

Item: 6

Policy and Resources Committee: 27 February 2024.

Budget and Council Tax Level for 2024/25.

Joint Report by Chief Executive, Corporate Director for Enterprise and Sustainable Regeneration and Head of Finance.

1. Purpose of Report

To consider the Revenue Budget, Council Tax level and the level of contribution from General Fund and other Reserves for financial year 2024/25.

2. Recommendations

The Committee is invited to note:

2.1.

That the Scottish Government has issued grant settlement figures for local government and individual councils for financial year 2024/25, with the provisional revenue grant funding to the Council amounting to £95,596,000, which includes a provisional specific grant allocation of £15,829,000 for provision of ferry services.

2.2.

That the Council's funding has been reduced by a contribution to the Local Government financial settlement floor mechanism (designed to ensure a consistent minimum increase or maximum decrease in funding across all councils) of £976,000, down by £312,000 from £1,288,000 in 2023/24.

2.3.

That Local Government Finance Circular 8/2023, which provides details of the provisional total Local Government revenue and capital funding for 2024/25, refers to a funding package worth over £13.9 billion and includes multiple measures that make up the settlement, as detailed in section 4.2 of this report.

2.4.

That the settlement includes funding for a Council Tax freeze for financial year 2024/25, funded to the equivalent of a 5% net increase in Council Tax.

2.5.

That services have been asked to identify efficiency savings for financial year 2024/25, which are summarised in section 8 of this report and amount to £2,463,700.

2.6.

That the September 2023 headline rate of Consumer Price inflation was 6.7%, down from 10.1% in September 2022.

2.7.

That there is a requirement for significant and real savings to be made, in order that the Council budget can remain sustainable in the short to medium term.

2.8.

That, to assist in achieving a balanced budget for 2025/26, efficiency targets have been suggested for each service, as noted in section 9.4 of this report.

2.9.

The Equality Impact Assessment, attached as Appendix 7 to this report, relating to the overall budget proposals.

2.10.

The advice, outlined in section 15 of this report, regarding risks to the Council's ability to continue to meet, in a secure manner, all of its responsibilities and the expectations placed upon it.

2.11.

That, as a consequence of paragraph 2.10 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

It is recommended:

2.12.

That the General Fund revenue budget for financial year 2024/25 be set at £112,424,000.

2.13.

That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive, to revise the General Fund revenue budget for financial year 2024/25 in respect of any change to the estimated funding level referred to at paragraph 2.1 above.

2.14.

That any additional funding secured for 2024/25, that is not specific to government initiatives that must be funded, be retained in the non-earmarked General Fund balance and used to reduce the exceptional draw on reserves.

2.15.

That the Band D Council Tax level for financial year 2024/25 be increased by 10% and set at £1,506.13.

2.16.

That the Council's budget uprating assumptions, as set out in Appendix 1 to this report, be approved.

2.17.

That, whilst recognising the need to balance the budget and bring spending into line with available funding, known unavoidable service pressures amounting to £3,264,500, and summarised in section 5 of this report, be approved for inclusion in the revenue budget for 2024/25.

2.18.

That the service efficiencies, summarised in section 8 of this report, totalling £2,463,700, be approved for inclusion in the revenue budget for 2024/25.

2.19.

That the savings targets, split between each Directorate, as identified at section 9.4 of this report, be approved for inclusion in the revenue budgets for 2025/26 to 2027/28.

2.20.

That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive:

- To allocate any General Fund underspend from 2023/24 to the setting of the General Fund revenue budget for 2024/25.
- To determine where any General Fund overspends from 2023/24 will be funded from General Fund earmarked reserves balances, while ensuring that the non-earmarked General Fund reserves balance, amounting to 2% of the overall revenue budget for 2024/25 is in place.

2.21.

That Corporate Directors should review and increase existing charges by a minimum of 6.7%, from 1 April 2024, if possible, to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements are required or proposed:

- Building warrant and planning fees.
- Harbour charges.
- Ferry fares.
- Car park and electric vehicle charges.

- Residential care and home care.
- Very sheltered housing.
- Supported accommodation.
- Meals At Home Service
- Licensing fees.
- Ship sanitation certification.
- Marriage / civil partnership.
- Roads inspection fees.
- Trade waste charges.
- Homelessness rents.
- Selected quarry product sales.

2.22.

That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to determine further variations in charges during 2024/25 where it is deemed expedient to do so.

2.23.

That the draw from the Strategic Reserve Fund for 2024/25 be set at £20,000,000.

2.24.

That the policy of presumption against new commitments should continue to remain in force across General Fund services, with the following conditions:

- Exceptions might be considered for new commitments which are 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.
- The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.

2.25.

That powers be delegated to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive, to prepare and distribute a detailed budget incorporating all the budget adjustments agreed by the Council, and any settlement updates and/or clarifications unknown at the date of this meeting.

3. Developing the Budget Strategy

3.1.

While the Scottish and UK economies have avoided the recession that many had predicted for financial year 2023/24, economic growth has been very low, and looks to remain subdued for the foreseeable future. In addition, according to the Fraser of Allander Institute in its *Scotland's Budget Report 2023*,

“Inflation has remained stubbornly high in the UK. The latest reading of the consumer prices index (CPI) showed growth of 4.6% in the 12 months to October 2023. This is well below the peak in quarter 4 of 2022, but it remains over double the Bank of England’s (BoE) target. The Office for Budget Responsibility (OBR) now expects inflation to remain higher for longer than it did in March, and markets expect this will lead to the Bank of England keeping interest rates at about 4% in the medium-term.”.

3.2.

With the United Kingdom Chancellor expected to use additional tax revenues to cut National Insurance Contributions rather than provide additional funds for public spending which would have a positive benefit for the Scottish Government through either Barnett consequential or changes to the Block Grant Adjustments, the Deputy First Minister and Cabinet Secretary for Finance had a challenging budget to present.

3.3.

With this backdrop, the Scottish Government published its draft budget for 2024/25 on 21 December 2023. Once again, the settlement provides figures for a single year only. A key recommendation made in this report is to also set a one-year budget for 2024/25.

3.4.

In considering the Scottish Government draft budget, many Scottish Local Authorities have made their concerns known as they continue to find budget setting very challenging. Many are continuing to make tough decisions to cut or reduce discretionary services in their communities. Some of these cuts by other Councils have been to services such as libraries, swimming pools, leisure centres and third sector grants. These functions are known as preventative services which are central to encouraging social inclusion, participation and improving health and wellbeing. Historically, in Orkney, the Council has invested in these service areas through an annual financial contribution from the Strategic Reserve Fund.

3.5.

Public Health Scotland statistics show that Orkney has one of the highest life expectancy rates of all Scottish Council areas. In addition, the healthy life expectancy rates are on average 12 years higher than the Scottish average. The investment made from the Strategic Reserve Fund in preventative services in

Orkney is very likely to be a contributory factor to this statistic. Overall, the rate of health loss in Orkney is 20% lower than the Scottish rate. A contributing factor to this statistic could be that accessing the range of preventative services in Orkney contributes to a healthier lifestyle and the demand for health and social care services comes later in a person's life than in many other Council areas.

3.6.

Whilst these statistics are welcomed, they do not translate into a reduction in demand for health and social care services in Orkney. There has been a substantial percentage increase, over 70%, in the population of those age 65 and over in Orkney since 2001. (Source: NRS Small Area Population Estimates (2021)). Inward migration of older people has increased over this time perhaps in part due to the many accolades received by Orkney – frequently ranked as 'one of the best places to live' with the 'best quality of life'.

3.7.

There is still much preventative work to do in the public health arena around the prevention of illness. This requires a whole system approach working in partnership with health and social care providers to deliver improvements to preventative services to free up resources to combat the demands for health care that is associated with an aging population.

3.8.

Any reduction in investment in preventative services could therefore create a significant increase in the future demand for health and social care services. To improve the health and wellbeing of Orkney citizens, sustained action is needed to reduce fuel and child poverty and help with the ongoing cost of living.

3.9.

On 19 December 2023, the Deputy First Minister wrote to the Convention of Scottish Local Authorities (COSLA) President in relation to the Local Government Settlement for 2024/25. In her letter, the Deputy First Minister outlined the challenging fiscal context within which decisions regarding the Budget were made and what the Budget means for Local Government. COSLA made the following comments:

- “The letter commits the Scottish Government to continue working on agreeing a Council Tax Freeze with Local Government, noting that the £144m equates to an equivalent 5% increase in Council Tax nationally.
- “The letter concludes by advising that the £14 billion+ allocated to Local Government across the Local Government Settlement is equivalent to a 6% increase in cash terms from the 2023-24 Budget. While the Settlement is, on the face of it a cash increase, there is not enough funding provided to meet the costs of the commitments already made such as the 23-24 pay deal.”

