximum duration of up to 30 years.

The Consent includes as an investment any investment property up to a maximum value of £10M per investment and a maximum duration of up to 30 years.

In such cases, individual requests will be considered by the Investment Sub-Committee as a potential investment opportunity on commercial terms in the first instance, and thereafter be the subject of due diligence exercise, if supported in principle.

Such loans and property investments are often made for service reasons and for which specific statutory provision exists. Where this is the case, the relevant Services Committee will give consideration to such requests, which may include for example loans at an interest rate below the market rate subject to the state aid implications being addressed.

All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. Annual strategies and reports will recognise all loans to third parties as investments. In such cases, these loans will be categorised, identifying the service reason together with details of those loans carrying a below market interest rate and the impact these advances have on investment returns in future reports.

5.5 Treasury Management Practice (TMP1): Credit and Counterparty Risk Management

Orkney Islands Council, including Strategic Reserve Fund, Charitable and Common Good Funds Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	100%, maximum 6 months.	100%, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi–UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi-UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	100% and maximum 2 years.	100% and maximum 2 years.
c. Money Market Funds (MMFs) (LVNAV) **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	20%	20%

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Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
d. Ultra-short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	20%	20%
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high, and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with these criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with these criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	20%, maximum 100 years.	20%, maximum 100 years.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	20% and maximum 75 years.	20% and maximum 75 years.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low, and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.	20% and maximum 75 years.	20% and maximum 75 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property-based investment may counterbalance/compliment the wider cash portfolio. Property holding will be revalued regularly and reported annually with gross and net rental streams.	£10M and maximum of 30 years	n/a
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval, and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£5M and maximum 30 years.	n/a
c. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£25M and maximum 30 years.	n/a
d. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	100%	n/a

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
e. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Specific managed fund investment guidelines	n/a
f. Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest. Under this scheme the Council would be required to place up to £5M on deposit with a participating bank for a period of between 3 to 5 years.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's.	£5M and maximum 5 years.	n/a

The monitoring of investment counterparties - The status of counterparties will be monitored regularly. The Authority receives credit rating and market information from Link, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Authority's policy to use external fund managers for part of its investment portfolio. The fund managers are contractually committed to keep to the Authority's investment strategy. The limits for permitted investments have been established in consultation with external fund managers and are consistent with the terms of their appointment. The performance of each manager is reviewed at least quarterly by the Head of Finance and the managers are contractually required to comply with the annual investment strategy.

5.6 Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- **U.K.**

5.7 Treasury Management Scheme of Delegation

1. Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

2. Policy and Resources Committee

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;

3. Investments Sub-committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

5.8 The Treasury Management Role of The Section 95 Officer

The S95 (responsible) officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Appendix 1

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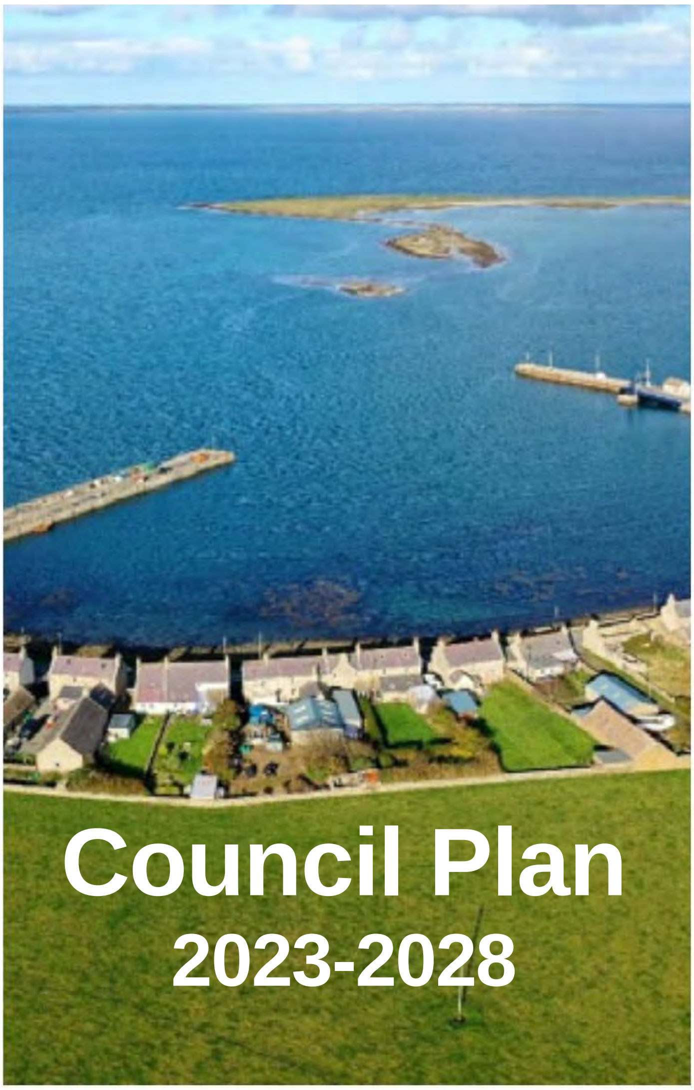
ORKNEY
ISLANDS COUNCIL



Council Plan
2023-2028

Working together for Orkney

www.orkney.gov.uk


ORKNEY
SMOKED CHEDDAR
Christmas Spice
Orkney Wine

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Working together for Orkney

Welcome to our council plan for 2023-2028. This plan sets out how we will deliver our ambitions for Orkney's future and deliver the very best for our community and businesses.

Our plan doesn't cover the wide range of council services that are delivered daily, but it provides clear direction and focus on some important priorities that we will work towards and the positive effect we will have on our community. We are in uncertain times and recognise the effect the cost-of-living crisis is having. In the short term, we will continue to work with our Community Planning Partners and the cost-of-living taskforce group to identify further help and support for those who need it most. With the effects of the cost-of-living crisis likely to continue for some time, the first couple of years of this plan could be the most challenging and we will focus our efforts on supporting the community and local businesses.

It's important to emphasise that the essential services we provide are always our top priority. Throughout the life of this plan we will continue to maintain the ones that are high quality and improve the standards of others.

This plan aims to focus on our ambitions to help improve our local economy. We will assess strategic projects to identify those that could provide additional income to fund services or contribute to economic growth in our community. We know that much of Orkney's economic growth will come from our flourishing renewables sector, and many of tomorrow's jobs will be in the green economy (a sector that focuses on low carbon, energy efficient economic activity which benefits the environment and community) and the blue economy (a sector that focuses on the sustainable use of ocean resources for economic activity and development). Our task as a council is to make sure that everyone in Orkney benefits from this change of focus, and nobody is left behind.

To support growth, our infrastructure – the basic physical and organisational structures and facilities (for example, ferries, buildings, roads, power supplies) we need – must be fit for purpose, and we will be considering the potential to deliver some major projects during the coming years. We will be making important decisions on progressing with, for example, the Community Wind Farms, the Islands Growth Deal and the Harbours Masterplan. In all our work we need to make sure that everything we do contributes towards us becoming 'net zero', where we achieve a balance between the amount of greenhouse gas we produce and the amount removed from the atmosphere.

It's fair to say that we have set out an ambitious plan for ourselves, but we recognise the need to regularly review the plan and remain flexible so we can adapt it to the changing circumstances over the next five years.

Many of our communities have their own plans and ambitions, and we will support them to pursue their aims. We will protect the most vulnerable in our community and make sure that everyone has a fair share in Orkney's future success.

We must also be fit for purpose. We experienced major change and challenges during the pandemic and have emerged more versatile, mobile and adaptable in how we do things. Like all employers, we must attract and retain the best staff. We will invest in our employees, transform our working practices and streamline our offices and workplaces to improve the efficiency and effectiveness of everything we do.

A vital part of our job is to represent Orkney in national forums and push for action to meet our needs. Our campaign for better transport and digital connectivity, such as broadband, will not stop until our services are as good as the equivalent anywhere in the world. We are gearing up for further change and challenge in areas such as social care, energy, housing, land reform and climate change, and we are ready to champion Orkney every step of the way.

Whatever lies ahead, you can be certain that your council will be working together tirelessly to secure the best possible future for you and your community.

James Stockan

Council Leader

Oliver Reid

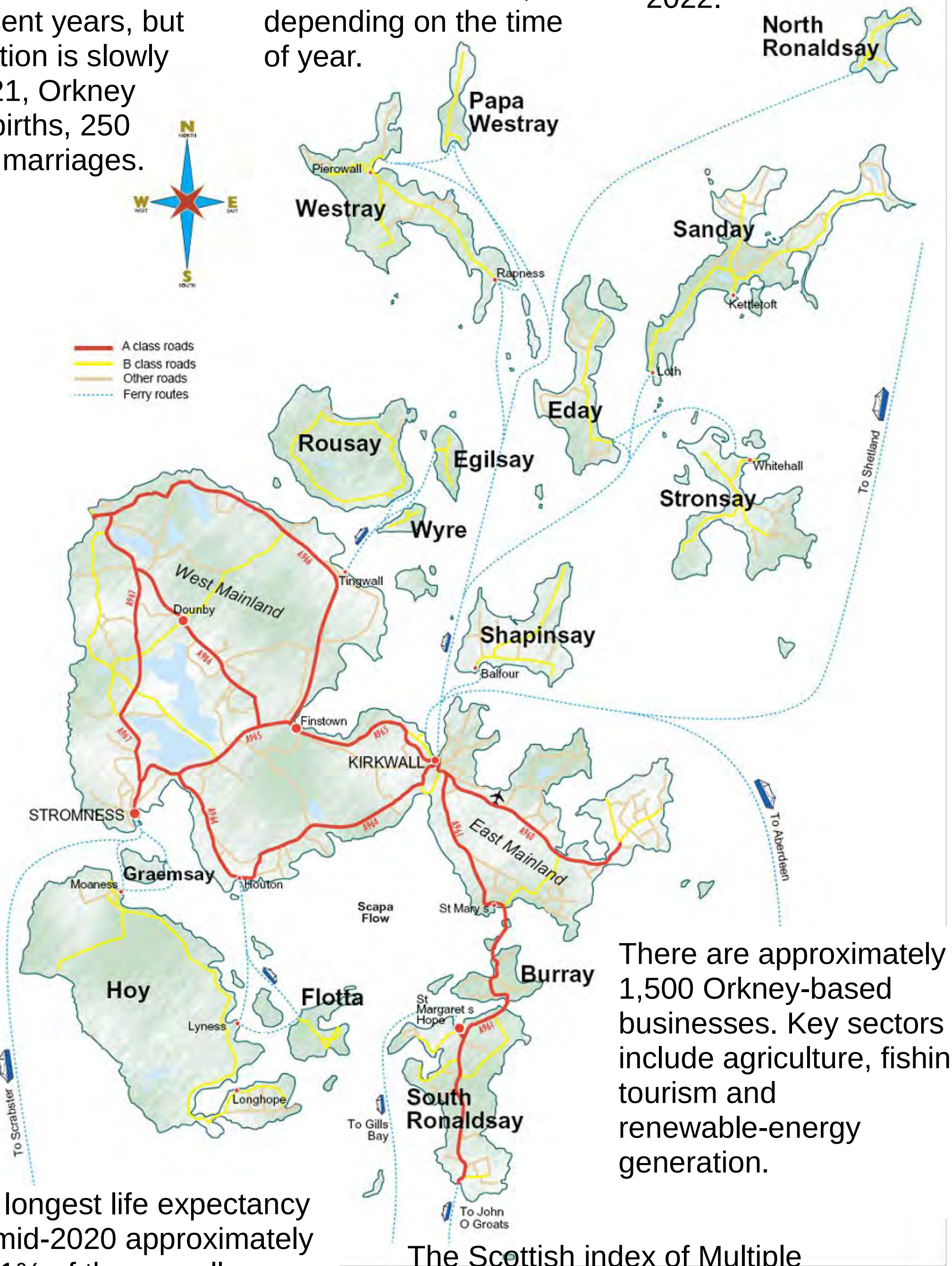
Chief Executive

Orkney and our community

Orkney's estimated population in mid-2020 was 22,400, making up 10,635 households. The Orkney Mainland population has increased in recent years, but the Isles population is slowly reducing. In 2021, Orkney registered 169 births, 250 deaths and 116 marriages.

Orkney is made up of more than 70 islands and skerries, with a total land area of 1,000km^2. Around 19 islands are lived on, depending on the time of year.

Employment rates in Orkney are high, with only 250 people (1.9%) claiming unemployment-related benefits in January 2022.



There are approximately 1,500 Orkney-based businesses. Key sectors include agriculture, fishing, tourism and renewable-energy generation.

Orkney has the longest life expectancy in Scotland. In mid-2020 approximately 2,519 people (11% of the overall population) were aged 75 or over. By 2028, this is forecast to rise to 3,221 people (14.4% of the population).

The Scottish index of Multiple Deprivation shows that Orkney's most prosperous areas are St Ola (East of Kirkwall) and North Stromness. The highest levels of deprivation are in Kirkwall and the ferry-linked isles.

The strategic context of our council plan

When developing our council plan, councillors must take many factors into account. As well as residents' priorities, which we learned through consultation and engagement activities, the plan reflects the core services we provide day-to-day. It must take account of new legal and regulatory duties, together with improvements recommended by audit and inspection teams. The plan also includes a small number of long-term actions carried over from the previous council plan.

We work closely with other agencies (our Community Planning Partners) through the Orkney Partnership. Five agencies share in the facilitation of the Partnership, helping to lead and run it: us, NHS Orkney, Police Scotland, the Scottish Fire and Rescue Service and Highlands and Islands Enterprise. Many other partners are members of the Orkney Partnership Board, which helps to steer the planning and delivery of services. Orkney's Community Plan (also called the Local Outcomes Improvement Plan) addresses the strategic priorities which all agencies need to take joint action on, while each individual partner's plans – such as our council plan – set out the priorities and actions to be delivered by that particular agency.

All of our plans take into account and work within the strategic framework set by the UK and Scottish Governments. We must navigate the policy areas controlled by the UK Government (for example, defence and telecommunications) as well as those devolved to the Scottish Government for them to control (for example, health and education). We support UK and Scottish national policy where it furthers our ambitions for Orkney. Developments in renewable energy have generated significant investment and Orkney is a major contributor to achieving Scotland's net-zero target. The National Islands Plan has focused attention on many areas vitally important to Orkney, including demographic balance, transport and housing. However, we will always challenge national policy that disadvantages Orkney or has unforeseen consequences for island communities. The Islands (Scotland) Act 2018 has given us new powers to hold Scottish Ministers to account.

One of our long-term ambitions is to create a Single Public Authority for Orkney. This would see several public agencies formally joined together to reduce bureaucracy, merging their governing bodies and senior management in order to free up more resources for front-line services. We will explore this concept further during the life of this plan.

This plan does not sit in on its own. There is an accompanying Delivery Plan which describes some of the projects, services and policies which will help us deliver our priorities and achieve real positive outcomes for Orkney. There are linked strategies and plans which support this plan. Examples of these are listed below, but there are many more.

- Orkney Child Poverty Strategy 2022-2026
- Orkney's Children's Services Plan 2021-23
- The Orkney Play Area Strategy
- The Orkney Local Biodiversity Action Plan 2018-2022
- Orkney Islands Council Carbon Management Programme 2016-2026

UK/Scottish legislation and regulation

c.162 pieces of legislation applying to local authorities

c.100 pieces of legislation applying to UK ports

Scottish Government strategy

Programme for Government; National Islands Plan; Best Start, Bright Futures; National Strategy for Economic Transformation etc.

National Performance Framework

11 national outcomes
81 national indicators
UN sustainable development goals

National partner agency plans and strategies

Police Scotland, Scottish Fire & Rescue Service, Skills Development Scotland, NatureScot et al.

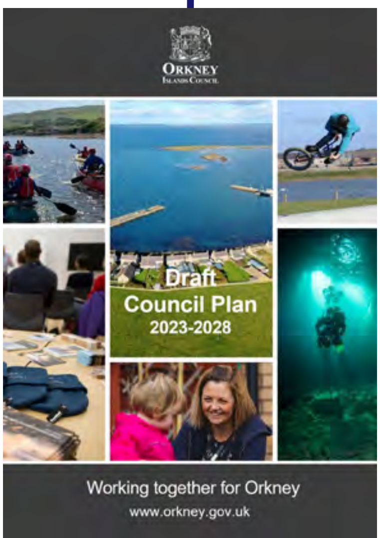
Orkney Community Plan (Local Outcomes Improvement Plan) 2023-

National and regional commitments

As negotiated via the Convention of Scottish Local Authorities (COSLA), Convention of the Highlands and Islands (CoHI) et al.

Local and regional partner agency plans and strategies

Voluntary Action Orkney, Highlands & Islands Enterprise, Orkney Housing Association, Orkney College UHI, Sector Plans et al.



NHS Orkney

Clinical Strategy 2022-27

Service and grant funding agreements

Local partner providers

OIC directorate action plans

Orkney Health and Social Care Partnership Strategic Plan 2022 - 2025

Strategic context | affordability

We live in uncertain times. We must budget for the continuing effects of Brexit, social and economic recovery from COVID-19 restrictions, and political uncertainty and unpredictable international relations. Funding pressures are likely to be extreme during the life of this plan.

We are already seeing inflation rates not experienced since the early 1980s, with rates being pushed up by supply shortages in fuel and materials. The Scottish Government provide the majority of our funding, and they are unlikely to raise that funding to meet increasing pressures. Ultimately there will be real-term funding reductions. And with interest rates at levels not seen since 2008, resulting in increased costs of borrowing, we will need to make difficult decisions in order to deliver this plan.

So what can we do?

- We need to maximise the return from the investments of our financial reserves, which increasingly need to be used to fund front-line services.
- We have to find efficiencies – not necessarily cuts, but better ways of doing things.
- We need to make it easier for customers to access services and for staff to do their jobs, and increase contact with service users when necessary.
- We have to sell Orkney – promote it, develop industries, attract investment, create jobs, and generally develop and maintain an economically active population and develop Orkney as a sustainable visitor destination.

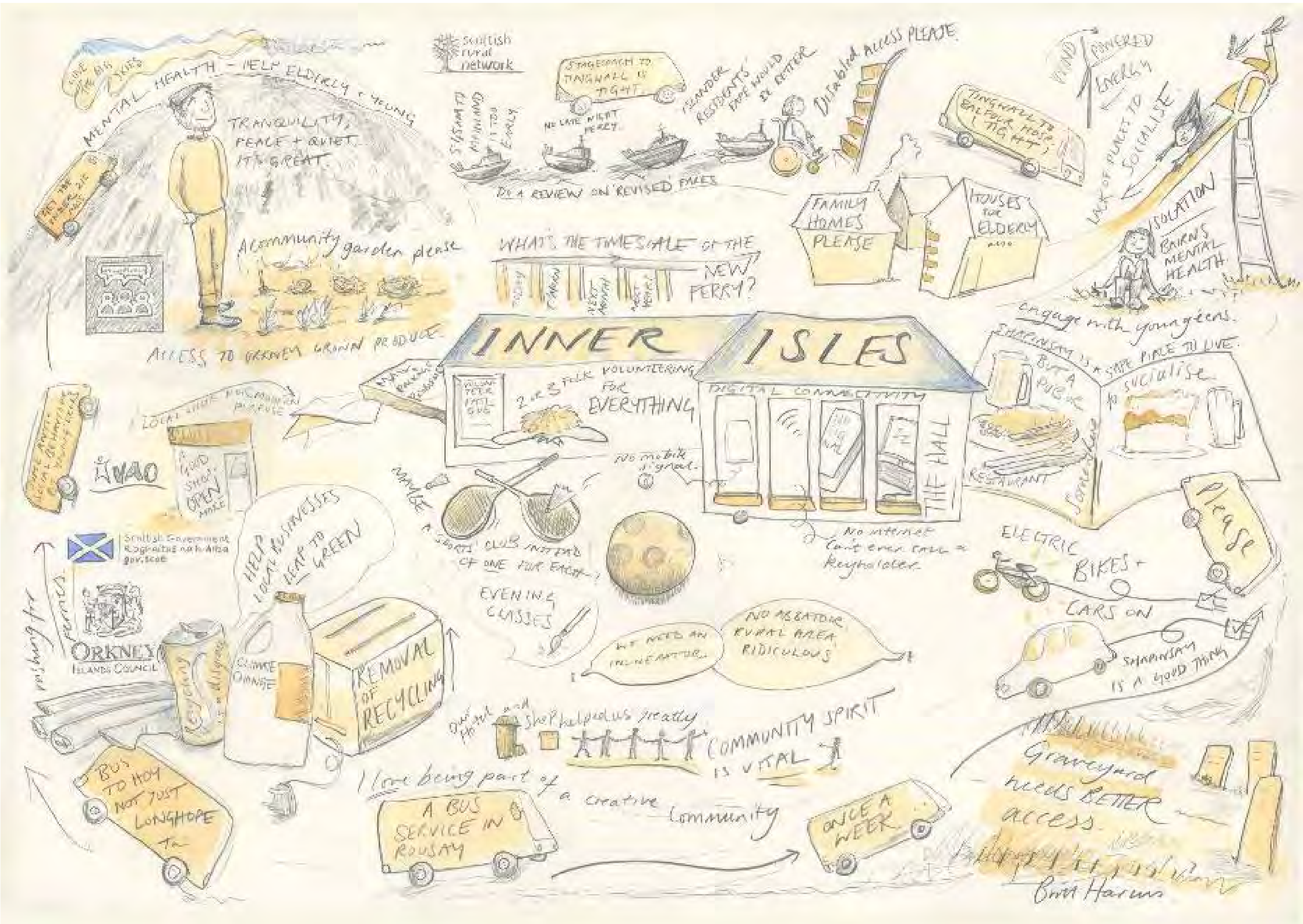
Not every decision we make to deliver this plan will be popular, but they will all be made with Orkney people, its communities, its heritage and its environment at their heart. We must work to create a sustainable future for us all to live in, and a legacy for those who follow. It's a difficult balancing act.

You said, we did:
How Orkney's communities formed this plan

We keep in regular contact with communities in Orkney through channels such as social media, local radio announcements and interviews, and regular press releases. When developing new plans and policy we consult individuals and community groups on specific topics. And importantly, members of the public are always welcome to contact their local councillors, who are keen to discuss issues of interest or concern.

Consultation relating to this plan was carried out in two stages. The first stage took place between October 2021 and March 2022, when we, Voluntary Action Orkney and the LEADER Local Action Group jointly conducted an extensive consultation exercise under the banner 'Orkney Matters'. This exercise included a questionnaire, a series of online meetings, and dedicated sessions for schools and community groups, which used art to engage with people less likely to respond through regular channels. The second stage was a public consultation on the draft plan itself, which was conducted during December 2022 and January 2023, before the plan was finalised.

Between these two stages, council candidates listened to the views of their future constituents during their local election campaigns in May 2022. Those who were elected brought those conversations to the table during the development of this plan, making sure that residents' most pressing priorities were considered.



Orkney Matters recorded the views of all of Orkney's communities, including residents of the ferry-linked isles, young people and people who are harder to reach or less likely to have their say. The survey identified the following main priorities.

Your priorities

- Consultation fatigue and communication
- Volunteer fatigue
- Single community-led plan for each community
- Housing
- Digital connectivity
- Climate change
- Transport
- Sense of community
- Enjoying of Orkney's outdoor areas and the environment
- Equality
- Health
- Economic opportunities

Some of these issues require action to be taken by agencies working together, and the Orkney Partnership have chosen them to be 'strategic priorities'.

The partnership's plans to address these priorities are set out in the new Community Plan (also called the Local Outcomes Improvement Plan) for 2023-2030. Other issues are matters primarily for us to address, and these are included in our council plan.

National consultation also played a part in developing of this plan. In October 2020, 790 Orkney residents took part in the first National Islands Plan survey, answering questions on their experience of employment and business opportunities, transport, housing, fuel poverty, digital connectivity, health and social care, the environment, climate change, culture and education. The survey is due to be repeated in 2023 and then every two years for the life of the National Islands Plan. Results are published online, with responses from Orkney Mainland and Isles residents displayed separately, making this a useful resource for measuring progress. Our plan includes action to improve our consultation and engagement activities in response to Orkney Matters, taking advantage of new online channels if people prefer to use them, but not forgetting the need for traditional methods. Sometimes, there is no substitute for a proper talk, in person, over a cup of tea.

Our strategic priorities

The strategic priorities in this plan explain how we will work to improve the lives of the people of Orkney.

As well as the projects set out in this plan, we also provide a wide range of core services all year round. Some of these are very noticeable from day to day, such as schools, roads and waste collection, while others are there in case of need, such as social care services. These core services are those which we must provide by law, either direct or through outside providers.

It’s important to emphasise that maintaining the core services we provide is always our top priority, and we will try to maintain or improve the standards of them throughout the life of this plan. A key element of this is to make our processes as efficient as possible to make sure as many resources as possible are put towards front-line services.

There is very little money left over after our essential services have been paid for, but we make savings where we can, and we can sometimes raise additional resources from external sources.

We know that it may be better for some council services to be delivered by others – for example by the third sector. To make the most from our funding we work in partnership with other organisations to ensure that our services are delivered by those who can best provide them.

Councillors are committed to spending any extra money on projects which will make the most difference to local communities. These projects are set out in the Delivery Plan that sits alongside our council plan, and the actions needed to maintain core services are set out in Directorate Action Plans.

Our council plan describes our pledges to you over the next five years.

Our pledges are as follows.

Maintain our existing high standards of service wherever possible.

Improve services and outcomes for the people of Orkney where needed.

Develop and deliver projects for the benefit of our communities.

We will meet these pledges through a number of aims and outcomes grouped under three priority themes – growing our economy, strengthening our communities and developing our infrastructure.

The aims are what we want to achieve, and the outcomes are the positive changes we are working towards for the benefit of our communities.

These aims and outcomes will be supported by a number of priorities under an overall theme – transforming our council – to provide the foundations for staff to deliver outstanding customer service and performance.

The three priority themes are built upon core principles, which will guide future decision-making relating to all our aims.

Our core principles are as follows:

- Protecting our environment and combating climate change.
- Equality, fairness and inclusion: in particular for vulnerable and remote communities like the ferry linked isles.
- Sustainable and accessible services for all.
- Community wellbeing and mental health.
- Community wealth building for future generations.

Growing our economy

This plan was written at a time when economic pressures were one of the biggest concerns for our entire population. Whether due to political uncertainty, falling global markets and pension funds, the post-COVID 'normal' or the cost-of-living crisis, the economy is at the forefront of everyone's mind. Some of our main industries, such as fishing, farming, food and drink and tourism, have been hit particularly hard by the pandemic and current economic crisis, and it's vital that the right support is identified.

Despite challenging market conditions, this plan aims to deliver sustainable growth that creates jobs and tackles poverty by creating opportunities to get on.

We need to create a diverse and thriving economy which helps us to keep our young people, and attract new people who can contribute to our islands, so we can be more self-reliant. This will include balancing the need to protect Orkney's unique environment with the need for realistic innovative developments which can generate a return for the communities which support businesses.

We need to maximise investment to reduce the impact of cuts in public funding and increase the skills of our workforce, while reducing any negative effect on the environment. We are committed to the principle of community wealth building (redirecting wealth back into the local economy, and placing control and benefits in the hands of local people) and to the development of a circular economy (transforming our throwaway economy into one where waste is eliminated, resources are recycled and reused, and nature is regenerated), to benefit future generations.

Aim	Outcome	
We will reduce poverty and disadvantage and minimise the effects of the cost-of-living crisis.	• We target support at those most at risk from the cost-of-living crisis. • We have reduced persistent poverty and disadvantage relating to social or economic factors. • The benefits of economic growth are shared.	Poverty
We will create favourable conditions for sustainable economic growth.	• Local businesses in key sectors are thriving and creating better employment opportunities. • Investment into Orkney is increased across vital areas. • Our economy is growing in a sustainable way that balances social and environmental priorities. • We have a growing population that is contributing to the economy.	Economic growth
We will work towards becoming net zero.	• Orkney is on track to become net zero by 2030. • We have reduced the carbon used during the course of our direct and indirect activities. • We have grown our green and blue economies. • Everyone in Orkney has reduced their carbon footprint (the greenhouse gases generated by their actions).	Carbon usage

Strengthening our communities

We have a strong sense of community across Orkney and this is one of our key strengths. We want to build on this by giving people a real say in the decisions that matter most to them, and we want to work with communities so that they feel they can influence decisions that affect them.

We will encourage our communities to grow at the pace they choose and help them attract the skills, assets and people they need for the future. To make sure that inequalities do not increase, we will direct targeted support, resources and opportunities towards those most in need.

A key element of this priority theme is developing skills and knowledge, and improving the availability of further and higher education. This theme covers a wide range of topics that will meet the needs of our local community and businesses while preserving our culture and heritage for generations to come. Orkney is unique in having a locally controlled college, Orkney College (UHI), with the flexibility to meet emerging local needs through further education and higher education (in partnership with the University of the Highlands and Islands).

We recognise that this theme has links with all the other themes in our council plan, as well as the strategic priorities in Orkney's Community Plan. We will work together with partners and communities to combine existing skills, knowledge and assets in our chosen priority areas.

Aim	Outcome	
We will support communities to develop local solutions and deliver what is important to them.	• Engagement with communities is effective and clearly influences decisions and drives improvement. • Communities feel in control of their priorities and the decisions that affect them.	Community satisfaction
We will establish the highest standards of public support and protection.	• More people live independently with increased choice over support and services. • We invest in proactive measures to prevent harm and improve the life chances of those in need. • Everyone shares responsibility for public support and protection.	Quality of life
We will widen access to opportunities for better learning, achievement and wellbeing.	• Our public spaces and environment promote the wellbeing of our communities. • All learners are actively supported to reach their potential. • Access to opportunities is fairer. • Our cultural heritage is invested in to preserve and improve our unique identity.	Attainment

Developing our infrastructure

Infrastructure is the nuts and bolts that hold our communities together – the buildings, transport, roads, telecommunication networks that allow communities to thrive. Our infrastructure underpins everything we do. For example, an improved telecommunication network allows us to make better use of digital technologies to:

- Support businesses to offer flexible and remote working opportunities;
- Develop our young people and employees with the skills to support businesses; and
- Make sure all households have the online access they need to meet their work and leisure needs; and
- Use TeleCare to make it possible for more older people and those with a disability to continue to live in their own homes.

In some areas, developing our infrastructure will affect existing core services such as housing and education. We will consider this when making decisions on major developments. The infrastructure challenges sit alongside an existing shortage of housing, which is a major concern in our communities. We are already working hard to identify solutions and increase the availability of housing to meet the needs of our current and future residents.

We will continue to identify and agree the development of long-term projects. The onshore wind projects at Quanterness, Faray and Hoy will provide essential income to offset the cuts in public funding. The Harbours Masterplan identifies several projects that bring significant opportunities for attracting investment into our Islands. Lastly, the Islands Growth Deal brings investment from both the UK and Scottish Governments to the three Islands Authorities (Orkney, Western Isles and Shetland) through an ambitious programme for development. One of our biggest challenges will be securing a new green ferry fleet.

Aim	Outcome	
We will invest in homes, supporting choice, inclusion and economic growth.	• More quality homes to rent or buy in various locations, provide more choice. • Social and private housing is more energy efficient.	More homes
We will remove barriers to digital connectivity and vital transport.	• We have the digital connectivity needed to support sustainability and equality across our communities and businesses. • Our transport infrastructure meets the needs of our communities and visitors.	Improved connectivity
We will invest in projects that further our economic ambitions.	• We have delivered the Orkney Community Windfarms Project. • Vital projects identified within the Harbours Masterplan have been delivered. • We have secured investment funding and delivered 50% of the Islands Deal Programme.	Construction completed

Transforming our council

To deliver the ambitions set out in our council plan, we need a workforce which is effective and engaged, and adds value to everything we do. That is why we have a priority theme that focuses on transforming our council. We are committed to improving the services we provide and how we provide them, as well as future-proofing our ability to meet the needs of our communities for many years to come.

We need to continue to attract, grow and retain the right people. We are working to find new solutions to the national skills and staffing shortages that are affecting us locally. This means that we are looking at different ways to attract people, offering a variety of routes for people to come to work for us, and are supporting our employees so they feel valued for the part they play in delivering our services for every member of our community, so that we can all take pride in working together for Orkney.

Our staff are a vital part of our communities and should reflect the diversity of those communities. We are transforming the way we work to put people at the heart of everything we do, offering choice and flexibility to meet the changing needs of our customers and service users.

Foundation to enable delivery

Aim	Outcome
We will develop ways of working that put people at the heart of what we do.	• Our new guiding principles are obvious in the way we do things. • Organisational barriers to change are minimised. • Our governance arrangements are dynamic and make delivering the right things easy. • Our facilities reflect the future needs of our communities and our organisation.
We will establish a culture that motivates staff to do the right things at the right time.	• Our leaders are confident in their role and we have a shared leadership culture. • Our employees feel valued and recognised. • We have created flexible career pathways for staff at every level, and these help us sustain outstanding performance.
We will develop business approaches that are fit for purpose and give people direct access to services wherever possible.	• We design key services with communities from start to finish. • Our services are designed to be available online, efficient and automated, giving customers choice and control. • We have improved the quality of our data to help improve performance. • We have diversified our funding base and have created the conditions for financial sustainability. • We have strengthened our national and international relations to advance the interests of Orkney and its community.

What will success look like?

We strive to be an outcomes-focused and performance-driven council, putting our community at the heart of everything we do.

In order to monitor and review progress we have developed performance measures and specified targets for each theme – the three priority themes and the overall theme of transforming the council. Some performance measures and targets are taken from the Orkney Partnership's Community Plan and some are taken from the Local Government Benchmarking Framework (LGBF). This allows us to compare our performance against the Scottish average and other similar councils.

Council services produce their own information to monitor performance and guide decision-making. Working with our services, we have chosen the key measures to assess progress against our priorities, and performance against these will be reported each year. Also, our progress on the key projects we aim to deliver, and the targets we have set ourselves, will be regularly scrutinised by councillors.

These measures are designed to stretch us as we strive to achieve our ambitions. Despite these uncertain times, we must be bold in what we aim to achieve and not settle for simply maintaining the current position.

The measures for success for each theme are as follows.

Growing our Economy

Measuring our success	Baseline 2020/21	Target 2027/28
Claimant Count as a percentage of Working Age Population.	3%	2.5%
Employment (16 to 24 years).	82% 2020	90% 2027
Percentage of dwellings in Orkney in Fuel Poverty.	31%	19%
% of children living in poverty (after housing costs).	18%	9%
Percentage of procurement spent on local enterprises.	38%	45%
CO_2 emissions area wide per capita (in tonnes).	11	9
CO_2 emissions area wide: emissions within scope of local authority per capita (in tonnes).	5	4

Strengthening our Communities

Measuring our success	Baseline 2020/21	Target 2027/28
Community Council satisfaction with their involvement in community development and engagement.	2023 64%	90%
Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided.	86%	93%
The percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life.	87%	93%
Percentage of Adult Protection referrals made by the public.	1%	3%
Percentage of children being looked after in the community.	76%	85%
Percentage of pupils gaining 5+ awards at level 5.	73%	80%
Percentage of P1, P4 and P7 pupils combined achieving expected Curriculum for Excellence level in literacy.	68%	85%
Percentage of P1, P4 and P7 pupils combined achieving expected Curriculum for Excellence level in numeracy.	75%	90%
Your people remaining in a positive destination after 6 months.	96.5%	97%
School attendance rate (looked after children).	2018/19 84%	96%
Proportion of pupils entering positive destinations.	97%	98%
Percentage of adults participating in some form of sport or exercise, including walking, in previous four weeks.	86%	90%

Developing our Infrastructure

Measuring our success		Baseline 2020/21	Target 2027/28
Percentage of Council homes that met the Scottish Housing Quality Standard.		2021/2022 82%	90%
Percentage of Council dwellings that are energy efficient.		88%	90%
Houses built in Orkney (all sectors). Target and geographical breakdown to be identified as part of the housing needs analysis.		2021 – 82 2022 – 53	2027 125
Percentage of Orkney residents whose internet connection at home is fast enough to do what they want online.	Orkney Mainland	2020 70%	2027 91%
	Ferry-linked Isles	2020 45%	2027 84%
Percentage of Orkney residents who agree "When I make journeys to or from my home, it is easy connecting between different forms of transport“.	Orkney Mainland	46%	60%
	Ferry-linked Isles	29%	45%
Percentage of Islands Deal Programme delivered.		0%	50%
Orkney Community Windfarm and Harbours Master Plan projects.		Indicator to be established if projects approved.	

Transforming our council

Measuring our success	Baseline 2020/2021	Target 2027/2028
Level of customer satisfaction experienced by the public with queries handled by customer service staff.	2022/2023 87%	95%
Orkney Islands Council recognised as an Investors in People (IiP) Platinum Organisation.	Does not apply	Achieved
Overall staff satisfaction with working at Orkney Islands Council.	58%	More than 80%
Staff satisfaction with our leadership style and culture.	58%	More than 80%
Percentage of operational buildings that are suitable for their current use.	88%	90%
Actual outturn as a percentage of budgeted expenditure.	103%	100%
Recruitment and retention, staff turnover.	2021/2022 5.14%	4%
Cost of agency workers as a percentage of our staff budget.	2021/2022 3.7% tbc	2%
Sickness absence days per teacher.	2021/2022 8.2	6
Sickness absence days per employee (non-teacher).	2021/2022 12.6	9

Impact assessments

Under UK and Scottish law, we must assess the impact new plans and policies would have in three specific areas: equality, the environment, and island communities. These assessments (known as impact assessments) must be developed alongside and at the same time as the relevant plan or policy is being developed. Impact assessments help to identify any unintended consequences a proposed plan or policy may have on particular stakeholder groups, and determine any measures which should be included in the plan or policy to overcome or reduce these effects. Impact assessments are particularly effective in revealing gaps in knowledge, which can then be filled by consulting the groups likely to be affected. The impact assessments we must carry out are explained below.

Equality Impact Assessments need to be carried out to consider the impact a proposed plan or policy would have on groups of people with ‘protected characteristics’, as defined by the Equality Act 2010. Protected characteristics include age, sex, race, disability and sexual orientation (sexuality or sexual preference). Scottish councils must also meet the Fairer Scotland Duty to consider the impact a proposed plan or policy would have on those who are experiencing socio-economic disadvantage (disadvantage due to social and economic factors). This plan is expected to improve outcomes for people of all age groups, with younger people benefiting from increased opportunities for families to stay in Orkney, and older people receiving more choice in support and services. Specific measures in the plan are proposed to benefit carers, people who are care experienced (that is, have been in the care system), those with disabilities and those who are socio-economically disadvantaged.

Strategic Environmental Assessments (SEAs) are designed to evaluate the environmental implications of proposed plans and programmes. In Scotland, a strategic plan which sets priorities for future development, such as our council plan, should be submitted to the SEA Gateway for a decision on whether a full SEA needs to be carried out. The SEA process is guided by three statutory authorities – NatureScot, Historic Environment Scotland and the Scottish Environment Protection Agency (SEPA). We have drafted and submitted a SEA Screening Report which indicates that our council plan would not benefit from a full SEA because it is an outline strategic plan. Any project which is progressed further as a result of this plan will need have an SEA in much greater detail than is possible at this stage.. The statutory consultees have responded and agreed with the view expressed in the screening report that the plan was unlikely to have significant environmental effects.

Island Communities Impact Assessments (ICIAs) are unique to Scotland and were introduced by the Islands (Scotland) Act 2018. Their purpose is to determine whether a proposed plan or policy has different effects on, or different unintended consequences for, any particular island community compared with other island or mainland communities. Island residents must be consulted to gather their views on any perceived disadvantages to their communities, and any measures they would like to be put in place. In Orkney, we routinely consider the impact a new policy would have on the ferry-linked isles, as these communities are the most likely to be disadvantaged. Our ICIA considers evidence from a range of sources, including Orkney Matters and the National Islands Plan survey, and takes account of some of the measures already in this plan which are designed to improve equality of outcomes for isles communities. This plan also contains proposals which will improve outcomes for Orkney in general compared with Scottish mainland communities. We welcome further feedback during the consultation period to help improve this plan.

Delivery Plan 2023-2028

Appendix 3

Orkney Islands Council

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Introduction

This Delivery Plan complements and supports Orkney Islands Council's strategic plan for the current Council term. The Council Plan 2023-2028 sets out the strategic priorities and aims of the incoming Councillors elected in 2022, and this Delivery Plan describes some of the projects, services and policies which will progress those priorities and achieve tangible outcomes for Orkney.

Underpinning all of our plans is the Council's commitment to combat climate change, having joined councils around the world in declaring a climate emergency in 2019. The opportunity to grow our green and blue economies with land and sea-based renewable energy projects will give Orkney a head start in the race to net zero, reducing energy use whilst simultaneously boosting employment. We will update the Council's own estate to reduce our carbon footprint, improve the energy efficiency of our social housing and facilitate affordable measures to upgrade cold homes and combat fuel poverty.

The Council is committed to reducing poverty and hardship in Orkney, both in response to the immediate cost of living crisis and in the longer term. Addressing the poverty-related attainment gap in school outcomes will improve the life chances and choices of children held back by early disadvantage and help prevent persistent poverty. Community wealth building will help retain added value within our economy and generate opportunities for more people to contribute to, and benefit from, economic growth. The provision of affordable and accessible childcare is essential if more parents are to be helped into work.

Some disadvantage is geographical: it is harder for those on the ferry-linked isles to access services and facilities, and digital connectivity has a long way to go to catch up with the best in the UK. Planned developments to our infrastructure prioritise essential housing, transport and connectivity projects, with our biggest challenge being to secure a new green ferry fleet. Meanwhile, free ferry travel for young people will improve their access to sport and leisure opportunities on the Orkney Mainland.

Some of our flagship projects have been many years in the planning already. Orkney's Community Wind Farm Project began in 2019 and planning is progressing for Quanterness, Hoy and Faray. The project will generate significant income and community benefit for Orkney, coming on stream towards the end of the plan period. The Harbours Master Plan, another long term scheme, supports the Council's measured approach to diversification and growth, allowing Orkney to benefit without detriment to its community.

Our fourth strategic priority may be less visible but is essential to the delivery of this plan. Transforming our Council will modernise the way we work. It will help us to recruit and retain the best staff in today's competitive environment, grow our own talent and attract the skilled people we need to deliver essential services. Taking action now will future-proof the Council, so that we can continue to serve the people of Orkney throughout the lifetime of this plan and beyond.

Growing our Economy

Net-zero and de-carbonisation (E1)

Progress towards net-zero and the de-carbonisation of operations through:

- Working with partners in the renewable research and innovation community.
- Finalisation, approval and implementation of relevant actions in the Orkney Sustainable Energy Strategy and Action Plan.
- Decarbonisation of vehicle fleet and Council buildings and properties with reference to the Scottish Government Local Heat and Energy Efficiency Strategy.
- Progressing delivery plan to meet Energy Efficiency Standard for Social Housing 2 by 2032 in line with Scottish Government priorities and availability of funding.
- Supporting uptake of renewable energy, smart energy, or energy efficient solutions for homes and businesses.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Finalise the Orkney Sustainable Energy Strategy Action Plan. • Council specific action will follow from this delivery plan. • Commence development of the Council Climate Change Strategy and Action Plan.	• Review of Scottish Government 'Energy Strategy and Just Transition Plan' and update of Orkney Sustainable Energy Strategy completed. • Finalise programme of decarbonisation for housing stock. • Approve Council Climate Change Strategy and Action Plan.	• Finalise programme of decarbonisation across relevant strands e.g. o School estate. o Infrastructure property. o Vehicle fleet. o ICT estate. o Marine and transport. • Replicate Carbon Neutral Islands project on one or more islands.	• Identify funding and develop pilot plans. • Replicate Carbon Neutral Islands project on one or more islands.	• Deliver decarbonisation pilot on one key programme strand. • Commence decarbonisation programme strands.

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• Start an evaluation of baseline data relating to the Council's carbon emissions in order to provide an accurate and consistent approach to the reporting and management of total corporate emissions.	• Complete the evaluation of baseline data relating to the Council's carbon emissions in order to provide an accurate and consistent approach to the reporting and management of total corporate emissions. • Work with the Scottish Government and other stakeholders to ensure that the benefits of the Carbon Neutral Islands project are shared across all other Orkney islands.			

Support for local business (E2)

Supporting and investing in businesses across Orkney and working in partnership with our key industry sectors including:

- Addressing primary producer challenges including farming and fishing.
- Developing the blue / green economies and maximising support for innovation.
- Sustainable development of tourism, hospitality and destination management.
- Encouraging SME business start-up and development.
- Supporting internationalisation and marketing for our key sectors.
- Develop mechanisms to support business uptake of renewable energy, smart energy and energy efficiency solutions.
- Enable Orkney to tap into the opportunity presented by renewable energy developments, particularly offshore wind, by supporting development of the local supply chain including research and development and innovation activity.

This includes supporting circular economy and community wealth building principles.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Review OIC schemes of assistance. • Hold supply chain events for offshore wind. • Strategic Tourism Infrastructure Development Plan approved.	• Review Orkney Marketing programme. • Investigate the introduction of an Orkney visitor levy.	• Review OIC actions in 2020-2030 Tourism Action Plan.	• Review sector group support.	

Strengthening our Communities

Social care / community led support (C1)

Working with communities and partners to collaboratively design services with a focus on prevention, early intervention and on enabling people to be as independent as possible. This will strengthen integrated health and social care provision, improve mental health and wellbeing support, bolster partnership working and drive further development of community-led support / care in a co-designed approach.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Community Led Support (CLS) / Engagement Lead recruited . • Explore the options to develop the Community Led Support approach and propose a project to deliver this. ~~Discovery and define stage completed.~~ • Secure the sustainability of the islands' wellbeing co-ordinators to keep those in post. • Establish a Social prescribing programme (Where GPs prescribe non-clinical activities to benefit health for example, exercise.) for Orkney. • New Partnership Agreement with Sportscotland securing	• Details will follow on from outcome of discovery and define phases. • Expand wellbeing co-ordinators to all ferry-linked isles. • Review eligibility criteria for services with a view to easier and earlier access. • Establish a partner focused approach to improving health and wellbeing support – NHS Orkney, Active Schools, Community Learning and Development, Arts, Culture and Libraries.	• Undertake an evaluation of the wellbeing co-ordinators and overall progress to date.	• Analyse impact of changes in eligibility criteria.	

the future of the ActiveSchools and Community Sports Hub programmes. • Physical Activity and Wellbeing Strategy for Orkney developed.				

Living independently (C2)				
Redesign services to support people to live in their own homes longer and safely by improving the range of, and access to, supports relating to dementia and frailty and further enhancing support to unpaid carers. Delivery of a holistic service, in partnership with people and linked partners.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Planning phase for the provision of appropriate housing for people with enduring mental health needs (subsequent milestones will be determined based on year one). • Scope care at home delivery in order to maximise capacity. • Determine future requirements in relation to the analogue to digital switchover plans for 2025. • Appoint lead officer and support worker role for unpaid carers.	• Review progress on year one milestones.	• Full implementation of analogue to digital switch over.		

Development of learning provision and pathways (C3)

Develop and promote sustainable learning provision and pathways, considering improvement based on local needs and skills gaps. Providing all age holistic, bespoke and person-centred support and opportunities to increase confidence, skills and knowledge to ensure individuals progress into positive destinations. Orkney College functions as a core part of this learning provision.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Support the development & delivery of the Local Employability Plan based on funding availability. • Development and coordination of Pathway Planning Partnerships in schools. • Implement Orkney College Business Review. • Expand adult numeracy learning opportunities. • Increase inclusive employment opportunities in the Local Authority.	• Support the delivery of the Local Employability Plan based on funding availability. • Development of wider achievement opportunities. • Creation of an Orkney wide Adult Learning Strategy. • Raise awareness of positive progression routes. • Further develop adult numeracy learning opportunities. • Increase inclusive employment opportunities in the Local Authority.	• Review Pathway Planning Partnership.	• Sustain wider achievement opportunities.	

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Improve Education Standards (Scottish attainment challenge) (C4)

Excellence through raising attainment and improving outcomes: ensuring that every child and young person achieves the highest standards in literacy and numeracy, as well as the knowledge and skills necessary to shape their future as successful learners, confident individuals, responsible citizens, and effective contributors.

Achieving equity: ensuring every child and young person has the same opportunity to succeed, no matter their background or shared protected characteristics, with a particular focus on closing the poverty related attainment gap.

Please see a summarised glossary of acronyms after the delivery milestones.

Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Core stretch aims set for P1/4/7 Broad General Education (BGE) and SCQF level 5 and 6 participation. • Attendance stretch aim set for Local Authority (LA) as health and wellbeing agenda. • Core plus stretch aims set for children and young people who have experienced care or who are in receipt of Free School Meals. • School targets set by all primary schools across all	• Annual programme to revise and set new core stretch aims for P1/4/7 BGE and SCQF level 5 and 6 participation established. • Annual programme to revise and set attendance stretch aim set for LA as health and wellbeing agenda established. • Establish a partner focused approach to meeting pupil and staff health and wellbeing needs – NHS Orkney, Active Schools, Community Learning and Development, Arts,	• Revised school targets set by all primary schools across all stages in literacy, numeracy and attendance. • All schools submit a Pupil Equity Fund (PEF) plan. • All schools to spend PEF funding other than staff costs carry forward. • PEF spend monitored termly by LA officers and action taken. • Updated BGE tracking toolkit used by all primary schools.	• Annual programme to revise and set new core stretch aims for P1/4/7 BGE and SCQF level 5 and 6 participation revised in line with national requirements.	• New annual programme established.

stages in literacy, numeracy and attendance. • All schools submit a PEF plan. • All schools to spend PEF funding other than staff costs carry forward. • PEF spend monitored termly by LA officers and action taken. • Updated BGE tracking toolkit used by all primary schools. • Predicted BGE data for P1/4/7 and S3 submitted in Nov and Feb with final data submitted in May. • Senior phase attainment tracked and monitored. • All submitted data analysed and actions taken. • Care Experienced Children and Young People (CECYP)	Culture and Libraries. • Annual programme to revise and set core plus stretch aims for children and young people who have experienced care or who are in receipt of FSM (Free School Meals) established. • Revised school targets set by all primary schools across all stages in literacy, numeracy and attendance. • All schools submit a PEF plan. • All schools to spend PEF funding other than staff costs carry forward. • PEF spend monitored termly by LA officers and action taken. • Updated BGE tracking toolkit used by all primary schools.	• Predicted BGE data for P1/4/7 and S3 submitted in Nov and Feb with final data submitted in May. • Senior phase attainment tracked and monitored. • All submitted data analysed and actions taken. • BGE tracking for literacy and numeracy in S1 and S2. • Monitor and report on impact of SEF QIO role. • Implement SEF plan.		

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coordinator appointed. • Quality Improvement Officer (QIO) (Attainment and Achievement) appointed using Strategic Equity Funding (SEF). • Community Learning Officer (CLO) for equity support workers appointed using SEF underspend. • Raising attainment strategy written. • SEF plan written.	• Predicted BGE data for P1/4/7 and S3 submitted in Nov and Feb with final data submitted in May. • Senior phase attainment tracked and monitored. • All submitted data analysed and actions taken. • BGE tracking for literacy and numeracy in S1. • Monitor and report on impact of SEF QIO role. • Further develop SEF plan to take account of increased SEF allocation for 2025/26.			

BGE | Broad General Education
CECYP | Care Experienced Children and Young People
CLO | Community Learning Officer
FSM | Free School Meals
LA | Local Authority

PEF | Pupil Equity Fund
QIO | Quality Improvement Officer
SCQF | Scottish Credit and Qualifications Framework
SEF | Strategic Equity Funding

1869

Childcare (C5)

Provide childcare in an affordable way in locations that are convenient including:

- Continuing to develop a new 50-place 0-5 nursery in Kirkwall.
- Continuing to offer free non-eligible 2-year-old places in island settings with capacity (staffing and registered number).
- Supporting individuals to take up child-minding; supporting practising child-minders to develop practice as well as meet and maintain the National Standard; recruiting and supporting child-minders working in partnership with the local authority to provide statutory childcare (including qualifications).
- Establishing a 'grant and subsidy' approach for child-minders in hard to sustain locations (for example where numbers are very small making the business non-viable).
- Extending local authority (statutory) provision in-line with Scottish Government policy directives (as funding and workforce permits).
- Piloting provision for school-aged childcare and childcare for children aged 1 and 2, including childcare for children with additional support needs, in order to test demand, availability of workforce and model.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Programme of support (10x 2.5 hrs) for existing child minders complete. • Recruitment of (5) new childminders complete. • Scope small scale pilot project for school-age childcare (includes assessment of need). • Tender for provider of new 50-place 0-5	• Programme of support (10x 2.5 hrs) for existing child minders complete. • Programme of support for new childminders established. • 'Grant and subsidy' model for childminders established. • Small scale pilot project for school age child-care	• Programme of support (5x 3hours) for existing child minders complete. • Pilot project (to include wider geographical reach) extended.	• Provision of viable and sustainable year-round childcare established.	

1870

nursery in Kirkwall published.	complete and evaluated. • New 50-place 0-5 nursery in Kirkwall open.			

Embed the vision and outcomes of the Promise (C6)

Delivery of The Promise* to support children and young people who are care experienced.

- Establish a Promise Board.
- Develop workforce capacity and support.
- Strengthen Family Support.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Poverty Milestones reached. • Policy and Practice Framework established. • Evidence of "voice". • Attainment for looked after children improving.	• Whole Systems Approach embedded. • Workforce stability progress noted. • Effective information sharing. • Care based language embedded. • Evidence UNCRC** is embedded.	• Poverty Milestones reached. • Trauma informed workforce. • Evidence of strong relational practice.	• Attainment for looked after children consistently improving. • Evidence of "voice" with high satisfaction rates. • Stabilisation of accommodation rates.	• Positive Inspections. • Poverty Milestones reached.

*About the promise - The Promise exists so that children and young people in Scotland can grow up loved, safe, and respected.

- Website link: About the promise - The Promise

** UNCRC | United Nations Convention on the Rights of the Child

1872

Developing our Infrastructure

Improve Isles transport links (I1)

Developing integrated, effective, sustainable, and reliable inter-islands connectivity through the development and maintenance of transport infrastructure and links.This modernisation will be considered through the lens of 'net zero'. Areas to be considered include:

- The barriers.
- Review level of service and options.
  - Consider options like 'fixed links' and 'Sustainable Aviation Test Environment' (SATE).
- Isles Transport Solutions e.g. Ferry replacement or alternative solutions.
  - Lobbying for funding.
- Smaller piers and harbours improvements across Orkney as outlined and agreed in the Harbours Master Plan.
- Aircraft.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Vessel operability analysis to be carried out to consider suitability / type for the Outer North Isles network. • Continuation of lobbying to Scottish Government to support Orkney's Inter Island Transport e,g Ferry Replacement Programme and associated land side	• Completion of Outline Design Specification for ~~Outer North Isles vessels and Rousay, Egilsay and Wyre~~ vessels or alternative transport solutions. • Identify and undertake Fixed Link Feasibility Study ~~between Rousay and Egilsay (to be completed by external~~	• Progression of Outline Design Specification for remaining inter isles transport network. • Progression to design and build of ~~Outer North Isles and Rousay, Egilsay and Wyre~~ agreed vessels or alternative transport solutions, subject to ~~Scottish~~ funding. from Government ~~Capital Funding~~.	• Progression of Transport Solutions ~~Ferry Replacement~~ Programme and associated land side infrastructure subject to funding from ~~Scottish~~ Government ~~Capital Funding~~.	

infrastructure upgrades. • Improve reliability and connectivity to the Outer North Isles through transport solutions e.g. by enhancing the Inter Island Air Service (third aircraft) subject to external grant funding. • Review findings with regards to condition of barrier one, develop options for any actions to bring to Committee. • Exploration of project scope and funding options for small piers and harbours infrastructure. • Council decision on small piers and harbours projects. • Generate invitation to tender documents, complete tender exercise and award contract.	~~consultants).~~for some isles. • Continuation of discussions with Scottish Government in respect of transport solutions. • Complete Upgrades to Papa Westray Pier. • Progress decisions taken by Committee regarding ~~b~~Barrier ~~o~~One. • Commence small piers and harbours infrastructure projects as per approved Council decision.	• Progress decisions taken by Committee regarding ~~b~~Barrier ~~o~~One.		

1874

Free ferry travel for island young people (I2)				
Introduce free ferry travel for island young people to allow them to access sport and entertainment opportunities already available to mainland young people. The ferry is the equivalent of the bus to islanders. This will involve exploring how this can be funded, including potential lobbying of Government if required.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Lobby Scottish Government for funding for the extension of the Under 22 Free Bus Scheme to include ferries for young people living in the isles.				

1875

Work towards integrating our transport networks (I3)

Integrate our transport networks to improved operational connectivity and reduce vulnerabilities.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Continue to provide connecting bus services with inter island air and ferry services where possible. • Consider the broadening out of the Community Transport Grant with the view to provide a wider service to the whole community. • Continue to seek external grant funding to enhance public bus services where possible.	• Trial of flexible door to door community-based transport in an area not currently served by public transport (subject to external grant funding).	• Increase in community transport usage. • Increase in public bus usage statistics.	• Increase in community transport usage. • Increase in public bus usage statistics.	• Consider requirements for future School and Public Bus Contract.

Supporting Economic Growth through Harbours Infrastructure (I4)

Ensuring major harbours infrastructure is designed and developed to support economic growth and community benefits across Orkney with a focus on projects as set out and agreed in the Harbours Master Plan. This includes the following proposed developments:

- Deep Water Quay within Scapa Flow: New multi-user deep water pier and quayside facility with laydown area.
- Hatston Pier: New pier and quayside infrastructure, ship lift, fuel facility and land for harbour operations.
- Kirkwall: New quayside infrastructure, marina expansion and waterfront development area.
- Stromness: Marina expansion and dedicated cruise tender pontoon.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Exploration of project scope and funding options. • Develop options for Council consideration • Council approval of programme of projects and phased implementation timetable. • Undertaking Equality Impact Assessment and planning applications for projects in scope.	• Subject to agreement, consents and funding, start the construction of initial phase of projects. • Conduct five-year review of Harbours Master Plan projects that support economic developoment (approved in April 2020).	• Subject to consents and funding, start construction of next phase of projects.	• Targeted completion of projects commenced in Year 2.	• • Targeted completion of projects commenced In Year 3

1877

Digital connectivity (I5)

Support and enable the delivery of digital connectivity across Orkney including;

- Implement relevant actions in the Orkney Islands Council Digital Strategy (2022-2026), and input into digital Strategy Delivery Plan as appropriate.
- Facilitate commercial telecoms infrastructure investment and stimulate market demand.
- Raise awareness of available schemes, including the provision of advice and support to individuals, community groups and telecom providers, to support the development of gigabit capable telecom networks for all of Orkney.

Milestones will need to adapt to complex funding landscape.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Input into Digital Strategy Delivery Plan. • Established mechanism seeking to support gaps in provision where possible. • Commence implementation of relevant Digital Strategy Delivery Plan actions. • Commence transition of Council's core wide area network.	• Application for gigabit funding (if this route is viable). • Continue to implement relevant Digital Strategy Delivery Plan actions. • Continue transition of Council's core wide area network.	• Complete transition of Council's core wide area network. • Given dynamic funding landscape review outcomes against delivery plan and plan activities for years 4 and 5.	• Implement relevant actions based on year 3 review of outcomes.	• Review progress towards connectivity targets.

Social housing (I6)

Invest in social housing to endeavour to address waiting lists and improve temporary housing availability, including:

- Developing social housing across Orkney in line with housing need and demand.
- Ensuring all future housing is energy efficient in line with Scottish Government requirements.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Undertake housing need and demand assessment in line with Scottish Government requirements. • Undertake enhanced housing need and demand assessment to determine level of housing need for essential workers. • Develop revised Local Housing Strategy for 2023 – 2028. • Develop revised Housing Revenue Account Business Plan. • Social housing delivery by OIC and OHAL through the Strategic Housing	• Social housing delivery by OIC and OHAL through the Strategic Housing Investment Plan assuming grant availability and affordability and in line with social housing standards. • Review of Housing Revenue Account Rent Setting Policy.	• Social housing delivery by OIC and OHAL through the Strategic Housing Investment Plan assuming grant availability and affordability and in line with social housing standards.	• Social housing delivery by OIC and OHAL through the Strategic Housing Investment Plan assuming grant availability and affordability and in line with social housing standards.	• Social housing delivery by OIC and OHAL through the Strategic Housing Investment Plan assuming grant availability and affordability and in line with social housing standards.

1879

Investment Plan assuming grant availability and affordability and in line with social housing standards.				

Mid-market rental properties (I7)

To investigate the potential for the development of an affordable programme of mid-market rent (MMR) properties across Orkney;

- To ensure this additional form of housing is available in the market.
- Provide accommodation for inward migration and to support provision of housing for existing workforce.
- Provision of housing for those employed on Orkney including essential workers.
- Building outwith Kirkwall in line with housing need and demand.
- Through our Local Housing Strategy we will continue to support vulnerable and island communities to access the Scottish Government's Rural and Island Housing Fund to seek to address their own housing aspirations / demand for private sector accommodation.

This includes an enhanced analysis of housing need and demand across all tenures to focus on areas such as key worker needs and link to the Local Housing Strategy.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Delivery of enhanced analysis of housing need and demand (specifically in relation to MMR). • Delivery of report regarding potential to deliver an affordable programme of mid-market rent properties.	• Plan for delivery and potentially begin development, assuming grant availability and affordability.	• Development of first programme of MMR housing.	Continue programme of MMR housing.	Continue programme of MMR housing.

1881

Orkney's Community Wind Farm Project (I8)				
Deliver Orkney's Community Wind Farm Project, maximising community benefit and securing a transmission connection for Orkney. Delivery subject to relevant approvals.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Secure Ofgem approval of Transmission connection	• Final Investment decision.	• Commence construction.		• Commence generation.

Islands Growth Deal projects (I9)

Ten-year package of investment with suite of projects that will seek to drive economic growth and the creation of sustainable jobs across Shetland, Orkney and the Outer Hebrides. Key objectives – job creation, leveraging investment and net zero.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Continue development of business cases including match funding requirements.		• Full Business Case approved for 50% of Orkney specific projects.		• Full Business Case approved for all Orkney specific projects.

Integrated waste facility (I10)

Construction of a new waste and recycling facility to improve the range of recyclable materials that can be collected, enable compliance with regulatory requirements and support development of circular economy. Associated improved collection methods will widen coverage of recycling collections across the whole of Orkney.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Funding approval (all further actions dependent upon this). • Procurement of Design Build Consultants.	• Procurement of Design Build Contractor. • Development of design. • Construction starts Q4 with initial site works.	• Construction.	• Construction completed. • Facility open.	• Amended collection system in place.

1884

Capital Programme (I11)

Review and prioritisation of the capital programme. This will result in the list of capital projects, including new build and building refurbishment projects, being considered and prioritised for delivery. The programme covers a diverse range of projects, for example the construction of new buildings, the refurbishment of leisure facilities and the development of critical infrastructure across Orkney, including the ferry linked isles.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Continue delivery of existing capital programme. • Review and prioritisation of the new capital programme.	• Finalisation and approval of the new capital programme. • Commence delivery as per the new approved capital programme.	• Continue delivery as per the new capital programme.		

1885

Transforming our Council

Staff recognition and retention (T1)

Improve staff recognition and engagement so staff feel more valued. Improve openness and transparency so it is a safe place to raise concerns. Provide a suite of work options and terms and conditions that meet the needs of the organisation, our customers and service users, providing the flexibility, wellbeing support and recognition that our employees desire.

Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Launch employee recognition programme. • Develop flexible working frameworks. • IIP (Investors in People) Assessment and improvement plan developed and agreed. • New Pay and Grading model. • Launch employee benefits scheme. • Launch employee Mental Health and Wellbeing Policy. • Launch employee assistance programme and associated policies.	• First annual recognition event. • Explore options to modernise Terms and Conditions. • Redesign key applicable job roles to enhance flexibility where practicable. • IIP Review. • Enhance employee benefits scheme further. •	• Employee Annual Statement of Reward launched. • Review and refine employee recognition approach. • IIP Assessment 2. • Achieve IIP Platinum • Review outcomes of People Plan.	• Approval of revised People Plan. • Commence implementation of revised People Plan.	• Continue implementation of revised people plan.

1886

Reduce bureaucracy (T2)				
Reduce bureaucracy within and between agencies wherever possible improving working between partners. Consideration of the Single Authority Model (SAM) is included as part of this work.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Embed the Corporate Administration approach across OIC with the new structure fully implemented. • Identify work plan to reduce bureaucracy within OIC. • Principle of exploring the SAM is reviewed and agreed with SG. • Proposed pilot is reviewed and agreed with Partner agencies. • Revised pilot model is submitted and agreed by Scottish Government.	• Continue to progress corporate administration workplan across OIC. • Identify areas in partnership working where bureaucracy may be reduced. • Consultation with staff, Trade Unions and community and partners on SAM. • Develop SAM model further in partnership with community planning partners.			

Invest in staff development opportunities (T3)				
Create a programme for equal access to growth and learning opportunities for employees to develop their full capability aligning with our organisational goals, workforce planning and talent management priorities, with a particular focus on areas where there are skills gaps.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Skills analysis of main job populations. • Develop integrated workforce plans. • Redesign and launch new ERD framework aligned to values. • Deliver the Leadership Development Programme	• Design career pathways. • Establish knowledge partnerships with at least 2 academic institutions. • Embed new staff values within remaining key HR and OD (Organisational Development) processes.	• Launch integrated learning and innovation network sites. • Implement career and talent pathways aligned to organisational need.	• Review outcomes of the leadership development programme.	

Recruitment including trainee programme (T4)				
Consideration of recruitment approaches to attract potential candidates to Council posts. Development and delivery of specific pathways into OIC for trainees including comprehensive induction, orientation, skills and leadership programmes for effective integration into teams with a focus on alignment with organisational values, promotion of core skills, attitudes and behaviours underpinning sustainable employment.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Redesign recruitment approaches to optimise impact and personalisation. • Launch wider apprentice / trainee programme.	• Design career pathways. • Design and deliver Young Employees Conference. • Redesign key employee interactions / transactions based on Employee Experience framework.	• Young Employees Conference (2). • Implement career and talent pathways aligned to organisational need.	• Further actions to be detailed in the revised people plan (please see T1).	

Staff working locations, operational property and estates assets review and development (T5)				
Review Council estate, disposing of unwanted assets and transforming required assets so they are fit for purpose. This will include School Place and Hatston depot and garage. Diversify spread of Council working locations across rural and isles communities.				
Delivery milestones				
Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Assess accommodation needs of staff / which buildings we wish to retain • Complete future capital programme plan. • Develop estates assets review plan.	• Develop future ways of working framework. This will include a review of core council working locations e.g. Council offices and work space availability across Orkney. • Approval of estates assets review plan. • First set of key properties identified for disposal on market. • Report on future of Council Headquarters.	• Commencement of design works for reuse and repurpose of properties. • Initial Council Headquarters actions as outlined in report including funding, design and planning.	• Second set of key properties identified for disposal on market. • Commencement of Council Headquarters plan.	• Implementation of strategic decisions taken.

1890

Improving our processes through the development of our systems (T6)

Improve processes and service delivery through the development of corporate and service digital systems.

Corporate systems such as:

- Digital service delivery (the Customer Service Platform / Microsoft 365 tools).
- Electronic Document and Records Management System Implementation.
- Finance (Integra Centros).
- HR and Payroll (Resource Link / MyView).