3.10.

COSLA's 'Budget Reality', published on 21 December 2023, outlines that, in 2024/25, Local Government is set to receive £63m less than is required for general revenue purposes, £156m less than is required to fully fund a Council Tax freeze, and £55m less than what is required to fund capital. Taken together, this equates to a shortfall of £274m – without accounting for inflation. Subsequent news releases by COSLA state:

- “The response from the Scottish Government to our Budget ask is disappointing and will mean that the potential that councils have to prevent problems occurring will be limited severely.”
- “Specifically on poverty, the Budget should have had a focus on tackling the root causes of poverty, particularly its impacts on children. This would have needed a greater prioritisation of the work councils do in prevention and early support. The essential social supports councils provide in homes, schools, hubs and communities that aim to support and empower people will be further eroded – this has been the case for a number of years now, due to poor Local Government settlements that cut core funding.”
- “The Budget is bad news for the just transition to a net zero economy. We are still analysing the impact across all services, but one notable cut is to the regeneration capital grant fund (RCGF) and the vacant and derelict land improvement programme (VDLIP). Overall capital regeneration funding to Local Government has been cut by 27%, from £62.5m to £45.8m. This undermines work to regenerate communities, tackle inequalities and to reduce carbon emissions. This means the RCGF, which is jointly managed by Local and Scottish Government, now won't be open to new bids for 2024-25. Our town centres and communities will be worse off due to this decision.”
- “On a larger scale, cuts to local government revenue and capital funding are completely the wrong things to do if Government is serious about tackling climate change and its impact on society and the economy. Given that 82% of all emissions are within the scope of influence of Local Authorities, plans to deliver on the Scottish Government 2030 statutory target must now be in serious doubt a few weeks after Ministers were talking up Scotland at COP 28.”
- “The Budget as it stands leaves not a single penny for transformational Public Service Reform- there is very limited scope for a focus on 'Spend to Save'. The 2024/25 Budget shows a clear difference between the treatment of Local Government and other public bodies, with Local Government disproportionately impacted by cuts to capital funding.”.

3.11.

The Scottish Parliament Information Centre (SPICe) budget briefing – briefings prepared for members of the Parliament and their personal staff – stated:

- “Local government's wish list for this year's Budget probably included a hope for increased funding, an expectation of less ring-fencing from central government and an ask for some multi-year certainty. In some of these areas, the Budget has delivered, in others it has not.

- “Total revenue funding for local government– used for day-to-day spending such as salaries and the purchasing of goods and services – will go up by 5% in real terms. Capital spending falls by 24% in real terms, although this partly reflects a change in the treatment of capital money previously transferred to the revenue budget to support pay deals. The proportion of local government funding formally ring-fenced for national policies is also smaller than last year. This should allow councils more flexibility over how they spend their allocations and allow them to use more of their budgets to fund local solutions for local problems.
- “This is the first budget since the much trumpeted Verity House Agreement, signed by the Scottish Government and COSLA in June. A commitment to reducing ring-fencing was part of this, but so too was an agreement to provide multi-year spending plans “wherever possible”. Councils will be disappointed that this year’s budget, once again, is for a single year only. Such a situation makes medium-term financial planning difficult for councils and is arguably counter to the Verity House Agreement’s stated aim of supporting the delivery of sustainable public services.
- “Additional funding of £144 million is provided to local authorities next year, provided they all agree to freeze council tax. With the freeze applying to all properties, including the largest and most expensive, it is arguable whether this particular policy is consistent with the value outlined by the DFM of asking “those with the broadest shoulders...to contribute a little more”.
- “Despite a positive settlement for the revenue budget for local authorities, capital budgets are seeing a significant reduction. This could present challenges in maintaining and improving the school estate and in delivering against net zero targets.
- “The wider reductions to the capital budget are also seen in the Affordable Housing Supply Programme (AHSP) budget. This is being reduced by 27% in real terms in 2024-25. It is unclear how this will affect the Scottish Government’s commitment to complete 110,000 affordable homes by 2032 and to invest £3.5 billion in the AHSP this parliamentary term.”.

3.12.

The Fraser of Allander Institute summarised in its *Scotland’s Budget Report 2023* that, “on the basis of announced policy and commitments, we estimate that the net funding gap is £1,465m for 2024-25: £799m on resource and £665m on capital”.

3.13.

Consequently, setting the Council’s 2024/25 budget has been difficult.

3.14.

The Council’s annual budget uplifts reflect a prudent approach, with minimal uplifts across all budget expense categories, due to the constrained financial position. This approach has resulted in all Council services having to find additional efficiency savings within their approved budgets to cover the impact of price increases.

3.15.

It is proposed that any additional funding secured for 2024/25, that is not specific to government initiatives that must be funded, be used to reduce the draw on reserves.

3.16.

The reality is that sustained real terms increases in general revenue funding are not being delivered, whilst the use of reserves to balance the budget can only be a solution if the contribution is at a sustainable level. This belief is succinctly stated in the recent Accounts Commission statutory report on *Best Value in Orkney Islands Council*, which stated:

“We note the scale of the council’s reserves and its stated intention to use those reserves in a sustainable manner. However, the council is projecting a very large budget shortfall over the coming years and has relied on use of its reserves rather than achieving significant savings to close previous budget gaps.....it needs to develop and implement detailed operational service plans to put its finances on a more sustainable footing.....”.

3.17.

The Medium Term Financial Strategy 2023/24 to 2027/28 was considered and recommended for approval by the Policy and Resources Committee on 20 June 2023. The options open to the Council to bridge the funding gap and ensure that the draw on reserves is sustainable, remain:

- To increase Council Tax to national average during term of this Council.
- To maximise fee income generation.
- To maximise external funding streams.
- To continue lobbying for a fairer settlement from the Scottish Government.
- To continue to search for efficiencies.
- To continue to look at the way we deliver our services, including innovative service redesign.
- To continue to build capacity through effective partnership working.
- To limit any Service growth to cases where very exceptional circumstances arise.

3.18.

In addition to setting the Council Tax level for financial year 2024/25, the Council is required by law to set a balanced revenue budget by 11 March whereby the level of budgeted expenditure cannot be set at a level greater than the known or realistically anticipated total income for that year.

4. Grant Settlement

4.1.

Local Government Finance Circular 8/2023 was issued on 21 December 2023 and sets out the provisional total Local Government revenue and capital funding for 2024/25.

4.2.

The Circular states that “the Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package worth £13.9 billion and includes:

- £950.9 million of funding that has now been baselined into the General Revenue Grant, as part of the commitment under the Verity House Agreement to review ring-fenced funding.
- An additional £230.0 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts.
- An additional £11.5 million to support the uprating of Free Personal and Nursing Care rates.
- An additional £6.0 million to support the expansion of the Free School Meals policy.
- An additional £6.8 million for Discretionary Housing Payments.
- £145.5 million to support additional teachers and support staff.
- £242.0 million to support teacher pay uplifts.
- £266.2 million to support local government pay.

4.3.

At a Council level, the settlement has delivered an increase in the revenue grant that will be received of £5,660,000, as illustrated below:

Financial Year and Circular.	Total.
2023/24 (3/2023).	£89,936,000.
2024/25 (8/2023).	£95,596,000.
Estimated Revenue Grant Increase.	£5,660,000.

4.4.

The increase in the revenue grant is represented by:

Description	Total.
2024/25 GAE (Grant Aided Expenditure) plus SINA (Special Islands Needs Allowance)	£(6,550,000)
2008-24 Change	£2,681,000
Loans and leasing charges	£(352,000)
Ring-Fenced Grants	£(28,000)
Baselined Redeterminations and In Year Funding	£2,790,000
The Floor	£312,000
New Money*	£6,989,000
Other Minor Adjustments	£(181,000)
	£5,661,000

*The new money total of £6.989 million includes £3.262 million that Council Officers have been told by Scottish Government Officials is to move to the specific grant line for ferry services without generating any increase in the specific grant total, and the Finance Circular is therefore overstated by this amount in respect of what will be received by the Council. Despite repeated attempts to obtain absolute clarity on this point in writing there has been no definitive answer provided.

4.5.

“New” money is broken down as follows:

	2024/25
New Money 2024/25	
Teachers Pay	£1,001,000
Educational Psychologists	£(1,000)
Pupil Equity Fund	£1,000
School Meals	£18,000
Allowance Kinship and Foster Care	£49,000
Personal and Nursing Care	£22,000
Self Directed Support	£3,000
Support for Ferries	£3,262,000
Barclay Review	£10,000
Local Authority Pay	£2,624,000
	£6,989,000

4.6.