Service systems such as:

- Health and Social Care (Paris).
- Housing (Northgate Housing).
- Neighbourhood Services (New Horizons replacement).
- Planning system (IDOX).
- Property Assets Management (Concerto).
- Revenue and Benefits (NEC Revenue and Benefits).
- Schools Education System (SEEMiS).

Full details with specifics for each system will be provided in the Digital Strategy Delivery Plan which will support the delivery of the Council Plan. Tier systems to be defined in the Digital Strategy Delivery Plan.

Delivery milestones

Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
• Complete Digital Strategy Delivery Plan. • All tier one systems upgraded to required version. • Corporate systems development framework created. • Commence delivery plan implementation.	• Development roadmap in place for all tier one systems. • All tier two systems upgraded to the required version. • Review available technologies which can enable improved service delivery.	• Review delivery against Digital Strategy Delivery Plan outcomes. • Review digital strategy 2022-2026 and develop Digital and Data Strategy 2026/27 – 2028/29.	• Complete next Digital and Data Strategy Delivery Plan. • Commence delivery plan implementation.	• Continue delivery plan implementation and scrutiny of progress.

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	This will feed into the next digital strategy.	• Development roadmaps in place for all tier two systems. • All tier three systems upgraded to the required version.		

The Orkney Partnership

Working together for a better Orkney

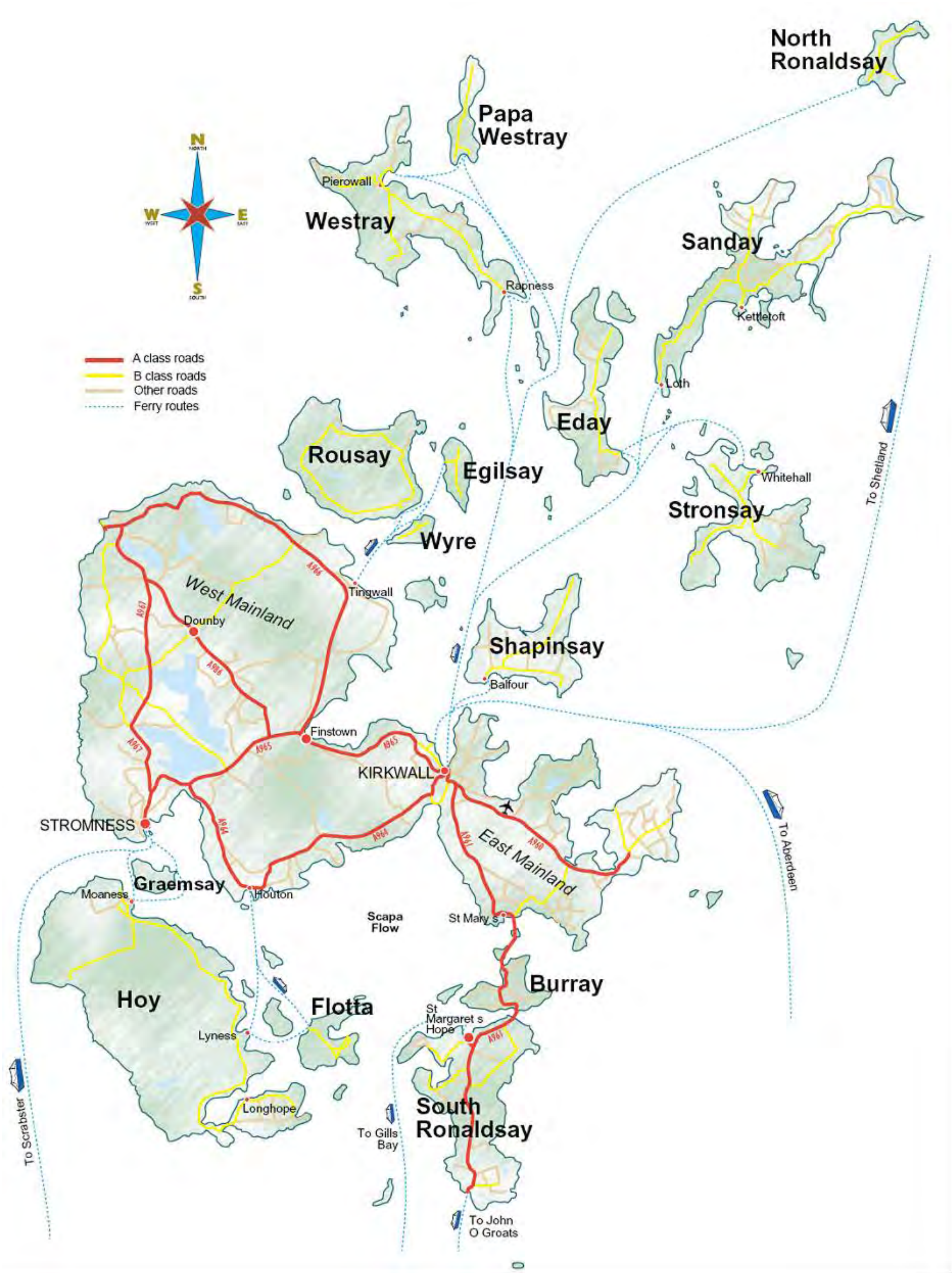
Draft v2.0
7 February 2023

Orkney Community Plan

Incorporating Orkney's

Local Outcomes Improvement Plan

2023 to 2030



If you would like this plan in a different language or format, please contact the Community Planning Business Manager, Orkney Islands Council, School Place, Kirkwall KW15 1NY.

Tel: 01856 873535 ext 2153.

Email: SPBS@orkney.gov.uk

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Appendix 1: Equality Impact Assessment

Appendix 2: Island Communities Impact Assessment

Introduction

Welcome to Orkney's Community Plan for 2023-30.

Community planning brings together local providers of public services to improve outcomes for individuals, families, and communities, and especially to combat inequality and prevent disadvantage. Orkney's Community Plan describes what the members of the Orkney Partnership aim to achieve by working together, and how this adds value to what we can achieve as individual organisations. Our plan also serves as our statutory Local Outcomes Improvement Plan, or LOIP.

Our last plan, for 2021-23, was shorter than usual, reflecting the need for immediate short term action to support Orkney's recovery from the Covid-19 pandemic. This time we are looking much further ahead, towards the Partnership's ambition to see Orkney reach net zero by 2030, fifteen years ahead of the national target for Scotland. Orkney has a unique opportunity to capitalise on the rapid expansion of the green and blue economies but to do so will require significant new infrastructure and especially more housing. We want our future economic development to benefit everybody in our communities, with nobody left behind. Our choice of Sustainable Development as a strategic priority will help us promote and achieve this ambition.

We are well aware that many Orkney's residents cannot afford to look so far ahead and are much more concerned about the very present threat of the cost of living crisis. It is essential to support all our people, children and families through this difficult time and we have chosen the Cost of Living as an urgent strategic priority. The Partnership adopted a Poverty Pledge in 2022, undertaking to commit time, energy, and resources to work towards the elimination of poverty throughout Orkney. A Cost of Living Task Force has been established and will continue to address both immediate need and longer-term initiatives to combat persistent poverty.

Our third strategic priority, Local Equality, addresses another persistent issue – the continuing disadvantage experienced by some of our communities when trying to access services, facilities, and opportunities. Our ferry-linked isles have well-known, longstanding challenges but parts of Kirkwall also have high levels of socio-economic inequality and many localities on the Orkney Mainland and south linked isles have gaps in transport provision or digital connectivity. The adoption of this priority will lend support to local community-led development plans and help achieve the outcomes they want for their communities.

Our plan will evolve over the years as it adapts to Orkney's changing circumstances, but our sights will stay strongly focused on 2030 and our ambitions for Orkney's successful future, to be shared by all our communities and all our people.

Councillor James Stockan
Chair

Meghan McEwen
Vice Chair

Orkney Partnership Board

Orkney Community Plan 2023-30 : Outline summary

Strategic priorities	Short term outcomes 2023-25	Medium 2023-27	Long term 2023-30
Cost of Living Our aim is to co-ordinate an agile response to the cost of living crisis, supporting both immediate need and longer-term prevention of poverty and disadvantage.	Adoption of advice-and-cash-first approach to address hardship.		
	Improved uptake of locally administered funding and support.		
		Co-ordination of partnership action plans relating to child poverty, food dignity and fuel poverty.	
			Wider understanding of poverty and its prevention in terms of human rights, equality and fairness, and community wellbeing.
			Evidence of mitigation of the immediate cost of living crisis and of the longer-term reduction of persistent poverty in Orkney.
Sustainable Development Our aim is to exploit the synergy between two linked themes: the development of a wellbeing economy and combatting the climate emergency.	Integrated route map for the well-being economy and climate action		
		Inclusive progress towards a wellbeing economy focusing on climate change, fair work, and diversity.	
		Shared understanding, adoption and implementation of Community Wealth Building.	
			Adaptation and mitigation strategy to protect our communities, habitats and wildlife from the effects of climate change.
			Measurable progress towards Orkney's target of net zero emissions by 2030.
Local Equality Our aim is to improve the viability of Orkney's most disadvantaged communities by levelling up the availability of services, facilities and opportunities.	A Locality Plan which supports local community-led development plans		
		Digital connectivity in every community improved to the best standard achievable	
		Transport connectivity in every community improved to the best standard achievable	
			Improvement in the population, demographic balance, resilience and wellbeing of Orkney's most fragile communities.
			Improvement in the ratings of Orkney's most disadvantaged communities in the Scottish Index of Multiple Deprivation.

The Orkney Partnership: how it works

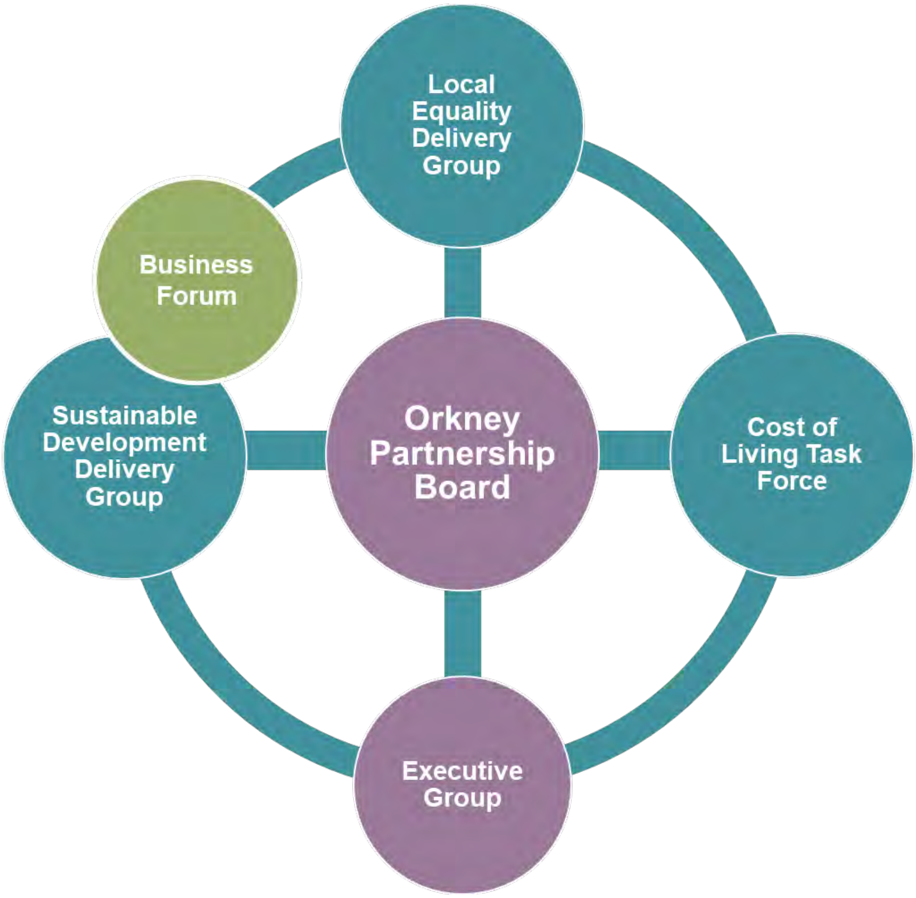
Orkney's community planning partnership has been in existence since 2000. Our shared mission is:

Working together for a better Orkney

The Partnership's seven values guide the way we work and influence everything we do:

Resilience
Enterprise
Equality
Fairness
Innovation
Leadership
Sustainability

The Orkney Partnership is led by the Orkney Partnership Board. An Executive Group supports the Board and comprises senior officers of the five partners with a duty to facilitate community planning in Orkney, plus Voluntary Action Orkney. The Board assigns each of its strategic priorities to a delivery group for action. As at 1 April 2023, the delivery groups are the Cost of Living Task Force, the Local Equality Delivery Group, and the Sustainable Development Delivery Group, which is advised by a Business Forum.



The Orkney Partnership: who we are

Membership of the Board is in part determined by the Community Empowerment (Scotland) Act 2015, which sets the statutory framework for community planning in Scotland. Five partner agencies share a statutory duty under the Act to **facilitate** community planning in Orkney:

Others have a statutory duty under the Act to **participate** in community planning:

The Board also includes key local and co-opted partners:

Orkney Partnership Board selects its Chair from among its membership: currently the Board is chaired by the Council Leader with the Vice Chair being the Chair of NHS Orkney. Delivery groups are chaired by members of the Board. As at 1 April 2023, the Cost of Living Task Force is chaired by Craig Spence of Orkney Housing Association, the Sustainable Development Delivery Group is chaired by XX of YYY and the Local Equality Delivery Group is chaired by YY of ZZZ.

An important role of the Executive Group is to manage the Partnership's resources. Facilitating partners jointly fund the role of Community Planning Business Manager to ensure the good governance and efficient operation of the Partnership.

The Orkney Partnership is networked with other local partnerships: for example, the Integration Joint Board for Health and Social Care and the Orkney Community Justice Partnership each have a seat on the Orkney Partnership Board, while the Local Employability Partnership is a key contributor to the Sustainable Development Delivery Group.

All our plans, terms of reference, reports and more can be found on the Orkney Partnership's website at http://www.orkneycommunities.co.uk/communityplanning/

The strategic context for community planning in Orkney

On this page you can see the strategic context for community planning in Scotland, and how it influences our planning and decision-making. Our plans must work within the legal and political frameworks determined by the UK and Scottish Governments.

The Islands (Scotland) Act 2018 and National Islands Plan has focused national attention on many areas of critical importance to Orkney, including demographic balance, ferries, and housing. The Community Plan addresses the strategic priorities which need concerted partnership action, while individual partner plans address the priorities and actions to be delivered by that particular agency.

Community Empowerment (Scotland) Act 2015

The legal framework for Community Planning Partnerships, Local Outcomes Improvement Plans and Locality Plan(s)

Scottish Government strategy

e.g. Programme for Government; National Islands Plan; Best Start, Bright Futures; National Strategy for Economic Transformation etc.

National Performance Framework

11 national outcomes
81 national indicators
UN sustainable development goals

National partner agency strategies

e.g. Scottish Police Authority's Strategic Police Plan, NHS Recovery Plan, Skills Development Scotland Strategic Plan etc.

Orkney Community Plan 2023-30

Incorporating Orkney's Local Outcomes Improvement Plan

National commitments

e.g. Public Health Priorities for Scotland, Net Zero Nation, Climate Emergency Declaration, Scottish Business Pledge etc.

Local and regional partner agency plans

e.g. Council Plan, NHSO Clinical Strategy, HIE Strategy and Operating Plan, Local Police Plan, Local Fire and Rescue Plan etc.

The Orkney Partnership

Orkney Partnership Board, Executive Group, Delivery Groups, Working Groups

Local strategic partnerships

e.g. Local Employability Partnership, Strategic Community Learning Group, Orkney Children and Young People's Partnership et al.

How Orkney's communities helped to form this plan

Consultation to inform this plan was carried out in two stages. The first stage took place between October 2021 and March 2022, when the Council, Voluntary Action Orkney and the LEADER Local Action Group jointly conducted an extensive consultation exercise under the banner "Orkney Matters". This comprised a questionnaire, a series of online meetings, and dedicated sessions for schools and community groups which used art to engage with people less likely to respond through regular channels. The second stage was a public consultation on the draft Community Plan itself, which was conducted during December 2022 and January 2023, prior to the finalisation of the plan.

Orkney Matters recorded the views of all of Orkney's communities, including residents of the ferry-linked isles, young people, and lesser heard voices. The survey found that the main priorities overall were:

- **Consultation fatigue and communication**
- **Volunteer fatigue**
- **Single community-led plan for each community**
- **Housing**
- **Digital connectivity**
- **Climate change**
- **Transportation**
- **Sense of community**
- **Enjoyment of Orkney's outdoors and the environment**
- **Equality**
- **Health**
- **Economic opportunities**

Some of these issues require concerted action by multiple partner agencies and have been selected as strategic priorities by the Orkney Partnership for this Community Plan. Other issues are matters primarily for specialised partnership groups or individual partner agencies to address, and these will be included in their own plans.

The second stage consultation generated 89 responses and some well-considered commentary. Some of the suggestions made have been worked into the plan while others will be passed on to the delivery groups to consider when drawing up their delivery plans. Most respondents were in broad agreement with some or all of the strategic priorities in the plan; some would have liked to see other priorities adopted, notably health and wellbeing, transport, housing and education. As with Orkney Matters, comments on specific services will be passed to the relevant partner agencies for consideration.

There was less consensus with regard to the adoption of 2030 as Orkney's net zero target. Opinion was divided between 49% who were in favour, 39% who were against and 12% who were unsure. A few of those commenting felt that the Partnership should focus solely on more urgent priorities: "People are cold and hungry which is a far more immediate problem". Others felt that the climate emergency was itself urgent: "Ambitious is good, there is no time to be cautious". Most commentators were somewhere between the two: "Dependant on the cost of the new technologies it could be possible by 2030. But it could be expensive". And some saw beyond the target itself: "What is the benefit from being cautious? Even if we don’t get all the way there, the learning created in Orkney develops skills and opportunities for export and, if the target isn’t ambitious, we won’t maximise the capability of our research and innovation organisations”.

Orkney families with experience of poverty and hardship contributed a wealth of information in response to the Partnership’s “Making Ends Meet” survey, conducted in autumn 2021 to inform the Child Poverty Strategy 2022-26. As described on page 10, this survey also influenced the selection of the Cost of Living as a strategic priority in this Community Plan.

National consultation also played a part in the development of this plan. A total of 790 Orkney residents participated in the first National Islands Plan survey, conducted in October 2020, answering questions on their experience of employment and business opportunities, transport, housing, fuel poverty, digital connectivity, health, social care, the environment, climate change, culture, and education. The survey is due to be repeated in 2023 and every two years thereafter for the lifetime of the National Islands Plan. Results are published online with responses from Orkney Mainland and Isles respondents split out, making this a useful resource for measuring future progress. We have used some of the survey questions as indicators of progress in this plan.

Strategic priority: Cost of Living

The recent rapid rise in the cost of living has caused many people to find themselves experiencing hardship, some for the first time. During 2021-22, Voluntary Action Orkney led the development of a report on food security in Orkney. The cost of living crisis was beginning to impact noticeably on Orkney residents with the first large fuel rises and increases in inflation, especially for key food items, with wage and benefit increases being much lower.

At the same time, a key workstream for the Partnership was to develop Orkney's Child Poverty Strategy 2022-26 and create a framework for concerted local action to combat child poverty. We consulted local families with experience of hardship in our "Making Ends Meet" survey, and learned about the challenges they faced daily, exacerbated for some by family illness or disability, the high cost of travel or the additional cost of living on the ferry-linked isles.

The Poverty Alliance[1] maintains that poverty is a failure of human rights, preventing people from being able to lead dignified lives. Nevertheless, there is a belief widely held – including by many who themselves live in poverty – that people are poor because of their own failings. The cost of living crisis has helped to challenge this assumption but there remains a need for wider and deeper public understanding of poverty and how to prevent it, in the language of human rights, equality and fairness, and community wellbeing. This is a long term challenge.

In June 2022, the Orkney Partnership Board agreed to adopt a Poverty Pledge:

> *"We believe that it is not acceptable that people in our community live in poverty. Over the coming years, we will commit our time, energy, and resources to do all we can, in partnership, to work towards the elimination of poverty throughout Orkney."*

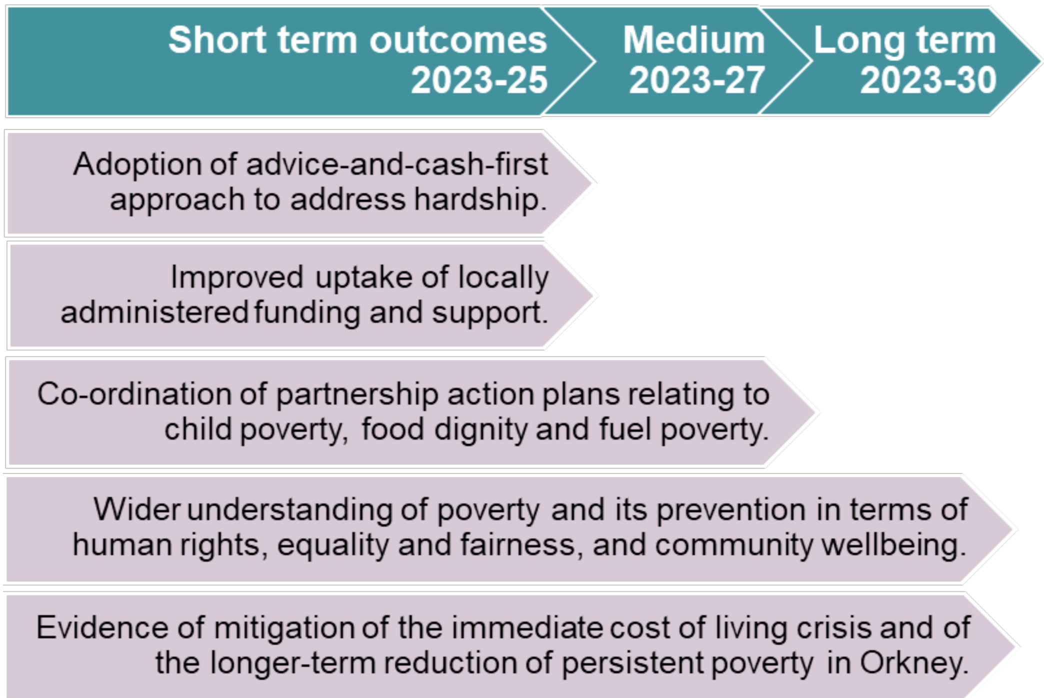
A dedicated working group, the Cost of Living Task Force, was created by the Partnership to draw together into a single co-ordinated action plan the different and overlapping workstreams arising from the Orkney Child Poverty Strategy and Food Dignity Report, and the pending Fuel Poverty Strategy in preparation by the Council. Funding was secured by Voluntary Action Orkney from the Local Authority Covid Economic Recovery Fund (LACER, awarded by the Council) and the Community Led Local Development Fund (awarded by the Orkney Local Action Group) to develop an Advice-and-cash-first referral pathway, ensuring that anyone in need of help would be fast-tracked to both immediate cash support (via the Scottish Welfare Fund) and assistance to access all the benefits and associated support to which they were entitled.

The Board agreed that one of its key priorities for the new LOIP should be the immediate cost of living crisis, with a longer-term aim to take preventative measures to ensure that fewer Orcadians live in poverty in future. The Cost of Living Task Force was redesignated a long-term delivery group reporting directly to the Board and will take forward this agenda.

[1] https://www.povertyalliance.org/rights-in-action-why-are-we-thinking-about-poverty-and-human-rights/

Our aim and target outcomes for the Cost of Living

Our aim is to co-ordinate an agile response to the cost of living crisis, supporting both immediate need and the longer-term prevention of poverty and disadvantage.



Measuring progress in the Cost of Living

The indicators below have been selected to show how well we are progressing towards the outcomes we want for the Cost of Living priority in Orkney. They do not evaluate directly the actions of any particular partner or group, but they indicate whether collective local and national action is moving us in the right direction.

The Scottish Household Survey[2] is conducted annually and in 2019 the survey base comprised 590 persons in 260 households across Orkney. The Scottish House Condition Survey[3] has a smaller survey base (80 households in Orkney) so data is averaged over three years to improve accuracy. It includes data for fuel poverty, which was redefined nationally in 2019. A household is in fuel poverty if total fuel costs necessary to maintain a satisfactory heating regime are more than 10% of the household's net income (after certain deductions) and the remaining income is insufficient to maintain an acceptable standard of living. Extreme fuel poverty follows the same definition except that a household would have to spend more than 20% of its net income.

The National Islands Plan Survey 2020[4] measures progress towards the planned outcomes in the National Islands Plan and will be repeated periodically. It

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[2] https://www.gov.scot/publications/scottish-household-survey-2019-annual-report/
[3] https://www.gov.scot/publications/scottish-house-condition-survey-local-authority-analysis-2017-2019/pages/6/
[4] https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2021/07/national-islands-plan-survey-final-report/documents/national-islands-plan-survey-final-report/national-islands-plan-survey-final-report/govscot%3Adocument/national-islands-plan-survey-final-report.pdf?forceDownload=true

differentiates between households in the Orkney mainland and linked south isles, making it a useful source of data for our purposes too.

How households are managing financially in Orkney (Source: Scottish Household Survey 2019 and Data Explorer)

	Baseline (2020/21)	2024 Milestone	2030 Target
Managing very well or quite well	66%	67%	70%
Get by all right	31%	31%	30%
Don’t manage very well and have some financial difficulties	3%	2%	0%

Percentage of dwellings in Orkney in Fuel Poverty 2017-19 (Source: Scottish House Condition Survey Local Authority Analysis 2019)

Baseline (2017-19)	Milestones each year	2030 Target
30.5% (Scottish average 24.4%)	Reduce	Same as Scottish average

Percentage of dwellings in Orkney in Extreme Fuel Poverty 2017-19 (Source: Scottish House Condition Survey Local Authority Analysis 2019)

Baseline (2017-19)	Milestones each year	2030 Target
21.8% (Scottish average 11.9%)	Reduce	Same as Scottish average

The number of crisis payment applications to the Scottish Welfare Fund

Baseline (2021-22)	Annual milestone	2025 target
1.1 per 1,000 population (Scottish average is 15.2 per 1,000 population)	Increase	TBC

The percentage of crisis payment applications to the SWF that are successful

Baseline (2021-22)	Annual milestone	2025 target

40% (Scottish average is 66%)	Increase	Equal to the Scottish average

The total additional benefits that those assisted by Orkney Money Matters are able to claim as a result of support from the project (Source the Orkney Money Matters project and Orkney CAB)

Baseline (2021-22)	2023-24 target	2024-25 target	2025-26 target
N/A – Project in set up	£0.5m	£0.6m	£0.7m

The number of children in Orkney who are in Relative Poverty (Source: https://www.gov.scot/publications/local-child-poverty-statistics-january-2022/)

Baseline (2020-21)	Annual Target	2030 Target
13.1%	Reduce	Reduce

The number of individuals supported by a Mental Health Support Worker through the Orkney Money Matters project (Source: the Orkney Money Matters project)

Baseline (2022-23)	Annual milestone	2025 target
TBC	TBC	TBC

Strategic priority: Sustainable Development

Climate change is already having an impact: in summer 2022 there were record temperatures across the UK while floods in Pakistan killed hundreds and displaced millions. In 2019, Orkney Islands Council joined other local authorities worldwide in declaring a climate emergency, and the Orkney Partnership began work to develop future Partnership policy on climate action and adaptation.

During the recovery period from Covid-19, the Economic Recovery Steering Group focused on developing a strategy for Orkney's economic recovery while the Sustainable Recovery Delivery Group began work to tap into the synergy between measures to combat the climate emergency and the potential for Orkney's economy to benefit significantly from future growth in the renewable energy sector.

Orkney has abundant wind and tidal resources which can be harnessed to provide renewable energy and significantly reduce the negative impact of UK energy consumption on the climate. This is a double opportunity for Orkney: to make a positive contribution to the climate emergency and to be a global leader in the development of the blue (offshore) and green (onshore) economies. Consequently, the Board agreed that it was logical to link Orkney's aspirations for Net Zero with its ambition to achieve a wellbeing economy and adopt Sustainable Development as a strategic priority.

Scottish Government defines a "wellbeing economy" as "building an economy that is inclusive and that promotes sustainability, prosperity and resilience, where businesses can thrive and innovate, and that supports all of our communities across Scotland to access opportunities that deliver local growth and wellbeing".[5] The central idea is that wellbeing is as important as economic growth. Community wellbeing was a strategic priority in our "recovery" Community Plan for 2021-23 and is embedded throughout this new plan, reflecting its continuing importance.

The key principles of a wellbeing economy are already captured in the Partnership's ASPIRE principles, adopted in 2020 to steer Orkney's economic recovery from the pandemic:

Ambitious: harnessing Orkney's unique resources to drive our future

Sustainable: balancing the interests of people with those of the planet

Prosperous: investing in the local economy to build community wealth

Inclusive: committing to equal wellbeing, opportunity, and access to services

Resilient: bouncing back from adversity, challenge, and change

Enterprising: empowering our communities to achieve their ambitions

Sustainable development balances the needs of people against those of the environment: the concept behind the Doughnut Economics model, which the group is

[5] https://www.gov.scot/publications/inclusive-growth-look/

adapting for Orkney. A key mechanism for delivery will be Community Wealth Building, which uses the levers available to anchor institutions – such as the Council or NHS Orkney – to ensure that value is retained within Orkney and shared more equitably. The Four Pillars model – natural capital, social capital, economic capital and human capital – is also helpful in understanding why this is important to Orkney. Our first task will be the planning of an integrated route map for Orkney, using these models to show the interaction and synergy between the development of a wellbeing economy and combatting the climate emergency.

Achieving net zero overall will require the greening of Orkney's internal ferry fleet, already long overdue for replacement. This is a significant challenge. The Council is engaging with the Scottish Government to find a sustainable solution and expects to make significant progress during the lifetime of this plan. Meanwhile, the island of Hoy has been selected by Scottish Government as one of six islands to take part in its Carbon Neutral Islands project, which will enable us to pilot innovative and transferable low carbon techniques in sectors of particular importance to islands, such as agriculture and marine transport.

Our aim and target outcomes for Sustainable Development

Our aim is to exploit the synergy between two themes which in Orkney are intrinsically linked: the development of a wellbeing economy and combatting the climate emergency.

Short term outcomes 2023-25 | **Medium 2023-27** | **Long term 2023-30**

Integrated route map for the well-being economy and climate action

Inclusive progress towards a wellbeing economy focusing on climate change, fair work, and diversity.

Shared understanding, adoption and implementation of Community Wealth Building.

Adaptation and mitigation strategy to protect our communities, habitats and wildlife from the effects of climate change.

Measurable progress towards Orkney's target of net zero emissions by 2030.

Measuring progress in Sustainable Development

The indicators below have been selected to show how well we are progressing towards the outcomes we want for Sustainable Development in Orkney. They do not evaluate directly the actions of any particular partner or group, but they indicate whether collective local and national action is moving us in the right direction.

The indicators in this section come from a wide range of sources and some depend on data collected locally; for example the figure for house completions includes those built by the Council, Orkney Housing Association Ltd and private developers, both commercial and individuals. House building was severely impacted by lockdown and continues to be affected by the high price of building materials.

In view of the longer than usual perspective taken by this plan we have included some long-term targets for the indicators in this section. For CO_2 emissions, different bodies and sectors have varying timescales to reach Net Zero. 2045 is the Scottish Government's target, while the Orkney Partnership is aiming for 2030 for Orkney overall.

% of 16-19 year olds participating in education, employment and other training and development activities (source: Skills Development Scotland, Annual Participation Measure August 2019 and 2021)		
Baseline (2021)	Annual milestones	2030 Target
93.4%	Increase	Recover to previous high 95.4% (2018-19 figure)

House build completions in Orkney, all sectors (source: OIC Development and Marine Planning)		
Baseline (2020-21)	Annual milestones	2030 Target
92	Increase	125 per year

Local Authority territorial CO2 emissions estimates 2019 and 2020 (kilotonnes CO2) (Sources – UK Government local authority and regional carbon dioxide emissions national statistics 2005-2019 and 2005-2020)			
	Baseline (2020)	Annual Milestone	2030 Target
Commercial	3.8 kt	Reduction commensurate with achieving NetZero by 2030	Zero CO2 Emissions
Public Sector	2.5 kt		
Domestic	36.4 kt		
Transport	26.7 kt		
LULUCF**	123.9 kt		
Total for Orkney	277.2		
**Land Use, Land Use Change and Forestry			

Average wages in Orkney (Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofworkbylocalauthorityashetable7		
Baseline (2021)	Annual milestones	2030 target
£26,582 (average for Scotland £29,752)	Gap closing	Average wages for Orkney match those for Scotland

Closing the Gender pay gap* (source: ONS website)		
Baseline (2021)	Annual milestone	2030 target
20% (Scottish average is 10%)	Close the gap	The gap is no larger than the Scottish average
*Gender pay gap defined as the difference between men's and women's hourly earnings as a percentage of men's earnings		

Strategic priority: Local Equality

A key principle of the Orkney Partnership is to address the inequalities which persist between communities in different parts of Orkney. The Community Empowerment (Scotland) Act 2015 requires community planning partnerships to identify areas within their boundaries that experience disproportionate levels of socio-economic disadvantage and develop one or more locality plans to reduce inequality.

The Scottish Index of Multiple Deprivation (SIMD) measures socio-economic disadvantage using a basket of indicators across such areas as income, housing, crime, and geographical access to services. Within Orkney, the SIMD identifies our localities of greatest disadvantage as being certain areas of Kirkwall, and the ferry-linked isles, but the underlying reasons for their disadvantage are not the same. There are many factors which make life in some parts of Orkney more challenging than others, not all of which can be measured.

The Partnership's first Locality Plan 2018-21 focused on the ferry-linked isles but was overtaken by the Covid-19 pandemic and failed to resolve some of the longstanding disadvantages experienced by isles communities in Orkney. The pandemic and associated lockdowns highlighted the continuing vulnerability of these communities, and others across Orkney, to any interruption in their access to essential goods and services. In response, the Board decided to elevate Local Equality to a strategic priority, making it the focus of a dedicated delivery group reporting directly to the Board.

The Local Equality Delivery Group will develop and lead the delivery of a new locality plan supporting communities experiencing socio-economic inequality, both in the ferry-linked isles and elsewhere across Orkney. Some of these communities already have their own local development plans and the new Locality Plan will not duplicate these. Instead, it will lend support to existing community-led plans wherever the Partnership can add value and improve outcomes.

It is anticipated that the new locality plan will focus on levelling up digital and transport connectivity, widening the availability of services, and improving access to employment opportunities. Some issues will predominantly affect the ferry-linked isles, others may affect parts of Kirkwall or indeed rural areas of the Orkney Mainland. And not all local inequality will be caused by geography: there may be other factors involved and being addressed by other community planning groups, community groups and partner agencies. The Local Equality Delivery Group will co-ordinate a programme of work to progress the Locality Plan in liaison with all interested stakeholders.

Our aim and target outcomes for Local Equality

Our aim is to improve the viability of Orkney's most disadvantaged communities by levelling up the availability of services, facilities and opportunities.

Short term outcomes 2023-25 | **Medium 2023-27** | **Long term 2023-30**

A Locality Plan which supports local community-led development plans

Digital connectivity in every community improved to the best standard achievable

Transport connectivity in every community improved to the best standard achievable

Improvement in the population, demographic balance, resilience and wellbeing of Orkney's most fragile communities.

Improvement in the ratings of Orkney's most disadvantaged communities in the Scottish Index of Multiple Deprivation.

Measuring progress in Local Equality

The indicators below have been selected to show how well we are progressing towards the outcomes we want for Local Equality in Orkney. They do not evaluate directly the actions of any particular partner or group, but they indicate whether collective local and national action is moving us in the right direction.

The National Islands Plan Survey 2020 measures progress towards the planned outcomes in the National Islands Plan and will be repeated periodically. It is particularly relevant to measure Local Equality because it differentiates between households in the Orkney mainland and linked south isles. Ofcom published its Connected Nations report in 2020 and plans to publish annual updates to allow year-on-year comparisons of the state of the UK's communications infrastructure.

The Scottish Index of Multiple Deprivation is published every four years and uses a basket of indicators across six domains to create a league table of the relative disadvantage of all 6,976 datazones in Scotland. Lower scores signify higher levels of deprivation. Orkney's most prosperous areas are St Ola (East of Kirkwall) and North Stromness, while the highest levels of deprivation are found in Kirkwall and the ferry-linked isles.

Population of the ferry-linked isles (Source: Scotland's Census and calculations based on the NRS mid-year estimates)		
Baseline (2020-21)	Annual milestones	2030 target
2,743 (2011 census, 2,862)	Maintain or increase	Maintain or increase

Percentage of adult residents (18-75) planning to stay on the Ferry Linked Island for the next 5 years (Source: National Islands Plan Survey Report 2020 and online results explorer tool)

	Baseline (2020)	Annual milestones	2030 Target
Orkney Outer Isles			
Yes	79.0	Increase	Increase
No	8.7	Decrease	Decrease
Don't know	12.3	Decrease	Decrease
Orkney Mainland			
Yes	87.2	Increase	Increase
No	4.4	Decrease	Decrease
Don't know	8.4	Decrease	Decrease

% Orkney residents whose internet connection at home is fast enough to do what they want online (Source: National Islands Plan Survey Report 2020 and online results explorer tool)

	Baseline (2020)	Annual milestones	2030 Target
Ferry-linked isles	45%	Increase	100%
Orkney Mainland	70%	Increase	100%

% Orkney residents who have a good mobile phone signal at home (Source: National Islands Plan Survey Report 2020 and online results explorer tool)

	2020-21 Baseline	2022-23 Target	Five-year target 2026-27
Ferry-linked isles	27%	Increase	100%
Orkney Mainland	78%	Increase	100%

% of Orkney residents who agree "When I make journeys to or from my home, it is easy connecting between different forms of transport" (Source: National Islands Plan Survey Report 2020 and online results explorer tool)

	Baseline (2020)	Annual milestones	2030 Target
Ferry-linked isles	29%	Increase	50%
Orkney Mainland	46%		60%

% Orkney premises unable to access 30Mbits/s Broadband (Sources: Ofcom Connected Nations Report 2020 and Ofcom Connected Nations Update 2022)		
2020-21 Baseline (2022)	Annual milestone	2030 target
32.9%	20%	0%

Fewer areas of Orkney suffer from higher levels of deprivation as determined by the Scottish Index of Multiple Deprivation (Source: Scottish Index of Multiple Deprivation website) (Note: lower scores measure higher deprivation)		
Baseline (2020 figures)	Annual target	2030 target
1 in the lowest 25-30% 1 in the lowest 30-35% 4 in the lowest 35-40%	Improve	No areas in the lowest 0-35% Fewer areas in the lowest 40%

A profile of Orkney

Orkney comprises 70 or so islands and skerries, of which up to 19 may be inhabited depending on the time of year. The total land area of approximately 1,000 square kilometres raises some of the best livestock in Scotland, and Orkney enjoys an outstanding natural environment with clean air and water, fine scenery, diverse wildlife, and a unique cultural heritage.

There are approximately 1,500 Orkney-based businesses, and key sectors include agriculture, fishing, tourism and renewable energy generation. Other than a dip during pandemic lockdowns, employment rates in Orkney are consistently high, with only 210 people claiming out-of-work benefits in November 2022. In a typical year, 95% of our young people aged 16-19 will be participating in education, employment or training.

But Orkney is not immune to the difficulties facing other remote and rural communities including an ageing population, under-employment, low wages, a high cost of living, limited affordable housing, fuel poverty and access to essential services. These issues are highlighted in the Scottish Government's National Islands Plan[6] which accompanied the Islands (Scotland) Act 2018.

Population

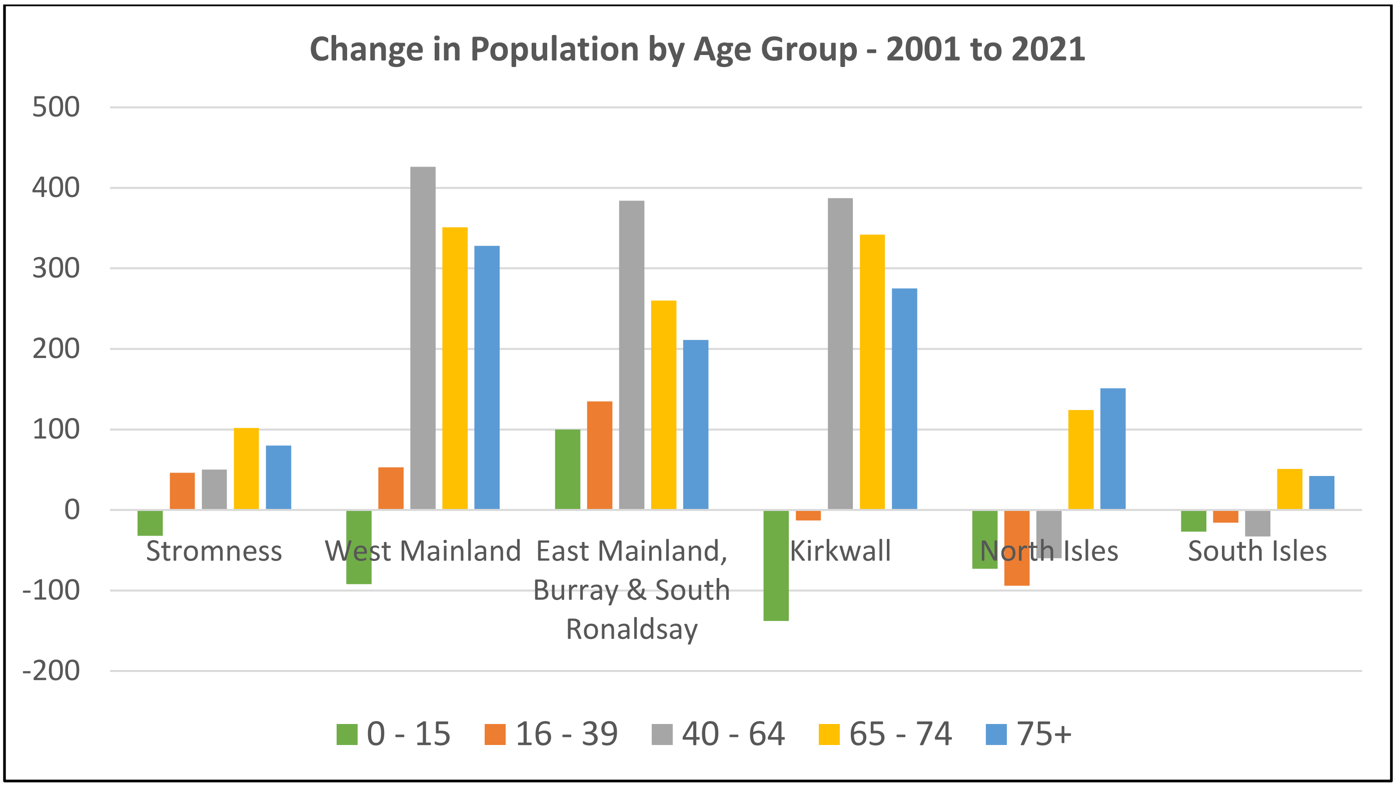
National Records of Scotland publishes annual mid-year estimates of population data for each local authority area in Scotland. The most recent statistics[7] give a snapshot of Orkney's estimated population in 2021.

- As at 30 June 2021, the estimated population of Orkney was 22,540, an increase of 0.6% from 22,400 in 2020. Over the same period, the population of Scotland increased by 0.3%.
- Between 2001 and 2021, the population of Orkney increased by 17.3%, the second highest percentage change out of the 32 council areas in Scotland. Over the same period, Scotland's population rose by 8.2%.
- In 2021, there were 171 births registered in Orkney, a decrease of 4.5% from 179 births in 2020. Of these 171 births, 73 (42.7%) were female and 98 (57.3%) were male.
- In 2021, there were 254 deaths in Orkney, the same number as in 2020. Of these 254 deaths, 121 (47.6%) were female and 133 (52.4%) were male.
- Between 2019-21, life expectancy at birth was higher for females (83.8 years) than for males (80.4 years). Over the past 20 years, male life expectancy has increased more rapidly than female. Life expectancy at birth is higher in Orkney than in Scotland overall, for both females and males.

[6] https://www.gov.scot/publications/national-plan-scotlands-islands/
[7] https://www.nrscotland.gov.uk/files//statistics/council-area-data-sheets/orkney-islands-council-profile.html

- In the period 2020-21, the level of in-migration to Orkney was 940, a 34.3% increase from 700 in the period 2019-20. The level of out-migration from Orkney was 720, a 35.8% increase from 530 in 2019-20. Net migration into Orkney was higher for females (135) than for males (83).
- In 2021, 115 marriages were registered in Orkney, a 117.0% increase from 53 in the pandemic year 2020.
- In 2021, the number of dwellings in Orkney Islands was 11,475, a 0.7% increase from 11,391 in 2020. Compared with 2001, the number of dwellings in Orkney Islands has increased by 24.2%, the 5th highest percentage change out of the 32 council areas in Scotland.

Demographic balance is an issue of concern across all of Scotland's islands: the first strategic priority in the National Islands Plan is "To address population decline and ensure a healthy, balanced population profile". Based on National Records of Scotland mid-year estimates, Aspire Orkney Ltd has mapped the changes in different age groups across different areas of Orkney over the past 20 years. The trend for older age groups to increase is forecast to continue as people live longer.

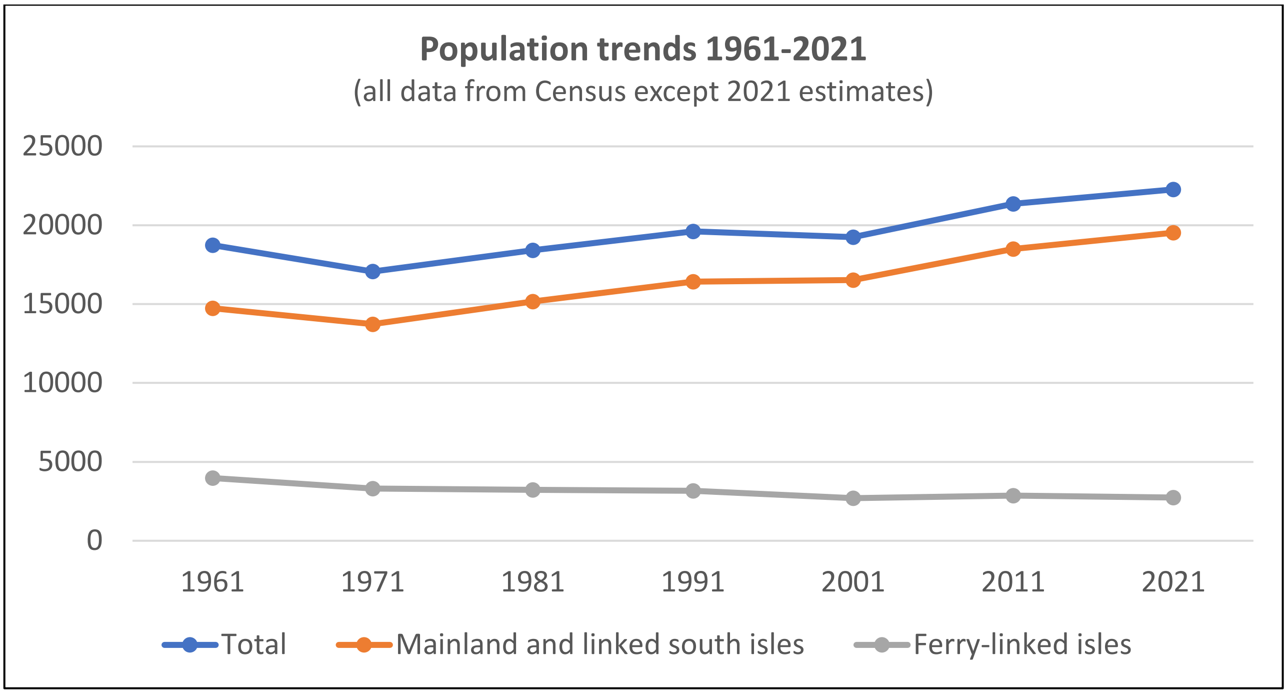


It can be seen that the isles have lost a disproportionate number of younger residents. Peripherality – being on the edge—is a significant equality issue in Orkney. Residents are disadvantaged in accessing national services due to the high travel costs of crossing the water: isles residents doubly so. The Islands (Scotland) Act 2018 introduced a requirement for public bodies to conduct Island Communities Impact Assessment (ICIA) on new national and local policy at the developmental stage in order to identify, and mitigate against, any unfair or unintended consequences. The Orkney Partnership routinely "isles-proofs" its own policy and an ICIA is appended to this Community Plan.

The most reliable source of detailed demographic information about Orkney's individual isles populations is normally Scotland's Census. The census planned for 2021 was delayed to 2022 due to the pandemic, so new census data is not yet available. Local estimates were put together in January 2021.

Isles populations by age group (estimated at January 2021)			
Age group	Mainland and linked south isles	Ferry-linked isles	Orkney Total
0 - 15	3,189	393	3,582
16 - 59	10,525	1,250	11,775
60 - 74	3,781	700	4,481
75+	2,032	400	2,432
Total	19,527	2,743	22,270

The drift in population from the ferry-linked isles to the mainland has been a concern for many years. Adding the figures above to Census data from 1961-2011 shows that this trend is continuing.



Housing

Orkney has bucked the trend of most rural and island areas with two decades of significant population growth. The increase has been driven by in-migration, largely of working age people and their families, to help meet Orkney's labour market shortage. While very welcome, this growth has impacted on Orkney's housing market, which has seen significant increases in house prices above anything elsewhere in Scotland. Demand has far outstripped supply, and housing development will have to increase significantly over the plan period if we are to meet anticipated demand.

In December 2022, Aspire Orkney Ltd published a comprehensive review of the last 20 years of population growth in Orkney and the effects this has had on housing provision and availability. ‘Housing in an Economic Context’ suggests that between 1,000 and 1,750 new properties may be required over the next 10 years, with a focus on low-cost home ownership and mid-market rent properties that are suitable for young people, families, key workers and students. These are the people we want to attract and retain.

We know that the cost of living crisis, continued interest rate increases and a shortage of housing supply are going to impact on the affordability of housing. Pending legislation is likely to reduce availability in the private rented sector and there will also be a requirement for energy efficiency upgrades to a significant proportion of Orkney’s housing stock. Meanwhile, the potential for offshore wind development around Orkney could lead to a significant increase in demand for housing as well as labour.

The Partnership’s ambitions will depend on meeting that demand. The Council has a statutory responsibility to plan for housing development and housing shortages across different tenures are identified as a major concern in the Council Plan 2023-2028. The Council has committed to work with partners in the private and social rented sectors to identify solutions and increase the provision of housing to meet the needs of current and future residents of Orkney.

Connectivity

Equally critical to Orkney’s sustainable development is connectivity, both digital and transport. A strategic priority in our last community plan, connectivity depends on working with both national governments. We have seen progress in the delivery of R100, the scheme committed to reaching 100% coverage of superfast broadband throughout Scotland. In August 2022, the Scottish Government committed additional funds to the scheme which should see a further 1,000 premises in Orkney connected. But many in our most fragile communities are still waiting, and their cause will continue to be pursued through our Local Equality strategic priority.

Orkney’s most critical transport priority is the replacement of the ageing Orkney Ferries internal ferry fleet. Island communities depend on regular and reliable ferry services. The current vessels are inaccessible to passengers with mobility issues and their unreliability is impacting on island economies which rely on tourism, not to mention island residents themselves.

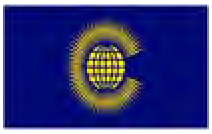
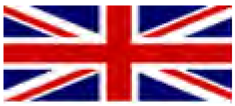
Following persistent lobbying from Orkney, Holyrood’s Net Zero, Energy and Transport Committee is conducting an inquiry to establish how best to secure a ferry service that is future-proofed, compatible with Scotland’s net zero goals and will meet the needs of all service users, having regard in particular to the long-term sustainability of island communities. In December 2022, Scottish Government committed to work with the Council on ‘a process to address the renewal of the Orkney internal ferry fleet’. The Partnership will support the process in every way it can, and we expect to make tangible progress towards achieving a new ‘green’ fleet during the lifetime of this plan.

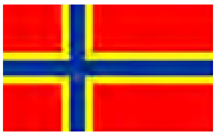
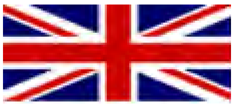
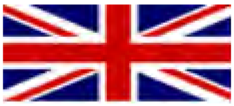
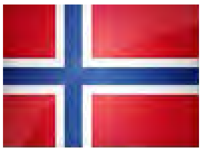
Orkney Islands Council

Flag Flying Protocol

The undermentioned are the list of dates on which it is customary for flags to be raised over Council Buildings.

Flags are to be flown from 08:00 until 20:00 (or morning after). If occasion falls on the weekend the flag is to be flown Friday evening through to Monday morning.

Date	Occasion	Flag	Flown
March (Second Monday).	Commonwealth Day (flag to be raised at 10:00).	Commonwealth. 	Town Hall.
16 April.	St Magnus Day.	Orkney. 	Council Offices and Town Hall.
28 April.	International Workers Memorial Day.	Saltire. 	Council Offices and Town Hall.
17 May.	Norwegian Constitution Day.	Norwegian. 	Town Hall.
17 June	King Charles' official birthday.	Union Flag. 	Council Offices.
June.	Armed Forces Day (last week in June – dates advised annually).	Armed Forces. 	Town Hall.

Date	Occasion	Flag	Flown
June.	Orkney Pride (dates advised annually).	Progress Pride Flag. 	Town Hall.
23 July.	Historic County Flag Day.	Orkney. 	Council Offices and Town Hall.
3 September.	Merchant Navy Day.	Red Ensign. 	Town Hall.
Second Sunday in November.	Remembrance Sunday. Armistice Day Flag flown Friday – down on morning of 12 November. Reminder for fire alarm: 2 minute silence at School Place at 11:00 (when 11 November falls on a working day).	Union Flag. 	Town Hall.
14 November.	King Charles' Birthday.	Union Flag. 	Council Offices.
30 November.	St Andrews Day.	Saltire. 	Council Offices and Town Hall.
December.	Kirkwall Tree Lighting Weekend (held second weekend of Advent – on or after 4 December). Flag flown Friday to Monday.	Norwegian. 	Town Hall.

The Council Caretakers manage the flags owned by the Council.

In the event of a continual clash of dates between two organisations, flags to be flown should be alternated annually between the Council Offices and Kirkwall Town Hall.

In regard to a request from an organisation not included within this flag flying protocol, powers are delegated to the Chief Executive, in consultation with the Convener, Leader and Depute Leader, to fly a flag, provided the request meets the undernoted criteria, from either the Council Offices or Kirkwall Town Hall:

- No political element to the activity.
- No commercial element to the activity.
- No significant cost to the Council.
- Flying the flag does not conflict with another event already included in the approved flag flying protocol.

Note: The Orkney Flag is to be flown at the Council Offices when the full Council is sitting.

Flying of Flags at Half Mast at Council Offices:

The flag is flown two-thirds up the flagpole. The occasions on which flags are to be flown at half mast are:

- At the discretion of the Chief Executive, Convener, Leader and Depute Leader – the Orkney Flag is to be flown at half-mast from the announcement of the death of a former Elected Member up to the funeral.
- The funerals of members of the royal family, subject to special commands in each case from the Palace.

Non-Domestic Rates: Empty Property Relief Policy

ORKNEY
ISLANDS COUNCIL

1. Introduction

This document sets out the Council's policy on the level of Non-Domestic Rates relief applied to empty properties.

2. Definition of Empty Property

An empty property (known in law as *unoccupied lands and heritages*) is a rateable property that, on any given day, is not occupied. The Assessor will decide based on the facts in any individual case whether or not a property is occupied.

3. Empty Properties Exempt from the Non-Domestic Rate

The following categories of property are exempt from the Non-Domestic Rate without a time limit when they are empty:

3.1. Listed Buildings

Any property which is a listed building, or subject to a preservation notice as defined by sections 1 or 3(1) of the Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997, will be exempt from the Non-Domestic Rate on any day it is empty.

3.2. Ancient Monuments

Any property included in the Schedule of Monuments compiled under section 1 of the Ancient Monuments and Archaeological Areas Act 1979 will be exempt from the Non-Domestic Rate on any day it is empty.

3.3. Rateable Value Less Than £1,700

Any property shown on the valuation roll with a rateable value of less than £1,700 will be exempt from the Non-Domestic Rate on any day it is empty.

3.4. Owned by Trustee, Liquidator or Executor

Any property where the person entitled to possession is so entitled by virtue only of being:

- the trustee under a trust deed for creditors,
- a liquidator by virtue of an order made under section 112 or section 145 of the Insolvency Act 1986,
- the trustee under an award of sequestration, or
- the executor of the estate of a deceased person,

will be exempt from the Non-Domestic Rate on any day it is empty.

3.5. Owned by a Company which has been wound up

Any property which is owned by a company which is subject to a winding up order made under the Insolvency Act 1986 or which is being wound up voluntarily under that Act, will be exempt from the Non-Domestic Rate on any day it is empty.

3.6. Owned by a Company subject to Administration Order

Any property which is owned by a company or limited liability partnership which, on or after 1 April 2008, remains subject to an administration order made under Part II of the 1986 Act; or is in administration within the meaning of paragraph 1 of schedule B1 of that Act, will be exempt from the Non-Domestic Rate on any day it is empty.

3.7. Occupation Prohibited

Any property where the owner is prohibited by law from occupying or allowing occupation will be exempt from the Non-Domestic Rate.

3.8. Compulsory Purchase Orders, etc

Any property kept vacant by reason of action taken by or on behalf of the Crown or any local or public authority with a view to prohibiting the occupation of the property, or to acquiring it, will be exempt from the Non-Domestic Rate on any day it is empty.

3.9. Empty Ground

Any property which is empty ground, i.e. has no buildings situated on it, will be exempt from the Non-Domestic Rate on any day it is empty.

4. Empty Property Relief

Empty properties which are not exempt from the Non-Domestic Rate will be entitled to an award of relief as showing in the following paragraphs. Awards of relief are capped at £10,000 per ratepayer per financial year.

4.1. Industrial Properties

Industrial lands and heritages will be entitled to relief of 100% of the rates payable for the first six months they are empty, with a relief of 10% of the rates payable thereafter, for an indefinite period.

The law defines *industrial lands and heritages* as lands and heritages, other than retail lands and heritages, comprising one or more buildings, or part of a building, which are:

- constructed or adapted for use in the course of a trade or business, and
- constructed or adapted for use for one or more of the following purposes ancillary thereto:
  - the manufacture, repair or adaptation of goods or materials;
  - the subjection of goods or materials to any process;

- storage (including the storage or handling of goods in the course of their distribution);
- the working or processing of minerals; or
- the generation of electricity.

Retail lands and heritages are defined as any lands and heritages where any building or part of a building comprised in them is constructed or adapted for the purpose of the retail provision of goods; or services (other than storage for distribution services) on or from the lands and heritages.

4.2. Other Properties

All other properties will be entitled to relief of 50% of the rates payable for the first three months they are empty, with a relief of 10% of the rates payable thereafter, for an indefinite period.

At the discretion of the Corporate Director for Enterprise and Sustainable Regeneration, properties undergoing repairs or renovation prior to occupation may be allowed a relief of up to 100% of the rates payable for up to six months from the first day they are empty, with the time extended by up to a further six months where there are delays to the process, such as delays in obtaining planning permission or a building warrant.

5. Application of Exemptions and Reliefs

Orkney Islands Council (the Council) may apply empty property relief or exemption based on information it already holds about a property and will issue a rating notice to the ratepayer. It is the ratepayer's responsibility to correct any assumptions the Council has made about relief or exemption within 21 days of the issue of a rating notice.

The Council will provide application forms for rates relief and exemption on its website to allow ratepayers to apply for reliefs or exemptions in situations where the Council does not make an automatic award.

The Council will review the application of reliefs and exemptions periodically and may require ratepayers to demonstrate ongoing entitlement to a relief or an exemption.

6. Empty Property Relief Reset Period

Where an unoccupied property becomes occupied for a period of less than six months at a time it will be treated as having been unoccupied throughout that period.

7. Review of this Policy

This policy applies during the 2023 to 2024 financial year, and the Council will adopt a policy for subsequent financial years.

8. Further Information

Further information about rates relief is available on the council's website here or from the Revenues team, telephone 01856 873535 extension 2133, e-mail revenues@orkney.gov.uk

9. Privacy Notice

The Non-Domestic Rates (Levying) (Scotland) Regulations is the legal basis for the Council processing ratepayers' information. The information that ratepayers provide may be shared as follows:

Within the local authority, with other local authorities, Audit Scotland, HM Revenue and Customs, and the Scottish Government to detect and prevent fraud.

Information relating to recipients of reliefs/exemptions is published quarterly on the Council's website.

For more information about how we process information, how long we retain the information, or the right to complain please contact us or visit the Council's website here.

If you are unable to access the Council's website you can request a paper copy from the Council. Users of smartphones can also scan the QR code below.

ORKNEY ISLANDS COUNCIL – CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 2

Capital Programme: General Fund
Client Service: Enterprise and Economic Growth
Project Name: Dounby Visitor Infrastructure Hub

1. Background

On 15 February 2022, when considering a draft Strategic Tourism Infrastructure Development Plan for public consultation, the Development and Infrastructure Committee recommended that the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services should submit expressions of interest in respect of eligible project development costs associated with the projects, detailed in Appendix 6 to the Minute, to VisitScotland's Rural Tourism Infrastructure Fund (RTIF), by the deadline of 24 February 2022.

Expressions of interest were submitted to the RTIF and the Council was subsequently awarded design grant support totalling £98,400 to complete the design phase for the five projects below. The design phase will deliver a concept design informed by the community; subsequent spatial coordination; and a planning application (if required) for each project.

Project	Design Grant Amount (£)
1. Birsay Visitor Infrastructure and Landscape Connections	20,000
2. Dounby Visitor Infrastructure	19,500
3. Stromness and Kirkwall Infrastructure	19,500
4. St Margaret's Hope and Finstown Visitor Infrastructure	19,400
5. Loop Paths and Landscape Connections Demonstrator Projects for St Margaret's Hope and Finstown	20,000

Following a procurement process, Land Use Consultants were appointed to complete the design phase for all five projects in anticipation of a RTIF funding round in January 2023 for projects to be delivered from 1 April 2023.

Given the limited time to complete the design phase and necessary community consultation and considering that a draft Place Plan which includes the project had already been developed with the Dounby community, the Dounby Visitor Infrastructure project (the Project) was prioritised. The Project reflects a key development in the draft Place Plan which will see the Council's car park located at the B9057/A986 crossroads refurbished to deliver a market green, a civic space with infrastructure to serve the needs of both the community and visitors.

Design of the remaining four projects should be completed by 30 March 2023, providing virtually 'shovel ready' options for the next RTIF round anticipated in late 2023 or early 2024, and allowing sufficient time for the necessary Capital Project Appraisal (CPA) and Committee approval processes.

On 13 December 2022, the Corporate Leadership Team agreed that the Project should bypass Stage 1 of the CPA process and progress directly to Stage 2 due to VisitScotland's accelerated timetable. Approval was also given to utilise the Chief Executive's emergency powers to approve submission of the RTIF application, which was submitted to VisitScotland on 18 January 2023, seeking up to 75% capital funding for the Project, with notification of the outcome expected on 6 March 2023.

It should also be noted that evidence of the submission of a planning application must accompany the RTIF application and, accordingly, a planning application for the Project was submitted on 17 January 2023 at an estimated cost of £2,500.

2. Options Available

The following options were considered:

Option 1 – Do nothing

- The Council's car park in Dounby remains the same, with unmarked space for approximately 18 cars.
- The existing 53-year-old public conveniences (which are poorly constructed and not fit for purpose) remain.
- Coaches continue to stop on the B9057 to drop off passengers and/or wait as they use the public conveniences.
- Opportunities to disperse visitors, attracting them to Dounby and supporting local businesses, are not optimised.
- Management of campervan waste is not improved and single-use plastic is not reduced.
- The Council potentially suffers reputational damage for not pursuing an opportunity to support delivery of a key project in the Dounby community's Place Plan.

Option 2 – Undertake the Project to deliver an infrastructure hub with the following elements:

- 15 standard parking spaces, four designated disabled spaces and two campervan spaces.
- New, low carbon toilet block with three unisex toilets, including one accessible toilet and one with baby changing facilities, drinking water refill station and campervan wastewater disposal facility.
- New access point from the A986.
- Two seating areas (including one sheltered) and an informal green play area.
- Updated orientation and interpretation.
- Single EV charge point for two cars.
- E-bike shelter with charge points.
- Coach pick-up/drop-off point(s).

The following options for the coach pick-up/drop-off point(s) were considered:

Option 2A – 2 coach laybys on the B9057, with one located in front of the existing public conveniences on the north side of the road and the other on the south side of the road, on the Council's undeveloped property adjacent (northeast) to the car park. This option would require visitors to cross the road to access the toilets, introducing a safety concern, and also restrict potential future use of the area once the existing toilet block is demolished. For these reasons, this option was discounted.

Option 2B – a large, off-road coach turning circle with layby on the Council's undeveloped property adjacent (northeast) to the car park on the B9057. While this would be the safest option, it is estimated that coach traffic will not be sufficient (either short or long term) to justify the cost, size and potential disruption to nearby residents. Moreover, building to attract volume would contravene a responsible tourism approach that supports dispersal across Orkney and value over volume. For these reasons, this option was discounted.

Option 2C – a single coach layby in the new car park area. Coach movement modelling has confirmed that this is possible within the space of the proposed car park. It is acknowledged that there could be potential conflict with cars manoeuvring in/out of parking spaces and with general movement of vehicles through the car park. However, this could be mitigated with directional signage and space for only one coach to drop-off/pick-up, not park. If a coach were to stay in the village for more than ten minutes, for example, it could either park in the long-stay car park at the Community School or at the Milestone Community Church by prior arrangement.

Preferred Option – Given the opportunity of the RTIF grant, the risks of the 'do nothing' option, and the Dounby and wider community benefits of progressing the Project, Option 2 is the preferred way forward, with Option 2C for the coach layby element.

The EV charge point and e-bike shelter with chargers were removed from the scheme as it has not been possible to identify a revenue budget to support them. However, design will consider the potential future installation of these elements.

If grant funding permits, the works will also include demolition of the Council's existing public toilets across the B9057, with removal of the path and steps, utilities made safe, and the area grassed over.

A concept design for the infrastructure hub is attached as Annex 1 and visualisations and plans for the new toilet block are attached as Annexes 2A and 2B, respectively.