The Council remains a contributor to the Floor mechanism for 2024/25 by £976,000, representing a decrease of £312,000 or 24.2% on the 2023/24 level of £1,288,000.

5. Service Pressures

5.1.

Real terms reductions in the settlement awarded to Local Authorities has resulted in all Council services having to find additional efficiency savings within their approved budgets to cover the impact of price increases or, where this has not been delivered, an additional draw on Council reserves. The budget uprating assumptions are set out in Appendix 1 to this report, detailing the recommended budgetary adjustments across the main cost and income subjective groupings. The assumptions continue to reflect a prudent approach, with the budget increases remaining below reported inflation levels. It should be noted that 19 of 22 Local Authorities that responded to a query on pay inflation were proposing 3%, rather than the 2% currently in the Council's budget uprating assumptions. The budget therefore includes a degree of risk that pay settlements will exceed the budget provision. The remaining three Local Authorities have also included 2%.

5.2.

As a result of these real-terms cuts, Council services will have to find additional efficiency savings within their approved budgets in 2024/25, as well as long term savings for 2024/25 onwards. The September 2023 headline rate of Consumer Price inflation was 6.7%, down from 10.1% in September 2021 albeit in January 2024 was down at 4%.

5.3.

For additional information, variation of the uprating assumptions by 1% would result in budget movements of +/- as shown in table below:

Budget Element.	+/-	£
Staff Costs	1.0%	870,000
Property Costs (specifically energy costs).	1.0%	103,400
Supplies and Services	1.0%	71,200
Transport Costs.	1.0%	39,200
Administration Costs	1.0%	18,600
Third Party Payments	1.0%	189,400
Transfer Payments	1.0%	29,600
Third Sector	1.0%	15,800
Other Costs	1.0%	7,200

5.4.

The estimated cost of applying the proposed budget uprating assumptions for General Fund Services is £1,843,600.

5.5.

Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on the Strategic Reserve Fund, services are encouraged to find efficiencies or undertake service redesign within their own service areas to meet any ongoing service pressures. Section 8, below, covers service saving proposals.

5.6.

As part of the budget process for 2024/25 service pressure bids were invited for “known unavoidable service pressures”. These fall into three general groupings:

- Contractual obligations, where, for example, contracts include terms which apply inflationary increases.
- Historical funding deficiencies, in recent years this has included funding nursery provision, Braeburn and Out of Orkney Placements.
- Budgets becoming detached from actual performance, i.e. school meals – where it is unrealistic to maintain school meals income targets when government policy is to provide more free school meals.

5.7.

Incorporating these known unavoidable service pressures into budgets for 2024/25 will reduce their ‘uncontrollable’ impact on outputs and/or performance. The total cost of known unavoidable service pressures presented by Services is £3,264,500. The options available to services, and the Council, to deal with these pressures are summarised in section 3.17 above.

5.8.

A full breakdown of the unavoidable service pressures is attached at Appendix 2.

5.8.

The Council has provisionally agreed its draw from the Strategic Reserve Fund for 2024/25 at £20,000,000. A separate report to this meeting looks at the Strategic Reserve Fund forecast, and budget for 2024/25.

6. Council Tax

6.1.

The Council Tax is based upon the capital value of domestic properties (as at 1 April 1991) which is determined by the Assessor. Once the capital value of properties is assessed, properties are allocated to one of eight bands.

6.2.

Some councils generate relatively high levels of income from Council Tax with, at the higher end, 19% of general income raised from Council Tax. In comparison, Orkney generates less than 11% of general income from Council Tax. This is partially historical, with councils having been tied to their 2008/09 Council Tax rates by the freeze and thereafter, with the exceptions of 2022/23 where a capped increase was permitted and 2023/24 where the Council was once more allowed to democratically determine the level of Council Tax. The mix of house property bands is a further factor with fewer high banded properties in the islands meaning the Council Tax base is a lot lower.

6.3.

The budget announcement by the Deputy First Minister on 21 December 2023, confirmed that the Scottish Government will seek to agree a freeze to Council Tax, funded to the equivalent of a 5% net increase in Council Tax nationally. The Council can decide not to agree to the proposed freeze and implement an increase in alignment with the previously agreed Medium Term Financial Strategy 2023/24 to 2027/28. Deciding not to accept the Council Tax freeze would result in the loss of the Council's allocation in respect of the freeze, £565,000, that would otherwise have been funded by the Government.

6.4.

On 23 February 2023, as part of the budget setting process for 2023/24, the Policy and Resources Committee recommended that the Chief Executive should submit a report, to the Committee prior to setting the budget for 2024/25, outlining a strategy to bring Council Tax up to the national average within the term of this Council. On 20 June 2023, the Policy and Resources Committee recommended approval of the Medium-Term Financial Strategy for 2023/24 to 2027/28, including anticipated Council Tax increases required to achieve the Scottish average.

6.5.

In December 2023, the Scottish Government introduced new legislation, The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023, giving councils new powers with the ability to charge up to double the full rate of Council Tax on second homes. The introduction of this additional power was presented to members for consideration by the Policy and Resources Committee on 20 February 2024.

6.6.

Should the recommendations to the Policy and Resources Committee be approved, the surcharge on second homes is estimated to generate in the region of £750,000 in 2024/25 with £242,000 expected to continue to be allocated to the Housing Revenue Account, and £200,000 recommended to be allocated to the Islands and Rural Housing Fund. The balance will be used to support the General Fund budget. The surcharge on empty properties is estimated to contribute £100,000 to the total Council Tax income in 2024/25.

6.7.

In September each year, the Council submits an annual return to the Scottish Government providing details of Council Tax Band D equivalent properties which is used by the Scottish Government in determining the level of revenue support grant for each Council. The number of Band D equivalent properties in Orkney for the September 2022 return was 8,400 and represents an increase of 116 on the previous year's figure of 8,284.

6.8.

An element of non-collection of Council Tax will inevitably occur and it is considered prudent to make a non-collection allowance of 1.0%, thereby reducing the number of Band D equivalent properties by 84 from 8,400 to 8,316. The allowance for non-collection is consistent with the rate applied in previous years.

6.9.

A recommended 10% increase to the Council Tax, as set out in Appendix 3 to this report, and in line with the Medium-Term Financial Strategy, is estimated to generate £12,272,000, whereas with a freeze in the Band D Council Tax level at £1,369.21, the total amount of income expected to be generated is £11,386,000. The freeze would result in reduced income of £886,000. If the Council chose to accept the Council Tax freeze funding, it would only receive £565,000 necessitating an additional draw on reserves of £321,000.

6.10.

With current Council Tax calculation numbers, each 1% increase in Council Tax would generate approximately £114,000, subject to collection rates, of additional revenue for the Council.

6.11.

Appendix 3 provides a comparison of councils' 2023/24 Band D rates.

7. Reserves and Balances

7.1.

Section 93 of the Local Government Finance Act 1992 requires Scottish authorities, in calculating the Council Tax, to take into account any means by which Council expenses may otherwise be met or provided for. This includes General Fund reserves and earmarked portions of the General Fund balance but not other reserves the Council is specifically allowed to hold.

7.2.

The Council currently holds various earmarked reserves within General Fund balances as part of its longer-term financial management strategy. These earmarked reserves, amounting to £37,554,605 as at 31 March 2023, as detailed in Appendix 4 to this report, are held to meet specific commitments, specific purposes or for specific Council priorities.

7.3.

Balancing the annual budget by drawing on general reserves may be a legitimate short-term option. However, it is not prudent for reserves to be deployed to finance recurrent expenditure. The Chartered Institute of Public Finance and Accountancy (CIPFA) has commented that local authorities should be particularly wary about using one-off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term.

7.4.

A separate report to this Committee on the General Fund Reserves Strategy details the use of earmarked and non-earmarked General Fund reserves.

7.5.

As at 31 March 2023, the non-earmarked General Fund balance was £11,638,994. During the budget setting process for financial year 2023/24, it was recognised that an allocation from General Fund balances, totalling £8,843,200, would be required to fund general fund services. This brought the balance of non-earmarked General Fund balances to £2,795,794.

7.6.

There is no generally recommended target level of uncommitted General Fund Reserves although a number of local authorities do have a target range of between 2% to 4% of their net revenue expenditure. The General Fund Reserves Strategy report recommends that General Fund non-earmarked balances for 2024/25 remain at 2% of the net revenue budget for 2024/25, with a target balance of approximately £2,250,000.

7.7.

There is presently much uncertainty regarding the budget outturn for financial year 2023/24. Budget outturn projections for 2023/24 remain stubbornly at ~104%, an overspend in excess of £4,000,000. If this forecast were to materialise, the level of non-earmarked General Fund balances held would be insufficient to meet the 2023/24 spend.

7.8.

Should the Council return an overspend position for 2023/24 any uncommitted balances held within earmarked General fund balances should be returned to non-earmarked General Fund reserves, to meet in-year overspends and retain the 2% contingency balance for non-earmarked General Fund balances.

7.9.

In the unlikely event an underspend on General Fund services is realised in 2023/24 it is recommended that they are retained in non-earmarked General Fund balances.

7.10.

It is not anticipated that any General Fund balances will be available to be used in setting the 2024/25 budget as these are expected to have been applied to address the overspend position referred to at section 7.7 above.

7.11.

The Council also has available a source of funding from its Strategic Reserve Fund. A separate report is presented to this Committee on the Strategic Reserve Fund forecast and budget for 2024/25.

7.12.

In setting the revenue budget for 2023/24, a contribution of £6,350,000 of Strategic Reserve Fund balances was budgeted as a means of cushioning savings targets/ requirements and to maintain and protect spending and services which might otherwise have been reduced or removed when setting the budget.

7.13.

In setting a budget for financial year 2024/25, it is accepted that the “floor” for the Strategic Reserve Fund has already been breached and is unlikely to be regained as commitments on the Strategic Reserve Fund are unlikely to diminish in the short term. Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources, work is ongoing to progress the Medium Term Financial Strategy, but acknowledging the pressures on services, including staffing. As such, the sum of £20,000,000 is recommended as a contribution from the Strategic Reserve Fund for financial year 2024/25.

7.14.

As budgets settlements have reduced in real terms, the reliance on the Strategic Reserve Fund has been increasing, as detailed below:

Financial year.	Annual draw from Strategic Reserve Fund.
2014/15	£3,930,000
2015/16	£3,930,000
2016/17	£3,930,000
2017/18	£3,930,000
2018/19	£4,684,000
2019/20	£6,050,000
2020/21	£6,317,200
2021/22	£7,469,900
2022/23*	£8,262,900
2023/24**	£6,350,000
2024/25	£20,000,000

* 2022/23 also included General Fund Reserve contribution of £2,621,000.

** 2023/24 also included General Fund Reserve contribution of £8,843,200.

7.15.

The value of the Strategic Reserve Fund usable reserves has been estimated at £212,565,000 as at 31 March 2024. This value is £41,720,000 below the “floor”. The minimum balance or “floor” for the Strategic Reserve Fund was established at £175,000,000, as at 1 April 2012, and has been recalculated using Retail Price Index (RPI) to 31 March 2021 and Consumer Price Index (CPI) up until 31 March 2024, to maintain its capital value in real terms. The gap between the value of the Strategic Reserve Fund and the “floor” is forecast to further increase to £89,218,000 over the three years to 31 March 2027, as the level of disbursements on the Strategic Reserve Fund continues to exceed the amount of forecast growth in real terms.

7.16.

The Strategic Reserve Fund report recommends the level of disbursements from the Strategic Reserve Fund used to support General Fund Services and other Council priorities for financial year 2024/25 onwards as follows:

- A financial contribution of £20,000,000 from the Strategic Reserve Fund to the General Fund to be used as a planning assumption as part of the Council’s budget setting process for financial year 2024/25.
- Indicative contributions of £18,000,000 and £15,000,000 for 2025/26 and 2026/27 respectively.

7.17.

The Council continues to investigate strategic investment opportunities which are anticipated, in the future, to generate returns which will enable the Council to support, and enhance, core services. It should be noted, however, that balances can only be spent once.

7.18.

Considering the current financial climate, the importance of sustaining a sufficient reserve position is pivotal to the financial framework of the Council. Financial sustainability is now the greatest risk currently facing this Council, given the very tight budgets which have to be set for Council services and the inherent risk therein.

8. Efficiency Savings for 2024/25

8.1.

As part of the budget setting process for 2024/25, Services were asked to present proposals for increasing charges, implementing efficiencies or for service redesign. A long list of proposals was received, however, on review it was evaluated that many of the proposals were operational changes which would aid in budgetary control, as opposed to freeing up corporate funds. This, together with other factors, like time to implement, has resulted in only £2,463,700 of efficiency savings being identified that can be applied to the 2024/25 budget. The savings can be broken down as follows:

- Reduction in employer's pension contribution rate from 17% to 15% – £959,300.
- Re-introduction of 1% reduction in staff budgets in respect of anticipated staff turnover – £815,500.
- Impact of interest rate movement in loan charge receipts – £128,000.
- Introduction of 100% surcharge on Second Homes Council Tax – £300,000.
- Other miscellaneous amounts – £260,900.

8.2.

The full list of efficiency savings is attached at Appendix 5.

9. Savings Targets

9.1.

The current level of budgeted expenditure is more than can be sustained through the ongoing support from Scottish Government and locally raised revenue from Council Tax and fees and charges. There is also a high level of risk inherent in propping up the budget through contributions from reserves.

9.2.

There is now a requirement, across all Council services, to seek efficiencies, maximise revenues and minimise costs.

9.3.

There is a requirement for significant and real savings to be made if the Council budget is to remain sustainable in the medium term. As such each Service has been allocated savings targets which it is recommended forms part of their budget, and budget monitoring. Each Directorate has a Directorate Delivery Plan (DDP), within which the efficiency savings identified by services during the 2024/25 budget setting process should form the starting point for the detailed operational service plans, recommended by the Accounts Commission Best Value report, to put their finances on a more sustainable footing. The implementation of the financial action plans will assist services in meeting their savings targets. Services will be required to build on and develop full recovery plans to meet savings targets.

9.4.

Directorate savings targets are recommended to be set as follows for 2025/26, 2026/27 and 2027/28:

Directorate	2025/26 £000s	2026/27 £000s	2027/28 £000s	Total £000s
Enterprise and Sustainable Regeneration	126	189	252	567
Education, Leisure and Housing	768	1,152	1,535	3,455
Neighbourhood Services and Infrastructure	458	687	916	2,061
Strategy, Performance and Business Solutions	179	268	358	805
Orkney Health and Care	469	704	938	2,112
Totals	2,000	3,000	4,000	9,000

9.5.

These efficiencies are required in addition to the actions to bring spending into line with the current budget. The savings are calculated as a pro-rata basis against gross budgets for 2023/24 (less ring-fenced grant funding).

10. Charging for Services

10.1.

On 9 December 2014, the Council approved a Corporate Charging and Concessions Policy.

10.2.

The importance of charges has increased with the reduction in grant funding and the knowledge that increasing existing charges and introducing new charges are required in order to maintain services or prevent certain services being removed altogether. Inflation, as measured by the Consumer Price Index (CPI) was 6.7% at September 2023. It is therefore recommended that Corporate Directors should look to review and increase existing charges by a minimum of 6.7% from 1 April 2024, if it is possible to do so.

10.3.

There are however exceptions to this where, for commercial or other reasons, application of the charge would result in a reduction in income or where the charges collected by the Council are set by statute; a committee to which the Council has delegated responsibility, or a national body. Nationally determined charges will continue to be adjusted according to the national changes.

10.4.

The proposed exceptions where the general increase of at least 6.7% will not apply are as follows:

- Building Warrant and Planning fees – set nationally.
- Harbour Charges – annual increase considered separately by the Harbour Authority Sub-committee.
- Ferry fares – policy is to match Caledonian MacBrayne increase.
- Car Park and Electric Vehicle charges – annual increases should be considered separately by the Development and Infrastructure Committee.
- Residential Care and Home Care – based on cost of service.
- Very Sheltered Housing – based on cost of service.
- Supported Accommodation – based on cost of service.
- Meals At Home Service – full cost recovery
- Licensing fees – annual increase considered separately by the Licensing Committee.
- Ship Sanitation Certification – set nationally.
- Marriage / Civil Partnership – set nationally.
- Roads Inspection Fees – set nationally.
- Trade Waste charges – based on cost of service.
- Homelessness rents – set in accordance with the Rapid Rehousing Transition Plan.
- Selected quarry product sales – based on cost plus.

10.5.

When calculating increases for the Council charges register, for ease of collection the increased charges will be rounded in accordance with the following charging guidance:

Less than £2.00.	6.7% rounded up to nearest 10p.
£2.00 to £49.99.	6.7% rounded up to nearest 10p.
£50.00 to £99.99.	6.7% rounded up to nearest 50p.
£100.00 and over.	6.7% rounded up to nearest £1.