3. Land Purchase Requirement

There are no land purchase requirements for this project.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	There are no statutory requirements to provide the proposed infrastructure.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Enterprising Communities and Quality of Life.
3.	Protects Existing Assets	The Project will improve the Council's car park and deliver more energy and water efficient public conveniences which also include vandal/fire-proof materials and fixings. The addition of a campervan waste disposal facility will help to reduce improper chemical waste disposal that damages sceptic systems and the environment.
4.	Minimises Capital Cost	Best value will be achieved by ensuring a competitive tendering process is undertaken for the Project's delivery, utilising Council-owned land, and securing significant external capital funding.
5.	Maximises Investment from External Sources	If successful, it is anticipated that the RTIF grant will provide up to 75% of expected capital costs.
6.	Beneficial Impact on Revenue Expenditure	Although the new toilet block will be larger, it will be more energy and water efficient, and easier to clean and it is, therefore, anticipated that overall maintenance costs will be neutral. In addition, the introduction of a campervan waste disposal facility should provide savings on maintenance and repair of other public conveniences with septic tanks due to the reduction of improper dumping of chemical waste. There is currently no budget for the car park but the addition of a single streetlight and surface water drainage within the new scheme will incur nominal costs. These could potentially be offset with the introduction of an honesty box for campervan waste disposal and public conveniences use.
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	n/a

	Criteria	Response
(b)	Protects or Enhances Discretionary Provision	The Project will improve car parking, safety and accessibility, and enhance public conveniences and waste management.
8.	Re-use of Derelict Land or Building	n/a
9.	Promote or Enhance Orkney's Environment	The Project supports the environment through its dispersal aims as well as resource and waste reduction. It proposes elements to minimise energy and water use, delivering a low carbon building, and to improve waste management.
10.	Promote or Enhance Orkney's Heritage	The Project safeguards Orkney's natural and cultural heritage by supporting dispersal of visitors, reducing adverse social and environmental impacts on visitor attractions.
11.	Economic Prosperity or Sustainable Communities	The Project will not only improve the visitor experience through provision of new and upgraded facilities, but also improve local people's quality of life by enhancing the community's sense of place and creating conditions that enable businesses to thrive.
12.	Enhances Council operations or Improves Health and Safety	The Project will deliver new, efficient public conveniences, improved waste management, and enhanced car parking provision, and support pedestrian safety in Dounby. It also promotes local living and the 20-minute neighbourhood concept, helping to create a connected and compact Dounby where people's needs and opportunities can easily be accessed thus reducing the requirement to travel far or at all. This will support efforts to tackle climate change, inequalities and health and wellbeing.

5. Financial Implications

The total project cost is estimated at £949,500. This includes construction costs of £823,000 which are divided into approximately £598,000 for external works (63% of total project costs) and approximately £225,000 for the new toilet block (24% of total project costs). It should also be noted that contingency accounts for approximately £93,000 (10%) of the total project costs and is included within the £823,000. Fees and other costs amount to £126,500, taking the total project cost to £949,500.

Subject to a successful funding application, up to 75% (£712,125) of the total project cost will be supported by RTIF grant. The remaining minimum 25% (£237,375) match funding will be provided by the Council's Tourism Infrastructure Fund.

In completing the design phase of the Project, best efforts were employed to avoid the introduction of any supplementary revenue costs. However, the new scheme proposes the installation of a single new streetlight to improve car park safety and surface water drainage at a combined estimated cost of approximately £300 per annum. This amount could possibly be offset by the introduction of a donation box for campervan waste disposal and public conveniences use, although potential income from this is unknown.

A summary of the capital and associated revenue budget implications is detailed in Annexes 3 and 4, respectively.

6. Risk Assessment

Risk	Explanation	Mitigation
Reputation	Should the Project not progress, the Council could suffer reputational damage.	The community will be provided an explanation and offered support in exploring viable alternatives to deliver the Project
Funding	The Project could overrun the completion date (31 December 2024)	Effective project management will ensure the timetable remains on schedule. There will also be regular engagement with VisitScotland regarding funding requirements and any issues anticipated or encountered.
Costs	There is potential for cost overruns, particularly as materials and labour costs have risen dramatically in recent months.	A robust procurement process will be undertaken and also a value engineering exercise should the tenders be excessive to bring the project back in line with the estimate.
Procurement	There is a risk that the Council could fail to procure or pay a higher-than-expected price due to significant demand for contractors in Orkney and limited supply.	Early engagement with contractors and robust costings will be undertaken.
Environmental	There is a possibility that the underground petrol/diesel tanks from the former fuel station have contaminated the land.	Removal of the redundant fuel station tanks has been included in the project costs and a nominal amount of contingency has been factored in should ground remediation to contaminated soil be required following their removal. Also, particular elements of design have been included to mitigate

Risk	Explanation	Mitigation
		potential contamination.
Timing	Overrun could introduce a risk to the RTIF funding.	The Project's technical design and delivery phases will be progressed as quickly as practicably possible.
Resource	Heavy workloads and lack of resource could compromise delivery of the Project in the required timescale.	Workload will be prioritised and resource increased, if possible.
Scope Creep	Changes are made to the Project scope, which could potentially affect delivery timetable and budget.	The Project's scope will be clearly defined and change management procedures established to ensure the Project remains focused.

7. Conclusion

The Project reflects a key development in the Dounby community's draft Place Plan which will see the Council's car park located at the B9057/A986 crossroads refurbished into a market green, a civic space with infrastructure to serve the needs of both the community and visitors. There is an opportunity to secure a capital grant of up to 75% of total costs from the RTIF to deliver a project that will generate socio-economic and environmental benefits for Dounby and the wider community. Ultimately, the Project will help to build a better community that is inclusive, empowered, resilient and safe, thereby also creating a better place to visit.

8. Recommendations

It is recommended that:

- Subject to the successful outcome of the grant funding application to the RTIF, the Project's Preferred Option as outlined in section 2 above be approved to progress.

- That, as an exception to the Capital Project Appraisal process due to VisitScotland's accelerated timetable, the proposed Dounby Visitor Infrastructure Hub be added to the capital programme for 2023/24 onwards, at an estimated gross capital cost of £949,500.

- That the capital cost of the Dounby Visitor Infrastructure Hub be funded with up to 75% funding from the Rural Tourism Infrastructure Fund and minimum 25% match funding from the Council's Tourism Infrastructure Fund.

- That, grant funding permitting, the construction contract for the proposed Dounby Visitor Infrastructure Hub should include demolition of the Council's existing public toilets on the B9057 at Dounby, with the site restored to a state suitable for future development.

The Project's proposed delivery timetable is as follows:

Stage	Period
Technical design	April – June 2023
Pre-construction preliminaries	May – July 2023
Construction	September 2023 – March 2024

9. Accountable Officer

Christie Hartley, Team Manager (Sustainable Tourism), extension 2854, email christie.hartley@orkney.gov.uk

10. Annexes

Annex 1 – Concept design for the Dounby Visitor Infrastructure Hub
Annex 2A – Visualisations for the new toilet block
Annex 2B – Plans for the new toilet block
Annex 3 – Capital Expenditure Analysis
Annex 4 – Revenue Expenditure Analysis

Annexes

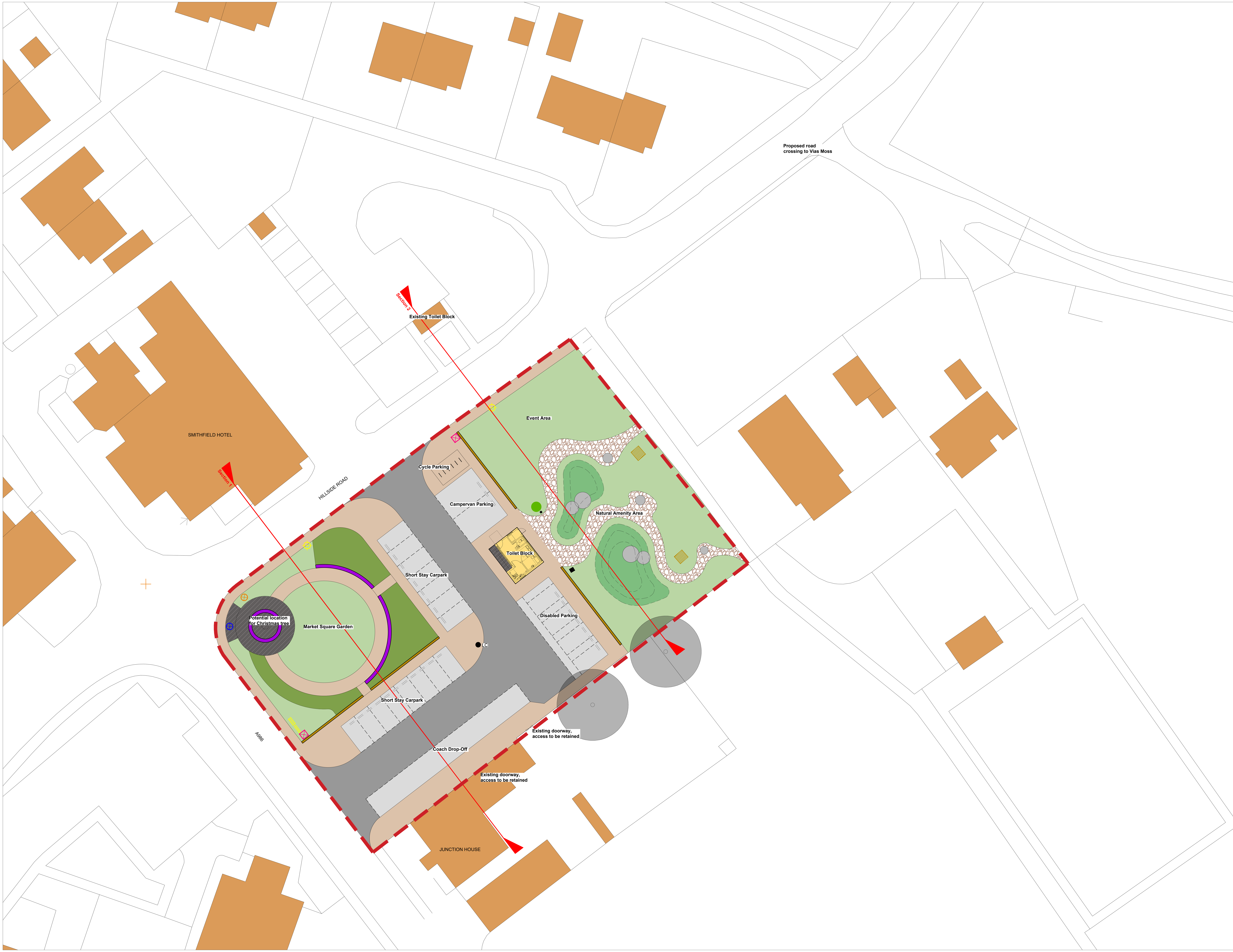
Page 1934 – Dounby Infrastructure Hub Concept Design.

Page 1935 – Toilet Block Visualisation.

Page 1936 – Toilet Block Plans.

Page 1937 – Financial Assessment of Associated Capital Expenditure.

Page 1938 – Financial Assessment of Associated Revenue Expenditure.



KEY

Hardworks
- Asphalt carriageway
- Footway - Asphalt
- Footway - Caithness
- Footpath - Crushed aggregate
- Stone wall
- Stone seating wall
- Parking areas - porous concrete blocks

Softworks
- Amenity grass
- Grass mounding
- Boulders
- Shrub planting
- Existing trees to be retained

Furniture

Existing and retained
- Existing picnic tables relocated
- Existing bins relocated
- Existing road signs rationalised and relocated
- Existing electrical cabinets retained
- Existing relocated community tree
- Existing relocated interpretation board
- Existing lighting column
- Existing water stop valve

Proposed
- Proposed cycle shelter
- LC Proposed lighting column
- Proposed ducting to allow for potential EV
- Site boundary

Iss	Date	Description	Drn	Chk	App
P01	xx.xx.xx	First Issue	xx	xx	xx

Scale 1:250

0 2 4 6 8 10 12m

Do not scale from this drawing
All dimensions are to be verified on site

LUC
Bristol
Edinburgh
Glasgow
London
Manchester
landuse.co.uk

Project
Orkney Tourism Infrastructure
Design Phase

Client
Orkney Islands Council

LUC Job Nr	Scale @A1	Status
12195	1:250	PLANNING

Drawing Title
Dounby
General Arrangement

Drawing Nr	Issue
12195-LD-PLN-020	-

Front elevation

Back elevation

Do not scale this drawing. All dimensions to be checked on site by the contractor and as such dimensions to be their responsibility. All work must comply with relevant British Standards and Building Regulations requirements. Drawing errors and omissions to be reported to the architect.

Note: Refer to Landscape Architect's drawings for full extent of application boundary and proposed Hard and Soft Landscape proposals

REV	DATES	NOTES	INT
C	17.01.23	ISSUED FOR PLANNING - PV panels added	DC
B	16.01.23	ISSUED FOR PLANNING	DC
A	13.01.23	ISSUED FOR COORDINATION	DC

PLANNING

O'DonnellBrown

job title
Dounby Tourism Infrastructure

drawing title
Proposed Toilet Block Visualisations

drawn by	checked	scale
DC	MD	@ A3

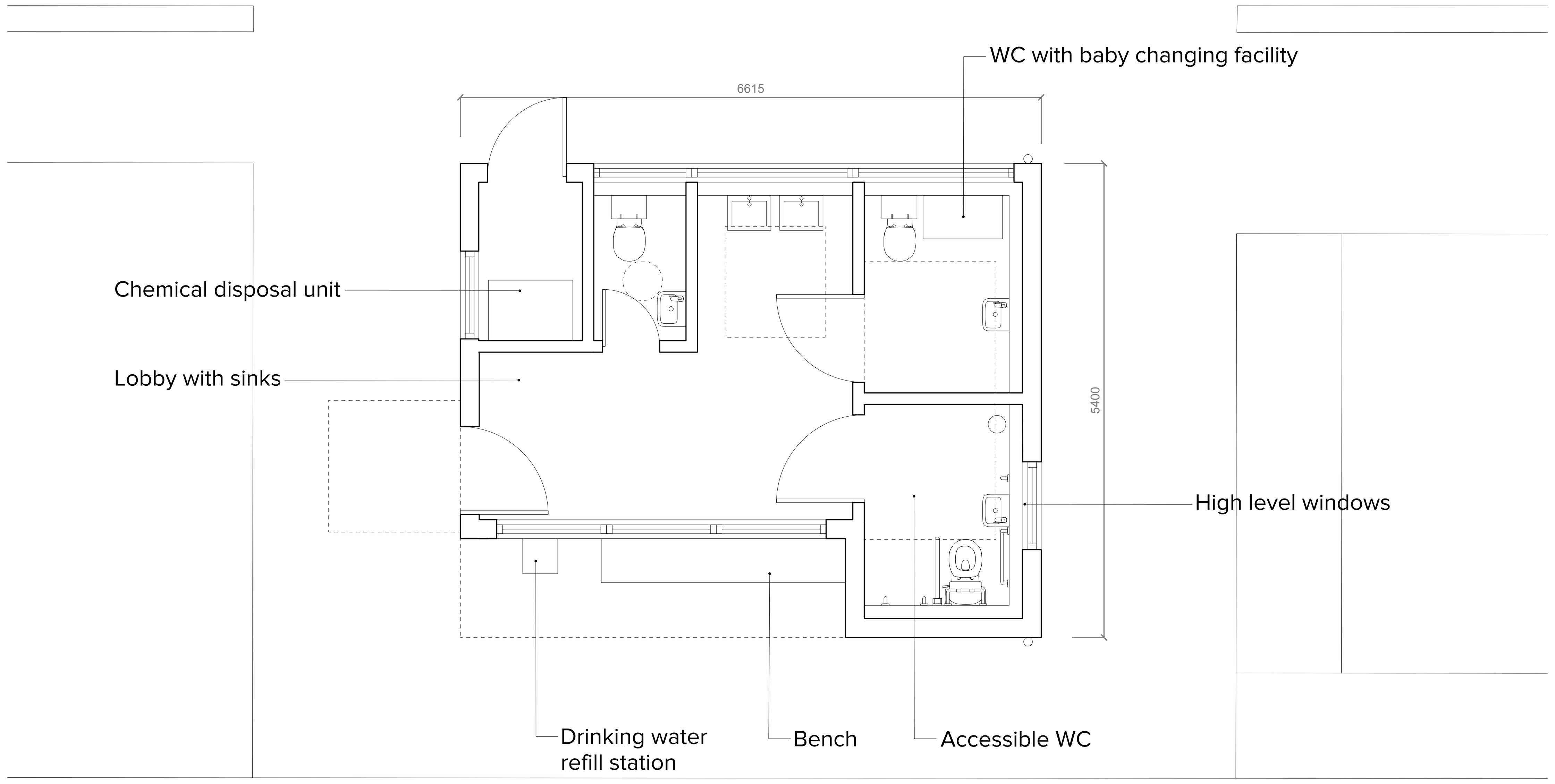
project	drawing no
22.008	00_001

client

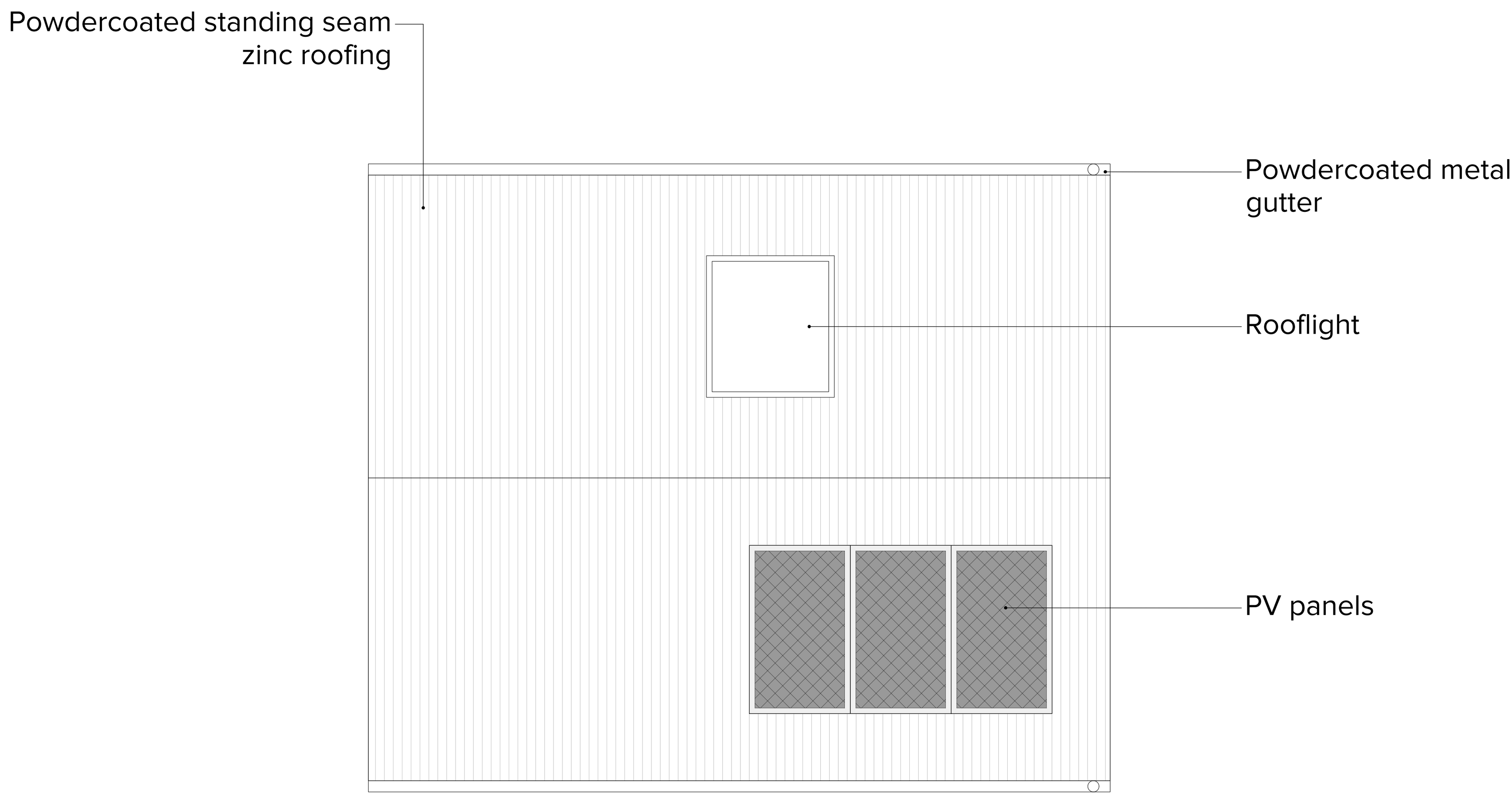
Orkney Islands Council

Do not scale this drawing. All dimensions to be checked on site by the contractor and as such dimensions to be their responsibility. All work must comply with relevant British Standards and Building Regulations requirements. Drawing errors and omissions to be reported to the architect.

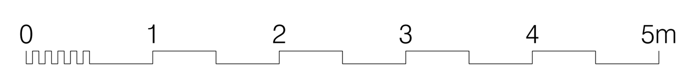
Note: Refer to Landscape Architect's drawings for full extent of application boundary and proposed Hard and Soft Landscape proposals



Ground floor plan



Roof plan



REV	DATES	NOTES	INT
C	17.01.23	ISSUED FOR PLANNING - PV panels added	DC
B	16.01.23	ISSUED FOR PLANNING	DC
A	13.01.23	ISSUED FOR COORDINATION	DC

PLANNING

O'DonnellBrown

job title
Dounby Tourism Infrastructure

drawing title
Proposed Ground Floor and Roof Plans - Toilet Block

drawn by	checked	scale
DC	MD	1:50 @ A1 / 1:100 @ A3

project	drawing no
22.008	00_220

client
Orkney Islands Council

Annex 3

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme:	**General Fund**
Client Service:	**Enterprise and Economic Growth**
Project Name:	**Dounby Visitor Infrastructure Hub**

		1	2	3	4	5		
CAPITAL COSTS	**Total £**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**	**Onwards £**	**Notes**
1. Initial Costs (at inflated prices)								
Land or Property Purchase	-	-	-	-	-	-	-	1
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	823,000	-	600,000	223,000	-	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vechicles & Equimpent	-	-	-	-	-	-	-	
Professional Fees - Consultant	74,000	-	70,000	4,000	-	-	-	2
- In-house	52,500	-	30,000	22,500	-	-	-	3
Gross Capital Expenditure	949,500	-	700,000	249,500	-	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	712,125	-	569,700	142,425	-	-	-	4
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Recievable, etc.	712,125	-	569,700	142,425	-	-	-	
Net Capital Cost of Project	237,375	-	130,300	107,075	-	-	-	
Net Council Capital Expenditure	237,375	-	130,300	107,075	-	-	-	
Net Present Value	**221,215**	-	124,095	97,120	-	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

Notes - Additional narrative on main assumptions and support working papers
1 Land acquisition not required as the Council already owns the land.
2 Architect fees (including landscape design)
3 Quantity surveying, project management, clerk of works and planning
4 VisitScotland RTIF funding application submitted 18 January 2023. Outcome to be confirmed 6 March 2023.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme:	**General Fund**
Client Service:	**Enterprise and Economic Growth**
Project Name:	**Dounby Visitor Infrastructure Hub**

		1	2	3	4	5	
REVENUE COSTS / (SAVINGS)	**Total £**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**	**Notes**
1. Full Year Operating Costs (at inflated prices)							
Staff Costs	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	
Property Costs	-	-	-	-	-	-	
Supplies and Services	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	
Third Party Payments		-	-	-	-	-	
Finance and Loan Charges	-	-	-	-	-	-	
Miscellaneous Expenditure	1,658	300	315	331	347	365	1, 2
Gross Revenue Expenditure / (Saving)	1,658	300	315	331	347	365	
2. Operating Income (at inflated prices)							
Government Grants	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	3
Gross Revenue Income	-	-	-	-	-	-	
Net Revenue Expenditure / (Saving) of Project	1,658	300	315	331	347	365	
Increase / (Reduction) in Revenue Costs	1,658	300	315	331	347	365	
Net Present Value	**918**	300	306	312	318	324	
Cost of Revenue		3%	3%	3%	3%	3%	
Year		0	1	2	3	4	

Notes - Additional narrative on main assumptions and support working papers
1 Car park maintenance costs. Current budget is £0 but the addition of a single street light and surface water drainage within the new scheme will incur nominal costs.
2 Estimated 5% increase per annum.
3 Proposed donation box for campervan waste disposal and public conveniences use. Potential income unknown.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 16 November 2022, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Pension Fund Sub-committee:

Councillors Heather N Woodbridge, P Lindsay Hall, Steven B Heddle, Kristopher D Leask, James W Stockan and Mellissa-Louise Thomson.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, James R Moar and Owen Tierney, Orkney Islands Council.

Trade Union Representatives:

Karen Kent (Unison), Eoin Millar (Unite) and Eileen Swanney (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Paul Maxton, Solicitor.

Audit Scotland:

- Gillian Woolman, Audit Director.
- Claire Gardiner, Senior Audit Manager.

In Attendance via remote link (Microsoft Teams)

Hymans Robertson:

- David Walker, Partner.

Observing

- Katie Gibson, Team Manager (Corporate Finance).
- Karen Rorie, Senior Accounting Officer (Treasury).

Apology

Pension Fund Sub-committee:

- Councillor Rachael A King.

Not Present

Pension Board:

Trade Union Representatives:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Heather N Woodbridge.

1. 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 classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Orkney Islands Council Pension Fund

Audit Report to those charged with Governance

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, 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 2022.

2.2. That Audit Scotland had provided an unmodified certificate on the Pension Fund's Annual Report and Accounts for the year ended 31 March 2022.

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’s Annual Accounts for 2021/22, attached as Appendix 1 to the report by the Corporate Director for Enterprise and Sustainable Regeneration.

2.7. Orkney Island’s Council’s Letter of Representation to Audit Scotland in connection with its audit of the financial statements of Orkney Islands Council Pension Fund for the year ended 31 March 2022, attached as Appendix 2 to the report by the Corporate Director for Enterprise and Sustainable Regeneration.

2.8. The Annual Audit Report to Members of the Pension Fund Sub-committee and the Controller of Audit, attached as Appendix 3 to the report by the Corporate Director of Enterprise and Sustainable Regeneration.

Karen Kent joined the meeting during discussion of this item.

3. Pension Fund – Annual Accounts

After consideration of a report by the Corporate Director for Enterprise and Sustainable Regeneration, copies of which had been circulated, and after hearing a report from the Head of Finance, 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 2022 to 15 December 2022.

3.3. That, if approved, the signed Annual Accounts, together with an appropriate audit certificate, would be published by 30 November 2022.

3.4. The Management Commentary, contained in pages 1 to 13 of the Annual Report and Accounts of the Orkney Islands Council Pension Fund, attached as Appendix 1 to the report by the Corporate Director for Enterprise and Sustainable Regeneration, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2022, with the key facts and figures summarised at section 4.3 of the report by the Corporate Director for Enterprise and Sustainable Regeneration.

On the motion of Councillor Heather N Woodbridge, seconded by Councillor James W Stockan, the Sub-committee resolved, in terms of delegated powers:

3.5. That the Annual Report and Accounts of the Orkney Islands Council Pension Fund 2021/2022, attached as Appendix 1 to this Minute, be approved.

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 September 2022, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £39,837,800.

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 September 2022, 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. Statement of Investment Principles

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

Noted:

5.1. The requirement of the Council, as administering authority for the Orkney Islands Council Pension Fund, to review the Statement of Investment Principles at least every three years.

5.2. That the Statement of Investment Principles, which set out a number of detailed investment principles for achieving the prime objective of the Pension Fund, namely to be able to meet employers’ pension liabilities into the future, as set out in the Funding Strategy Statement, were last reviewed and updated on 26 February 2020.

5.3. That the Fund’s Investment Strategy and Manager structure was formally reviewed in 2021, following completion of the 2020 actuarial valuation, and provided assurance that the interim and long-term strategies remained appropriate in the context of the Fund’s long-term objectives.

5.4. That the Statement of Investment Principles had been reviewed and revised to reflect asset risks associated with Environmental, Social and Governance issues, as well as Climate Change, and how those risks were managed.

5.5. That the Statement of Investment Principles had also been updated to reflect the Fund Manager appointments made since the last review in February 2020 and showed the long-term targets for funds held by each Fund Manager under each asset class.

The Sub-committee resolved, in terms of delegated powers

5.6. That the Statement of Investment Principles, including the Statement of Compliance with the Chartered Institute of Public Finance and Accountancy Principles, attached as Appendix 2 to this Minute, be approved.

6. Statement of Managed Pension Funds

On the motion of Councillor Heather N Woodbridge, 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, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

6.1. The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 30 September 2022.

6.2. That the Pension Fund investments returned a loss of £4,800,000, or minus 1.3% over the quarter to 30 September 2022, which was 0.3% behind benchmark and was considered poor.

6.3. That the value of the Pension Fund had decreased by 18.5% over the 12-month period to 30 September 2022, which was 15.2% behind benchmark over that period and was considered very poor.

6.4. That an average return of 4.5% per annum for the Pension Fund remained positive but was marginally behind the benchmark over the five-year period and therefore behind target, which was to outperform the aggregate benchmark.

6.5. The Governance Summary extracted from Baillie Gifford's investment report for the quarter ending 30 September 2022, attached as Appendix 2 to the report by the Head of Finance.

6.6. The extract from IFM Global Infrastructure's quarterly investor report, showing the responsible investment update for the quarter ending 30 September 2022, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Corporate Governance Summary extracted from Legal and General's investment report for the quarter ending 30 September 2022, attached as Appendix 4 to the Head of Finance.

7. Conclusion of Meeting

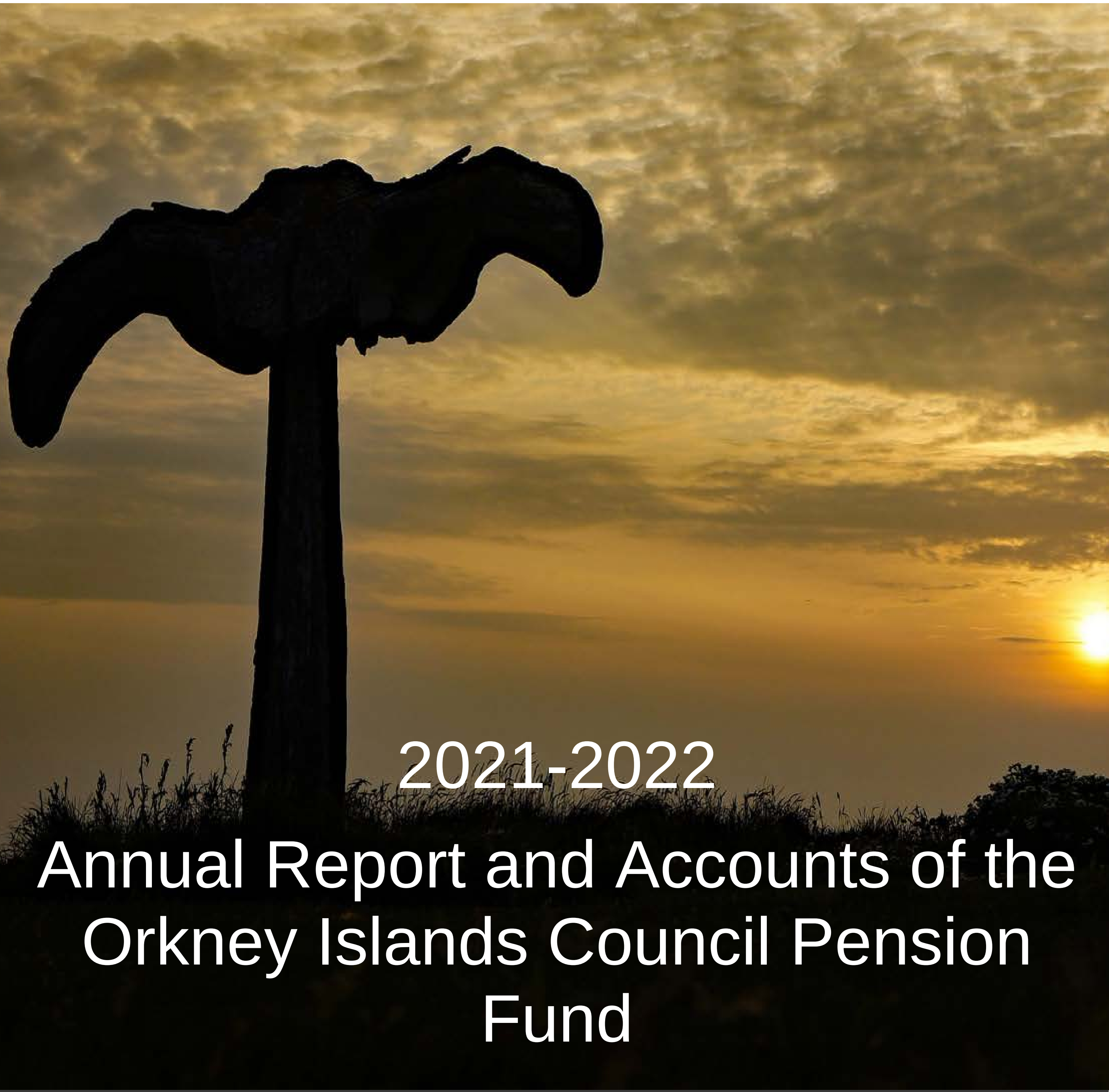
At 10:33 the Chair declared the meeting concluded.

Signed: H N Woodbridge.

1945

Appendix 1

ORKNEY
ISLANDS COUNCIL



2021-2022

Annual Report and Accounts of the Orkney Islands Council Pension Fund

www.orkney.gov.uk

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Management Commentary

Introduction

Welcome to the Annual Report and Accounts for the Orkney Islands Council Pension Fund for the year ended 31 March 2022.

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 2021-2022 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 scheme 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 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 2022 was £508.5 million (£520.8m at 31 March 2021).
An Operational and Investment Income Loss of £12.3 million was incurred on the activities of the fund (compared to a surplus of £144.3m for the year ended 31 March 2021).
The decrease in fund value over the year was largely the result of a decrease in the market value of investments of £19.6m. Outflows, including benefits payable (£9.2m) and management expenses (£2.7m) were offset by investment income of £8.0m and contributions receivable of £11.1m. Overall, this represents a year-on-year decrease of 2.4% in the value of the fund.
Performance of the Fund on a three-year rolling average basis has been 8.8% p.a., giving a relative return below benchmark of 0.6%.
Fund membership increased by 172 to 4,339.
Employers contributed £8.2 million to the Fund (£7.8m to 31 March 2021).
Employees contributed £2.9 million (£2.8m to 31 March 2021).
Pension and other benefits paid out were £9.2 million (£8.6m to 31 March 2021).
Transfer values paid into the Fund because staff changed employers was £0.8 million (£0.6m to 31 March 2021).
Transfer values out of the Fund because staff changed employers was £0.7m (£2.1m to 31 March 2021).