10.6.

With reference to section 9.2 above, Services have to seek to maximise revenues. This is not always just looking at price increases but could be increasing take up. Services should seek to understand each service cost structure and market and set prices accordingly.

11. Revenue Budget Summary

11.1.

The proposed uprating assumptions to be applied to the existing base budget are set out in Appendix 1 and total £1,843,600 for 2024/25. The table below indicates the monetary values where increases are to be applied.

Staff Costs – Non-Teaching	£33,700	
Property Costs	£311,300	
Supplies and Services	£211,000	
Transport Costs	£239,300	
Administration Costs	£55,300	
Third Party Payments	£688,000	
Transfer Payments	174,900	
Third Sector	47,100	
Other Costs	498,000	
		£2,258,600
Rents and Lettings	£(31,000)	
Sales	£(58,600)	
Fees and Charges	£(316,500)	
Other Income	£(8,900)	
		£(415,000)

Total Net Uplift		£1,843,600
------------------	--	------------

11.2.

Appendix 6 provides an analysis of the financial settlement and shows that there is a net cash increase for 2024/25.

11.3.

A summary of the net budget movement between 2023/24 and 2024/25 is set out below.

	2024/25
Overall Budget Increase	
Movement 2023/24 to 2024/25	£11,646,400.
Represented By:	
Movement in Gross Revenue Grant	£4,795,000.
Non-Domestic Rates	£664,000.
Council Tax.	£1,343,000.
General Fund Reserve contribution	£(8,805,600).
Other Reserves increased contribution.	£13,650,000.
	£9,078,450.

11.4.

It is proposed that the budget for 2024/25 be set at £112,424,000 as detailed in Appendix 6, along with the calculation of the Council Tax for 2024/25, as detailed in Appendix 3.

12. Capital Settlement 2024/25

12.1.

There is a separate report to this Committee on the Local Government Capital Funding Settlement for 2024/25.

12.2.

The Council has been notified through Finance Circular No. 8/2023 that it will receive £4,640,000 of General Capital Grant in 2024/25. This is a decrease of £1,889,000 from 2023/24.

12.3.

Capital allocations have fluctuated in recent years, as indicated in the table below, as Government has “borrowed” and then “repaid” capital from the local government settlement. The baseline planning assumption for recurring General Capital Grant has had to be reduced from close to £6 million to around £5 million, based on recent trends.

Year.	General Capital Grant.	Increase/ (Decrease).
2016 to 2017.	£5,308,000.	(£2,026,000).
2017 to 2018.	£6,962,000.	£1,654,000.
2018 to 2019.	£6,419,000.	(£543,000).
2019 to 2020.	£7,454,000.	£1,035,000.
2020 to 2021.	£5,046,000.	(£2,408,000).
2021 to 2022.	£5,048,000.	£2,000.
2022 to 2023	£5,234,000.	£186,000.
2023 to 2024	£6,529,000.	£1,295,000
2024 to 2025	£4,640,000.	(£1,889,000)

12.4.

Any underspend on loan charges in the year ending 31 March 2024, as a result of capital programme slippage will first be applied against any revenue budget overspends with any balance applied to repay capital debt, while the General Capital Grant of £4,640,000 in the year to 31 March 2025 will be the main funding source for expenditure on the capital programme. The 2023/24 General Capital Grant award included an allocation of £811,000 to meet the local government pay deal for 2022/23. This augmentation reverts to general revenue grant from 2024/25.

13. Presumption Against New Commitments

13.1.

In setting the budget for financial year 2023/24, the Council determined that its policy of a presumption against new commitments should continue to remain in force for the time being. However, in order to allow for eventualities which might arise, the following principal conditions applied:

- Exceptions might be considered for new commitments which are 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.

- The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.

13.2.

It is proposed that, with the continuing pressure on the budget, the Council should again establish policies of constraint in undertaking new commitments for financial year 2024/25 across General Fund services.

14. Fairer Funding for Ferry Services

14.1.

The Government has engaged constructively with the Council over financial support for ferry services in the lead up to the 2024/25 budget although Finance Circular 8/2023 indicates a specific ring-fenced grant of £15,829,000 for Orkney in 2024/25. This would effectively be a flat cash settlement, taking no account of pay increases, inflationary pressures, fuel costs or the continually aging fleet. There is ongoing dialogue with Transport Scotland on the ferries budget and a supportive statement was issued following the Ministerial Taskforce meeting in November 2023.

14.2.

The final ring fenced grant amount for 2023/24 was only confirmed in August 2023, and did include an uplift from the 2022/23 grant, so whilst disappointing that an increased funding allocation has not been included in the December 2023 Finance Circular, there is a degree of confidence that a higher award will be made in due course.

15. Risk

15.1.

The increasingly stringent financial circumstances facing councils as a result of real term cuts in Government grant allocations, coupled with increased demand for services, a cost of living crisis, heightened regulatory requirements and high levels of ring-fenced funding all place correspondingly high levels of risk upon councils. For the forthcoming financial year, the risk remains high.

15.2.

While those services which have been “protected” by the Government through ring-fenced funding carry high levels of risk, there are also risks associated with many “non-protected” services and in relation to the corporate responsibilities and compliance duties which apply to all Council Services.

15.3.

Due to diseconomies of scale, the capacity of the Council to meet such responsibilities is limited by comparison with larger councils and, as a consequence, the level of exposure to risk is greater in the local context.

15.4.

Inclusion of the specific grant of £15,829,000 for internal ferry services at the first stage of the budget reduces the financial risk to the Council for provision of ferry services in 2024/25. As a flat cash settlement however, it takes no account of pay increases, inflationary pressures, fuel costs or the continually aging fleet.

15.5.

There remain significant ring-fenced and earmarked sums within the settlement which, together with pressures on pay and prices, means that there is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision however builds upon a gap from previous years and may result in service budget overspends.

15.6.

It is likely, with regard to many areas of the Council's activities, that it will be very difficult to assure Elected Members with confidence that sufficient resources, in terms of service infrastructure, including a motivated and skilled workforce and associated support systems, are in place to meet all legal and compliance obligations let alone the many standards of good practice which apply to services. This leads to an increased likelihood of failures or perceived failures within services and clear challenges in terms of meeting performance expectations of the Council and its many stakeholders.

15.7.

It is difficult to provide Elected Members with an assessment of the impact of any cuts to preventative services which contribute to positive health and wellbeing. Current Public Health statistics indicate that investment in these areas reduce demand on health and social care services. Orkney, as detailed in section 3.5 above, is outperforming other council areas in the healthy life expectancy and rate of health loss and within the aging population, probably in part attributable to the historic investment in these service areas by the Strategic Reserve Fund.

15.8.

The requirement to make efficiencies, maximise revenues and reduce costs, and look for strategic savings will create challenges for the Council's stakeholders.

15.9.

The Council's Medium Term Financial Strategy 2023/24 to 2027/28 identifies a range of cumulative funding gaps over a five-year period from the best case at £25,783,900 to a worst case of £28,497,900. However, these, now already historical, projections only serve to illustrate that the Council faces a significant challenge over the next five years in matching the level of expenditure to the available resources. The Council's Medium-Term Financial Strategy and the Long-Term Financial Plan require updating to reflect recent performance, current assumptions, efficiency targets, and Strategic Reserve Fund draws.

15.10.

As Head of the Paid Service, the Chief Executive has a statutory responsibility in terms of section 4 of the Local Government and Housing Act 1989 to report to the Council on the adequacy of the staff resources necessary to carry out the functions of the Council.

16. Human Resource Implications

16.1.

The efficiency savings for 2024/25 (section 8 above) and the proposed savings for 2024/25, 2025/26 and 2026/27 (section 9 above) is likely to impact staffing. Any such impacts should be suitably managed in accordance with Council procedures.

16.2.

The staffing establishment at 31 January 2023 shows a total of 1,668 FTE staff employed on permanent or temporary contracts, which is an increase from 1,646 FTE at the same point in 2022.

16.3.

On 29 November 2021, the Policy and Resources Committee noted that, should the revised Corporate Management Structure be approved, the Chief Executive would arrange for a report on the Strategic Workforce Plan to be presented to the Policy and Resources Committee by March 2022. The Council's People Plan 2022-26 was recommended for approval by the Policy and Resources Committee on 21 June 2022.

16.4.

The creation of new Workforce Plans across the various Council services is a commitment within the People Plan to be undertaken in year 2023/24. Whilst work has commenced on the approach to Workforce Planning and is being considered by the Corporate Leadership Team, the changing financial context within which the Council is now operating needs to be factored into its workforce planning with service re-design and transformation a key focus. Work around this will therefore be taken forward in 2024/25 and beyond so that it is appropriately linked to the financial outlook and resource strategy.

16.5.

Elements of medium and long-term workforce planning remain challenging when set in the context of significant financial uncertainty and continued single year budgeting.

17. Equalities Impact

An Equality Impact Assessment on the overall budget proposals has been carried out and is attached as Appendix 7.

18. Island Communities Impact

As the budget strategy being developed and delivered in terms of this report has been assessed as being unlikely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in Orkney, a full Island Communities Impact Assessment has not been undertaken.

19. Corporate Governance

19.1.

This report is presented in order to comply with internal governance and reporting requirement, including financial processes and procedures, and is not for the exclusive purpose of supporting and contributing to improved outcomes for communities as detailed in the Council Plan and the Local Outcomes Improvement Plan.

19.2.

However, when considering the budget setting issues for 2024/25, cognisance has been taken of the Council's duty to meet statutory obligations, together with the declared key priorities of the Council, and how these might be progressed within the resources currently available.

19.3.

Accordingly, the proposals outlined in this report will assist in delivering the Council's priorities by allocating resources to those areas of activity which have been highlighted as priorities.

19.4.

Any reduction in preventative services could however realise a detrimental effect in the health and wellbeing of Orkney citizens and lead to a future increase in demand for health and social care services.

20. Financial Implications

20.1.

The financial implications are detailed throughout the report.

20.2.

A detailed revenue budget for 2024/25, incorporating any Scottish Government changes from the estimated funding settlement and the budget adjustments agreed by the Council, will require to be prepared and thereafter distributed to budget holders to facilitate effective budgetary control arrangements during financial year 2024/25.

21. Legal Aspects

21.1.

Section 93 of the Local Government Finance Act 1992 requires the Council to set the Council Tax and a balanced budget before 11 March each year. Failure to do so could result in the Council being declared by the Scottish Ministers to be in default and directed, by virtue of Section 211 of the Local Government (Scotland) Act 1973, to set a Council Tax and a balanced budget within such time as the Scottish Ministers direct.

21.2.

The Council is required by law to make arrangements which secure best value.

21.3.

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Appendices 2 and 5 to this report. Appendices 2 and 5 contains exempt information as defined in paragraphs 1, 4, 6 and 8 of Part 1 of Schedule 7A of the Act.

22. Contact Officers

Oliver Reid, Chief Executive, extension 2101, Email oliver.reid@orkney.gov.uk

Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration, extension 2103, Email Gareth.waterson@orkney.gov.uk

Erik Knight, Head of Finance, extension 2127, Email erik.knight@orkney.gov.uk

23. Appendices

Appendix 1: Budget Uprating Assumptions 2024/25.

Appendix 2: Unavoidable service pressures.

Appendix 3: Council Tax Calculation 2024/25.

Appendix 4: Reserves and Balances as at 31 March 2023.

Appendix 5: Efficiency savings.

Appendix 6: Estimated Financial Settlement 2024/25.

Appendix 7: Equality Impact Assessment – Overall Budget Assessment.

Appendix 1.

Budget Uprating Assumptions

Budget Element.	2022 to 2023.	2023 to 2024.	2024 to 2025.
Staff Costs Non-Teaching.	2.0%.	7.0%.	2.0%.
Pension Costs Non-Teaching.	0.0%.	0.0%.	0.0%.
Staff Costs Teaching.	1.0%.	8.0%.	2.0%.
Pension Costs Teaching.	0.0%.	0.0%.	0.0%.
Property Costs (specifically energy costs).	1.0%.	15.0%.	3.0%.
Supplies and Services	0.0%.	0.0%.	3.0%.
Transport Costs.	0.0%.	0.0%.	3.0%.
Administration Costs	0.0%.	0.0%.	3.0%.
Third Party Payments	0.0%.	0.0%.	3.0%.
Transfer Payments	0.0%.	0.0%.	3.0%.
Third Sector	10.0%.	0.0%.	3.0%.
Other Costs	0.0%.	0.0%.	3.0%.
Trading Organisations and Orkney Ferries.	1.0%.	0.0%.	3.0%.
Internal Transport	1.0%.	0.0%.	3.0%.
Sales.	5.0%.	10.0%.	6.7%.
Fees and Charges.	5.0%.	10.0%.	6.7%.
Other Income.	5.0%.	10.0%.	6.7%.
Total Uplift for Inflation.	£1,631,200.	£6,740,000.	£1,843,600

Appendix 3.

Council Tax Calculation for 2024 to 2025

Non-Domestic Rates.	£12,137,000.
Revenue Support Grant.	£67,145,000.
Council Tax.	£12,672,000.
Use of Reserves.	£20,470,000
Proposed Budget for 2024 to 2025.	£112,424,000.
Less Use of Reserves.	-£20,470,000.
	£90,768,000.
Less Financial Settlement.	-£79,282,000.
Less Empty Properties Income.	-£400,000.
Expenditure to be met by Council Tax.	£12,272,000.
Band D Properties Forecast.	8,400.
Assumed Collection Rate.	97%.
Number of Band D Equivalent Tax Payers.	8,148.
Band D Council Tax for 2024 to 2025.	£1,506.13.

Appendix 4.

Reserves and Balances as at 31 March 2023

General Fund	£	Balance as at 31/03/23 £
Non-Earmarked Balance.		11,638,994.
Capital Fund.		1,219,282.
Capital Receipts Reserve.		901,829.
Repairs and Renewals Fund.		6,804,112.
Local Works and Services Contingency Fund.	25,000.	
Workforce Management and Management Support Fund.	1,245,225.	
Renewable, Redevelopment and Regeneration Fund.	6,990,018.	
Development Grants Fund.	1,247,121.	
Outwith Orkney Placements Fund.	661,662.	
Capital Projects Appraisal Fund.	723,212.	
Crown Estate Fund.	2,557,842.	
Redeterminations Flexibility Fund.	132,301.	
Business Support Fund.	1,586,836.	
Sustainable and Green Transport Fund.	55,852.	
Islands Deal Fund.	1,765,319.	
Total Earmarked Reserves.		16,990,388.
Total General Fund Reserves.		37,554,605.