In a challenging year throwing up many headwinds, the Fund returned -2.4%.

The main contributor of this total return figure was Baillie Gifford's Global Alpha Fund which returned -7.1% over the year. Positive absolute returns over the first three quarters were offset by underperformance over the last 3 months, driven by shifting market sentiment from growth to value-orientated stocks and in particular positioning within the technology sector.

The UK equity holding with Baillie Gifford fared better from an absolute perspective, with the market benefiting from its more natural value bias due to its sectoral composition (above average exposure to energy, metals, and financials). That said, performance was still subdued with a return of 0.5% over the financial year by the end of March 2022.

Performance from the two multi asset investments with Baillie Gifford, the Diversified Growth Fund and the Multi-asset Growth Fund was positive despite significant drawdowns over the last 3 months when the funds equity investments (over 20% of holdings) weighed on returns. 12-month returns were 3.8% and 1.2% respectively.

The Fund's gilts holdings (fixed-interest and index-linked) had contrasting experiences. The rising interest rate environment proved a struggle for the fixed interest holdings resulting in a 12 month return of -5.1%. The Fund's index-linked gilt holdings however benefitted from rising inflation expectations, where increased demand for inflation protection benefitted valuations. The passively held holdings with Legal and General Investment Management (LGIM) were the best performing asset for the Fund in absolute terms over the period with a return of 4.8%.

As at 31 March 2022, the Fund's investments in infrastructure (via IFM) and Private Debt (via Barings) remain relatively recent additions. In future years it will be more appropriate to comment on performance.

The benchmark return of 9.6% generally reflects variable market conditions for investors over the 12 months to 31 March 2022.

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 £12.3m or 2.4% in the financial year and totalled £508.5m at 31 March 2022.

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 loss on member contributions receivable and transfers in over pension payments and management expenses of £0.7m (2021: £1.8m loss) was offset by income from dividends and interest of £8.0m (2021: £5.8m). The fund was further reduced by a net capital loss of £19.6m (2021: £140.2m gain).

The Accounts are based on the market value of investments at 31 March 2022. 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 2022 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 £19.6m in the year, £53.4m was an unrealised loss (2021: £110.7m gain) and £33.9m (2021: £29.5m) realised profit.

After allowing for projected liabilities on the fund, the funding level has decreased to 137% at 31 March 2022 from its value of 146% last financial year end, calculated on an ongoing funding basis. The outlook for future returns has improved however this has been more than offset by an increase to future inflation expectations.

We are pleased to report that the Fund maintains a position above its 100% funding target, being in surplus by £137m at the financial year end (2020/2021: £165m) according to the actuary's most recent funding update.

Economic and Market Background

Global GDP rose rapidly over the 2021/2022 financial year as major economies moved towards a more permanent easing of pandemic restrictions; however, momentum started to ease towards the end of the period. Physical disruptions and sanctions caused by the Russia-Ukraine conflict triggered broad commodity price rises which, alongside existing inflationary pressures, increased input costs and weighed on consumer's real incomes. As a result, CPI inflation forecasts reached new highs while consensus forecasts for global growth were revised downwards. That said they still point to a relatively robust pace of growth over 2022 and 2023 by post-Global Financial Crisis standards.

One of the main talking points coming out of 2021/2022 from an economic perspective was inflation. Soaring energy costs pushed headline inflation higher, but core inflation, which excludes volatile energy and food costs, also rose and is running at a 30-year high. UK and US headline CPI inflation increased to 7.0% and 8.5% year-on-year, respectively in March.

The inflation backdrop saw central banks turn more hawkish over the period, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1, to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Federal Reserve System noted plans to reduce the size of its balance sheet.

Despite a tightening stance from central banks and a weakening outlook towards the end of the period, the economic and earnings recovery supported a 9.1% return from global equities over 2021/2022. Amid surging oil and gas prices, the energy sector notably outperformed whilst commodity price rises also benefitted basic materials. Rising yields benefitted the financial sector whilst rising input costs and a squeeze on real incomes weighed on the industrial and consumer discretionary sectors, respectively.

Within fixed income markets, government bond yields rose in line with the recovery in growth and inflation expectations, with 10-year government bonds rising 0.8% p.a., to 1.6% p.a. Global investment-grade credit spreads rose 0.3% p.a. and European high yield bond spreads rose 0.9% p.a., while their US counterparts were little changed: the larger rise in European credit spreads perhaps reflecting expectations of a larger negative impact from the Russia-Ukraine conflict.

On a regional basis, the US led performance rankings due to strong performance in the first three quarters of the period. The UK also outperformed, particularly in the last quarter, benefitting from above-average exposure to energy, metals, and miners. On the other hand, Emerging Market equities were the worst performing region, pulled lower by weak performance from China, where announcements of tighter regulation were compounded by a slowdown in Chinese property and manufacturing sectors, and high energy prices.

The improved outlook for the majority of the 2021/2022 financial year has proved supportive to the UK commercial property market. There was an 18.0% rise in the Morgan Stanley Capital International (MSCI) UK IPD capital value index over the preceding 12-month period to 31 March 2022, which can mainly be attributable to the buoyant industrials sector. It continued to set record highs with capital values rising by 36.8% over the period, the sector’s strongest annual return to date. Return on the all-property index, including income, was 23.9% in the 12 months to 31 March 2022.

From an investment perspective, above-trend growth is still forecasted and though inflation may not be expected to be a long-term problem, even if exacerbated by the Russia-Ukraine conflict, it will likely be higher for longer. Amidst this backdrop, central banks are likely to continue raising rates. The potential impact of inflation and energy prices on real consumer incomes increases the downside risks for growth.

In respect of equities, valuations for global markets, in aggregate, remain expensive relative to history with cyclically adjusted price-to-earnings (P/E) ratios for the MSCI World Index well above long-term median levels. This picture varies greatly by region and sector with UK and Emerging Market equities looking particularly cheap, whilst the US continues to look stretched. Earnings growth in 2022 will inevitably slow sharply from an expected 54% in 2021, but demand and revenue growth remain strong and there is evidence that businesses expect to be able to pass on most of their higher costs. Nevertheless, there are risks, and the inflationary backdrop may favour sectors that benefit from more inelastic demand and greater industry concentration, both of which are key in maintaining pricing power and margins.

Turning to fixed income instruments, sovereign bond yields have risen to reflect a faster path of interest-rate rises, and the risk of higher inflation is increasingly balanced by the risk that a faster-than-expected slowdown eases current price pressures. Uncertainty and risk to the inflation outlook may provide near-term support to index-linked gilts, but the very low level of real yields undermines their relative appeal on a longer-term view. Spreads have also risen across credit markets. A view can be held that investment-grade markets offer better value at present than speculative-grade markets, where spreads may still not adequately reflect increased downside risk. Nevertheless, despite improved valuations in bond and credit markets, the potential impact of high and more persistent inflation on real returns could provide material headwinds over the upcoming period.

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. Although the transition of investments was subsequently delayed in Quarter 1 2020 due to the impact of COVID-19 on the financial markets, significant steps have been taken towards the Fund’s interim-target allocation during the year. 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 2022.

Asset Class	Asset Allocation at 31/03/2022	Range Guideline	Fund Specific Benchmark
	%	%	%
Growth			
UK Equities	9.3	41-61	8.0
Overseas Equities	50.0		43.0
Global Pooled - Diversified/Multi-Asset Growth	22.2	14-34	24.0
Income			
Infrastructure Credit	4.2	0-20	5.0
Private Debt	5.1		5.0
Protection			
UK Gilts	4.2	5-25	7.5
UK Index-Linked Gilts	4.4		7.5
Cash	0.6	0-10	0.0
Total	**100.00**		**100.0**

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 59.3%, with indirect holdings in Diversified Growth and Multi-Asset Growth pooled funds accounting for a further 22.2% of the Fund's portfolio as at 31 March 2022. The remaining 18.5 is held in Infrastructure Credit, Private Debt, Bonds and Cash at 4.2%, 5.1%, 8.6% and 0.6% respectively.

Along with new allocations to infrastructure equity and private debt, other changes included an increase in the bonds allocation which is now managed on a passive basis. 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 2022 were:

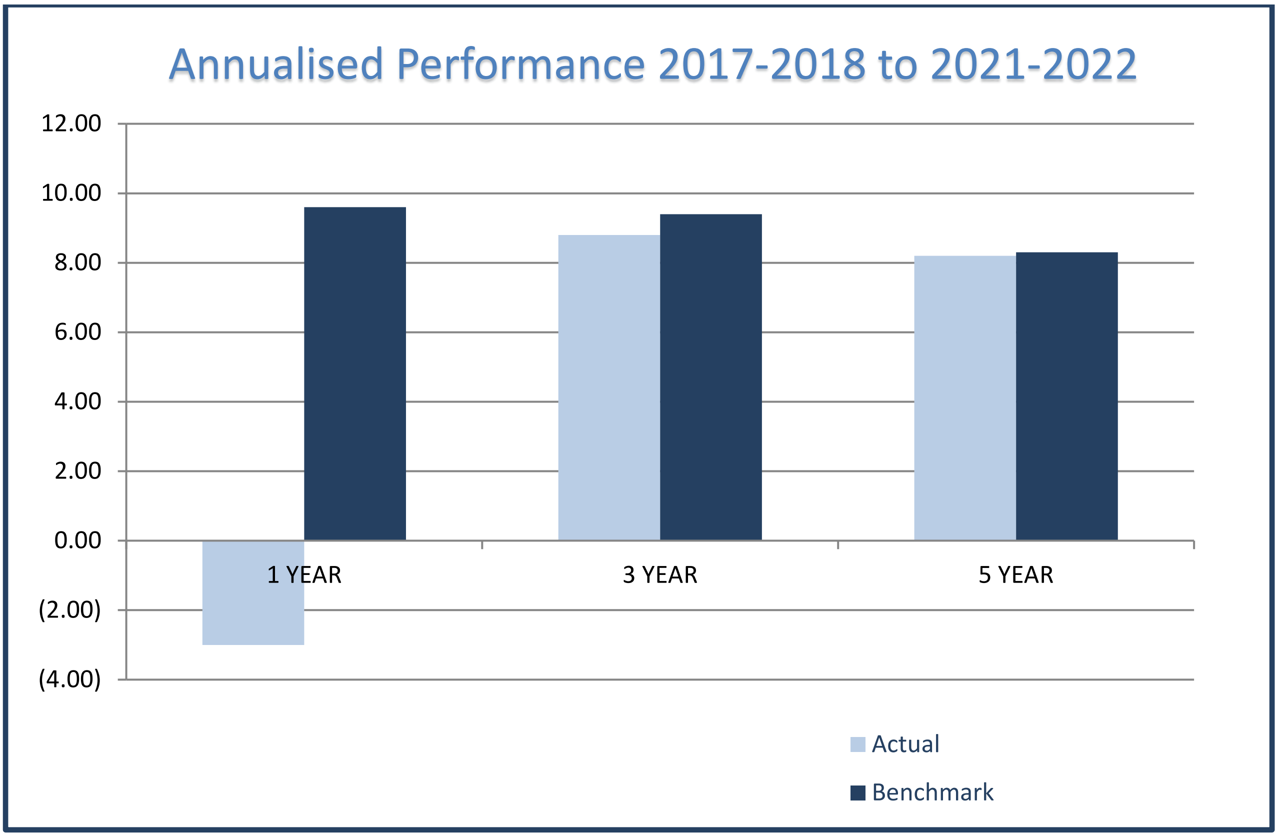
Company	Market Value of Holding £m
Baillie Gifford Multi Asset Growth Fund C Acc*	62.6
Baillie Gifford Diversified Growth Fund C Acc*	50.2
Anthem Inc	9.1
Alphabet Inc Class C	8.0
Microsoft	7.9
BHP Group Ltd – DI	7.6
Moody's	7.5
Martin Marietta Materials	7.1
Reliance Inds, GDR	6.7
Rio Tinto	6.4

* Capital Accumulated.

Investment Performance

The performance of the Pension Fund managed investments 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 8.2% is slightly behind the benchmark of 8.3%.

The following graph summarises investment performance on an annualised basis over 1, 3 and 5-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 Enterprise & Sustainable Regeneration Service.

The Pensions team within the Payroll and Pensions section has 4.0 full time equivalents, consisting of one full time Service Manager, one full time Senior Assistant, two part time 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, meetings are provided where requested.

The staff resources detailed above are supplemented by shared staff resources within the Enterprise & Sustainable Regeneration Service, providing additional governance, payments, investment, and accounting expertise. In addition, the Human Resources and service, within Orkney Islands Council's Strategy, Performance & Business Solutions Service 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 are monitored by the Pension Fund for financial year 2021-2022, against the key service standards set by the Pension Fund Sub-committee, 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	244	0	100.0%	100.0%
Leaver Information	10	166	0	100.0%	100.0%
Deferred Benefit Information	1 Month	109	0	100.0%	95.7%
Pension Estimates	10	120	4	96.8%	92.8%
Retirements	5	89	0	100.0%	100.0%
Transfers In	10	34	2	94.4%	100.0%
Transfers Out	10	5	0	100.0%	100.0%
Refunds	5	11	2	84.6%	94.1%

Fund Update

Membership details are shown below along with a short description for each membership status:

Membership	2020-2021	2021-2022
Contributing members	2,071	2,126
Pensioners	1,103	1,161
Deferred members	993	1,052
Total	**4,167**	**4,339**

Contributing Member	Someone who is currently employed by a scheduled or admitted body and is making contributions from their pay to the Pension Scheme. Such a person is referred to as an “active” member.
Deferred Member	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.
Pensioner/Dependent Member	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 5 current and former employers during financial year 2021-2022. 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 27 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 2021-2022 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 2020, calculated that the Fund's assets were valued at £377m, and were sufficient to meet 118.0% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. This compared with 113% at the previous March 2017 valuation. The resulting surplus at the 2020 valuation was £58m.

For the purpose of reporting a funding level and an associated surplus/deficit for the 2020 valuation a prudent future investment return of 2.9% p.a with a 75% likelihood of success has been used, this compared to 3.1% p.a for the 2017 valuation.

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.

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- Increase due to interest applied to the previous valuation liability value – the benefits that have been accrued to the valuation date are three years closer to payment at 31 March 2020 than they were at 31 March 2017, meaning there is less opportunity for future investment returns to help meet this cost.
- Decrease due to changes to the longevity assumptions used for the valuation resulting in a modest reduction in life expectancies.
- Decrease due to a reduction in the assumed rate of future CPI inflation, from 2.4% p.a at 31 March 2017 to 1.7% at 31 March 2020.
- Increase due to a reduction in the assumed rate of future investment returns, from 3.1% at March 2017 to 2.9% at March 2020.

This overall increase in liabilities has been offset by an increase in the Fund's assets resulting from a positive investment return and a net cash inflow over the period since the last full valuation at 31 March 2020.

As recommended by the Fund's actuary (Hymans Robertson) the employers contribution rate has been maintained at 17.0% for the period 01 April 2021 to 31 March 2024 with reference to the future costs and also taking account of the current funding position, which is based on past service benefits

The LGPS regulations state that a Primary Contribution Rate should also be set, which is the cost of active members accruing benefits in the scheme. There is currently an upward pressure on the Primary Rate due to a reduction in the future yields on investments, resulting from rising inflation forecasts. This means that the current Primary Rate of 24% is now less likely to meet future service costs.

The most recent funding update produced at 31 March 2022 indicates that the funding surplus has decreased from 146% to 137% since 31 March 2021. This can be attributed to losses in asset returns and increases in past service liabilities during the year. A summary of these results is shown below:

	31 March 2021	31 March 2022
Assumed Future Investment Return (Based on a 75% Likelihood of Success	3.2% p.a.	3.6% p.a.
Salary Increase Assumption	3.0% p.a.	3.3% p.a.
Pension Increase Assumption	2.5% p.a.	2.8% p.a.
Assets	£520m	£507m
Past Service Liabilities	£355m	£370m
Surplus/ (Deficit)	**£165m**	**£137m**
Funding Level	**146%**	**137%**
Future Investment Return Required to be 100% Funded	1.4% p.a.	2.0% p.a.
Likelihood of Achieving This Return	90%	90%
Likelihood of Primary Rate of 24% of Pay Meeting the Cost of Future Benefit Accrual	61%	63%

The assessed Primary contribution rate for 1 April 2021 – 31 March 2024 at March 2020 was 24.0%. On applying a Secondary contribution rate of -7.0% to give a required minimum contribution, against the background of increased uncertainty over the future impacting on actuarial assumptions the employer contribution rate will be maintained at 17.0% for the three-year period 2021 to 2024.

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 29 risks faced by the fund and can be viewed at the related downloads section here. 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, and the respective terms of reference for the Pension Fund Sub-committee and Pensions Board, the group met concurrently on four occasions during 2021-2022.

Training activity for the members of the Pension Fund Sub-committee and Pension Board was undertaken during the financial year 2021-2022, 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 the Enterprise & Sustainable Regeneration Service 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	Councillor James Stockan	John W Mundell, OBE
Section 95 Officer	Leader	Interim Chief Executive
15 September 2022	15 September 2022	15 September 2022

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 Corporate Director of Enterprise & Sustainable Regeneration.

- 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 the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021, 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

15 September 2022

The Corporate Director of Enterprise & Sustainable Regeneration Service responsibilities

The Corporate Director of Enterprise & Sustainable Regeneration 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 Corporate Director of Enterprise & Sustainable Regeneration 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 Corporate Director of Enterprise & Sustainable Regeneration Service 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 2022, and of its transactions for the year ended 31 March 2022.

Gareth Waterson, BAcc, CA

Section 95 Officer

15 September 2022

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.

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 2022 and up to the date of approval of the Annual Accounts.

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 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 available 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 effective procedures and arrangements for the control of governance.

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 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.

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.

During the year 2021/22 there was no disagreement however, 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 Corporate Director of Enterprise & Sustainable Regeneration 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 Corporate Director of Enterprise & Sustainable Regeneration is responsible for:

- The financial accounting of the Fund.
- The preparation of the Pension Fund Annual Report and Accounts.
- 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 Enterprise & Sustainable Regeneration Service.

The pension benefits policy oversight and day-to-day administration for the Fund is administered by the Pensions Team within the Enterprise & Sustainable Regeneration 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.

The implementation of the revised investment strategy approved in February 2019 involved Fund Manager appointments to new Infrastructure Equity, Private Debt and Bonds mandates. The Bonds mandate was fully funded in May 2020, while the Infrastructure Equity was fully drawn down in December 2021. An additional commitment to a new Private Debt fund was made during 2021/2022 and the drawdown to both funds continued throughout the financial year.

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. All fund managers are required to be signatories of the United Nations' Principles for Responsible Investment.

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 controls 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 Corporate Director of Enterprise & Sustainable Regeneration (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 made available 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 Head of Legal and Governance who is also the Council’s Monitoring Officer. 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.

Counter Fraud and Anti-Corruption

Effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. This includes, but is not limited to, ensuring established systems of internal controls and security are in place, segregation of duties and supervisory checking of all calculations, and internal audit and monitoring arrangements.

The increased risk of fraud and scams arising from the COVID-19 pandemic is also being managed on an ongoing basis, focusing on staff support, communication of potential scams and close monitoring of checks prior to any transfers out being completed. These steps are further enhanced by the development of a new on-line training course which is mandatory for all Finance staff.

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 23 February 2022. 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.

The main changes identified in the last review of the risk register were as follows:

- The risk added in 2021 regarding working from home whenever possible in accordance with Government COVID-19 mitigation measures has been lowered due to a gradual return to the workplace in compliance with Government guidance.
- The likelihood of the risk regarding recruitment and retention of new staff has been increased due to the fact that the Chartered Institute of Payroll Professionals has stopped providing the ability to study for a pension qualification in Scotland, although this may be re-introduced in the future.
- A further risk added in 2021 regarding an increased risk of fraud and scams due to the COVID-19 pandemic has been reduced due to the new Pension Regulator provisions introduced in November 2021 to strengthen the checks to take place prior to any transfers out being made.
- The risk regarding changes in legislation and other regulatory frameworks now includes specific mention to the outcome of the consultation into the creation of a National Care Service, which is ongoing and the outcome of which is currently unknown. The ranking of this risk is unchanged.

The full risk register is available under the related download section via the following link to the Council's website:

https://www.orkney.gov.uk/Service-Directory/S/pension-fund-sub-committeepension-board.htm

Significant Governance Issues

The system of governance aims to provide reasonable, but not absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded, material errors or irregularities are either prevented or detected within a timely period and significant risks impacting on the achievement of our objectives have been mitigated to an acceptable level. A review of effectiveness of the governance framework has not identified any significant governance issues or control weaknesses in the Pension Fund's governance arrangements.

There were no issues highlighted in the Annual Audit Report for financial year 2020-2021. The following updates were provided to prior year recommendations not yet implemented as at 31 March 2021:

- No register is held by the Fund detailing breaches of the Pensions Regulator Public Service Code, there is a risk that an issue is not raised with management which requires to be reported.

  While noting that no breaches of the Code have been made during the year, work is ongoing to produce a register detailing any breaches of the Pensions Regulator Public Service Code. This recommendation is now complete with the Register of Breaches created by the Pension and Payroll Manager in November 2021.

- It was not possible to identify the Fund's share of assets from the valuation of investments provided by Barings, and that no work had been done to validate the valuation of the pooled fund provided by Barings. There is a risk that a misstatement in the valuation is not noticed by the Fund on a timely basis.

  The Fund receives regular Net Asset Value statements from the pooled fund which details both the number of units held and current market value. The nature of a pooled fund is such that individual investors hold multiple units in the fund rather than a direct share of the assets. The value of the units themselves are derived from aggregating the valuation of the investments held by pooled fund. It is considered that the regular preparation of the performance reports by Investment Advisers provides assurance that the asset valuations provided by the fund manager are reasonable and in line with expectation.

Access to Information

Pension Fund Sub-committee papers, minutes and the Funds Annual Audit 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 Corporate Director of Enterprise & Sustainable Regeneration (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 in 2015 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 2022.

Councillor James Stockan
Leader
15 September 2022

John W Mundell, OBE
Interim Chief Executive
15 September 2022

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
1. Structure	
a) The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Compliance in Full: Yes 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.
b) 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.	Compliance in Full: Yes There are no admitted bodies or deferred members represented on the 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.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliance in Full: Yes 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.

d) 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.	Compliance in Full: Yes 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.
2. Representation	
a) That all key stakeholders are afforded the opportunity to be represented within the Pensions Board. These include: • Employing authorities including non-scheme employers, e.g., admitted bodies. • Scheme members including deferred and pensioner scheme members • Where appropriate, independent professional observers, and • Expert advisors (on an ad-hoc basis).	Compliance in Full: Yes 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. Input from Hymans Robertson as expert advisors to the Pension Fund is routinely sought on policy matters.
b) That where lay members sit on a main or secondary committee, they are treated the same as elected Members 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.	Compliance in Full: Yes 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.
3. Selection and Role of Lay Members	
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.	Compliance in Full: Yes 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 in June 2022 to new members following the local elections in May 2022. During 2021, members participated in 2 training seminars provided by the Scottish LGPS.
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.

4. Voting	
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.
5. Training/ Facility Time/ Expenses	
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 elected and lay 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 2021-22 was approved by the PSC at its meeting of 24 February 2021.
6. Meeting Frequency	
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.
7. Access	
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.
8. Scope	
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.
9. Publicity	
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. The Orkney Islands Council Pension Fund governance documents are available on the Council website using the following link:. Pension_Board_Terms_of_Reference (orkney.gov.uk) The Council as administering authority communicates regularly with employers and scheme members.

Gareth Waterson, BAcc, CA
Section 95 Officer
15 September 2022

Councillor James Stockan
Leader
15 September 2022

John W Mundell, OBE
Interim Chief Executive
15 September 2022

Annual Accounts 2021-2022

Pension Fund Account

The Pension Fund Account sets out all income and expenditure of the Pension Fund.

2020-2021 £'000		2021-2022 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme		
10,557	Contributions Receivable	11,103	**5**
623	Transfers In	833	**7**
11,180		**11,936**	
(8,553)	Benefits Payable	(9,171)	**6**
(2,147)	Payments to and on account of leavers	(738)	**8**
(10,700)		**(9,909)**	
480	**Net additions from dealings with members**	**2,027**	
(2,327)	Management Costs	(2,678)	**19**
(1,847)	**Net additions including management expenses**	**(651)**	
	Return on Investments		
5,847	Investment Income	8,005	**9**
140,222	Profits/(losses) on disposal of investments and changes in the market value of investments	(19,596)	**10**
42	Taxes on Income	(74)	
146,111	**Net Return/(Loss) on Investments**	**(11,665)**	
144,264	**Net increase/(decrease) in the net assets available for benefits during the year**	**(12,316)**	
376,584	Opening Net Assets of the Scheme	520,848	
520,848	**Closing Net Assets of the Scheme**	**508,531**	**13**

Net Assets Statement as at 31 March 2022

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 2022.

31 March 2021 £'000		31 March 2022 £'000	Notes
	Managed Funds		
345,942	Equities	298,603	
169,037	Pooled Investment Vehicles	205,061	
5,321	Cash Equivalents	3,252	
520,300		**506,916**	**11**
	Current Assets		
6	Cash Balances	6	
87	Contributions due	99	
998	Current Debtors	1,953	
1,091		**2,058**	**17**
	Current Liabilities		
(543)	Current Creditors	**(443)**	**18**
548	**Net Current Assets/(Liabilities)**	**1,615**	
520,848	**Net Assets of the Scheme available to fund benefits at the year end**	**508,531**	

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 15 September 2022.

Gareth Waterson, BAcc, CA

Section 95 Officer

15 September 2022

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 2021-2022 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 14). 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 at 31 March 2022
- 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 accruals 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.

Augmentation contributions are contributions paid to the Fund by an employer where that employer awards compensatory added years to a scheme member at retirement. Strain costs are contributions paid to the Fund by an employer where a scheme member, aged 55 or over, chooses to retire prior to normal pension age and the employer elects to waive any reductions normally applied to the member’s pension benefits. Strain costs are also paid to the Fund by an employer where a scheme member, aged 55 or over, retires prior to normal pension age and the grounds for retirement are redundancy or efficiency.

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. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard IAS 26. 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 2022 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 investments 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 £25.857m - there is a risk that this investment may be under or overstated in the accounts.
Unlisted Infrastructure	For infrastructure preferred equity or infrastructure debt investments held within an Infrastructure equity fund, the method of valuation of assets is market value provided by an approved data provider, unless there is no market, or it does not represent fair value in which case another method will be determined. As these investments are also not publicly listed there is a greater degree of subjectivity and estimation involved in the valuation process. Pooled Investment – Infrastructure Equity £21.125m – there is a risk that this investment may be 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 2022	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.1% decrease in Real Discount Rate	2%	9,002
1 year increase in member life expectancy	4%	17,943
0.1% increase in the Salary Increase Rate	0%	933
0.1% increase in the Pension Increase Rate	2%	7,999

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. The following new or amended standards have been published but not yet adopted:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These amendments help give clarification or are generally minor in nature, and as such are not expected to have a significant 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:

- 3.16.1. 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.
- 3.16.2. 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.

The draft annual accounts were signed by the Corporate Director of Enterprise & Sustainable Regeneration on 30 June 2022. 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 2022 was £485m (2021: £496m).

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 2021 **% p.a.**	31 March 2022 **% p.a.**
Inflation/Pensions Increase Rate	2.85%	3.20%
Salary Increase Rate	3.35%	3.70%
Discount Rate	2.00%	2.70%

Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 29.

Longevity Assumptions

	31 March 2021		31 March 2022	
	Males	Females	Males	Females
Current Pensioners	21.4 years	23.9 years	21.3 years	23.7 years
Future Pensioners*	23.1 years	26.1 years	22.9 years	25.9 years

*Future pensioners are assumed to be aged 45 as at the last formal valuation.

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

	2020-2021			2021-2022		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Employee Contributions	2,500	291	**2,791**	2,592	329	**2,921**
Employer Contributions	6,906	763	**7,669**	7,222	849	**8,071**
Strain Costs	97	0	**97**	111	0	**111**
Total	**9,503**	**1,054**	**10,557**	**9,925**	**1,178**	**11,103**

6.Analysis of Benefits Payable

	2020-2021			2021-2022		
	Orkney Islands Council £000	Admitted Bodies £000		Orkney Islands Council £000	Admitted Bodies £000	
Pensions Paid	6,041	237	**6,278**	6,449	266	**6,715**
Dependants Pensions	476	19	**495**	475	21	**496**
Lump Sums Paid	1,253	215	**1,468**	1,688	43	**1,731**
Death Grants Paid	312	0	**312**	135	94	**229**
Total	**8,082**	**471**	**8,553**	**8,747**	**424**	**9,172**

Orkney Islands Council, the administering authority, is at present the only scheduled body.

7. Transfers In

Transfers into the scheme during 2021-2022 were £0.8m (2020-2021: £0.6m). This represents the total of transfer values in respect of individual members joining the scheme.

8. Payments to and on Account of Leavers

2020-2021		2021-2022
£'000		£'000
(10)	Contributions Returned	(13)
(1,212)	Individual Transfers to other Schemes	(725)
(925)	Group Transfers *	0
(2,147)		**(738)**

*Visit Scotland transferred out during 2020/2021

9. Investment income

	2020-2021 **£'000**	2021-2022 **£'000**
Equities		
Equities UK	1,380	2,266
Equities Global	1,858	2,056
Total Equities	**3,238**	**4,322**
Pooled Investment Vehicle - Multi-Asset Growth	1,101	1,330
Pooled Investment Vehicle - Diversified Growth	904	1,107
Pooled Investment Vehicle - Private Debt	606	1,103
Pooled Investment Vehicle – Infrastructure	0	142
Interest on Cash and Deposits	**(2)**	**1**
Totals	**5,847**	**8,005**

10. Change in the Market Value of Investments

	2020-2021 **£'000**	2021-2022 **£'000**
Realised	29,522	33,853
Unrealised	110,700	(53,449)
Total	**140,222**	**(19,596)**

11. Analysis of Investments

As at 31 March 2022 the market value of the assets under management is as follows:

	31 March 2021 **£'000**	31 March 2022 **£'000**
Equities		
UK		
Quoted	60,104	46,885
Overseas		
Quoted	285,838	253,269
Total Equities	**345,942**	**300,153**
Pooled Fund - Multi-Asset Growth	61,641	62,575
Pooled Fund - Diversified Growth	48,139	50,165
Pooled Fund – Infrastructure	0	21,125
Pooled Fund - Private Debt	15,366	25,857
Pooled Fund - Fixed Income	43,891	43,789
Total Pooled Fund	**169,037**	**203,511**
Cash and Deposits	5,321	3,252
Totals	**520,300**	**506,916**

The following table provides an analysis of investments by fund manager:

	31 March 2021 **£'000**	**%**	31 March 2022 **£'000**	**%**
Baillie Gifford	461,043	88.6	416,145	82.1
Barings	15,366	3.0	25,857	5.1
IFM	0	0	21,125	4.2
LGIM	43,891	8.4	43,789	8.6
Totals	**520,300**	**100.0**	**506,916**	**100.0**

12. Reconciliation of Movements in Investments

Investments decreased in value to £506.9m as at 31 March 2022 (2021: £520.3m) a movement of £13.4m.

During 2021-2022, sales of investments totalled £82.3m and purchases totalled £90.6m, including £30.5m and £30.4m 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 2022.

	31 March 2021 £'000	31 March 2022 £'000
Baillie Gifford & Company - (Multi Asset Growth)	61,642	62,575
Baillie Gifford & Company - (Diversified Growth)	48,139	50,165

13. Investment Transactions

2021-2022	Opening Market Value £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Closing Market Value £'000
Investment Assets – Managed Funds					
Equities	344,032	58,202	(82,297)	(21,334)	298,603
UK Bonds	0	0	0	0	0
Index Linked Bonds	0	0	0	0	0
Pooled Investment – British Small Companies	1,910	14	(17)	(356)	1,551
Pooled Investment - Private Equity	15,366	10,359	0	131	25,856
Pooled Investment – Infrastructure	0	19,981	0	1,144	21,125
Pooled Investment – Fixed Income	43,891	(2)	0	(100)	43,789
Pooled Investment – Multi-Asset Growth	61,641	934	0	0	62,575
Pooled Investment – Diversified Growth	48,139	1,107	0	919	50,165
Total Transactions	**514,979**	**90,595**	**(82,314)**	**(19,596)**	**503,664**
Cash Deposits	5,321	0	0	(2,069)	3,252
	520,300				**506,916**
Internal Net Current Assets / (Liabilities)	**548**				**1,614**
Total	**520,848**				**508,530**

2020-2021	Opening Market Value £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Closing Market Value £'000
Investment Assets – Managed Fund					
Equities	229,453	60,773	(70,241)	124,047	344,032
UK Bonds	23,178	0	(23,905)	727	0
Index Linked Bonds	20,265	0	(21,477)	1,212	0
Pooled Investment – British Small Companies	1,062	7	0	841	1,910
Pooled Investment - Private Equity	6,549	8,321	0	496	15,366
Pooled Investment – Fixed Income	0	46,534	0	(2,643)	43,891
Pooled Investment – Multi-Asset Growth	52,023	1,101	(500)	9,017	61,641
Pooled Investment – Diversified Growth	40,710	904	0	6,525	48,139
Total Transactions	**373,240**	**117,640**	**(116,123)**	**140,222**	**514,979**
Cash Deposits	3,329				5,321
	376,569				**520,300**
Internal Net Current Assets / (Liabilities)	**15**				**548**
Total	**376,584**				**520,848**

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 on the private debt 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.

Valuations on infrastructure assets are carried out by independent valuers with extensive experience, resources, and reputation. Independent valuers are rotated every 3 years by tender process. The valuation methodology is determined by the independent valuer subject to meeting appropriate accounting standards.