Council Tax Comparison 2023 to 2024

Scotland Average Band D Council Tax (based on total Band D Equivalents)				£1,417				
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Valuation Band Range (as at 1991)	Under £27,000	£27,001 to £35,000	£35,001 to £45,000	£45,001 to £58,000	£58,001 to £80,000	£80,001 to £106,000	£106,001 to £212,000	£212,000 and over
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360
Aberdeen City	£993.03	£1,158.54	£1,324.04	£1,489.55	£1,957.10	£2,420.52	£2,917.04	£3,649.40
Aberdeenshire	£928.95	£1,083.77	£1,238.60	£1,393.42	£1,830.80	£2,264.31	£2,728.78	£3,413.88
Angus	£877.79	£1,024.08	£1,170.38	£1,316.68	£1,729.97	£2,139.61	£2,578.50	£3,225.87
Argyll & Bute	£986.13	£1,150.49	£1,314.84	£1,479.20	£1,943.50	£2,403.70	£2,896.77	£3,624.04
City of Edinburgh	£965.13	£1,125.98	£1,286.84	£1,447.69	£1,902.10	£2,352.50	£2,835.06	£3,546.84
Clackmannanshire	£940.64	£1,097.41	£1,254.19	£1,410.96	£1,853.84	£2,292.81	£2,763.13	£3,456.85
Dumfries & Galloway	£889.90	£1,038.22	£1,186.53	£1,334.85	£1,753.84	£2,169.13	£2,614.08	£3,270.38
Dundee City	£990.95	£1,156.11	£1,321.27	£1,486.43	£1,953.00	£2,415.45	£2,910.93	£3,641.75
East Ayrshire	£991.63	£1,156.90	£1,322.17	£1,487.44	£1,954.33	£2,417.09	£2,912.90	£3,644.23
East Dunbartonshire	£943.77	£1,101.07	£1,258.36	£1,415.66	£1,860.02	£2,300.45	£2,772.33	£3,468.37
East Lothian	£957.08	£1,116.59	£1,276.11	£1,435.62	£1,886.25	£2,332.88	£2,811.42	£3,517.27
East Renfrewshire	£943.48	£1,100.73	£1,257.97	£1,415.22	£1,859.44	£2,299.73	£2,771.47	£3,467.29
Falkirk	£909.21	£1,060.75	£1,212.28	£1,363.82	£1,791.91	£2,216.21	£2,670.81	£3,341.36
Fife	£923.45	£1,077.36	£1,231.27	£1,385.18	£1,819.97	£2,250.92	£2,712.64	£3,393.69
Glasgow City	£999.33	£1,165.89	£1,332.44	£1,499.00	£1,969.52	£2,435.88	£2,935.54	£3,672.55
Highland	£951.45	£1,110.03	£1,268.60	£1,427.18	£1,875.16	£2,319.17	£2,794.89	£3,496.59
Inverclyde	£953.18	£1,112.04	£1,270.91	£1,429.77	£1,878.56	£2,323.38	£2,799.97	£3,502.94
Midlothian	£1,009.82	£1,178.12	£1,346.43	£1,514.73	£1,990.19	£2,461.44	£2,966.35	£3,711.09
Moray	£953.79	£1,112.76	£1,271.72	£1,430.69	£1,879.77	£2,324.87	£2,801.77	£3,505.19
Na h-Eileanan Siar	£860.50	£1,003.92	£1,147.33	£1,290.75	£1,695.90	£2,097.47	£2,527.72	£3,162.34
North Ayrshire	£968.08	£1,129.43	£1,290.77	£1,452.12	£1,907.92	£2,359.70	£2,843.74	£3,557.69
North Lanarkshire	£880.52	£1,027.27	£1,174.03	£1,320.78	£1,735.36	£2,146.27	£2,586.53	£3,235.91
Orkney Islands	£912.81	£1,064.94	£1,217.08	£1,369.21	£1,798.99	£2,224.97	£2,681.37	£3,354.56
Perth & Kinross	£935.79	£1,091.76	£1,247.72	£1,403.69	£1,844.29	£2,281.00	£2,748.89	£3,439.04
Renfrewshire	£957.45	£1,117.02	£1,276.60	£1,436.17	£1,886.97	£2,333.78	£2,812.50	£3,518.62
Scottish Borders	£904.07	£1,054.75	£1,205.43	£1,356.11	£1,781.78	£2,203.68	£2,655.72	£3,322.47
Shetland Islands	£840.41	£980.47	£1,120.54	£1,260.61	£1,656.30	£2,048.49	£2,468.69	£3,088.49
South Ayrshire	£968.77	£1,130.24	£1,291.70	£1,453.16	£1,909.29	£2,361.39	£2,845.77	£3,560.24
South Lanarkshire	£867.21	£1,011.74	£1,156.28	£1,300.81	£1,709.12	£2,113.82	£2,547.42	£3,186.98
Stirling	£987.67	£1,152.28	£1,316.89	£1,481.50	£1,946.53	£2,407.44	£2,901.27	£3,629.68
West Dunbartonshire	£932.65	£1,088.10	£1,243.54	£1,398.98	£1,838.10	£2,273.34	£2,739.67	£3,427.50
West Lothian	£927.31	£1,081.86	£1,236.41	£1,390.96	£1,827.57	£2,260.31	£2,723.96	£3,407.85

Excludes Water and Sewerage
Source: As reported by the Local Authorities on the statistical return Council Tax Assumptions 2023

Appendix 6.

Financial Settlement 2024 to 2025

Financial Settlement Details.	2023 to 2024.	2024 to 2025.
Total Estimated Expenditure.	£98,208,000.	£104,054,000.
Funded by:		
Assumed Council Tax.	£8,272,000.	£8,458,000.
Ring-fenced Grants.	£16,113,000.	£16,314,000.
Non-Domestic Rates.	£11,473,000.	£12,137,000.
General Revenue Funding.	£62,350,000.	£67,145,000.
Totals.	£98,208,000.	£104,054,000.
Government Grants:		
Ring-fenced Grants.	£16,113,000.	£16,314,000.
Non-Domestic Rates.	£11,473,000.	£12,137,000.
General Revenue Funding.	£62,350,000.	£67,145,000.
Totals.	£89,936,000.	£95,596,000.
Grant Movement.	£3,711,000.	£5,660,000.
Grant Movement.	4.3%.	6.3%.
Council Budget Calculation:		
Non-Domestic Rates.	£11,473,000.	£12,137,000.
Revenue Support Grant.	£62,350,000.	£67,145,000.
Council Tax.	£11,329,000.	£12,672,000.
Use of Strategic Reserve Fund.	£6,350,000.	£20,000,000.
Use of Other Reserves	£432,400.	£470,000.
Use of General Fund Reserve	£8,843,200.	£0.
Totals.	£100,777,600.	£112,424,000.
Budget Movement.	£10,782,500.	£11,646,400.
Budget Movement.	12.0%.	11.6%.



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan	
Name of function / policy / plan to be assessed.	Setting the budget and Council Tax levels for 2024 to 2025.
Service / service area responsible.	Enterprise and Sustainable Regeneration.
Name of person carrying out the assessment and contact details.	Erik Knight, Head of Finance.
Date of assessment.	26 January 2023
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New following the grant settlement from the Scottish Government and setting of the Council budget from 2024 to 2025.

2. Initial Screening	
What are the intended outcomes of the function / policy / plan?	<p>To set the budget and Council Tax levels for financial year 2024 to 2025 and consider budget uprating assumptions, unavoidable service pressures and efficiency savings.</p> <p>In this assessment, we have tried to consider the emerging cumulative impacts of the budget proposals to ensure that the decisions making process is informed by an understanding of the likely impacts on people and communities.</p> <p>Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on Reserves, services are encouraged to find efficiency savings or undertake service redesign within their own service areas.</p> <p>As a consequence, there is a recognition that due to the scope of some of the proposals, this assessment</p>

	<p>process will need to continue to form part of any development and implementation plans of the way in which we provide our services.</p>
<p>Is the function / policy / plan strategically important?</p>	<p>Yes.</p>
<p>State who is, or may be affected by this function / policy / plan, and how.</p>	<p>Users of Council services will be affected by changes in service provision or charges and employees will be affected if implementation of efficiencies or service redesign results in a reconfiguring of staffing numbers or posts as a result of these proposals.</p>
<p>How have stakeholders been involved in the development of this function / policy / plan?</p>	<p>It remains vital to ensure that our limited resources are prioritised in ways that are fair and that any inevitable negative impacts of some of the proposals are properly assessed and mitigated as far as possible. All proposed efficiencies, services redesign, charges and unavoidable pressure bids have been subject to debate, review and challenge by the Corporate Leadership Team and further challenge by elected members at a series of budget seminars held as part of the 2024 to 2025 budget setting process.</p> <p>These processes have had due regard to how these proposals relate to the Council's priorities and its meeting of the Council's statutory duties.</p>
<p>Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).</p>	<p>Under the Equality Act 2010 the Council has a general equality duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between equality groups. Carrying out equality impact assessments allows the Council to demonstrate that it is meeting these duties.</p> <p>According to 'Making fair financial decisions: Guidance for decision makers' published by the Equality and Human Rights Commission in January 2015, the general equality duty does not prevent members from making difficult decisions, nor does it stop members from making decisions which may affect one group more than another. The duty enables the council to demonstrate that it is making financial decisions in a fair, transparent, and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes could have on people with different protected characteristics. Financial proposals should always be subject to a thorough assessment which should be considered before a decision is made. If members are presented with a proposal that has not been assessed for its impact on equality, they</p>

	<p>should question whether this enables them to consider fully the proposed changes and their likely impacts.</p> <p>Individual equality impact assessments have been carried out where required and this overarching assessment highlights any cumulative impacts.</p> <p>Many residents in Orkney are geographically disadvantaged by their distance from a major centre of population, except for the more easily accessible parts of the region, as they do not have access to all the services that their counterparts in a town/city centre may have. Combinations of circumstances such as low income, disability, poor quality accommodation and no private transport can exacerbate access deprivation for vulnerable people, making it more difficult for them to access services.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>E.g. For people living in poverty or for people of low income. See The Fairer Scotland Duty Guidance for Public Bodies for further information.</p>	<p>(Please complete this section for proposals relating to strategic decisions).</p> <p>Almost any change to a council service has some socio-economic impact. This is because the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services. Poor social and economic circumstances affect people's health and quality of life.</p> <p>Steps such as paying the Scottish Living Wage go some way to help tackle levels of child poverty by making more money available to help families bring up their children. Generally, this benefits lower-paid workers and their families.</p> <p>Women have been identified as being disproportionately vulnerable to socio-economic impacts and elements of welfare reform are likely to have a disproportionate impact on women and lone parents.</p> <p>Reduced services for children, young people and older people can place additional burdens of care on women. Women are more likely than men to manage reduced family budgets, have primary caring responsibilities and act as the buffers, going without to protect their children from the worst effects of poverty and continue to report higher levels of concern about their financial situation.</p> <p>A high percentage of women in Orkney work part time in the public, voluntary and community sectors. The continued reduction in the public and voluntary workforces impact disproportionately on this group.</p> <p>Inevitably, the overall effect of the combination of age, disability and deprivation means that changes</p>