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 2021 £'000	31 March 2022 £'000
Level 1: Quoted Market Price	349,353	301,855
Level 2: Using Observable Inputs	155,581	158,080
Level 3: With Significant Unobservable Inputs	15,366	46,981
Net Investment Assets	**520,300**	**506,916**

Transfers Between Levels 1 and 2

There have been no transfers between Levels 1 and 2 during 2021/2022.

Reconciliation of Fair Value Measurements Within Level 3

The following table provides a reconciliation of fair value measurements within level 3.

	Market Value 31 March 2021 £'000	Transfers Into Level 3 £'000	Transfers Out Of Level 3 £'000	Purchases During the Year £'000	Sales During the Year £'000	Unrealised Gains/ (Losses) £'000	Realised Gains/ (Losses) £'000	Market Value 31 March 2022 £'000
Private Debt	15,366	0	0	10,360	0	131	0	25,857
Infrastructure Equity	0	0	0	19,981	0	1,144	0	21,125

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 2022.

Asset Type	Assessed Valuation Range (+/-)	Value at 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Private Debt	9.0%	25,857	28,184	23,530
Infrastructure Equity	14.6%	21,125	24,209	18,041

The underlying assets in private debt are a series of privately originated loans. The underlying assets in the infrastructure fund are high quality, essential and long-duration infrastructure. 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 +/- 9.0% 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 2021 £'000	31 March 2022 £'000
Investments		
Financial Assets at fair value through profit/loss	514,979	503,664
Cash and cash equivalents	5,321	3,252
Total Investments	**520,300**	**506,916**
Current Assets and Liabilities		
Debtors	1,091	2,058
Financial liabilities at amortised cost	(543)	(443)
Total Current Assets and Liabilities	**548**	**1,615**

Income, Expenses, Gains and Losses

Financial Instruments Gains/Losses	31 March 2021 Financial Assets £'000	31 March 2022 £'000
Net gains/(losses) on financial assets at fair value through profit and loss	140,222	(19,596)
Investment Income	5,847	8,005
Investment management expenses including taxation	(2,285)	(2,753)
Total Investment Gains and Losses	**143,784**	**(14,344)**

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 on a Fair Value Hierarchy detailed at Note 14.

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 2019.

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	19.9
Global Equities	20.1
UK Index-Linked Gilts (long term)	9.2
UK Fixed Interest Gilts (medium term)	6.8
Diversified Growth	9.1
Private Debt	9.0
Infrastructure Equity	14.6
Cash	0.3
Total Fund Volatility	**14.0**

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	46,885	19.9%	56,215	37,555
Global Equities	253,268	20.1%	304,176	202,362
UK Index-Linked Gilts (long term)	21,273	9.2%	23,231	19,316
UK Fixed Interest Gilts (medium term)	22,516	6.8%	24,047	20,985
Diversified Growth and Multi Asset Growth	112,740	9.1%	122,999	102,480
Private Debt	25,857	9.0%	28,184	23,530
Infrastructure Equity	21,125	14.6%	24,209	18,040
Cash	3,252	0.3%	3,262	3,242
Total Fund Volatility	**506,916**	**14.0%**	**577,884**	**435,948**

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.

6.2 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 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2021 £'000	31 March 2022 £'000
Cash and cash equivalents	5,321	3,252

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 2022	Potential change in year in the net assets available to pay benefits	
	£'000	1% Interest Movement £'000	-1% Interest Movement £'000
Cash and Cash Equivalents	3,252	32.5	(32.5)
Total Change in Assets Available	**3,252**	**32.5**	**(32.5)**

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 2022:

Currency exposure - asset type	Asset value 31 March 2021 £'000	Asset value 31 March 2022 £'000
Overseas Quoted Equities	281,465	248,785
Pooled Funds - Global Basket	19,740	30,341
Total	**301,205**	**279,126**

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 9.5%.

A 9.5% fluctuation is considered reasonable based on Hyman's analysis of long-term historical movements. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.5% 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 Value as at 31 March 2022 £'000	Potential Movement %	Value on Increase £'000	Value on Decrease £'000
Overseas Quoted Equities	248,785	9.5%	272,420	225,150
Total Change in Assets Available to Pay Benefits	**248,785**	**9.5%**	**272,420**	**225,150**

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 2022, including current account cash, was £0.006m. (31 March 2021: £0.006m). The Fund also held cash under its investment management arrangement. This was held with the following institutions:

	Rating (Fitch)	Balance 31 March 2022 £'000
Bank current accounts		
Royal Bank of Scotland	A+	6
Cash held in Portfolio		
Bank of New York Mellon (BNY)	AA	1,521

6.5 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 2022, the Fund had illiquid assets of £46.981m (2020-2021: £15.366m).

17. Current Assets

	31 March 2021 £'000	31 March 2022 £'000
Income Due	651	793
Recoverable Tax	251	231
Cash Balances	6	6
Transfer Values Receivable	18	140
Contributions Due - Employers	63	71
Contributions Due - Employees	24	28
Orkney Islands Council	60	788
Sundry Debtors	18	1
Total Current Assets	**1,091**	**2,058**

18. Current Liabilities

	31 March 2021 £'000	31 March 2022 £'000
Sundry Creditors	463	401
Benefits Payable	79	41
Provision For Liabilities	1	1
Total Current Liabilities	**543**	**443**

19. Management Expenses

	2020-2021 £'000	2021-2022 £'000
Investment Management Expenses		
Investment managers fees	1,633	1,941
Custodian fees	62	27
Other Investment management expenses	80	186
Stamp Duty	24	7
Other Transaction Taxes and Levies	54	32
Broker Commission	52	38
Total Investment Management Expenses	**1,905**	**2,231**
Administration Costs		
Staff time and Support allocations	317	314
Total Administration Costs	**317**	**314**
Governance		
Audit costs	21	22
Professional fees	84	111
Total Governance Costs	**105**	**133**
Total	**2,327**	**2,678**

20. Code of Transparency

The Code of Transparency enables a greater understanding of the investment process and better cost management though the fund managers disclosure of transaction costs.

Total transaction costs for each asset class are detailed below:

2021-2022	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	38,797	38,117	-80,864	0	-3,950
Bonds	0	0	0	0	0
Pooled Funds	0	0	93	447,553	447,646
Foreign Exchange	0	0	1,312	0	1,312
Cash Instruments	0	0	0	0	0
Total	**38,797**	**38,117**	**-79,459**	**447,553**	**445,008**

2020-2021	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	78,455	51,613	114,866	(38)	**244,896**
Bonds	0	0	0	(3,621)	**(3,621)**
Pooled Funds	0	0	1,857	635,644	**637,501**
Foreign Exchange	0	0	5,486	0	**5,486**
Cash Instruments	0	0	0	(16)	**(16)**
Total	**78,455**	**51,613**	**122,209**	**631,969**	**884,246**

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 £281,014 (2020-2021: £338,513) paid from the Net Asset Value of the pooled funds.

21. Audit Fees

In 2021-2022 the agreed audit fee for the year was £22,090 (2020-2021: £21,490).

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 £245k in 2021-2022 (2020-2021: £252k).

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, with the exception of the Bonds which are allocated to a specialist passive manager.

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 2022 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 £0.314m (2020-2021: £0.316m) 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 £7.33m to the fund in 2021-2022 (2020-2021: £7.00m). With the exception of the year end creditor balance shown at Note 18 all monies owing to and from the Fund were paid in the year.

The Fund had a balance due from Orkney Islands Council of £0.79m as at 31 March 2022 (£0.06m 31 March 2021).

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 benefits 2020-2021		Accrued pension benefits 2021-2022	
	Pension £	Lump Sum £	Pension £	Lump Sum £
Corporate Director of Enterprise & Sustainable Regeneration / (Section 95 Officer)	39,681	54,350	43,148	56,035
Interim Head of Finance*	-	-	43,442	78,399

*With effect from 16-8-2021.

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.

Membership Details at 31/03/2022	Active	Deferred	Pensioner	Dependant	Total
Orkney Islands Council	1,962	957	961	149	**4,029**
Orkney Islands Property Development	3	4	4	0	**11**
Pickaquoy Centre Trust	55	41	9	0	**105**
Orkney Enterprise	4	4	3	0	**11**
Orkney Ferries Limited	102	46	29	6	**183**
Summary of Members					
OIC	1,962	957	961	149	**4,029**
Admitted Bodies	164	95	45	6	**310**
Totals	**2,126**	**1,052**	**1,006**	**155**	**4,339**

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 2018, 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 2020. The next valuation will take place as at 31 March 2023.

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 taxpayer 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 2020 actuarial valuation, the Fund was assessed as 118.0% funded (112.7% at the March 2017 valuation). This corresponded to a surplus of £58m (2017 valuation: surplus of £38m) at that time.

The assessed Primary contribution rate for 1 April 2021 – 31 March 2024 at March 2020 was 24.0%. On applying a Secondary contribution rate of -7.0% to give a required minimum contribution, against the background of increased uncertainty over the future impacting on actuarial assumptions the employer contribution rate will be maintained at 17.0% for the three-year period 2021 to 2024.

In accordance with the Funding Strategy Statement the administering authority has adopted employer contributions of 17.0% for 2021-2022. 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:

	31 March 2017	31 March 2020
Financial Assumptions:		
Salary and Benefit Increases & Investment Return		
Benefit Increases & CARE Revaluation (CPI)	2.40%	1.70%
Salary Increases	2.80%	2.20%
Investment Return ('Discount Rate')	3.10%	2.90%
Demographic Assumptions:		
Longevity		
Baseline Longevity	Club Vita	Club Vita
Future Improvements	CMI 2016, Peaked, 1.25% p.a. long term	CMI 2019, Smoothed, 1.5% p.a. long term

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 2020.

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 2021-2022 member contributions amounted to £0.517m (2020-2021: £0.462m).

Member's contributions are invested in a "with profits" Fund or a "deposit" Fund. During the year the value of AVC investments decreased by £1.642m to £1.173m as at 31 March 2021 (2020.21: £0.312m) excluding the final bonus.

31. Contingent Liabilities and Contractual Commitments

In recognition of legal judgements, the funding valuation position included an allowance for full Guaranteed Minimum Pension equalisation (indexation) treatment since 31 March 2020. A further ruling on Guaranteed Minimum Pension historical transfers is unlikely to be significant in terms of impact on the pension obligations. An allowance for the estimated impact of the McCloud judgement is also included within the funding valuation position noted above. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement the approximate impact is likely to be minimal, therefore there has been no adjustment applied to the valuation.

The results of the 2017 cost cap will be finalised in 2021/22 and are not anticipated to impact on the employer contribution rates recently certified and put in place by the LGPS administering authority from 1 April 2021.

As at the 31 March 2022, as part of the transitioning arrangements to the revised investment strategy, the Fund had contractual commitments to invest up to £2.6m and £32.0m across two new mandates to Private Debt. The drawdowns of these commitments are expected to continue over the next two 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

Reporting 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 2022 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 UK adopted international accounting standards, as interpreted, and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the financial transactions of the fund during the year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the 2021/22 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 by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is six 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the fund’s current or future financial sustainability. However, I report on the fund’s arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Corporate Director of Enterprise and Sustainable Regeneration and Orkney Islands Council Pension Fund Sub Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Corporate Director of Enterprise and Sustainable Regeneration 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 Corporate Director of Enterprise and Sustainable Regeneration 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 Corporate Director of Enterprise and Sustainable Regeneration is responsible for assessing the fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund’s operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud.

Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the fund is complying with that framework;

- identifying which laws and regulations are significant in the context of the fund;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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. This description forms part of my auditor's report.

Reporting on other requirements

Other information

The Corporate Director of Enterprise and Sustainable Regeneration is responsible for other information in the annual report. The other information comprises the Management Commentary, Statement of Responsibilities for the Annual Accounts, Remuneration Report Annual Governance Statement, Governance Compliance Statement and other reports included in the annual report other than the financial statements and my auditor's report thereon.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

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

- Orkney Ferries Limited
- Orkney Enterprise
- Pickaquoy Centre Trust
- Orkney Islands Property Development Limited

Annex 2 – Actuarial Statement for 2021-2022

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 2021. 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 Taxpayers).
- 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 Taxpayer 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 have a sufficiently high likelihood of achieving the funding target over 20 years. 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 70% 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 2018 was as at 31 March 2020. This valuation revealed that the Fund's assets, which at 31 March 2020 were valued at £377 million, were sufficient to meet 118% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2020 valuation was £58 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 2021 to 31 March 2024 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 2020 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 2020 valuation were as follows:

Financial assumptions	31-Mar-20
Discount rate	2.9%
Pay increases	2.2%
Price inflation/Pension increases	1.7%

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 2019 model with an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.9 years
Future Pensioners*	23.2 years	26.1 years

*Currently aged 45.

Copies of the 2020 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 2020

Markets were severely disrupted by COVID-19 at the 31 March funding valuation date resulting in depressed asset values but recovered very strongly in 2020 and 2021. Due to the war in Ukraine, early 2022 resulted in volatile markets, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be significantly better than that reported at the previous formal valuation as at 31 March 2020.

The next actuarial valuation will be carried out as at 31 March 2023. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA
For and on behalf of Hymans Robertson LLP
30 May 2022
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:

Pension Fund Annual Reports (orkney.gov.uk), Including the following documents:

- Annual Report and Accounts

Auditors	Audit Scotland
Fund 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
	LGIM
	IFM

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	

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.
Corporate Director of Enterprise & Sustainable Regeneration	Email: gareth.waterson@orkney.gov.uk	
Erik Knight	Telephone: 01856 873535.	Extension: 2127.
Head of Finance	Email: erik.knight@orkney.gov.uk	

Statement of Investment Principles

This is the Statement of Investment Principles (the “Statement”) required by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (the “2010 Regulations”). The Statement adheres to the requirements set out in the these regulations, in line with best practice.

The Statement has been adopted by the Pension Fund Sub Committee (the “Committee”), which acts on the delegated authority of the Orkney Islands Council, the administering authority for the Orkney Islands Council Pension Fund (“the Fund”). The Statement is subject to review from time to time and certainly within six months of any material change in investment policy or other matters as required by law. In preparing this Statement the Committee has consulted with the administrating authority and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

Investment Strategy

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund (details of which are set out in the Fund’s CIPFA Adherence document, attached to this Statement). The strategic benchmark is reflected in the investment structure adopted by the Committee; this comprises a mix of segregated and pooled investments. The Fund benchmark is consistent with the Committee’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

The Committee monitors investment strategy relative to the agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

Limits on Investments

In 2010, the Committee agreed to increase the limit on investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body, from 25% to 35% (the upper limit specified in Schedule 1 of the 2010 Regulations). Before taking this decision, the Committee took appropriate advice from its investment adviser, Hymans Robertson LLP, in relation to the impact of the increase on overall risk within the Fund and how the Committee monitors and manages that risk. The Committee made this decision on the basis that investment in the pooled funds concerned was effective both in terms of cost and in terms of broader portfolio diversification within the pooled funds concerned.

This decision was reviewed as part of the 2018/2019 investment strategy review which proposed changes to the Fund structure and the exposure to underlying pooled funds. The investment strategy review carried out in 2021 concluded the strategy remained appropriate. The Committee continues to believe the upper limit is appropriate and has also taken written advice on this matter. Note, under the new target investment strategy the Fund is expected to fall within this 35% limit, however, this is a gradual process and therefore the position will be reviewed on a regular basis and at least on a triennial basis.

Types of investment to be held

The Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, corporate bonds, alternative credit, cash, property, infrastructure and commodities, either directly or through pooled funds.

The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products, for the purpose of efficient portfolio management or to hedge specific risks. The Committee considers all of these classes of investment to be suitable in the circumstances of the Fund.

The strategic asset allocation of the Fund includes a mix of asset types across a range of geographies in order to provide diversification of returns.

Balance between different kinds of investments

The Committee has appointed investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business in respect of various different asset classes.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that it is consistent with the overall asset allocation for the Fund. The Fund’s investment managers will hold a mix of appropriate investments which reflect their views relative to their respective benchmark. Within each major market and asset class, each manager will maintain appropriately diversified portfolios through direct investment or pooled vehicles.

Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are:

Funding risks:

- **Financial mismatch**
    - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities.
    - The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- **Changing demographics** –The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- **Systemic risk** - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting Fund liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, it has set a strategic asset allocation benchmark for the Fund. It assesses risk relative to that benchmark by monitoring the Fund’s asset allocation and investment returns relative to the benchmark. The Committee will also consider rebalancing the asset allocation if it is deemed to deviate significantly from the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- **Concentration** - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- **Illiquidity** - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- **Manager underperformance** - The failure by any of the Fund's managers to achieve the rate of investment return assumed in setting its mandate.
- **Currency risk** – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- **Environmental, Social and Governance (ESG)** - The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision-making, leading to underperformance relative to expectations.
- **Climate** - The extent to which climate change causes material deterioration in asset value due to factors including, but not limited to: policy change, physical impacts, and the expected transition to a low-carbon economy.

The Committee manages asset risks as follows:

- It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment approaches each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Committees' expected parameters.
- By investing across a range of assets, including quoted equities and bonds, the Committee has recognised the need for some access to liquidity in the short term. The Committee previously diversified its manager underperformance risk following amendments to the Fund strategy and structure. This helped to reduce the concentration risk the Fund was previously exposed to.
- By investing across a number of investment managers, the Fund has reduced their risk exposure to the underperformance of one manager.
- The Committee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- **Transition risk** - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee takes professional advice and considers the appointment of specialist transition managers.
- **Custody risk** - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- **Credit default** - The possibility of default of a counterparty in meeting its obligations.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the actuary in funding the Fund.

Realisation of investments

The majority of assets held by the Fund may be realised quickly if required.

Environmental, Social and Governance (ESG) Considerations

The Committee recognises that ESG issues are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have produced statements setting out their policies in this regard. The managers have been delegated by the Committee to act accordingly. The Committee requires all managers appointed to manage assets for the Fund to be signatories to the United Nations Principles for Responsible Investment (UN PRI). The principles are set out in the appendix to this document.

Financially material considerations

The Committee recognises that the consideration of financially material factors, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Fund's investment options.

Exercise of Voting Rights

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by it with the objective of preserving and enhancing long term shareholder value alongside ensuring that investments meet the ESG considerations outlined in their policy statements in this regard. Papers to Committee will include information on voting, engagement and disinvestment activity which seeks to effect change on ESG considerations. Accordingly, where applicable each manager is required to produce written guidelines of its process and practice in this regard. Each manager is encouraged to vote in line with its guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Stock Lending

The policy on stock lending reflects the nature of the mandates awarded to investment managers by the Committee, which includes both pooled and segregated holdings.

Within segregated mandates, the Committee has absolute discretion over whether stock lending is permitted. The Committee has considered its approach to stock lending, taking advice from its investment adviser. After consideration of that advice, the Committee has decided not to permit stock lending within any of its segregated investment mandates.

Managers may undertake a certain amount of stock lending on behalf of unitholders within its pooled fund holdings. Where a pooled fund engages in this activity, the extent to which it does is disclosed by the manager. The Committee has no direct control over stock lending in pooled funds; nevertheless, it is comfortable that the extent and nature of this activity is appropriate to the circumstances of the Fund.

The Committee reviews its policy on stock lending (including the amount and type of collateral used) on a regular basis.

Additional Voluntary Contributions (AVCs)

The Committee gives members the opportunity to invest in a range of vehicles at the members' discretion.

CIPFA Compliance

The Committee has set out details of the extent to which the Fund complies with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication, 'Investment Decision Making and Disclosure in the Local Government Pension Scheme – a guide to the application of the Myners Principles' in the Fund's CIPFA Adherence document which is attached to this Statement.

Signed For and on Behalf of the Pension Fund Sub Committee of the Orkney Islands Council as Administering Authority for the Orkney Islands Council Pension Fund

Position	Position

Appendix – UN Principles for Responsible Investment

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, investors publicly commit to adopt and implement them, where consistent with their fiduciary responsibilities. They also commit to evaluate the effectiveness and improve the content of the Principles over time. They believe this will improve the ability to meet commitments to beneficiaries as well as better align investment activities with the broader interests of society.

The six principles are as follows:

Principle 1
We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2
We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3
We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4
We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5
We will work together to enhance our effectiveness in implementing the Principles.

Principle 6
We will each report on our activities and progress towards implementing the Principles.

Orkney Islands Council Pension Fund

Statement of Compliance with the CIPFA Principles

November 2022 Version 2022 V11

Prepared by the Pension Fund Sub Committee of Orkney Islands Council

Contents

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CIPFA Principles of Investment Practice

This document forms the Statement of Compliance with the Principles of Investment Practice as set out by CIPFA, the Chartered Institute of Public Finance Accountancy. It is maintained by Hymans Robertson LLP and the Head of Finance on behalf of the Pension Fund Sub Committee ("the Sub Committee") of Orkney Islands Council.

This document was brought into force on 30 June 2003. The practices described within this document form the basis for investment decision making by the Sub Committee. This document is reviewed from time to time, and is made available to members on request. Details of version control and changes are provided in the Appendix to this document.

The document also provides information on all of the Fund's investment service providers (investment manager(s), custodian(s), adviser(s), etc.) along with details of the nature of the services they provide and how their performance in these roles is assessed.

This is current version of the document (2022 V11) and was agreed by the Committee Members in November 2022.

Signed:

Chairman of the Pension Fund Sub Committee

Orkney Islands Council Pension Fund

November 2022

1 Effective decision making

Principle

Administering authorities should ensure:

- That decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- That those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Orkney Islands Council

The Council is responsible for the following activities.

- The Council will determine the allocation of new money to the managers. Similarly, in the event that assets need to be realised in order to meet the Fund's liabilities, the Council will determine the source of this funding.
- The Council will be responsible for any changes to the terms of the mandates of existing managers.
- The Council will be responsible for the appointment and termination of managers.
- The Council is responsible for socially responsible investment, corporate governance and shareholder activism. It has delegated these tasks to the Fund's managers, who conduct the delegated tasks in line with the Council's policies.
- The Council will be responsible for the appointment and termination of AVC providers.
- The Council is responsible for maintenance of the Statement of Investment Principles (SIP) and the document setting out the Fund's CIPFA Principles of Investment Practice disclosure.

The Council has delegated the Fund's monitoring responsibilities to the Pension Fund Sub Committee.

Pension Fund Sub Committee Terms of Reference

The Sub Committee is responsible for monitoring all aspects relating to the investment of the assets of the Fund. Their specific responsibilities are as follows:

- The Sub Committee will formally review the Fund's asset allocation at least annually, taking account of any changes in the profile of Fund liabilities and any guidance regarding tolerance of risk. They will recommend changes in asset allocation to the Council.
- The Sub Committee will consider and monitor the Quarterly Reports produced by their Investment Manager and investment Consultant. In addition to managers' portfolio and performance reporting, the Sub Committee will also receive and review information from the managers on risk analysis, transaction costs, and details of corporate governance (including ESG matters).
- The Sub Committee will formally review annually each mandate, and its adherence to its expected investment process and style. The Sub Committee will ensure that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale.
- The Sub Committee will consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) at least annually.
- In the event of a proposed change of managers, the Sub Committee will evaluate the credentials of potential managers.

- The Sub Committee will monitor the Fund's approach to Environmental, Social and Governance (ESG) issues.
- The Sub Committee will regularly review the Fund's AVC arrangements. If they consider a change is appropriate, they will make recommendations to the Council.
- The Sub Committee will monitor the investment advice from their investment consultant and investment services obtained from other providers (e.g. custodian) at least annually. The Sub Committee will be responsible for the appointment and termination of providers.
- The Sub Committee will conduct and conclude the negotiation of formal agreements with managers, custodians and other investment service providers.
- In order to fulfil their roles, the members of the Sub Committee will be provided with appropriate training, initially and on an ongoing basis.
- The Sub Committee is able to take such professional advice as it considers necessary.
- The Sub Committee will keep Minutes and other appropriate records of its proceedings, and circulate these Minutes to the Council.
- The Sub Committee may also carry out any additional tasks delegated to it by the Council.

Any changes to the membership of the Sub Committee require the approval of the Council.

Membership of the Sub Committee consists of a minimum of seven members with a quorum of three members. All Sub Committee members are expected to have or, for new members, to develop sufficient expertise in investment matters to be able to conduct their Sub Committee responsibilities and to interpret the advice which they receive.

Other Delegated Investment Decisions

Delegation to Officers

Preparation of annual budgets and business plan for the Fund.

Delegation to Investment Managers

Day to day management of the Fund's investment portfolios and related activities has been delegated to the Fund's investment managers. This includes:

- Investment of the Fund's assets.
- Tactical asset allocation around each mandate's benchmark within agreed guidelines.
- Preparation of quarterly reporting including a review of investment performance and where relevant, voting, and engagement activity in relation to ESG considerations and the purchase, retention and disinvestment of assets.
- Attending meetings of the Investment Sub Committee.
- Providing Fund accounting data concerning the investment portfolio and transactions.

Details of the appointed managers can be found in Section 2.

Delegation to Custodian

The appointed Custodian, where necessary, is responsible for settlement of all investment transactions, collection of income, tax reclaims and corporate action administration. However, the Fund also directly invests in a range of pooled funds which have their own underlying custody arrangements.

Actuary to the Fund

The Actuary is responsible for

- Undertaking a triennial valuation of the Fund’s assets and liabilities.
- Setting the Fund’s contribution rate.
- Providing advice on the funding level and maturity of the Fund which the Pension Fund Sub Committee can take into consideration when balancing the Fund’s investment and funding objectives.

Expert Advice

- The Sub Committee receives investment and actuarial advice from Hymans Robertson LLP.
- At the time of appointment of consultants, the Sub Committee did not invite tenders for actuarial and investment advice separately. The Sub Committee will arrange for separate competition when it next tenders either activity.
- At present there are no separate contracts in place.

Other Advice

- In addition to the investment consultant, the Sub Committee also seeks advice (where relevant) from the Fund’s Actuary and the Council’s Head of Finance.
- There are no independent advisers appointed to the Pension Fund Sub Committee.

Assessment of Advice

All advice is assessed as described in Section 4.

2 Investment objective

Principle

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.

Fund Objective

The Fund is a Local Government Pension Scheme (LGPS).

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Benefits for active members increase in line with salaries. Benefits for preserved members are subject to statutory increases.

The Council aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer (Orkney Islands Council) to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

Basis of Evaluation

An actuarial valuation of the Fund is conducted at least every three years in accordance with the LGPS regulations. The last actuarial valuation was conducted as at 31 March 2020. The results disclosed an ongoing funding level of 118%.

The position of the Fund is monitored each year in consultation with the employers and the Actuary.

Strategic Asset Allocation and Manager Structure

The Fund's investment strategy and manager structure was formally reviewed in 2021 following the completion of the 2020 actuarial valuation.

The strategy review provided assurance that the interim and long-term strategies remained appropriate in the context of the Fund's long-term objectives.

The Fund's investment manager arrangements are summarised in Table 2.1 below:

Table 2.1

Manager	Appointed	Brief	Interim Target %	Long-term target %
Baillie Gifford	April 1995	Multi-asset	75	60
Barings	October 2019	Private Debt	5	10
IFM	October 2019	Infrastructure	5	10
Legal and General	May 2020	Bonds	15	20

Custody

The Fund's custodian is the Bank of New York Mellon.

Baillie Gifford

Baillie Gifford's mandate was formally reviewed as part of the 2018/19 exercise with a new strategy and structure implemented during Q4 2019 and Q1 2020 and subsequently reviewed in 2021. Previously responsible for managing all assets within the Fund across a multi-asset mandate, under the new arrangement Baillie Gifford will focus solely on managing the Fund's growth mandates i.e. UK equities, global equities and diversified growth funds. The target allocation was reduced from 90% to 75% following the implementation of the bond mandate in May 2020 with a further reduction planned to move to a long term target of 60%.

Barings

Following the 2018/19 investment strategy review and a subsequent procurement exercise, Barings were appointed as the Fund's Private Debt manager in October 2019. The manager continues to build towards the new target allocation as commitments are drawn down by the underlying private debt fund. A further commitment to the manager was agreed in 2021 to bring them towards their 19% long-term target.

IFM

Following the 2018/19 investment strategy review and a subsequent procurement exercise, IFM was appointed as the Fund's infrastructure manager in October 2019. The commitment was drawn down in December 2021 and represented c5% of total assets. The Fund has a long-term strategic allocation of 10% to infrastructure. The Committee explored potential options to increase the infrastructure allocation in the first half of 2022. In September 2022, the Committee held a manager selection meeting with short-listed managers, and it was agreed to invest in the IFM Net Zero Infrastructure Fund to move the Fund towards the 10% long-term target.

Legal and General

Following the procurement exercise, through the National Passive Framework, Legal and General were appointed as the passive bond specialist for the Fund. The manager was appointed in Q1 2020 with an initial target allocation of 15%. Timing of a move towards the long-term target of 20% is still to be agreed.

The target allocations and ranges that currently apply to each of these mandates are shown in Table 2.2. The associated benchmarks for the Scheme and mandates are addressed in Table 2.3.

Table 2.2

Asset Class	Interim Target (%)	Range (%)	Long-term target %
UK Equities	*8.0*	46-56	7.0
Overseas Equities	*43.0*		36.0
Diversified Growth Funds	24.0	19 - 29	17.0
Total Growth	**75.0**	**65-85**	**60.0**
Infrastructure	5.0	N/A	10.0
Private Debt	5.0	N/A	10.0
Total Income	**10.0**	**N/A**	**20.0**
UK Gilts	7.5	2.5 – 12.5	10.0
Index-linked gilts	7.5	2.5 – 12.5	10.0
Cash	0.0	0 - 10	0.0
Total Protection	**15.0**	**5-25**	**20.0**
Total	100		100

The managers oversee their respective mandates in line with the LGPS regulations. There are no restrictions in place with manager agreements which prevents them from investing in any financial instrument permitted in these regulations, except to the extent that derivative instruments may only be used on a segregated basis for the purposes of risk reduction and efficient portfolio management.

The Sub Committee recognises that the pursuit of superior performance through active management also carries the risk of underperformance. However, they believe and the relevant manager(s) accept that the guidelines set will contain risk within the tolerance that the Sub Committee deems acceptable.

The Sub Committee has considered the extent to which their managers expect to achieve outperformance through stock and sector selection and asset allocation. They have considered the risks associated with stock and sector concentration in each of the markets in which they invest.

For the relevant mandates the managers will provide details on the levels of turnover and commission levels on a quarterly basis. Furthermore, it is the expectation that all managers will provide transparent cost information to enable the Sub Committee to monitor transaction costs (in line with the transaction cost reporting framework of the Fund Management Association).

As part of the provision of transparent information, the Fund requires managers, where relevant, to disclose the use of soft commission arrangements.

The Sub Committee takes advice from its investment consultant relating to manager’s transaction costs.

Benchmarks

Each manager is assigned an appropriate benchmark with a composite benchmark constructed to assess the Fund's performance at Scheme level.

The benchmark is used

- To evaluate each manager's relative performance
- To monitor the extent of each manager's deviations from benchmark performance

At the asset class level, the manager's activity is assessed relative to specific stock market indices (e.g. the FTSE All-Share index for UK equities).

The use of benchmarks for assessing managers, providers, officers and the Sub Committee is discussed in Section 4.

Benchmark Indices

The Sub Committee discusses the appropriateness of the asset class indices with its investment managers and investment consultant on an annual basis. The review takes account of changes in the constituency of indices, their degree of concentration, changes made by index providers, new classes of assets, and changes in the profile of liabilities which may affect the duration of bond indices. The benchmarks currently in place are set out in the table below. Please note the Fund will be gradually moving to the long-term target as the private debt and infrastructure mandates draw down capital where the same benchmark indices will apply:

Table 2.3

Asset Class	Interim Target (%)	Benchmark
UK Equities	8	FTSE All Share
Overseas Equities	43	MSCI All Countries World
Alternatives	24	UK base rate +3.5% p.a.
Infrastructure	5	Absolute 8.0% p.a.
Private Debt	5	Absolute 8.0% p.a.
UK Gilts	7.5	FTSE UK Gilts All Stocks
Index-linked gilts	7.5	FTSE Over 5 years index-linked gilts
Total	100	Composite

The Sub Committee recognises that the setting of index benchmark targets can encourage managers to closet index, i.e. to hug the index too closely to be able to deliver the performance target set. The Sub Committee has discussed this subject where relevant with its managers and investment consultant. In setting tracking error guidelines, the Sub Committee has indicated limits to its manager so that the risk it takes is consistent (i.e. neither too little or too great) in relation to its performance target. The Sub Committee monitors the manager's tracking error (see Section 4).

Investment Structure

The Sub Committee has considered its investment structure, the choice between active and passive management, the number of managers it might employ, and where risk might best be exploited.

The Sub Committee has appointed specialist managers for each asset class within the benchmark allocation, thereby diversifying the manager risk.

Baillie Gifford are the active manager responsible for all growth assets. Legal and General were appointed to passively manage the Fund’s bond allocation whilst IFM and Barings manage the infrastructure and private debt allocations respectively.

As the active growth manager within the Fund, Baillie Gifford are responsible for managing each of their growth mandates around their assigned benchmarks within the guideline set.

In choosing to diversifying by number of managers and style in the form noted above, the Sub Committee has considered, and is prepared to tolerate the potential risks associated with the Funds overall pursuit of outperformance.

3 Risk and liabilities

Principle

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Basis for Determining Fund Benchmark

The Benchmark of the Fund is bespoke and reflects the objectives and circumstances of the fund.

The asset mix takes account of diversification between asset classes.

The Investment Managers have their own individual benchmarks as outlined in Section 2. The individual manager benchmarks are subsequently used to construct an aggregate Scheme benchmark.

Risk

The return assumptions required to achieve and maintain the Fund Objective are set out in the Actuarial Valuation. The benchmark adopted by the Sub Committee for the Fund is designed to achieve that return over the long term. The Sub Committee recognises that there will be periods when market conditions do not permit those assumptions to be met and that the benchmark needs to be kept under periodic review in order to confirm that it is still suitable for the purpose for which it was designed.

Asset Classes

In setting the Scheme benchmark, the Sub Committee considered all the principal asset classes listed in the CIPFA Guidance.

Periodic Review

The Sub Committee most recently reviewed the Fund benchmark at their meeting in April 2021.

4 Performance assessment

Principle

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Investment managers

Managers provide summaries and detailed portfolio valuations, consolidated transaction reports and balance sheet and income statements on a regular basis. They also provide details of performance. The Sub Committee obtains regular performance and manager monitoring from Hymans Robertson LLP with effect from 1 April 2017.

Manager Monitoring Activity

The Sub Committee monitors the relative and absolute performance of its investment managers on a quarterly basis. However, more formal reviews also take place with the Fund undertaking more formal reviews of each manager annually.

These reviews consider not only investment returns but also an assessment of the managers' adherence to its mandate requirements including the full range of activities delegated to them. The Sub Committee also considers the manager's investment process, stability of key personnel, market position and Environmental, Social and Governance considerations.

Investment Consultant Monitoring Activity

The Sub Committee monitors performance of its investment consultant, Hymans Robertson, at regular intervals (usually annually) against the CMA investment consultant objectives in place. The consultant provides guidance on asset allocation, benchmark setting, risk and goal setting of the investment managers, manager monitoring, manager selection and general information on legislation, industry background and securities markets (all from an investment perspective).

Sub Committee and Officers

The Sub Committee reviews the investment decisions undertaken by officers and by the Sub Committee, to check their appropriateness and whether outcomes might have been improved. This includes:

- How the overall Fund benchmark has performed relative to liabilities and relative to its comparable LGPS peers.
- How the Sub Committee interpreted advice provided by the investment consultant.
- Sub Committee recommendations and Council decisions undertaken over year concerning service provider and manager changes, benchmark changes, mandate changes, and transitions between mandates.
- How the managers performed on voting rights and engagement to address ESG concerns.

5 Responsible ownership

Principle

Administering authorities should

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the Statement of Investment Principles.
- report periodically to scheme members on the discharge of such responsibilities.

Governance and Voting

The Council has delegated the following tasks to the investment managers.

- Engaging with companies in which the Fund invests concerning ESG matters.
- The exercises of voting rights on the basis that voting power will be exercised by the manager with the objective of preserving and enhancing long term shareholder value and exposure to the risks associated with poor ESG records.

Accordingly, managers at the request of the Fund have produced written guidelines of its process and practice in both matters where relevant to the mandate.

Managers are encouraged to vote in line with these guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Engagement and Activism

As the Fund's active growth asset manager, Baillie Gifford has disclosed its own policy on ESG, engagement and activism which it exercises on behalf of client's investment mandates when the client has delegated responsibility for these activities to Baillie Gifford. It votes proxies on behalf of the Fund and engages with the companies in which it invests. Baillie Gifford reports its voting activity to the Sub Committee on a regular basis.

UN Principles for Responsible Investment (PRI)

The Sub Committee have made it a requirement that all managers appointed to manage assets on behalf of the Fund are signatories to the UN PRI. All managers appointed are a signatory under UN PRI and therefore meet this requirement.

6 Transparency and reporting

Principle

Administering authorities should

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- should provide regular communication to scheme members in the form they consider most appropriate.

Approach

This document should be read in conjunction with the Fund's Statement of Investment Principles. Taken together, these documents provide the framework for the Fund's investment operations.

Section 1 of this document describes the structure for making investment decisions for the Fund, the split of responsibilities among the Council, Pension Fund Sub Committee, Investment Manager, Custodian, Scheme Actuary, Investment Consultant and other providers.

Sections 2 describes the roles and mandates of external providers (consultant, investment managers, etc).

Other Advice

In addition to the investment consultant, the Sub Committee also seeks advice (where relevant) from the Fund's Actuary and the Council's Head of Finance.

There are no independent advisers appointed to the Pension Fund Sub Committee.

Assessment of Advice and Decision Making

All advice and decision making is assessed as described in Section 4.

Regular reporting

The Council makes the following documents available to Fund members on request.

- The Statement of Investment Principles.
- Details of the Fund's adoption of the CIPFA Principles of Investment Practice (i.e. this document).

Both documents are revised periodically, in any event, and when changes occur.

Appendix A - Version control record

Table of Amendments

The attached Table records changes to this document.

Version	Nature of Change	Implemented
2003 V1	Initial Creation	30 June 2003
2004 V2	Final Document	31 October 2004
2007 V3	Benchmark change	10 July 2007
2009 V4	Review document	30 June 2009
2010 V5	Update following structure change and consolidation on principles from 10 to 6	21 December 2010
2011 V6	Increase range limit on cash holding from 0-5% to 0-10%	27 September 2011
2013 V7	Regular review and update following valuation and proposal on pooled funds	28 February 2013
2017 V8	Review and update following completion of strategic review, discussions on ESG and adopting and implementation of new Fund specific benchmark	22 November 2017
2018 V9	Regular review and update following valuation	September 2018
2020 V10	Regular review and update following investment strategy review, including mandate and manager changes	February 2020
2022 V11	Regular review, including mandate and manager changes reflecting move to long term target allocations	November 2022

Minute

Investments Sub-committee

Wednesday, 16 November 2022, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Orkney Islands Council

Present

Councillors Heather N Woodbridge, P Lindsay Hall, Kristopher D Leask, James W Stockan and Mellissa-Louise Thomson.

Present via remote link (Microsoft Teams).

Councillor Steven B Heddle.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Michael Scott, Solicitor.

Apology

- Councillor Rachael A King.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Heather N Woodbridge.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 4 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.

2. Revenue Expenditure Monitoring

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

Noted:

2.1. The revenue financial summary statement, in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 September 2022, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £13,439,500.

2.2. The revenue financial detail by service area statement, in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 September 2022, 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. Temporary Loans

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

Noted:

3.1. The status of the temporary loan portfolio as at 30 September 2022, as detailed in section 3 of the report by the Head of Finance.

3.2. That, for the period 1 April to 30 September 2022, the temporary loans portfolio made a return of £89,569.79 at an average interest rate of 0.93%.

The Sub-committee scrutinised:

3.3. The temporary loans portfolio, detailed in sections 3 and 4 of the report by the Head of Finance, and obtained assurance that the Treasury Management Strategy was being adhered to by the Finance Service and the temporary loans portfolio was producing an acceptable rate of return.

4. Statement of Managed Funds

On the motion of Councillor Heather N Woodbridge, 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, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

4.1. The investment monitoring report for the Strategic Reserve Fund produced by Hymans Robertson, the Council’s appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 30 September 2022.

4.2. That the Strategic Reserve Fund investments returned a loss of £5,500,000, which equated to a loss of 2.1% over the quarter to 30 September 2022 and was 1.4% behind benchmark, and therefore considered poor.

4.3. That the investment returned on the Strategic Reserve Fund had been negative over the 12-month period to 30 September 2022, with the value of the Fund decreasing by 8.8% which was 8.4% behind benchmark and therefore considered very poor.

4.4. The Schroders Sustainable Investment Report for the quarter ending 30 September 2022, attached as Appendix 2 to the Head of Finance.

4.5. The Barings Global High Yield Credit Strategies Environmental, Social and Governance Impact report for the quarter ending 30 September 2022, attached as Appendix 3 to the Head of Finance.

5. Conclusion of Meeting

At 14:30 the Chair declared the meeting concluded.

Signed: H N Woodbridge.

Minute

Police and Fire Sub-committee

Thursday, 24 November 2022, 11:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors David Dawson, Graham A Bevan, Alexander G Cowie, Raymond S Peace and Jean E Stevenson.

Present via remote link (Microsoft Teams)

Councillor Mellissa-Louise Thomson.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Georgette Herd, Solicitor.
- David Miller, Safety and Resilience Officer.

Scottish Fire and Rescue Service:

- John McKenna, Station Commander.

In Attendance via remote link (Microsoft Teams)

Police Scotland:

- Chief Inspector Alasdair MacLeod – South Highland Command Area.
- Inspector David Hall.

Apology

- Councillor Duncan A Tullock.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor David Dawson.

1. Scottish Fire and Rescue Service

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 the Station Commander, Scottish Fire and Rescue Service, 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 2022, detailed in the Quarterly Performance Report, attached as Appendix 1 to the report by the Local Senior Officer, and obtained assurance that progress was being made against the objectives.

2. Performance Against Local Policing Plan

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

Scrutinised progress in respect of the Orkney Islands Local Policing Plan 2020-2023, for the period 1 April to 30 September 2022, attached as Appendix 1 to the report by the Area Commander, and obtained assurance that progress was being made against the objectives.

Councillor Jean E Stevenson left the meeting during discussion of this item.

3. Conclusion of Meeting

At 12:58 the Chair declared the meeting concluded.

Signed: David Dawson.

Minute

Human Resources Sub-committee

Tuesday, 31 January 2023, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors Alexander G Cowie, James R Moar, John A R Scott, Ivan A Taylor and Duncan A Tullock.

Present via remote link (Microsoft Teams)

Councillor Gwenda M Shearer.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Karen Greaves, Corporate Director for Strategy, Performance and Business Solutions.
- Gavin Mitchell, Head of Legal and Governance.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Emma Chattington, Senior Organisational Development Adviser.

In Attendance via remote link (Microsoft Teams)

- Sandra Craigie, Committees Officer.

Apologies

- Councillor James W Stockan.
- Councillor Heather N Woodbridge.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Hazel Flett, Service Manager (Governance) (for Item 1).
- Councillor John A R Scott (for Items 2 and 3).

1. Appointment of Chair

As both the Leader and Depute Leader had intimated their apologies, the Clerk invited nominations for Chair for this meeting, and the Sub-committee:

Resolved that Councillor John A R Scott be appointed Chair for this meeting.

Councillor John A R Scott took the Chair for the remainder of the meeting.

2. Supporting our People through the Menopause – Policy

After consideration of a report by the Corporate Director for Strategy, Performance and Business Solutions, copies of which had been circulated, and after hearing a report from the Head of Human Resources and Organisational Development, the Sub-committee:

Noted:

2.1. That the Council did not currently have a specific policy position in terms of support to employees experiencing symptoms of the menopause, with any issues that currently arose for employees being considered through policies on Sickness Absence Management or potentially Flexible Working policies if the employee was to require workplace adjustments.

2.2. That the existing policies, referred to at paragraph 2.1 above, did not provide anything specific in policy terms or guidance for staff and managers regarding the menopause.

2.3. That it was considered good practice to provide guidance, training and support regarding workplace issues associated with the menopause.

2.4. The draft policy, Supporting our people through the menopause, together with the draft Guide for Managers: Supporting our people through the menopause, attached as Appendices 1 and 2 respectively to the report by the Corporate Director for Strategy, Performance and Business Solutions.

The Sub-committee resolved to **recommend to the Council**:

2.5. That the policy on Supporting our people through the menopause, attached as Appendix 1, to this Minute, be approved.

3. Conclusion of Meeting

At 14:11 the Chair declared the meeting concluded.

Signed: John A R Scott.

Appendix 1

ORKNEY
ISLANDS COUNCIL

Supporting our people through the menopause

January 2023

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Introduction

Here at Orkney Islands Council, we want to support our colleagues' wellbeing at every stage in life. We know that the changing face of the UK workforce means that between 75% - 80% of people going through the menopause are in work. Whilst not every person will notice menopausal symptoms, many will be working through the perimenopause and menopause and managing the symptoms at work.

Six out of every 10 people experiencing menopausal symptoms say it has a negative impact on their work. With the right support, no-one needs to press pause, struggle through or leave their careers during this natural transition. We know that many people feel uncomfortable talking about the perimenopause and menopause, which means that some will suffer in silence whilst experiencing a wide range of symptoms that can affect their physical and mental health.

Looking after our people and supporting them is a priority. We need to ensure that Orkney Islands Council is the best possible place to work where we can all fulfil our potential. This policy and associated guidance are key to the delivery of The People Plan and align to our Equality, Diversity and Inclusion agenda, including work to reduce the pay gap and occupational segregation within our organisation.

Good menopause care has both direct and indirect impacts on retaining our workforce. It can impact productivity, absenteeism and ensures that our people get the support they need which is an important part of retaining experienced, talented and skilled staff.

The aims of this policy are:

- To encourage us to talk more about the perimenopause and menopause.
- For those experiencing symptoms to feel you can ask for the support you need.
- For managers to have the knowledge and confidence to know what to do if you need to provide support to a team member through this time.
- To give all colleagues information about where to access further guidance and support.

We are committed to ensuring the health and wellbeing of all employees and that we are all treated fairly and with dignity and respect at work.

We are committed to taking all reasonable steps to make sure that we:

- Listen to you if you tell us about your perimenopause or menopause symptoms.
- Keep information about your health confidential.
- Support you if you are experiencing menopausal symptoms, making reasonable adjustments where needed.
- Treat you with respect, not making judgements or assumptions about you based on your age or because you have told us that you are in menopause transition.

- Treat any issues of bullying and harassment in relation to health issues associated with the menopause seriously. See our Dignity at Work Policy for more information.

How menopause symptoms can impact work

The body can be affected by menopause in numerous ways. The perimenopause is the period when hormone levels begin to change, you may start to notice new physical and / or mental health symptoms but are still experiencing periods. The perimenopause can last for several years and typically affects people between the ages of 45 and 55 although the age can vary from person to person.

A person is described as in menopause when they have not had a period for one full calendar year or more. Menopause occurs when a person's ovaries no longer produce eggs and as a result the levels of three hormones, oestrogen, progesterone and testosterone, fall.

The average age for someone to undergo menopause transition is 51, but 1 in 100 people will experience it before the age of 40. This can be as a result of surgery, illness or treatment for other conditions such as chemotherapy, or it can be for no reason at all. Perimenopause can start as early as in your twenties or as late as your fifties. We won't make any assumptions about what you may or may not be experiencing based on your age.

The duration and severity of any symptoms will vary across individuals, with some likely to experience severe symptoms that impact their day-to-day activities. The impacts of these symptoms on self-confidence, mental health and relationships with others can affect life outside of work as well as in work. It is important for us all to be aware of these symptoms so that we can appreciate the full extent of how some of us experience the menopause and its impact on work.

Common symptoms include:

- Change in periods – irregular periods, lighter or heavier periods.
- Headaches and migraine that are worse than usual.
- Muscle aches and joint pains.
- Hot flushes – short, sudden feelings of heat or cold, usually in the face, neck and chest.
- Night sweats.
- Mood changes / swings.
- Difficulty sleeping which can make you feel tired and irritable during the day.
- Anxiety, depression, panic attacks and loss of confidence.
- Problems with memory or concentration (often referred to as brain fog).

The law and menopause

While menopause is not a specific protected characteristic under the Equality Act (2010), in accordance with the Advisory, Conciliation and Arbitration Service (ACAS), ‘if an employee is disadvantaged and treated less favourably in any way because of their menopause symptoms this could be viewed as discrimination if related to a protected characteristic, for example, age, disability, gender reassignment or sex’.

Disability and the menopause

People with a disability and those with pre-existing health conditions, may find that the menopause can aggravate their existing impairments and health conditions or even trigger new ones. For example the strength and density of bones are affected by the loss of oestrogen, increasing the potential risk of osteoporosis. Menopausal symptoms can in turn also be made worse by the person’s impairment or health condition.

Transgender, non-binary and intersex employees and the menopause

We recognise and value the diversity of our employees and the importance of an inclusive culture. We are aware people of diverse gender expressions and identities experience menopause, and it is therefore not just an issue for female colleagues.

Transgender, non-binary and intersex employees may experience the menopause either due to age-related hormonal changes or hormone treatments and surgeries. It is important to acknowledge some trans, non-binary and intersex colleagues may not wish to disclose their trans or intersex status. It can therefore be particularly difficult for these employees to access support and / or ask for adjustments. Within each of these groups, people’s needs will be different and so it is crucial to listen to people on an individual basis and enable them to take the lead in their own conversations and required adjustments.

Supporting people experiencing symptoms of perimenopause or menopause transitions means understanding that not everyone experiences menopause in the same way. Like any other health condition, colleagues will have different symptoms and need different support at different times.

This policy isn’t about creating a one-size fits all approach, it is about highlighting all of the different ways that we can support you, so you can decide what works best for you.

Making reasonable adjustments

There might be reasonable adjustments we can make at work to help you manage your menopausal symptoms. There are likely to be temporary changes whilst you go through menopause transition.

Your manager may do a risk assessment to understand more about how your menopausal symptoms might affect you at work and the adjustments you need.

Wellness Action Plan

You can use a Wellness Action Plan to identify how your menopausal symptoms are impacting you at work and use this to discuss any changes you might need with your manager.

The reasonable adjustments we can make will depend on your circumstances, but the types of changes that might help could be:

- Changing your start time or other changes to your working hours if you are experiencing disturbed sleep
- Providing more breaks.
- Working from another location including from home.
- Making sure you have got access to cold water while you are working.
- Making sure you have got easy access to toilet facilities.
- Making sure the temperature is comfortable, providing a fan or access to fresh air.
- Adjusting your uniform requirements or providing more items of uniform.
- Giving you somewhere to store extra clothes or change clothes during the day.
- Giving you time off to attend medical appointments.

If you think you might need a change to your working pattern to help you manage your menopausal transition, talk to your manager about this when you are creating your Wellness Action Plan. In some circumstances, this request may be considered as a reasonable adjustment rather than requiring an application through the Flexible Working Policy.

Your manager may suggest an occupational health referral. This is so that we can get more information about how your menopause symptoms are likely to affect you at work and what adjustments can be put in place to support you.

Implementation of existing Policies

The Council has a policy on Sickness Absence management which includes absence triggers based on duration or frequency of sickness absences. Absence that is specifically recorded as due to symptoms of the menopause will be excluded from assessing whether an employee has breached absence triggers.

It is acknowledged that menopausal symptoms may in some circumstances impact a person's performance at work, and therefore this should be taken into account when applying the Council's Disciplinary or Capability Policy.

Wellness Action Plan

Wellness Action Plans can be used to identify what helps you to manage your menopausal symptoms at work, what causes you to become unwell and the support you would like to receive to improve your wellbeing.

By creating a Wellness Action Plan, you can identify what works and what doesn't work for you in managing your menopausal transition. It can help identify what support you might need from your manager and what you can do to support your own health and wellbeing.

There are templates you can use to create your Wellness Action Plan; one for hybrid working and one for the workplace. You can either do this on your own and then share it with your manager or discuss it with them to put it together. Once you have shared this with your manager, they will keep it confidential and won't share it with anyone else without your permission.

It is good to meet regularly with your line manager to discuss your Wellness Action Plan and how you feel things are going. You can use your usual one-to-one, or just ask them if you want a catch up.

Other sources of support

There are lots of charities and other support groups who offer information and support about the menopause. Here are some that you may find useful:

- Menopause Matters – www.menopausematters.co.uk – independent website providing information about symptoms and treatment options.
- Daisy Network – www.daisynetwork.org support for women experiencing early menopause.
- Women's Health Concern – www.womens-health-concern.org – the patient arm of the British Menopause Society.
- Gen-M – everything you need to know about the menopause all in one place Gen M | The Very Best Of The Menopause | We've Got This.
- Queer / LGBTQIA+ Menopause https://www.queermenopause.com/.

Glossary

Knowing how to talk about the menopause is important for both people experiencing menopausal symptoms and those who need to provide support to a team member or colleague during this time.

Having a shared understanding of the terms and terminology that are frequently used in discussions about the menopause is key to ensuring we are all clear on what we mean and helps to reduce any potential confusion or embarrassment.

You aren't expected to be an expert on the menopause. Having an awareness of the common terms used when discussing the menopause means that conversations are more likely to be supportive and better provide the right guidance and signposting where needed.

The table below provides a short guide to some of the terms and definitions that are used regarding the menopause.

Term	Definition
Early menopause	Menopause happening between the ages of 40 and up to 45.
Menopause	Menopause is when periods stop due to lower hormone levels. This usually happens between the ages of 45 and 55 but for some it can be earlier or later. Family history, surgery and medical conditions can affect the age menopause occurs. Menopause is reached when there has not been a period for 12 consecutive months.
Perimenopause	The time leading up to menopause when ovulation cycles and periods can be irregular, continuing until 12 months after the final period. Perimenopause usually begins during the mid-40s, although it can start earlier and extends until 12 months after the final period.
Post menopause	This is the time after menopause (12 consecutive months without a period). Symptoms of menopause may continue and may require ongoing support.
Premature menopause	When menopause occurs under the age of 40, it is termed premature menopause or premature ovarian insufficiency (POI)
Menopause transition	Refers to the stages: perimenopause, menopause and post-menopause.

Minute

Police and Fire Sub-committee

Tuesday, 14 February 2023, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors David Dawson, Duncan A Tullock, Alexander G Cowie, Raymond S Peace, Jean E Stevenson and Mellissa-Louise Thomson.

Present via remote link (Microsoft Teams)

Councillor Graham A Bevan.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Kenny MacPherson, Head of Property, Asset Management and Facilities.
- Georgette Herd, Solicitor.
- David Miller, Safety and Resilience Officer.

Scottish Fire and Rescue Service:

- Scott Gibson, Local Senior Officer.

Police Scotland:

- Chief Inspector Scott Robertson, Area Commander.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor David Dawson.

1. Tribute to Scottish Fire and Rescue Firefighter

The Chair referred to the death of Firefighter Barry Martin who, after sustaining critical injuries tackling a blaze in Edinburgh, had passed away, following which the Sub-committee observed a minute's silence.

2. Urgent Item

In terms of Standing Order 13.3, the Sub-committee:

Noted that the Chair had permitted discussion of the following urgent item:

- Local Police Plan.

3. Scottish Fire and Rescue Service

Performance Against Orkney Fire and Rescue Plan

After consideration of a report by Scott Gibson, Local Senior Officer, copies of which had been circulated, the Sub-committee:

Scrutinised the statistical performance of the Scottish Fire and Rescue Service, Orkney Islands area, for the period 1 October to 31 December 2022, detailed in the Quarterly Performance Report, attached as Appendix 1 to the report by the Local Senior Officer, and obtained assurance that progress was being made against the objectives.

4. Performance Against Local Policing Plan

After consideration of a report by Chief Inspector Scott Robertson, Area Commander, copies of which had been circulated, the Sub-committee:

Scrutinised progress in respect of the Orkney Islands Local Policing Plan 2020-2023, for the period 1 April to 31 December 2022, attached as Appendix 1 to the report by the Area Commander, and obtained assurance that progress was being made against the objectives.

5. Urgent Item

Local Police Plan

In terms of section 50B(4)(b) of the Local Government (Scotland) Act 1973, the Chair permitted urgent discussion of this item in order that the Sub-committee could consider a formal Council response to a consultation exercise through the appropriate governance process, prior to submission.

After consideration of a joint report by the Corporate Director for Neighbourhood Services and Infrastructure and the Corporate Director for Strategy, Performance and Business Solutions, copies of which had been circulated, and after hearing a report from the Head of Property, Asset Management and Facilities, the Sub-committee:

Noted:

5.1. That Community Empowerment legislation was driving the future landscape across Community Planning Partnerships, with the police having clearly defined roles.

5.2. That the Orkney Local Policing Plan had been designed to articulate the broad contribution to the Local Outcomes Improvement Plan, in keeping with the commitment to table long term issues, in partnership with local partners and communities.

5.3. The draft Orkney Islands Police Plan 2023-2026, attached as Appendix 1 to the joint report by the Corporate Director for Neighbourhood Services and Infrastructure and the Corporate Director for Strategy, Performance and Business Solutions, which was subject to public consultation, with responses required by 12 February 2023.

5.4. That the Council had requested an extension to the deadline for responses to enable the Police and Fire Sub-committee to consider a draft response, which was granted.

5.5. The Council's draft response to the consultation on the Orkney Islands Police Plan 2023-2026, attached as Appendix 2 to the joint report by the Corporate Director for Neighbourhood Services and Infrastructure and the Corporate Director for Strategy, Performance and Business Solutions.

The Sub-committee resolved to **recommend to the Council**:

5.6. That the Council's response to the consultation on the draft Orkney Islands Police Plan 2023-2026, attached as Appendix 1 to this Minute, be approved for submission to Police Scotland by the revised deadline of 16 February 2023.

The Sub-committee noted:

5.7. That, due to the time constraints involved, the Chief Executive would be requested to exercise emergency powers to authorise submission of the Council's response to the consultation on the Orkney Islands Police Plan 2023-2026, prior to approval by the Council.

6. Conclusion of Meeting

At 15:05 the Chair declared the meeting concluded.

Signed: David Dawson.

Draft Orkney Police Plan 2023-26 – Consultation Response

The Police and Fire Sub-committee of Orkney Islands Council makes the following response to the Consultation on the draft Orkney Police Plan 2023-26:

- The local priorities specified in the Local Police Plan are fit for purpose.
  NEITHER AGREE NOR DISAGREE.
- The local objectives and activities specified in the Local Police Plan are fit for purpose.
  NEITHER AGREE NOR DISAGREE.
- Overall, the Local Police Plan is fit for purpose.
  NEITHER AGREE NOR DISAGREE.

Please leave any further comments you have about the draft Local Policing Plan for your area:

The Police and Fire Sub-committee neither agrees nor disagrees with the local priorities, objectives, and activities in the draft Local Police Plan because while the Police and Fire Subcommittee would recognise that much of the content of the Plan is relevant our impression is that it reads as a generic plan and not one that has been written specifically for Orkney.

Once this is addressed via the review of the consultation and the Plan is updated to make reference to specific local concerns we would view it as more fit for purpose.

Currently there is no reference in the draft plan to an Island Communities Impact Assessment (as required by the Islands (Scotland) Act 2018, and we would expect to have seen this appended to the draft plan. Had they been completed; we have no doubt that relevant local issues would have been picked up.

There are a number of specific points that we would wish to highlight as part of our response to the consultation:

1. We would ask as to whether the draft Local Police Plan has been subjected to Island Communities Impact Assessment, taking into account the significant differences between all of Orkney's island communities.

2. We would request that the reference to Neighbourhood Watch be removed as there are no Neighbourhood Watch activities in Orkney and therefore not applicable. This should be replaced with alternative community liaison work to support our communities in identifying crime preventative measures.

3. In relation to Strategic Objective 1: "Threats to public safety and wellbeing are resolved by a proactive and responsive Police service" and the Activity: "Focus on preventative measures relating to Serious Organised Crime", we would ask to see milestones defined specifically around actions to prevent the supply of illegal drugs. This has also been identified as a key priority by Orkney's new Local Area Commander.

4. As the delivery of diversionary activities is not limited to the third sector in Orkney, we would request that the Local Police Plan additionally recognises the work of Orkney Islands Council teams, for example, Community Learning and Development as a contributor to Strategic Outcome 2: “The needs of local communities are addressed through effective Service Delivery” and/or Strategic Outcome 3: “The public, communities and partners are engaged, involved and have confidence in Policing”

5. We would request that the Local Police Plan references the Orkney Community Justice Partnership’s Community Justice Outcomes Improvement Plan (the CJOIP).

6. In terms of the Objective: “Work with local groups and public, third sector and private sector organisations to support our communities” and the proposed Activity: “Engage with Third Sector groups and Local Authority partners to support refugees (EG -Displaced by the conflict in Ukraine)”, we wish to highlight that Orkney has a very small number of refugees not only from Ukraine but from other backgrounds too. Furthermore, given this very small number of refugees, can we ask that an additional Activity is defined regarding Engagement with Third Sector Groups and Local Authority Partners to support a wider set of communities?

7. In regard to Activity: “Strengthen and enhance work with partners to tackle violence”, we would seek further underlining of the need to tackle domestic violence in particular.

8. In terms of the Strategic Outcome 5: “Police Scotland is sustainable, adaptable and prepared for future challenges” and the Objective; “Use innovative approaches to accelerate our capacity and capability for effective service delivery”, we would ask that an Activity is defined concerning:

a. the need to ensure sufficient policing resources within Orkney,

b. the need to ensure the availability of central specialist resources to Orkney when required and

c. the development and expansion of the Special Constabulary roles across Orkney’s isles via campaigns and innovative approaches to support such individuals’ training and development.

9. On that same Strategic Outcome 5, it would be useful to highlight the need for innovative approach in the context of Policing our Island Communities.

10. We would like to see an explanation in the Plan of how an emergency response is to be provided in all of Orkney’s island communities.

11. We feel that the Plan has missed an opportunity to make a meaningful connection to the Orkney Partnership’s draft Local Outcomes Improvement Plan 2023-30 and specifically the strategic priority of Local Equality which is highly relevant to the Local Police Plan.

12. Finally, we would seek a statement to be included recognising that the impacts of crime in rural locations are often more acutely felt by our communities where populations are small and community resilience is more challenged.

Minute

Asset Management Sub-committee

Tuesday, 31 January 2023, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.

Present

Councillors Steven B Heddle, Jean E Stevenson and Ivan A Taylor.

Present via remote link (Microsoft Teams)

Councillors P Lindsay Hall and Mellissa-Louise Thomson.

Councillor Graham A Bevan, who had been invited for Item 9.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Kenny MacPherson, Head of Property, Asset Management and Facilities.
- Lorna Richardson, Head of Neighbourhood Services.
- Graeme Christie, Service Manager (Estates).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Ian Rushbrook, Service Manager (Capital Programme and Property).
- Michael Scott, Solicitor.

In attendance via remote link (Microsoft Teams)

- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Sandra Craigie, Committees Officer.

Observing

- Thomas Aldred, Service Manager (ICT) (for Items 1 to 5).

Apologies

- Councillor Heather N Woodbridge.
- Councillor James W Stockan.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Hazel Flett, Service Manager (Governance) (for Item 1).
- Councillor Ivan A Taylor (for Items 2 to 9).

1. Appointment of Chair

As both the Leader and Depute Leader had intimated their apologies, the Clerk invited nominations for Chair for this meeting, and the Sub-committee:

Resolved that Councillor Ivan A Taylor be appointed Chair for this meeting.

Councillor Ivan A Taylor took the Chair for the remainder of the meeting.

2. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public should be excluded from the meeting for Items 7 to 9, as consideration of the business may involve the likely disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

3. 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 Service Manager (Corporate Finance), the Sub-committee:

Noted:

3.1. 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 31 December 2022, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £256,900.

3.2. 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 31 December 2022, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

3.3. 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.

4. Corporate Asset Improvement Programmes – 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 Service Manager (Corporate Finance), the Sub-committee:

Noted:

4.1. The summary position of expenditure incurred, as at 31 December 2022, against the approved corporate asset capital improvement and replacement programmes for 2022/23, 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 being made with delivery of the approved corporate asset capital improvement and replacement programmes for 2022/23.

5. Corporate Asset Maintenance Programmes – 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 Service Manager (Corporate Finance), the Sub-committee:

Noted:

5.1. The summary position of expenditure incurred, as at 31 December 2022, against the approved corporate asset maintenance programmes for 2022/23, as detailed in section 4.1 of the report by the Head of Finance.

The Sub-committee scrutinised:

5.2. The detailed analysis of expenditure figures and project updates, attached as Appendix 1 to the Head of Finance, and obtained assurance with regard to significant budget variances and progress being made with delivery of the approved corporate asset maintenance programmes for 2022/23.

6. Exclusion of Public

On the motion of Councillor Ivan A Taylor, seconded by Councillor Steven B Heddle, the Sub-committee resolved that the public be excluded for the remainder of the meeting as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

7. Leases on Terms Below Market Value

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Corporate Director for Neighbourhood Services and Infrastructure, copies of which had been circulated, and after hearing a report from the Service Manager (Estates), the Sub-committee:

Noted:

7.1. That 37 tenants were currently listed as occupying Council assets and benefitting from rents at less than market value, as detailed in Appendix 1 to the report by the Corporate Director for Neighbourhood Services and Infrastructure.

7.2. The governance authorising the below market rent arrangements, referred to at paragraph 7.1 above, and also detailed in Appendix 1 to the report by the Corporate Director for Neighbourhood Services and Infrastructure.

8. Plant and Vehicle Replacement Programme

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 8 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Corporate Director of Neighbourhood Services and Infrastructure, copies of which had been circulated, and after hearing a report from the Head of Neighbourhood Services, the Sub-committee:

Noted:

8.1. That a multi-year approach to the replacement of plant and vehicles allowed for greater flexibility to vary the timing of individual transactions were constraints and/or pressures emerged.

8.2. That issues with the supply chain had resulted in a number of items being carried over from the 2022/23 programme, to a total value of £357,000, to be funded by a contribution from the Repairs and Renewals Fund from underspends set aside in financial years 2020/21 and 2021/22.

8.3. That, in addition to the planned purchases for General Fund services, a total of £456,000 was to be spent on the purchase of vehicles on behalf of Non-General Fund services during 2023/24, the cost of which would be fully reimbursed by the relevant trading service, as detailed in Appendix 1 to the report by the Corporate Director for Neighbourhood Services and Infrastructure.

The Sub-committee resolved, in term of delegated powers:

8.4. That the Plant and Vehicle Replacement Programmes for 2023/24, 2024/25 and 2025/26, attached as Appendix 1 to this Minute, be approved.

8.5. That powers be delegated to the Corporate Director for Neighbourhood Services and Infrastructure, in consultation with the Head of Finance, to adjust the programmes referred to at paragraph 8.4 above, as variations arose and in order to maximise use of the annual capital allocations.

9. Request to Lease Property in Stromness

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 6 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a joint report by the Corporate Director for Neighbourhood Services and Infrastructure and the Corporate Director for Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Service Manager (Estates), the Sub-committee:

Resolved to **recommend to the Council** what action should be taken with regard to a request to lease property in Stromness.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

10. Conclusion of Meeting

At 10:50 the Chair declared the meeting concluded.

Signed: I Taylor.

Appendix 1.

Plant and Vehicle Replacement Programme

Pages 2059 to 2062.

Resolved that, under section 50A(4) of the Local Government (Scotland) Act 1973, the public were excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 8 of Part I of Schedule 7A of the Act.

This constitutes a summary of the Appendix in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

Paragraph 8. The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.