	<p>to support services are likely to increasingly impact disproportionately on women and lone parent families.</p> <p>Children in out-of-work households are at greater risk of poverty although there are a significant number of children nationally who are classed as living in poverty who live in households where someone is working (in-work poverty). Children of lone parents, children with disabilities and those in large families are at greater risk of living in poverty.</p> <p>There is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision builds upon a gap from previous years.</p> <p>By retaining core services focused on supporting the most vulnerable children, including those with specialist needs, and families, councils can continue to address the greatest levels of disadvantage and tackle inequality.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).</p> <p>There are proposals that present charges should be reviewed and increased by a minimum of 6.7% from April 2024, if possible, to do so. These charges relate to a very wide range of services with the following exceptions, where alternative arrangements are required or proposed:</p> <ul style="list-style-type: none"> • Building Warrant and Planning fees. • Harbour charges. • Ferry fares. • Car park and electric vehicle charges. • Residential care and Home care. • Very Sheltered Housing. • Supported accommodation. • Licensing fees. • Ship sanitation certification. • Marriage / civil partnership. • Roads Inspection Fees. • Trade waste charges. • Homelessness rents. • Selected quarry products. <p>The summary below provides more information relating to people in Orkney by protected characteristic. It is important to note that</p>

	<p>intersectionality (the complex and cumulative way in which the effects of multiple protected characteristics have on the experiences of individuals or groups) is of particular relevance when considering inequalities and socio-economic disadvantage. Inevitably any potential changes to way in which services are delivered because of the budget, will impact on particular groups. Further work will be required to assess the impacts on a service-by-service basis.</p> <p>The most reliable source of detailed demographic information about Orkney's population is normally Scotland's Census. The census planning for 2021 was delayed to 2022 due to the pandemic, so new census data is not yet fully available.</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>Most of the population of Orkney is White Scottish (79.4%) or White Other (19.9%) which includes Other British, Irish, Polish, and White Other. The remaining 0.7% of the population is non-white; 0.4% Asian, Asian Scottish, or Asian British and 0.3% Other ethnic groups. Whilst these figures are low in comparison to the Scotland average, we see that the ethnic make-up of Orkney has become more diverse over the past 10 years and is likely to continue to increase in diversity.</p>
<p>2. Sex: a man or a woman.</p>	<p>There is an even gender split for the population of Orkney comprising 49.9% Male and 50.1% female (2011 Census).</p> <p>Research shows that men are more likely to work full time than women, while women are more likely to hold part time positions than men.</p> <p>Whilst employment rates in Orkney are significantly higher than the regional and national average and the balance between full and part time working in Orkney (70% and 30% respectively) is broadly in line with the regional average, there is a higher tendency for part time working in the local authority area than nationally.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>The size of the current LGBT community in Orkney is not known currently. The official UK Government estimate is that 6% of the population identify as gay, lesbian, or bisexual. Research shows that one in six LGBT people have been discriminated against when using a public service in the last three years (Stonewall Scotland).</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>There is no reliable information on the numbers of people in Scotland who have transitioned from one sex to another.</p>

5. Pregnancy and maternity.	N/A.
6. Age: people of different ages.	<p>Orkney's demographic is changing and in line with the rest of Scotland the shift is towards an older average age with significance increases in the over 65's bracket. As people get older, they are more likely to acquire a disability or to need higher levels of support, therefore proposals impacting older people are also likely to have impacts for those with disabilities and those with caring responsibilities. Similarly, proposals impacting children and young people may also have impacts for those with caring responsibilities.</p> <p>Some proposals are potentially more likely to affect specific age groups (e.g. older people and children and young people) as they are heavier users of services, rather than because the Council has disproportionately targeted these groups.</p>
7. Religion or beliefs or none (atheists).	<p>In Orkney, 40.37% of individuals identified as Christian – Church of Scotland, 2.84% as Christian – Roman Catholic and 7.8% as Other Christian. 39.18% of the Orkney population identified as having no religion. There is also representation of Buddhist, Hindu, Jewish, Muslim, Sikh and Other communities within Orkney (Census 2011). The religion or belief makeup of the Orkney population mirrors closely the overall pattern in Scotland.</p>
8. Caring responsibilities.	<p>In Orkney, 9.2% of individuals aged 16 and over identified themselves as an unpaid carer in the 2011 Census. The majority (62%) of carers provided between 1-9 hours of care per week, while 24% provided 50+ hours of care per week. There were more female carers (around 60%) than male in Orkney, the largest numbers were aged 50-64 years old.</p>
9. Care experienced.	<p>Young people can be treated differently because of their care identity - that they have experience of care. In an effort to address the disadvantages faced by people with care experience, OIC is now assessing the impact of any proposals for those with care experience as part of the equality impact assessment process. These steps aim to provide care experienced young people with protection from discrimination and harassment because of their care identity.</p>
10. Marriage and Civil Partnerships.	<p>The Census 2011 shows that 46.59% of Orkney population is married, with 23.79% being single, 16.07% divorced / separated, 13.49% Widowed, and 0.05% in a Civil Partnership.</p>
11. Disability: people with	(Includes physical impairment, sensory impairment,

<p>disabilities (whether registered or not).</p>	<p>cognitive impairment, mental health) People with a disability are more likely to experience poorer outcomes in terms of employment, income, and education. They are more likely to face discrimination and negative attitudes and often experience greater difficulties in accessing housing and transport. The 2011 Census figures show that 6.5% of the population in Orkney reported a disability; around half (51%) were sensory impairments, 32.8% related to a physical disability, 2.2% to a learning disability and 3% as having a mental health condition.</p>
<p>12. Socio-economic disadvantage.</p>	<p>Tackling deprivation and reducing inequalities remains a priority and as such it is recognised that fuel poverty is a significant issue across Orkney. In addition, evidence suggests that child poverty in Orkney is variable, and the Isles locality has the greatest level of housing deprivation. Whilst Orkney does not have data zones within the greatest areas of deprivation across Scotland within the SIMD analysis, it is acknowledged that in remote and rural settings SIMD may be a less useful marker of deprivation.</p>

<h3>3. Impact Assessment</h3>	
<p>Does the analysis above identify any differential impacts which need to be addressed?</p>	<p>This document covers the totality of the overall proposals in general terms. This assessment has identified some cumulative differential impacts in relation to Age, Sex, Disability and those facing socio-economic disadvantage. It is worth noting that some proposals will require further consultation prior to any implementation, and it is recognised that this process will provide more detailed information relating to impacts and mitigating actions.</p> <p>Discrete equality impact assessments for individual proposals have been carried out where required which have afforded an opportunity to consider differential impacts in more detail.</p> <p>Services will need to continue to consider charges, efficiencies or possible redesign to ensure demands continue to be met. Almost any change to a council service has some socio-economic impact. This is because of the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services.</p>
<p>How could you minimise or remove any potential negative</p>	<p>Individual equality impact assessments have been carried where required.</p>

impacts?	<p>Some proposals are potentially more likely to affect specific protected groups as they are heavier users of services, rather than because the council's savings have disproportionately targeted these groups. Indeed, this is the case in most of the equality analysis undertaken as part of this report.</p> <p>As stated above, differential and negative impacts have been identified for budget proposals for Age (older people, young people and children), Sex, Disability, and Socio-economic.</p> <p>Where negative impacts have been identified the individual assessments will detail any mitigation that can be taken, and members will consider these when making a decision.</p> <p>Potential negative impacts will have to be considered by elected members as well as taking cognisance of any cumulative effects on any of the protected characteristics resulting from a range of proposals.</p> <p>It is also important to consider wider socio-economic issues affecting Orkney when making informed decisions.</p>
Do you have enough information to make a judgement? If no, what information do you require?	Yes.

4. Conclusions and Planned Action	
Is further work required?	Yes.
What action is to be taken?	Services will need to undertake detailed Equality Impact Assessments where compensatory savings or service redesign is required to meet any service pressure bids.
Who will undertake it?	Individual Service leads.
When will it be done?	As necessary.
How will it be monitored? (e.g. through service plans).	Service Plan reporting through the appropriate Committee.

Signature:



Date: 26 January 2024

Name: ERIK KNIGHT

(BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk