

# Minute

## Policy and Resources Committee

Tuesday, 18 February 2025, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.



## Present

Councillors Heather N Woodbridge, Alexander G Cowie, Graham A Bevan, Stephen G Clackson, David Dawson, P Lindsay Hall, Rachael A King, Kristopher D Leask, W Leslie Manson, James R Moar, Raymond S Peace, John A R Scott, Gwenda M Shearer, Gillian Skuse, Jean E Stevenson, Ivan A Taylor, Mellissa-Louise Thomson and Owen Tierney.

## Present via remote link (Microsoft Teams)

Councillors Steven B Heddle and Janette A Park.

## Clerk

- Hazel Flett, Service Manager (Governance).

## In Attendance

- Oliver D Reid, Chief Executive.
- Stephen Brown, Chief Officer, Orkney Health and Social Care Partnership (for Items 1 to 19).
- 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.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Sweyn Johnston, Head of Enterprise and Economic Growth (for Items 2 to 4 and 7 to 12).
- Erik Knight, Head of Finance.
- Gavin Mitchell, Head of Legal and Governance.
- Kenny MacPherson, Head of Property, Asset Management and Facilities (for Items 1 to 6 and 11 to 18).
- Darren Morrow, Head of Children, Families and Justice Services and Chief Social Work Officer (for Items 1 to 9).
- Alex Rodwell, Head of Improvement and Performance.
- Stuart Allison, Service Manager (Enterprise) (for Items 3 to 5 and 7 to 11).
- Garry Burton, Service Manager (Leisure and Culture) (for Items 9 and 10).
- Inga Burton, Service Manager (Sustainable Regeneration and Arctic) (for Items 8 to 12).
- Donna-Claire Hunter, Service Manager (Safety and Resilience) (for Items 2 to 6).
- Shonagh Merriman, Service Manager (Corporate Finance) (for Items 1 and 12 to 18).

- Pat Robinson, Service Manager (Accounting) (for Items 12 to 18).
- Christie Hartley, Team Manager (Sustainable Tourism) (for Items 2 to 4).
- Alistair Morton, Team Manager (Energy) (for Items 1 to 5).
- Alison Barclay, LEADER Development Officer (for Items 7 to 11).
- Paul Kesterton, Information Governance Officer (for Items 1 to 3).

### **In Attendance via remote link (Microsoft Teams)**

- Nick Hewitt, Team Manager (Culture) (for Items 9 and 10).
- George Vickers, Community Planning Business Manager (for Items 11 to 19).
- Maya Tams-Gray, Committees Officer.

### **Observing**

- Kerry Spence, Service Manager (Community Learning, Development and Employability) (for Items 9 to 12).
- Glen Thomson, Service Manager (Property and Capital Projects) (for Items 1 to 5 and 17.2 to 18).
- Fiona Ratter, Team Manager (Business Support/Elections) (for Items 1 and 2).
- Paul Olvhoj, Business Development Manager (for Items 1 to 4).
- Kirsty Groundwater, Communications Team Leader (for Items 9 to 20).

### **Observing via remote link (Microsoft Teams)**

- Gemma Williams, Interim Service Manager (Children and Families Authority Wide Services) (for Items 5 to 7).

### **Apology**

- Councillor Duncan A Tullock.

### **Declarations of Interest**

- Councillor Graham A Bevan – Item 11.
- Councillor P Lindsay Hall – Item 11.
- Councillor Janette A Park – Item 11.
- Councillor John A R Scott – Item 5.
- Councillor Mellissa-Louise Thomson – Item 11.
- Councillor Heather N Woodbridge – Item 11.

### **Chair**

- Councillor Heather N Woodbridge.

## 1. Treasury Management Strategy Statement

After consideration of a report by the Head of Finance, 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 (Corporate Finance), the Committee:

Resolved to **recommend to the Council** that the Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26, attached as Appendix 1 to this Minute, be approved.

Councillor W Leslie Manson joined the meeting during discussion of this item.

## 2. Review of Polling Districts and Polling Places

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:

**2.1.** The comments received from the most recent compulsory review of polling districts and polling places, as set out in Annexes 1 and 2 respectively to the report by the Corporate Director for Strategy, Performance and Business Solutions.

Councillor Heather N Woodbridge, seconded by Councillor John A R Scott, moved that the undernoted changes to polling places be agreed:

- The Pickaquoy Centre should be the new Polling Place for the Kirkwall East and Kirkwall West, and North and South Isles electorate.
- The Milestone Kirk in Dounby should be the new Polling Place for the Harray and Sandwick electorate.
- The Rendall Community Centre should be the new Polling Place for the Evie and Rendall electorate.
- The Cromarty Hall should be the new Polling Place for the South Ronaldsay and Burray electorate.

Councillor Stephen G Clackson, seconded by Councillor Mellissa-Louise Thomson, moved an amendment, that:

- The undernoted changes to polling places be agreed:
  - The Pickaquoy Centre should be the new Polling Place for the Kirkwall East and Kirkwall West, and North and South Isles electorate.
  - The Milestone Kirk in Dounby should be the new Polling Place for the Harray and Sandwick electorate.
  - The Rendall Community Centre should be the new Polling Place for the Evie and Rendall electorate.
  - The Cromarty Hall should be the new Polling Place for the South Ronaldsay and Burray electorate.
- A thorough review of restoring polling places in the isles should be undertaken.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, David Dawson, Kristopher D Leask, James R Moar, Janette A Park, Mellissa-Louise Thomson and Owen Tierney (7).

For the Motion:

Councillors Graham A Bevan, Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Rachael A King, W Leslie Manson, Raymond S Peace, John A R Scott, Gwenda M Shearer, Gillian Skuse, Jean E Stevenson, Ivan A Taylor and Heather N Woodbridge (13).

The Motion was therefore carried and the Committee thereafter:

Resolved to **recommend to the Council:**

**2.2.** That the undernoted changes to polling places be approved:

- The Pickaquoy Centre should be the new Polling Place for the Kirkwall East, Kirkwall West and North and South Isles electorate.
- The Milestone Kirk in Dounby should be the new Polling Place for the Harray and Sandwick electorate.
- The Rendall Community Centre should be the new Polling Place for the Evie and Rendall electorate.
- The Cromarty Hall should be the new Polling Place for the South Ronaldsay and Burray electorate.

### **3. Council Publication Scheme**

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 Information Governance Officer, the Committee:

Noted:

**3.1.** The updated Publication Scheme, attached as Appendix 1 to the report by the Corporate Director for Strategy, Performance and Business Solutions.

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

**3.2.** That powers be delegated to the Head of Legal and Governance to keep the Publication Scheme under regular review and up to date as far as possible, and to continue to add appropriate additional information to the Scheme as and when that became available.

Councillor Mellissa-Louise Thomson left the meeting during discussion of this item.

### **4. Cruise Ship Levy Consultation**

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 Team Manager (Sustainable Tourism), the Committee:

Resolved to **recommend to the Council**:

**4.1.** That the draft response to the upcoming consultation by the Scottish Government in respect of a cruise ship levy, attached as Appendix 2 to this Minute, be approved.

**4.2.** That powers be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Leader, Depute Leader, Chair and Vice Chair of the Development and Infrastructure Committee, to amend the Council's final consultation response, should any variations to the draft response be required following the launch of the consultation.

**4.3.** That the Corporate Director for Enterprise and Sustainable Regeneration be authorised to submit the response in relation to the consultation on a cruise ship levy to the Scottish Government, on behalf of the Council, by the consultation deadline.

Councillor Mellissa-Louise Thomson rejoined the meeting, left the meeting and rejoined the meeting via remote link (Microsoft Teams) during discussion of this item.

## **5. Local Heat and Energy Efficiency Strategy**

Councillor John A R Scott declared an interest in this item, his connection being that he was a member of the THAW Orkney Board and had recent involvement with Warmworks, and was not present during discussion thereof.

After consideration of a report by the Corporate Director for Neighbourhood Services and Infrastructure, 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 Team Manager (Energy), the Committee:

Resolved to **recommend to the Council** that the Local Heat and Energy Efficiency Strategy and Delivery Plan, attached as Appendices 3 and 4 respectively to this Minute, be adopted in so far as they related to the Council.

Councillor Mellissa-Louise Thomson rejoined the meeting, in person, at this point.

## **6. Occupational Health, Safety and Welfare Policy**

After consideration of a report by the Corporate Director for Neighbourhood Services and Infrastructure, 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 (Safety and Resilience), the Committee:

Resolved to **recommend to the Council** that the updated Occupational Health, Safety and Welfare Policy, attached as Appendix 5 to this Minute, be approved.

## **7. Fostering, Adoption and Kinship Care Allowances and Fees**

After consideration of a report by the Chief Officer, Orkney Health and Social Care Partnership, 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 Head of Children, Families and Justice Services and Chief Social Work Officer, the Committee:

Resolved to **recommend to the Council:**

**7.1.** That the Financial Policy and Procedure for Foster Carers and Kinship Carers, attached as Appendix 6 to this Minute, be approved.

**7.2.** That the Adoption Allowance Scheme, attached as Appendix 7 to this Minute, be approved.

**7.3.** That the Intensive Fostering Scheme be discontinued following the natural end of current placements within the Scheme.

## **8. Exclusion of Public**

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Alexander G Cowie, the Committee resolved that the public be excluded from the meeting for Items 9 to 12 inclusive, 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.

## **9. Strategic Investment**

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, 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 a strategic investment.

**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. North Isles Landscape Partnership Scheme**

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 1 and 6 of Part 1 of Schedule 7A of the Act.

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

Resolved to **recommend to the Council** what action should be taken with regard to the North Isles Landscape Partnership Scheme programme.

**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.**

## **11. Community Development Trusts**

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.

Councillor Graham A Bevan declared an interest in this item, his connection being that he was a Director of Stromness Community Development Trust, and was not present during discussion thereof.

Councillor Stephen G Clackson declared a connection to this item, his connection being that he was a member of Sanday Development Trust, but, as he was not a Director of the Trust, he considered that his connection was not so significant as to constitute an interest that required to be declared.

Councillor P Lindsay Hall declared an interest in this item, his connection being that he was a Director of the Island of Hoy Development Trust, and was not present during discussion thereof.

Councillor Janette A Park declared an interest in this item, her connection being that she was a Director of Stromness Community Development Trust, and was not present during discussion thereof.

Councillor Mellissa-Louise Thomson declared an interest in this item, her connection being that she was a Director of the Eday Partnership, and was not present during discussion thereof.

Councillor Heather N Woodbridge declared an interest in this item, her connection being that she was a co-Vice Chair of The North Ronaldsay Trust, and was not present during discussion thereof.

Signed: (Leader's signature).

As the Chair, Councillor Heather N Woodbridge, had declared an interest and left the meeting, Councillor Alexander G Cowie, Vice Chair, 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 Head of Enterprise and Economic Growth, the Committee:

Resolved to **recommend to the Council** what action should be taken with regard to Community Development Trusts.

**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.**

Signed: (Depute Leader's signature).

Councillor Steven B Heddle left the meeting at this point.



This page is intentionally left blank.

## **12. UK Shared Prosperity Fund**

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 1 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, and after hearing a report from the Service Manager (Sustainable Regeneration and Arctic), the Committee:

Resolved to **recommend to the Council:**

**12.1.** That an allocation of £210,000 from the revenue element of the UK Shared Prosperity Fund for 2025/26 be approved.

**12.2.** That powers be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Leader and Depute Leader, to allocate the remainder of the UK Shared Prosperity Fund allocation for 2025/26, taking into account:

- The requirement to comply with the UK Shared Prosperity Fund Guidance, including the ability to deliver within financial year 2025/26.
- That the funding was a continuation of the previous fund, and allocations should align/build on the original investment plan.
- Alignment with Council priorities as well as the desire to offset costs that would otherwise fall to the Council.

**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.**

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

On the motion of Councillor David Dawson, seconded by Councillor Mellissa-Louise Thomson, the Committee resolved to approve the Minute of the Meeting of the Police and Fire Sub-committee held on 19 November 2024, attached as Appendix 8 to this Minute, as a true record.

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

On the motion of Councillor Heather N Woodbridge, seconded by Kristopher D Leask, the Committee resolved to approve the Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 20 November 2024, attached as Appendix 9 to this Minute, as a true record.

### **15. Investments Sub-committee**

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Rachael A King, the Committee resolved to approve the Minute of the Meeting of the Investments Sub-committee held on 21 November 2024, attached as Appendix 10 to this Minute, as a true record.

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

On the motion of Councillor Alexander G Cowie, seconded by Councillor Kristopher D Leask, the Committee resolved to approve the Minute of the Meeting of the Asset Management Sub-committee held on 28 January 2025 as a true record.

The Committee thereafter resolved to **recommend to the Council** that the recommendations contained at paragraph 4 of the Minute of the Meeting of the Asset Management Sub-committee held on 28 January 2025, attached as Appendix 11 to this Minute, be approved.

### **17. Revenue Expenditure Monitoring**

#### **17.1. Policy and Resources**

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 (Accounting), the Committee:

Noted:

**17.1.1.** The revenue expenditure monitoring statement in respect of service areas for which the Policy and Resources Committee was responsible, for the period 1 April to 31 December 2024, attached as Annex 1 to the report by the Head of Finance, indicating a budget underspend position of £1,070,700.

**17.1.2.** The revenue financial detail by service area statement of service areas for which the Policy and Resources Committee was responsible, for the period 1 April to 31 December 2024, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

**17.1.3.** 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 appropriate action was being taken with regard to significant budget variances.

## **17.2. Orkney Health and Care**

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 (Accounting), the Committee:

Noted:

**17.2.1** The revenue expenditure monitoring 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 2024, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £2,044,700.

**17.2.2.** 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 2024, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

**17.2.3.** 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 appropriate action was being taken with regard to significant budget variances.

Councillor P Lindsay Hall left the meeting at this point.

## **17.3. Summary**

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 (Accounting), the Committee:

Noted:

**17.3.1.** The summary revenue expenditure monitoring statement for the period 1 April to 31 December 2024, attached as Annex 1 to the report by the Head of Finance, indicating the following:

- A total General Fund overspend of £2,817,800.
- A deficit in Sources of Funding of £503,600.
- A net Non-General Fund surplus of £5,393,200.

**17.3.2.** The sources of funding statement for the period 1 April to 31 December 2024, attached as Annex 2 to the report by the Head of Finance.

The Committee scrutinised:

**17.3.3.** 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 appropriate action was being taken with regard to significant budget variances.

## **18. 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:

**18.1.** The summary financial position as at 31 December 2024, in respect of the General Fund and Non-General Fund capital programmes, as detailed in section 1.6 of the report by the Head of Finance.

The Committee scrutinised:

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

## **19. 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 Head of Improvement and Performance, the Committee:

Noted the Orkney Community Plan 2025 to 2030, incorporating the Local Outcomes Improvement Plan, attached as Appendix 1 to the report by the Corporate Director for Strategy, Performance and Business Solutions, insofar as it applied to the Council.

## **20. Accounts Commission – Transformation in Councils**

After consideration of a report by the Corporate Director for Strategy, Performance and Business Solutions, copies of which had been circulated, the Committee:

Noted the key messages arising from the Accounts Commission's report, Transformation in councils, as follows:

- As financial and service demand challenges continue to deepen, all Councils need to urgently transform how they deliver services. Councils are however facing barriers to transformation and progress has been slow, but reform is vital and must happen at a greater pace to protect the sustainability of public services.

- A sector-led Transformation Programme has been put in place by the Society of Local Authority Chief Executives (Solace) and the Improvement Service, but this is at an early stage and more clarity is needed on timescales for achieving outcomes and there are risks around workforce capacity and skills to realise ambitions.
- Councils cannot deliver transformation alone and it is essential that the Scottish Government, Community Planning and third sector partners support the transformation of local services through effective collaboration. Achieving consensus on the longer-term vision for local services is crucial.
- Public and political support is critical. Effective public engagement and communication is required to gain the backing from communities and prevent this from becoming a barrier to transformation. Councils should prioritise both capacity and capability in their workforces to match the ambition and pace needed to transform.

## **21. Conclusion of Meeting**

At 17:00 the Chair declared the meeting concluded.

Signed: (Leader's signature).

## **Treasury Management Strategy Statement**

Policy on the Statutory Repayment of Loans Fund  
Advances and Annual Investment Strategy

---

Orkney Islands Council

2025/2026

## Contents

1	Introduction .....	3
1.1	Background .....	3
1.2	Reporting Requirements.....	4
1.3	Treasury Management Strategy for 2024/25 .....	5
1.4	Training .....	5
1.5	Treasury Management Consultants.....	6
2	The Capital Prudential Indicators 2024/25 – 2026/27 .....	7
2.1	Capital Expenditure and Financing.....	7
2.2	The Authority’s Borrowing Need (the Capital Financing Requirement) .....	7
2.3	Liability Benchmark .....	9
2.4	Core Funds and Expected Investment Balances .....	9
2.5	Statutory Repayment of Loans Fund Advances.....	10
3	Borrowing .....	10
3.1	Current Portfolio Position.....	10
3.2	Treasury Indicators: Limits to Borrowing Activity.....	13
3.3	Prospects for Interest Rates .....	14
3.4	Borrowing Strategy.....	17
3.5	Policy on Borrowing in Advance of Need.....	17
3.6	Rescheduling.....	17
3.7	New Financial Institutions as a Source of Borrowing and/or Types of Borrowing ...	18
4	Annual Investment Strategy.....	19
4.1	Investment Policy – Management of Risk.....	19
4.2	Creditworthiness policy.....	20
4.3	Limits.....	22
4.4	Investment Strategy.....	22
4.5	Investment Performance / Risk Benchmarking .....	24
4.6	End of Year Investment Report .....	25
4.7	External Fund Managers .....	25
5	Appendices .....	26
5.1	The Capital Prudential and Treasury Indicators 2024/25 – 2026/27 .....	26
5.2	Interest Rate Forecasts 2023-2026 .....	29
5.3	Economic Background.....	29
5.4	Treasury Management Practice (TMP1): Permitted Investments.....	33
5.5	Treasury Management Practice (TMP1): Credit and Counterparty Risk Management .....	48
5.6	Approved Countries for Investments.....	54
5.7	Treasury Management Scheme of Delegation.....	55
5.8	The Treasury Management Role of The Section 95 Officer .....	56



# 1 Introduction

## 1.1 Background

The Authority is required to operate a balanced revenue 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.

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."*

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.

## 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.

- a. 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.)
- b. 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.
- c. 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 annual Treasury Management Strategy Statement is adequately scrutinised by Policy and Resources Committee, with a recommendation to Council for approval. The mid-year and annual treasury reports are for scrutiny purposes only and, from 2024/25, this role will be undertaken by the Investments Sub-committee.

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

do require to be adequately scrutinised. This role is undertaken by the Investment Sub-committee.

### **1.3 Treasury Management Strategy for 2025/26**

The strategy for 2025/26 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 7/2024.

### **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 training during 2024/2025 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, Link Treasury Services Limited as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times 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 2025/26 – 2027/28

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 are prudent, affordable and sustainable.

### 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	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Non-HRA	15.888	15.494	14.865	9.877	6.799
HRA	2.399	1.963	0.000	0.000	0.000
SRF - Windfarms	0.000	0.000	10.000	7.000	27.000
Finance Leases	0.000	2.102	2.000	1.892	1.782
<b>Total</b>	<b>18.287</b>	<b>19.559</b>	<b>26.865</b>	<b>18.769</b>	<b>35.581</b>

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	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	0.236	0.235	0.235	0.235	0.235
Capital grants	9.082	8.074	5.983	5.000	5.000
Capital reserves	2.050	2.210	0.053	0.013	0.000
Finance Leases	0.000	2.102	2.000	1.892	1.782
Revenue	0.382	0.708	0.569	0.569	0.569
<b>Net financing need for the year</b>	<b>6.537</b>	<b>6.230</b>	<b>18.025</b>	<b>11.060</b>	<b>27.995</b>

### 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:

<b>£m</b>	<b>2023/24 Actual</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
<b>Capital Financing Requirement</b>					
CFR – Non-HRA	55.569	59.224	65.096	66.750	65.219
CFR – HRA	8.508	8.733	8.421	8.199	8.067
SRF - Windfarms	0.000	0.000	10.000	17.000	44.000
<b>Total CFR</b>	<b>64.077</b>	<b>67.957</b>	<b>83.517</b>	<b>91.949</b>	<b>117.286</b>
<b>Movement in CFR</b>	<b>3.903</b>	<b>3.880</b>	<b>15.560</b>	<b>8.432</b>	<b>25.337</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	6.537	6.230	18.025	11.060	27.995
Less loan fund repayments and other financing movements	(2.634)	(2.350)	(2.465)	(2.628)	(2.658)
<b>Movement in CFR</b>	<b>3.903</b>	<b>3.880</b>	<b>15.560</b>	<b>8.432</b>	<b>25.337</b>

### 2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark 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	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Strategic Reserve Fund	221.100	214.676	193.257	195.29	202.238
Other Fund balances / reserves	23.029	20.000	20.000	20.000	20.000
Capital receipts	2.100	2.100	2.100	2.100	2.100
Provisions	39.977	41.256	42.209	43.066	43.876
Other	7.157	7.100	7.100	7.100	7.100
<b>Total core funds</b>	<b>293.363</b>	<b>285.132</b>	<b>264.666</b>	<b>267.556</b>	<b>275.314</b>
Working capital*	(3.992)	(2.400)	(2.400)	(2.400)	(2.400)
(Under)/over borrowing	19.048	17.957	18.517	16.949	17.286
<b>Expected investments</b>	<b>308.419</b>	<b>300.689</b>	<b>280.783</b>	<b>282.105</b>	<b>290.200</b>

\*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 2024 and for the position as at 31 December 2024 are shown below for both borrowing and investments, including the Strategic Reserve Fund investments managed in-house and externally.



<b>TREASURY PORTFOLIO</b>				
	actual <b>31.3.24</b>	actual <b>31.3.24</b>	current <b>31.12.24</b>	current <b>31.12.24</b>
	£000	%	£000	%
<b>Treasury investments</b>				
banks	2,218	1%	4,571	1%
building societies - unrated	0	0%	0	0%
building societies - rated	0	0%	0	0%
local authorities	0	0%	5,000	2%
DMADF (H.M.Treasury)	0	0%	2,000	1%
money market funds	8,700	3%	11,100	4%
certificates of deposit	0	0%	0	0%
<b>Total managed in house</b>	<b>10,918</b>	<b>4%</b>	<b>22,671</b>	<b>7%</b>
property investments	24,690	9%	24,690	8%
local investments	7,155	3%	7,155	2%
<b>Strategic Reserve Fund managed in house</b>	<b>31,845</b>	<b>12%</b>	<b>31,845</b>	<b>10%</b>
bond funds	41,608	15%	42,337	13%
diversified growth fund	29,651	11%	26,770	8%
equity fund	72,883	27%	106,104	34%
credit strategies fund	23,328	9%	24,772	8%
property funds	22,858	8%	23,711	8%
global private debt fund	8,894	3%	7,209	2%
alternative income fund	30,584	11%	30,277	10%
<b>Strategic Reserve Fund managed externally</b>	<b>229,805</b>	<b>84%</b>	<b>261,180</b>	<b>83%</b>
<b>Total treasury investments</b>	<b>272,568</b>	<b>100%</b>	<b>315,696</b>	<b>100%</b>
<b>Treasury external borrowing</b>				
local authorities	5,000	11%	0	0%
PWLB	40,000	89%	55,000	100%
other	29	0%	0	0%
LOBOs	0	0%	0	0%
<b>Total external borrowing</b>	<b>45,029</b>	<b>100%</b>	<b>55,000</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>227,539</b>		<b>260,696</b>	

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	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate
<b>External Debt</b>					
Debt at 1 April	30.057	45.029	50.000	65.000	75.000
Expected change in Debt	14.972	4.971	15.000	10.000	25.000
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	<b>45.029</b>	<b>50.000</b>	<b>65.000</b>	<b>75.000</b>	<b>100.000</b>
The Capital Financing Requirement	64.077	67.957	83.517	91.949	117.286
Under / (over) borrowing	<b>19.048</b>	<b>17.957</b>	<b>18.517</b>	<b>16.949</b>	<b>17.286</b>

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 2025/26 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.

<b>Operational Boundary £m</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
Debt	70.000	85.000	95.000	120.000
Other long-term liabilities	5.000	5.000	5.000	5.000
Total	75.000	90.000	100.000	125.000

**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:

<b>Authorised Limit £m</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
Debt	85.000	95.000	105.000	130.000
Other long-term liabilities	5.000	5.000	5.000	5.000
Total	85.000	100.000	110.000	135.000

### 3.3 Prospects for Interest Rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Additional notes by Link on this forecast table: -

Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament. If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

## Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB Debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 Years	5.02%	4.30%	3.90%
10 Years	5.23%	4.50%	4.10%
25 Years	5.66%	4.90%	4.40%
50 Years	5.42%	4.70%	4.20%

**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with the Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below:

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

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, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2025 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 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 Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

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

### **3.7 New Financial Institutions as a Source of Borrowing and/or Types of Borrowing**

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### **3.8 Approved Sources of Long and Short-term Borrowing**

In conjunction with advice received from its treasury management advisor the Council will keep under review the following fixed or variable rate long-term and short-term (in lieu of long-term) borrowing options as sources of finance for the approved capital programme:

- Borrowing against internal resources held by the Council (including usable reserves and working capital) in lieu of external borrowing.
- Public Works Loan Board (PWLB) and any successor body.
- Borrowing from the HM Treasury's National Wealth Fund.
- Borrowing from other UK local authorities.



## 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 considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods 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 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 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. 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 equivalent) 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 information on any external support for banks to help support its decision-making process.

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

\* 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. Nonetheless, 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 the Truss/Kwarteng government in the autumn of 2022, 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 the risks are relatively balanced between Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or it may be cut quicker than expected if the economy stagnates. The economy was stagnant Q3 2024, but the CPI measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy two to three years forward.

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 fall to a low of 3.5%.

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	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

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 and 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	2025/26	2026/27	2027/28
Principal sums invested for longer than 365 days	£m 100	£m 105	£m 110
Current investments as at 31 December 24 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.

The Investment Strategy was last reviewed in September 2024, testing the appropriateness of the current strategy and the effectiveness of potential alternative strategies against the agreed objectives.

The agreed revisions were to remove the Diversified Growth Fund allocation, reduce the long-term targets for the Secure Income and Property mandates in order to improve overall liquidity of the Fund, while increasing the allocation to high quality investment Corporate Bonds as liquid assets and a potential income source. It was also agreed that the long-term targets in Multi-Asset Credit and Private Debt be maintained.

These changes in strategy resulted in a forecast return of 7.7% per annum, with volatility on the returns being +/-10% in any one year.

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 Authority 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	30-day (backward looking) Sterling Overnight Index Average	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), FTSE All Share	Benchmark over a rolling 3-year period +1.5% p.a.
Equities – Global Alpha	MSCI All County World Index	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.

#### **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 2025, it is estimated that £252.0m of the Authority's funds will be externally managed on a discretionary basis by externally appointed fund managers.

In the near term (next 3 years) there are plans to draw a higher level of reserves from the Strategic Reserve Fund than has been the case in the past. A review of the Investment Strategy was undertaken by the Investment Sub-Committee in September 2024, which focused on models that could accommodate these higher levels of disbursements while at the same time preserving the value of the Fund in real terms. The indicative future drawdowns from the Strategic Reserve Fund are £18M, £15M and £11M in financial years 2025/26, 2026/27 and 2027/28 respectively.

The Head of Finance, in consultation with Hymans Robertson, developed an action plan to progress the implementation of the revised strategy in order to reach the long-term revised targets of the Investment Strategy, whilst also addressing the requirement to draw down capital from the Strategic Reserve Fund in the current financial year and the next three financial years to support revenue budgets.

The Diversified Growth Fund allocation will be removed due to concerns over the outlook for this mandate, and it will be the sole source of funding for the planned capital outflows in 2024/25, with any remaining funds used to part cover outflows in year 2025./26. Any remaining capital requirement will be funded from equity mandates.

The agreed increase in allocation to high quality investment Corporate Bonds, as liquid assets and potential income sources, will be achieved over time, as the Strategic Reserve Fund overall total assets start to fall due to capital withdrawals. However, in order to diversify the corporate bond allocation to reduce exposure to one single mandate, a climate and responsible investment focussed solution was sought, and steps are being taken to onboard a Net Zero Buy and Maintain fund, with a view to a 50/50 split of the current Corporate Bonds allocation.

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 2025/26 – 2027/28

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	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Social Care	5.251	2.900	2.258	0.000	0.000
Roads and Transportation	2.162	4.866	2.684	1.766	1.530
Education and Leisure	3.875	3.415	0.766	0.598	0.585
Marine Services	1.184	0.744	5.157	3.513	0.684
Other Services	3.416	3.569	4.000	4.000	4.000
SRF-Windfarm	0.000	0.000	10.000	7.000	27.000
Finance Leases	0.000	2.102	2.000	1.892	1.782
<b>Non-HRA</b>	<b>15.888</b>	<b>17.596</b>	<b>26.865</b>	<b>18.769</b>	<b>35.581</b>
<b>HRA</b>	<b>2.399</b>	<b>1.963</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total</b>	<b>18.287</b>	<b>19.559</b>	<b>26.865</b>	<b>18.769</b>	<b>35.581</b>

#### 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) against the net revenue stream.

<b>%</b>	<b>2023/24 Actual</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
General Fund	1.0%	1.5%	1.8%	2.0%	2.0%
Scapa Flow Oil Port	17.5%	17.7%	17.75	17.4%	17.1%
Miscellaneous Piers	7.2%	9.4%	11.6%	14.3%	15.5%
Housing Revenue Account	17.4%	14.3%	12.9%	10.4%	8.1%

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**

£	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
HRA debt £m	8.508	8.733	8.421	8.199	8.067
HRA revenues £m	4.343	4.652	4.923	5.148	5.356
Ratio of debt to revenues %	51.0%	53.3%	58.5%	62.8%	66.4%

£	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
HRA debt £m	8.508	8.733	8.421	8.199	8.067
Number of HRA dwellings	1021	1034	1047	1060	1073
Debt per dwelling £	8.333	8.446	8.043	7.735	7.518

**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:

<b>Maturity structure of fixed interest rate borrowing 2025/26</b>			
	Actuals	Lower	Upper
Under 12 months	£10,000,000	0%	30%
	18.2%		
12 months to 2 years	£10,000,000	0%	30%
	18.2%		
2 years to 5 years	£5,000,000	0%	30%
	9.1%		
5 years to 10 years	-	0%	30%
	-		
10 years to 20 years	-	0%	50%
	-		
20 years and above	£30,000,000	30%	100%
	54.5%		

### 5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

### 5.2 Interest Rate Forecasts 2024-2027

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
<b>BANK RATE</b>	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

PWLB forecasts are based on PWLB certainty rates.

### 5.3 Economic Background

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is “bond vigilante”. Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump’s victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be

said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump's inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

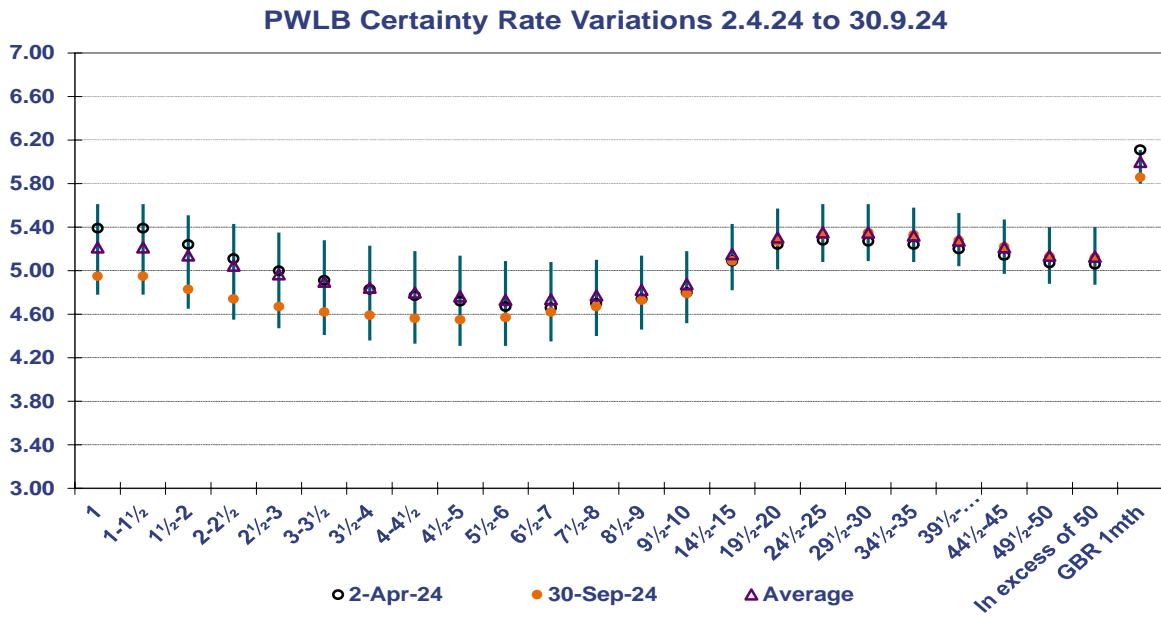
Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.



**HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24**

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

**5.4 Treasury Management Practice (TMP1): Credit and Counterparty Risk Management.**

This Authority 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:

- 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.
- 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.
- 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.
- 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 equities, 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 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 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 i.e. equity shares, unit trusts and bond holdings.

## 2.7. 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 Regulation 2(1)(e) of The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

**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
<b>Cash type instruments</b>				
a. Deposits with the Debt Management Account Facility (UK Government) <b>(Very low risk)</b>	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 <b>(Very low risk)</b>	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) <b>(Low to very low risk)</b>	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%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
d. Ultra-short dated bond funds ( <b>low risk</b> )	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) ( <b>Low risk depending on credit rating</b> )	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) ( <b>Low to medium risk depending on period &amp; credit rating</b> )	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 <b>(Very low risk)</b>	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 <b>(Low risk)</b>	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.) <b>(Low to medium risk depending on period &amp; credit rating)</b>	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
<p>j. Corporate bonds (<b>Medium to high risk depending on period &amp; credit rating</b>)</p>	<p>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.</p>	<p>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.</p> <p>Day to day investment dealing with these criteria will be further strengthened by the use of additional market intelligence.</p>	<p>20% and maximum 75 years.</p>	<p>20% and maximum 75 years.</p>

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
<b>Other types of investments</b>				
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)
- Qatar

#### AA-

- Belgium
- France
- **U.K.**

## **5.7 Treasury Management Scheme of Delegation**

### **1. Full Council**

- Approval of annual strategy, following recommendation from Policy and Resources Committee.

### **2. Policy and Resources Committee**

- Receiving and reviewing reports on treasury management policies, practices and activities.
- Recommending approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Recommending budget for consideration and approval by the responsible body (the full Council).
- Recommending division of responsibilities;
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body (the full Council).

### **3. Investments Sub-committee**

- Receiving and reviewing regular monitoring reports and acting on recommendations.

## **5.8 The Treasury Management Role of The Section 95 Officer**

### **The S95 (responsible) officer:**

- Selecting external service providers, and agreeing terms of appointment, in consultation with the Investments Sub-committee.
- 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.

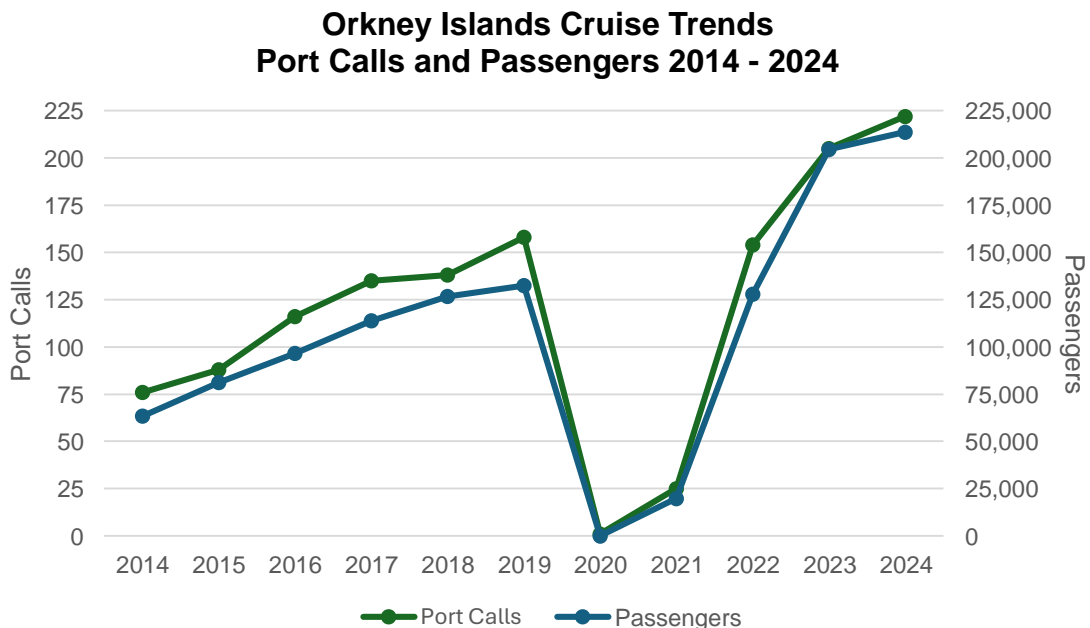
# Cruise Ship Levy Consultation Response

## 1. Cruise Tourism in Orkney

1.1. For almost two decades, Orkney has been recognised as a leading cruise destination in Scotland, with outstanding port facilities and services and an [award-winning visitor experience](#). While the majority of cruise ships call to Orkney's main cruise port of Kirkwall on Mainland Orkney, a growing number are also visiting other smaller ports across the islands.

1.2. Cruise operations are managed by Marine Services, a division of Orkney Islands Council. As the Statutory Harbour Authority, Marine Services is also responsible for the safe and efficient operation of the 29 piers and harbours located throughout the Orkney Islands.

1.3. In 2024, there were 213,785 cruise passenger arrivals between March and October, representing an increase of 237% in the last decade. Today, cruise passengers account for almost half of all visitors to Orkney, contributing an estimated £15-20 million to the islands' economy and supporting local employment.



1.4. Cruise tourism's success has exerted increasing pressure on the islands' aging infrastructure, fragile environment, cultural heritage, and island communities, and the combination of cruise tourism's growth trajectory and the Council's difficult fiscal position has frustrated efforts to adequately respond to the significant challenges and opportunities which the sector brings to our communities.

## **2. What would be the reasons for introducing a Cruise Ship Levy (CSL)?**

2.1. In principle, the Council is in favour of the introduction of new discretionary powers that would allow local authorities to charge a levy on visiting cruise ships. Moreover, given the scale of the growing challenges presented by the sector, the Council would urge the Scottish Government to enable this as soon as practicably possible.

2.2. If appropriately designed and implemented, a CSL could unlock transformational socio-economic benefits for communities across Scotland and improve the nation's cruise offer by:

### **2.2.1. Supporting long-term investment in destinations**

- (i) A CSL would provide a means for destinations to support and harness the opportunities of cruise tourism while enabling cruise lines and their passengers to contribute to the places they visit.
- (ii) As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would help local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

### **2.2.2. Forging a relationship between cruise stakeholders and destinations**

- (i) Beyond economic benefits, one of the most significant outcomes of the introduction of a CSL would be the development of a relationship between cruise stakeholders and destinations that could help to reshape cruise tourism into a more sustainable model.
- (ii) Cruise lines sell the experience of their ships and our places. While they have a relationship with those who facilitate access to destinations, i.e. ports and shore excursion operators, cruise lines often do not have a direct relationship with the communities they visit and, in some destinations, this has aggravated adverse impacts and perpetuated local anti-cruise sentiment. The introduction of CSL would facilitate a direct, mutually beneficial relationship between cruise lines and destinations via local authorities whose primary obligation is protecting and serving the interests of local people and their places.



### 3. What would a well-designed and operated CSL look like?

3.1. A well-designed and operated CSL should adhere to principles that support local autonomy, simplicity, transparency and stakeholder engagement.

#### 3.1.1. Local autonomy

- (i) There should be a balance between local and national consistency. Given the unique circumstances of cruise destinations across Scotland, with differing levels of cruise tourism, port ownership models, types and areas of related land-based activity, and local requirements, a one size fits all approach would not be appropriate.
- (ii) Local authorities are best placed to understand the needs and preferences of their local communities and, therefore, it is essential that a CSL supports local flexibility to respond accordingly.
- (iii) A degree of national consistency could facilitate greater cruise stakeholder understanding of their obligations and how to effectively and efficiently comply with them. It could also reduce some complexity in the design of local schemes and support local authorities in establishing joint or regional CSL schemes where appropriate.
- (iv) In principle, the Council would be supportive of a discretionary levy that devolves decision-making to local authorities, yet provides some overarching principles set out in national legislation to preserve Scotland's competitiveness as a premier cruise destination.

#### 3.1.2. Simplicity

- (i) The application of existing legal mechanisms and practices would ensure simplicity in the design of legislation to enable a CSL and also facilitate stakeholder understanding and compliance. For example:
  - Revenues could be collected and remitted by a ship's agent who acts on behalf of the shipowner and, among other things, ensures compliance with local regulations.
  - The basis of a CSL could be a flat rate per passenger, with actual passenger numbers declared via their agent, reflecting existing national reporting requirements.
  - Harbour dues are typically not levied on cruise ships' crew and, echoing this practice, crew should be exempt from a CSL.

- A lead time for implementation of or significant modifications to a CSL scheme would be essential and the period of minimum 18 months provided by Section 14(3) of the [Visitor Levy \(Scotland\) Act 2024](#) (the VL Act) is a reasonable precedent.
- (ii) Furthermore, the ability to combine the administration of an overnight visitor levy and a CSL (as well as other potential future levies) would reduce costs for local authorities and enable viability of levy schemes for islands and other smaller local authorities, which may not be practicable on their own. For example, savings could potentially be achieved through:
- use of the national digital platform for local government (currently under development for the overnight visitor levy) for multiple levies, depending on its functionality
  - legislative provisions allowing local authorities to act jointly in relation to a CSL, as set out in Sections 12(3) and (4) of the VL Act

### 3.1.3. Transparency

- (i) The imperative for transparency cannot be understated. To be wholly successful, the introduction and implementation of a CSL must be built on a robust foundation of trust among local, national and international stakeholders. This will increase democratic accountability and ensure delivery of long-term benefits from and for cruise tourism.
- (ii) Considered in combination with the principle of simplicity previously discussed, transparency could be facilitated by mirroring certain provisions of the VL Act. For example:
- Prior consultation on the scheme, Sections 13(1)(a) and (c). Before introducing or modifying a scheme, local authorities are required to prepare and publicise an outline of the proposed scheme (including exemptions), its objectives and how they will be measured and reported, and an assessment of its impacts, as well as a consultation report which summarises responses received and sets out reasons for whether it intends to proceed with the proposal.
  - Annual reporting on scheme, Section 20. Local authorities are required to prepare and publish an annual report on their levy scheme, setting out the amount of money collected, use of net proceeds, and performance of the scheme in relation to its objectives.

- Visitor levy forum, Sections 16(1) and (2). Local authorities are required to establish an advisory stakeholder forum to consult on matters relating to their levy scheme such as scheme modifications and reviews, use of net proceeds, and annual reports on scheme performance.

#### 3.1.4. Stakeholder engagement

- (i) Tourism can have a significant impact on peoples' lives and their places and a sustainable approach, therefore, seeks to optimally balance the needs of all stakeholders, including visitors, industry, environment, local communities and future generations. Accordingly, stakeholder participation in CSL-related planning and decision-making is essential to ensure generation of widespread benefits and maximisation of outcomes.
- (ii) Through effective stakeholder participation, a CSL should be cognisant of stakeholder views and reflect local, regional and national strategic aspirations related to the visitor economy and cruise tourism, in particular.
- (iii) Considered in combination with the principles of simplicity and transparency previously discussed, stakeholder engagement can be specified by replicating certain provisions of the VL Act and best practice set out in the [related statutory guidance](#) (Guidance) . For example:
  - Early engagement, Chapter 05 of the Guidance. Before deciding whether to introduce a levy scheme, best practice prescribes that local authorities engage with stakeholders to develop an understanding of related priorities, issues and concerns, and to carefully assess risks and potential impacts on the visitor economy and local communities. Moreover, stakeholder engagement will help to inform the design of a scheme, if progressed.
  - Prior consultation on the scheme, Section 13(b) of the VL Act. Before introducing or modifying a scheme, local authorities are required to consult stakeholders, including local communities, tourism businesses and organisations, visitors and anyone else likely to be affected by a visitor levy scheme.
  - Visitor levy forum, Section 16(4) of the VL Act. The advisory stakeholder forum must comprise a reasonable balance of stakeholders who are representative of communities, businesses engaged in tourism and tourism organisations in the scheme area.

#### **4. What positive and negative impacts could a CSL have?**

4.1. The implementation of a CSL would provide a means for destinations to harness the socio-economic opportunities of cruise tourism by:

##### **4.1.1. Supporting long-term investment**

A CSL would offer long-term benefits for stakeholders through targeted investment in the public realm for which the cost of provision has traditionally been borne by local taxpayers. As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would help local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

##### **4.1.2. Forging cruise stakeholder relationships**

Collaborative development and implementation of a CSL by cruise stakeholders would facilitate a direct relationship between cruise lines and destinations via local authorities. This could deliver mutual benefits for stakeholders, such as community capacity building and industry access, improved visitor management, and innovative product development, improving destinations' cruise offer while, crucially, helping to garner and maintain local support for cruise tourism.

##### **4.1.3. Exemplifying an equitable approach**

The combined introduction of an overnight visitor levy and a CSL (as well as other potential future levies) represents an equitable approach which enables more visitors to contribute to improving the places they visit and enriching the lives of local people they encounter.

##### **4.1.4. Enabling viability of other levies**

Crucially, the availability of multiple mechanisms to generate revenue from tourism is especially vital for islands and other smaller local authorities as it could enable the viability of levy schemes which may not be practicable on their own.

4.2. Conversely, a CSL could potentially have the following adverse effects:

#### 4.2.1. Increasing costs

- (i) A CSL would increase the cost for cruise lines to visit Scotland, which would likely be passed on to their passengers and reflected in higher-priced cruises. However, the long-term investment enabled through a CSL would significantly improve the visitor experience, increasing perceived quality and value for money and providing justification for a levy.
- (ii) Additional administration costs would also be introduced for whomever is liable to collect and remit the levy to the local authority (e.g., ships' agents, as suggested in paragraph 3.1.2 above). This cost would likely be passed on to cruise lines who would, in turn, recover it from their passengers.
- (iii) If there were evidence of a significant administration burden on the liable 'entity', retention of a proportion of CSL proceeds collected could be considered, as proposed in Edinburgh Council's overnight visitor levy scheme.

#### 4.2.2. Limiting cruise tourism

A CSL could potentially be wielded to limit visitor numbers or even deter cruise tourism, which would not only restrain local economic opportunities but could also potentially compromise Scotland's attractiveness as a cruise destination. However, a more sustainable approach would be to instead manage cruise ship arrivals through a policy such as Orkney's [Cruise Ship Booking and Confirmation Policy](#) developed by the Harbour Authority in consultation with stakeholders and introduced in August 2023.

### 5. How could funding raised by a CSL be used and how could revenue be distributed fairly?

5.1. As tourism continues to grow and public sector budgets are stretched, the proceeds of a CSL would allow local authorities to maintain services and infrastructure that support the visitor experience and are essential to local quality of life.

5.2. A CSL should support improved visitor management in areas accessed by cruise tourism and development that harnesses the opportunities of cruise tourism to both enhance the visitor experience and improve wellbeing of local communities.

5.3. In 2024, Orkney welcomed 213,785 cruise visitors. If they had each paid a CSL of £5 per person, for example, £1,068,925 would have been generated. It should, however, be noted that, as the costs of administering a CSL scheme are unknown, it is not possible to estimate what net proceeds could ultimately have been available for local investment.

5.4. For islands and other smaller local authorities, the availability of multiple mechanisms to generate revenue from tourism could enable the viability of levy schemes which may not be practicable on their own.

5.5. Importantly, a CSL should not replace other extant funding streams such as VisitScotland's Rural Tourism Infrastructure Fund, the availability of which is especially vital in today's difficult economic and financial environment.

## **6. Additional Comments**

### **6.1. Further engagement on CSL**


The Council would welcome the opportunity to closely support the Scottish Government in developing detailed proposals for a CSL that would unlock the benefits of cruise tourism for local communities and improve Scotland's cruise offer. Our team is available to contribute expert advice, offering in-depth understanding of the complexities of the cruise sector underpinned by significant industry knowledge, insider experience and long-standing relationships with local, national and international cruise stakeholders.

### **6.2. General Power of Competence**

The Council is heartened that the Scottish Government is revisiting the matter of a General Power of Competence for local authorities in Scotland, particularly at this fiscally challenging time. Not only would this expand the scope for local democracy, putting Scotland on a par with England, Wales and Northern Ireland, which already have such powers, it may also provide local authorities with a mechanism through which revenues from a wider range of activity (tourism and otherwise) could be levied. The Council welcomes the opportunity of the Scottish Government's ongoing consultation on a local authority General Power of Competence to contribute our views and perspectives on potential legislative changes to enable local authorities to more effectively deliver public services.

### 6.3. Other visitor levies

As previously stated, the availability of multiple mechanisms to generate revenue from tourism is especially vital for islands and other smaller local authorities as it would enable the viability of levy schemes which may not be practicable on their own. The Council believes that in order to ensure a timely and equitable approach to all levies and therefore equal contribution to addressing the pressures on infrastructure and improvement of visitor experience, the Scottish Government should ensure that there is sufficient flexibility in local applications of any visitor / cruise levy legislation to allow further exploration of levies on motorhomes and day visitors.



# Local Heat and Energy Efficiency Strategy

August 2024



# Table of contents

Table of contents .....	2
Executive summary .....	4
What is a Local Heat and Energy Efficiency Strategy? .....	4
Local authority's LHEES priorities.....	4
Heat and energy efficiency in Scotland.....	4
Orkney housing stock .....	5
Orkney Islands Council's heat networks.....	6
Beyond the page: making the LHEES Strategy a reality.....	6
What is a Local Heat and Energy Efficiency Strategy? .....	7
Purpose .....	7
Structure.....	7
LHEES guidance from Scottish Government.....	7
How this LHEES was developed .....	10
Policies and progress to net zero .....	11
Local policies and projects.....	11
Heat and energy efficiency projects for Council-owned properties .....	12
Heat and energy efficiency projects across the area .....	14
Regional projects.....	16
Scottish Government Policy.....	16
Stakeholder engagement .....	19
Interest and influence mapping.....	19
Engagement plans.....	20
LHEES governance .....	21
Baselining: Heat and energy efficiency in the Council.....	22
Domestic buildings.....	22
Heat networks.....	36
Priority A: Making Orkney's homes energy efficient .....	38
Overview.....	38
Owner occupied and privately rented homes.....	39
Orkney Housing Association Limited (OHAL)-owned social housing.....	44
Priority B: Alleviating fuel poverty.....	46
Fuel poverty in Orkney.....	46
Addressing fuel poverty by improving energy efficiency .....	49
Priority C: Improving carbon efficiency in council buildings.....	50
Overview.....	50

Operational buildings .....	50
Leased buildings.....	51
Priority D: Exploring heat networks for Council buildings .....	52
Challenges .....	54
Challenges for domestic buildings .....	54
Challenges for non-domestic buildings.....	57
Barriers to developing heat networks.....	58
Opportunities for Orkney Islands Council.....	59
Domestic retrofit opportunities .....	59
Supply chain development.....	59
Addressing disrepair.....	59
Retrofit assessment upskilling .....	59
Area Based Scheme.....	59
Stakeholder collaboration .....	60
Fuel poverty stakeholder collaboration .....	60
Next steps .....	61
Summary of context.....	61
Summary of priorities and actions .....	61
LHEES Delivery Plan.....	61
Glossary .....	62
Defining terms .....	62
Appendix .....	67
Acronyms and abbreviations .....	67
Appendix A: Additional national policy drivers .....	68
Appendix B: Datasets used in the development of this LHEES .....	70
Appendix C: Datasets and Limitations of the LHEES approach .....	72
Appendix D: LHEES stage descriptions.....	75
Appendix E: Deviations from standard LHEES methodology .....	78
Appendix F: Detailed methodology for the identification of potential heat network zones.....	79

## Executive summary

Orkney Islands Council's Local Heat and Energy Efficiency Strategy (LHEES) sets out how to tackle greenhouse gas emissions from buildings, whilst also improving residents' quality of life by minimising poor energy efficiency as a driver of fuel poverty. Orkney Islands Council, and Scotland as a whole, will be net zero by 2045. This is a challenging target and the LHEES is a key step in planning our approach to achieving this goal.

### What is a Local Heat and Energy Efficiency Strategy?

The LHEES is made of two documents: the LHEES Strategy and the LHEES Delivery Plan. The LHEES Strategy is a long-term strategic framework for decarbonising heat in buildings and improving energy efficiency across Orkney. It is published alongside the LHEES Delivery Plan, which sets out how Orkney Islands Council will implement the Strategy over the next five years.

Orkney Islands Council's LHEES will support the delivery of the Council's goals of improving energy efficiency, reducing fuel poverty, and decreasing carbon emissions through zero direct emissions heating systems. The Council will use the LHEES to coordinate and focus energy efficiency and heat decarbonisation work, including heat networks, across Orkney.

The LHEES has been developed in accordance with the Scottish Government's methodology. This consists of 8 stages which bring together:

- The Council's existing goals and strategies.
- Data analysis of the building stock.
- Input from different stakeholder groups.

Overall, the content of Orkney Islands Council's LHEES has been informed primarily through a data-driven approach, using a number of datasets and proxy indicators.

### Local authority's LHEES priorities

The Council has identified four priorities for the LHEES:

- Priority A: Making Orkney's homes energy efficient.
- Priority B: Removing energy efficiency as a driver of fuel poverty.
- Priority C: Improving carbon efficiency of non-domestic Council buildings.
- Priority D: Exploring heat networks for non-domestic Council buildings.

### Heat and energy efficiency in Scotland

In 2018 the Intergovernmental Panel on Climate Change (IPCC) advised that in order to reach the 1.5°C target set in the Paris Climate Accord, the world needs to reach net zero carbon emissions by 2050. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 then set an ambitious target for Scotland to reach net zero by 2045. Achieving net zero is crucial to mitigating the worst impacts of climate change and stabilising global temperatures.

The way we heat our homes, workplaces and other buildings is changing. Some improvements have been carried out to homes already under programmes such as Area Based Schemes and the Energy Company Obligation (ECO). The LHEES will support the Council and its community planning partners to scale up and align existing programmes, and to increase the scale and pace of retrofit and heat network development that is needed to meet the national target of net zero by 2045.

The Sustainable Development and Climate Change Strategy covers the actions the Council will take to tackle climate change. The Council's Corporate Plan, Connect, highlights the work required to develop local solutions to protect nature and to take action on climate change. The Local Housing Strategy outlines actions to make housing in Orkney more sustainable and improve energy efficiency, while ensuring that more of the energy used comes from low carbon and renewable sources.

## **Orkney housing stock**

A baselining exercise has been carried out to highlight key characteristics within the housing stock across Orkney. This will facilitate benchmarking in future iterations of LHEES and enable the evaluation of progress towards targets, including the ultimate target of net zero by 2045. It also highlights some of the opportunities for how and where the Council can target interventions to achieve the greatest impact.

### Domestic properties

- Domestic properties in Orkney have a wide range of construction types, with no single dominating archetype. 37% are solid brick or stone, 32% are timber frame, and 27% are cavity wall construction.
- Fuel poverty rates in Orkney are very high, at 31% according to the 2017-19 Scottish House Condition Survey, compared to the national average of 24% in the same period.
- Most homes are heated with electricity or oil.
- The Council owns only 7% of properties. To reach net zero, the Council will need to work with Orkney Housing Association Limited (OHAL), owner occupiers and private rent landlords.

### Non-domestic properties

- Non-domestic properties use 25% of the energy used for heat across Orkney.
- The non-domestic properties with the highest heat demand are retail buildings, hotels, and storage and distribution buildings.
- Like domestic properties, almost all non-domestic properties are heated with either electricity or oil.
- The Council has explored several heat network options but has not yet identified any suitable opportunities. The Council is now exploring heat network options for non-domestic buildings owned by the Council.

## Orkney Islands Council's heat networks

Heat networks have been identified as a low regret<sup>1</sup> decarbonisation option in the Scottish Government's Heat in Buildings Strategy. The Council has carried out data-driven analysis to highlight potential areas for future heat network development, including new build developments. The Council has identified four areas in which to explore potential heat networks:

- Central Kirkwall.
- West Kirkwall.
- Stromness.
- Dounby.

## Beyond the page: making the LHEES Strategy a reality

This Strategy outlines a number of challenges which must be overcome in order to decarbonise buildings across Orkney. These include:

- Challenges associated with different tenure types (owner occupied, private rented, social housing, mixed tenure buildings).
- Orkney's exposed climate and geography.
- High upfront capital cost of retrofitting and the high cost of surveying.
- Orkney's unique mixture of bespoke property types.
- Issues with funding timelines and requirements.
- Skills gap and other local supply chain challenges for retrofit measures.
- Poor data on non-domestic buildings.
- Challenges for developing heat networks.

Not all of these challenges can be addressed in the first iteration of LHEES, or the first Delivery Plan. For this reason, the LHEES will be an iterative Strategy. The regulatory landscape will change quickly over the next few years in order to drive progress in building decarbonisation in Scotland<sup>2</sup>. The LHEES Strategy and Delivery Plan will both be reviewed annually, and if necessary revised to react to legislative and market changes and to benefit from new opportunities that arise.

---

<sup>1</sup> Low-regret decisions are actions that are cost-effective now and provide options and flexibility in the future, rather than limiting options.

<sup>2</sup> For example, the Scottish Government's proposed Heat in Buildings Bill and the Social Housing Net Zero Standard, or the UK Government's Review of Electricity Market Arrangements.

# What is a Local Heat and Energy Efficiency Strategy?

## Purpose

Scottish local authorities have a statutory duty to develop a Local Heat and Energy Efficiency Strategy (LHEES) by 31 December 2023. This duty is described in the Local Heat and Energy Efficiency Strategies (Scotland) Order 2022.<sup>3</sup>

LHEES is the principal mechanism for locally led heat planning across Scotland's local authorities. The strategies set out the long-term plan for decarbonising heat in buildings and improving energy efficiency across an entire local authority. The focus on locally led planning is to ensure that the decarbonisation of heat in buildings is delivered in a way that is relevant to the local context and tailored to the specific needs of communities.

The purpose of this LHEES is to present the evidence base for identifying the necessary upgrades to buildings and local infrastructure required across Orkney by 2045, to fulfil the Scottish Government's objectives and local priorities related to heat in buildings. The interventions will occur at the building level and through the use of heat networks.

Orkney Islands Council's LHEES will support the delivery of the Council's goals of improving energy efficiency, reducing fuel poverty, and decreasing carbon emissions with zero direct emissions heating systems. The Council will use the LHEES to demonstrate and coordinate the wide variety of energy efficiency and decarbonised heating projects in Orkney and provide a vision for the energy transition across the area.

## Structure

LHEES has a two-part structure, consisting of a Strategy and a Delivery Plan:

- The **LHEES Strategy** is a long-term strategic framework over the next 15-20 years for decarbonising heat in buildings and improving energy efficiency across Orkney, framed around the six LHEES considerations outlined below in Table 1.
- The **LHEES Delivery Plan** sets out how the Council will implement the Strategy over the next five years. It enables the Council to work towards the delivery of the changes identified in the Strategy and clarifies the role and responsibilities of stakeholders.

This document contains Orkney Islands Council's LHEES Strategy. The accompanying Delivery Plan can be found on the Council's website. Both documents will be reviewed and updated periodically to reflect progress towards net zero, new available technologies and funding, and changing priorities in the local authority.

## LHEES guidance from Scottish Government

The national LHEES guidance focuses on six considerations relating to heat decarbonisation and energy efficiency. They are used to identify and target interventions in different parts of the building stock. The six considerations are outlined in Table 1.

The considerations for heat decarbonisation are grouped around whether buildings are on- or off- the mains gas grid, and if they are in areas with the potential to develop heat networks. Considerations relating to energy efficiency and other outcomes focus on areas

---

<sup>3</sup> [The Local Heat and Energy Efficiency Strategies \(Scotland\) Order 2022](#)

with poor building energy efficiency, such as no or low levels of insulation, and areas where this is likely to contribute to high levels fuel poverty. This focus is to ensure that energy efficiency projects will reduce fuel poverty. Mixed-tenure, mixed-use, and historic buildings are included as separate considerations, as these are likely to require different approaches.

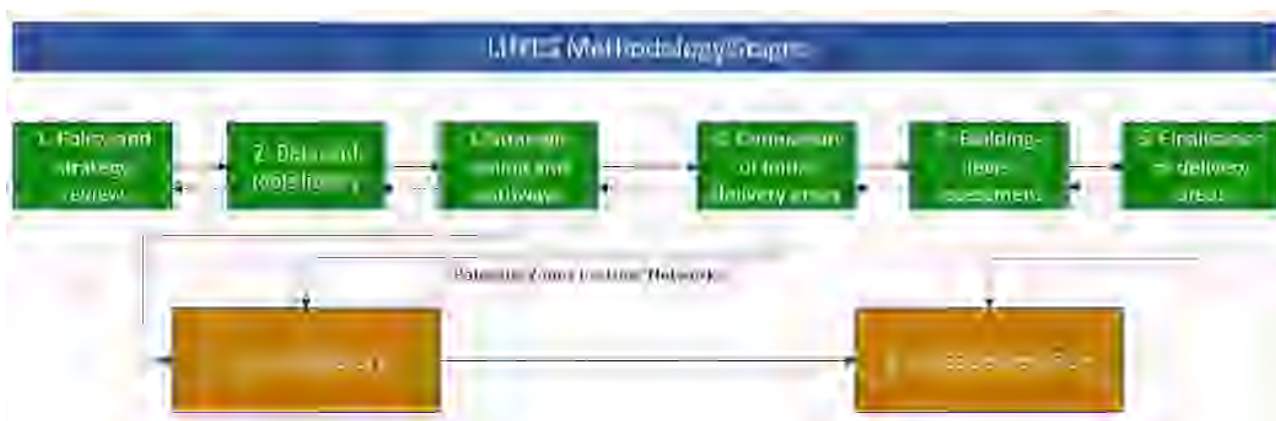
*Table 1: Summary of the LHEES considerations*

	No	LHEES Considerations	Description
Heat decarbonisation	1	Off-gas grid buildings	Transitioning from heating oil and LPG in off-gas areas
	2	On-gas grid	On-gas grid heat decarbonisation (not applicable for Orkney Islands Council)
	3	Heat networks	Decarbonisation with heat networks
Energy efficiency and other outcomes	4	Poor building energy efficiency	Poor building energy efficiency
	5	Poor building energy efficiency as a driver for fuel poverty	Poor building energy efficiency as a driver for fuel poverty
	6	Mixed-tenure, mixed-use and historic buildings	Mixed-tenure and mixed-use buildings, listed buildings and buildings in conservation areas

## LHEES stages

This LHEES has been developed over eight stages, as outlined in Figure 1. The completion of stages 1-6 provided the data analysis and evidence base which forms the foundation for Orkney Islands Council's LHEES Strategy (Stage 7) and Delivery Plan (Stage 8).

*Figure 1: Summary of LHEES Stages*



The analysis in Stage 3 separates buildings into four categories, which are primarily based on their suitability for a heat pump retrofit. The categories are defined in the Scottish Government's LHEES guidance and are based on indicators from the Home Analytics dataset. Table 2 below provides a brief description of each category and the process for categorising all domestic properties.

Table 2: Domestic building categories and category indicators

Building category	Description	Indicators
Category 0	Currently have a low or zero direct emissions heating system, or heat network connection.	<ul style="list-style-type: none"> <li>Properties with a heat pump (off-gas only) or communal heating as the main heating system</li> </ul>
Category 1	"Heat pump ready" buildings that are well-suited to heat pump retrofit with minimal other changes.	<ul style="list-style-type: none"> <li>Cannot be a category 0 property</li> <li>Not listed or in a conservation area</li> <li>Properties with insulated walls and double or triple glazed windows</li> <li>If the property has a loft, it must have at least 100mm of loft insulation</li> <li>Properties which are likely to have a wet heating system (i.e. mains gas, LPG, Oil or Biomass/solid fuels)</li> </ul>
Category 2	Secondary potential for heat pump retrofit. Require some fabric and/or distribution systems upgrades.	<ul style="list-style-type: none"> <li>Cannot be a category 0 or 1 property</li> <li>Properties that are cavity construction (either insulated or uninsulated), or any other construction type, with insulated walls</li> <li>There must be no risk of the property having a narrow uninsulated cavity</li> <li>Properties can be listed or in a conservation area</li> </ul>
Category 3	Significant upgrades required	<ul style="list-style-type: none"> <li>The subcategories below indicate the most viable decarbonisation technology. Heat pumps are the priority solution. The suitability of storage or direct</li> </ul>



Building category	Description	Indicators
	to be heat pump ready.	<p>electric heating, and biomass are indicated by the characteristics listed below:</p> <ul style="list-style-type: none"> <li>• Category 3 – Heat pump</li> <li>• If the property is currently heated via an oil or LPG system</li> <li>• Category 3 – Electricity (storage or direct)</li> <li>• Properties already using electricity as the main fuel type</li> <li>• Flats</li> <li>• Properties with double or triple glazed windows</li> <li>• Properties in urban areas (1, 2 or 3 in the 8-fold classification<sup>4</sup>)</li> <li>• Category 3 – Biomass</li> <li>• Properties already using biomass as the main fuel type</li> <li>• Detached and semi-detached properties</li> <li>• Properties of a solid brick or stone construction type</li> </ul>

### How this LHEES was developed

Orkney Islands Council's LHEES was developed in partnership with Changeworks, following the standard methodology published by Scottish Government [see Appendix D].

<sup>4</sup> [Scottish Government Urban Rural Classification 2020](#)

## Policies and progress to net zero

### Local policies and projects

Orkney Islands Council has several policies relevant to energy efficiency, decarbonising heating, and fuel poverty. The policies and relevant targets are summarised in Table 3 below:

*Table 3: Summary of relevant local policies.*

Name	Description
Local Housing Strategy (2024-2029, Draft)	<p>The five-year development plan for housing across the Council. Prioritises increasing the number of homes in Orkney and providing quality, warm homes.</p> <p>Targets:</p> <p>96% Council and 99% Orkney Housing Association (OHAL) compliance with the Social Housing Net Zero standard</p> <p>£4 million in HEES:ABS funding by 2026</p> <p>Maximise benefits of renewable energy developments to reduce fuel costs in Orkney</p> <p>Lobby UK Government for lower fuel tariffs in Orkney</p>
Council Plan (2023-2028)	<p>The five-year plan that provides a clear direction for the Council to deliver ambitions for community and businesses. The Council aims to invest in homes and ensure social and private housing is more energy efficient.</p> <p>Targets:</p> <p>90% of Council dwellings are energy efficiency by 2027/2028 (88% were in 2020/2021)</p>
Local Development Plan (2017)	<p>The vision and spatial strategy for the development of land in Orkney over the next 10-20 years. The Council supports the use of low carbon technologies to heat and power homes and intends to identify potential heat networks.</p>
Strategic Housing Investment Plan (2021-2026)	<p>The five-year development plan for affordable housing provision (updated yearly in line with Scottish Government guidance).</p> <p>Targets:</p> <p>To deliver 297 completed properties and further develop 38</p>

Name	Description
Orkney Sustainable Energy Strategy (2017-2025)	<p>The aims and actions to become a secure, sustainable, low carbon island economy.</p> <p>Targets:</p> <ul style="list-style-type: none"> <li>Less than 20% households in fuel poverty by 2030 and 0% by 2032</li> <li>50% decarbonised energy use by 2030</li> <li>300% renewably generated electricity</li> <li>600 sustainable energy jobs by 2030</li> </ul>
Orkney Hydrogen Strategy: The Hydrogen Islands (2019-2025)	Identifies how hydrogen can best be applied to energy systems in Orkney. It is part of the Orkney Sustainable Energy Strategy.
Carbon Management Programme (2016-2026)	<p>Sets carbon targets for various sectors. The Council intends to improve energy efficiency by improving insulation and heating systems in existing buildings and develop a programme promoting energy efficiency among staff in Council buildings.</p> <p>Targets:</p> <p>Total CO2 emissions in financial year 2025-2026 should be 42% of baseline year 2004-2005.</p>
Indicative Regional Spatial Strategy (2021)	The strategic priorities for development planning in Orkney to 2050. Prioritises future housing that addresses fuel poverty and climate change. It also establishes an Islands Centre for Net Zero Carbon which will aim to accelerate the islands' transition to net zero carbon.
Orkney Integration Joint Board: Joint Strategic Needs Assessment (2016)	Describes partnership working between NHS Orkney and the Council for future health and wellbeing needs. Identifies fuel poverty as a significant health and wellbeing issue in Orkney.

## Heat and energy efficiency projects for Council-owned properties

### Carbon Management

Orkney Islands Council has committed to continually improving its CO<sub>2</sub> emissions to meet the 42% baseline by the 2025-2026 financial year. This will be achieved by replacing oil and other fossil fuel heating systems in existing council-owned building with electrified alternatives such as heat pumps. Another aim is to improve the energy efficiency of its existing building stock over the next 20 years by upgrading and improving the insulation and heating systems of existing buildings. This target is in line with the ambitious public sector targets detailed in Scotland's Climate Change Plan and Scotland's Heat in Buildings Strategy.

## Energy efficiency standards for social housing

Orkney Islands Council has made significant investments to improving the energy efficiency of its housing stock. The Council met the Scottish Housing Quality Standard (SHQS) by the deadline of April 2015 through major investment.

Due to this investment, 93.5% of Council-owned homes have an energy efficiency rating of EPC band C or above, meeting the first phase of the Energy Efficiency Standard for Social Housing (ESSH).

ESSH2 has been implemented since December 2020. It seeks to ensure social rented properties achieve the equivalent of EPC Band B or above where it is practically possible to do so. The original ESSH2 milestones of 2025 and 2032 are currently on hold while the standard is reviewed to ensure alignment with the 2045 net zero target. In accordance with the interim guidance on ESSH2<sup>5</sup>, Orkney Islands Council will undertake an individual building assessment when a property becomes void and take a fabric first approach (focussing on the building fabric before upgrading the heating system). Mechanical Ventilation with Heat Recovery (MVHR) systems will also be installed. These systems provide ventilation while recovering and reusing the heat in the air leaving the property. MVHR systems help maintain healthy air quality while saving energy on heating.

Currently, just under 20% of the Council's housing stock reaches the energy efficiency rating of band B required for ESSH2 compliance. This is higher than the national level of 7%. Analysis undertaken by the Council in 2022 showed that adopting a fabric first approach and installing MVHR systems in the remaining properties not currently meeting the Social Housing Net Zero Standard, would cost £25.2 million.

However, an independent review of the Housing Revenue Account suggests that it will cost even more to update the housing stock to meet the proposed energy efficiency standard (SHNZS). The Council will commission a comprehensive survey to establish up-to-date costs to meet these standards.

## Carbon Trust

The Carbon Trust set out a range of projects aiming to reduce carbon emissions across all 32 local authorities<sup>6</sup>. Orkney Islands Council is now in its second 10-year programme, which is due to end in April 2026.

The current programme saw a total of 12 retrofits (including several schools, a community centre and a care home) which included a variety of measures such as:

- External wall insulation.
- Ground source heat pump.
- Loft insulation.
- Re-roofing.
- LED lighting replacement

<sup>5</sup> [Energy Efficiency Standard for Social Housing post 2020 \(ESSH2\) review: interim guidance for social landlords](#)

<sup>6</sup> [Why Scotland's public sector needs to rise to the carbon challenge | The Carbon Trust](#)

These retrofits were a success and contributed to an annual carbon saving of 486 tonnes, all at less than £450 per tonne of carbon saved over the lifetime of the measures. Four larger projects (St Andrews Primary School; Kirkwall Care Home; St Margaret's Hope Primary School; and Kirkwall Nursery) have since been added to the project list with the expectation of an additional 144 tonnes per annum saved.

## Heat and energy efficiency projects across the area

### Heat and Energy Efficient Scotland: [Area Based Schemes \(HEES: ABS\)](#)

HEES: ABS provides funding for privately owned homes across Scotland, administered by each council. In Orkney, funding increased through HEES: ABS from £785,102 in 2015 to over £1.7 million claimed in 2022/23. In 2023/24, funding totalled £1.86 million to install energy efficiency improvements in private sector housing.

In 2022/23:<sup>7</sup>

- The Council funded 239 energy improvements completed across 176 households.
- The Council offered grants of between £10,500 to £16,100 to households.
- EPC ratings for each household improved by an average of 11.7 points.
- On average, individual households saved £728 per year as a result of the energy improvements.
- 22% of homes referred to HEES: ABS were previously in the worst EPC Bands F or G.
- Energy improvements installed under the scheme have helped to save more than 108 tonnes of CO<sub>2</sub>.

Since 2015, a total of 1,521 energy improvements have been completed across 1,184 households.

### Orkney Housing Association Ltd maintenance programme

Orkney Housing Association Ltd (OHAL) received grant funding from the Scottish Government Social Housing Net Zero Fund to add an additional 49 properties into the 2023/2024 planned maintenance programme. Energy efficiency works will include:

- High efficiency, triple glazed windows.
- Replacement high insulation doors.
- Loft insulation top ups.
- Hot water cylinder jackets.

It is anticipated that all properties which receive retrofit works will move to EPC band B or C. OHAL plans to bid for additional funding from the Social Housing Net Zero Fund to enhance the 2024/2025 maintenance programme. Future projects include more fabric improvements and zero direct emissions heating systems such as high retention storage heaters for OHAL properties.

---

<sup>7</sup> Warmworks (2023) [Energy Efficient Scotland: Area-Based Scheme \(Orkney\) Annual Report 2022/23](#)

OHAL were unsuccessful in their February 2023 bid to improve 130 properties spread across their housing stock. As such, they are moving ahead with a reduced programme that affects 29 properties, with works including:

- High retention storage heaters.
- High efficiency, triple glazed windows.
- Replacement high insulation doors.
- Loft insulation top ups.

### **Fuel poverty advice and assistance for OHAL tenants**

Over the course of the last three years, OHAL has successfully bid for a total of £325,000 from various Scottish Government funding schemes. This has allowed OHAL to provide direct financial support to tenants for their energy costs. For example, in the financial year 2022/23, every OHAL tenant was able to access a £150 grant to assist with fuel costs. In addition to this, OHAL has a dedicated Energy Advice Officer who provides bespoke support to tenants experiencing fuel poverty and/or in need of support or advice.

### **The Orkney Partnership**

The Orkney Partnership is made up of the Council and four partner agencies (NHS Orkney, Police Scotland, Highlands & Islands Enterprise, Scotland Fire and Rescue Service), collaborating with the community to accomplish its key priorities. One of the key priorities is sustainable development for the region, specifically tackling fuel poverty, transitioning to a greener economy, and meeting net zero by 2030.

These ambitions are set out and explained in The Orkney Community Plan 2023-2030. The partnership aims to increase the number of homes with sustainable and affordable forms of heating in the region. The target is to increase the number of homes built per annum with sustainable heating and improved insulation from 92 to 125 by 2030. This development will be undertaken through collaboration with the Council, housing associations, and private developers.

### **Energy Company Obligation (ECO)**

The Energy Company Obligation (ECO) was first introduced in 2013 and places legal obligations on energy suppliers to deliver energy efficiency measures to domestic premises. The scheme is a UK Government energy efficiency scheme that supports private tenure households on low incomes and vulnerable households. The aims of the scheme are to improve the least energy efficient homes and help to meet the UK Government's fuel poverty and net zero commitments. Local authorities are invited to participate in these schemes.

Previously in Orkney, ECO funding was included in Area Based Schemes' projects. However, the recent iteration of the scheme (ECO4) does not permit blended funding. The Council is considering a separate project to make use of the funds.

## Regional projects

### Islands Centre for Net Zero (ICNZ)

The ICNZ is a ten-year UK and Scottish Government funded project supporting Orkney, Shetland and the Outer Hebrides in reducing their greenhouse gas emissions. The project has £16.5 million to provide:

- Research and demonstration funding and resource.
- Direct community resources so that communities can develop their own localised decarbonisation projects.
- Capital funding directly for projects that can actively decarbonise the islands.
- Resources to identify further funding opportunities.

The project is currently in its second funding year and has established a secure Data Exchange on UrbanTide's uSmart platform, and data governance protocols. Early conversations have been held between ICNZ and the three local authorities to explore how the ICNZ Data Exchange can support LHEES and the councils' Delivery Plans.

The project team are also developing demonstrations, including a domestic decarbonisation project in the Outer Hebrides, which is expected to have replicability for Orkney properties.

### Scottish Government Policy

The following section discusses the most relevant policies from Scottish Government. For a full list of policies, see Appendix A.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) advised that to reach the 1.5°C target set in the Paris Climate Accord, the world needs to reach net zero carbon emissions by 2050.

Achieving net zero is crucial to mitigating the impacts of climate change and worsening the consequences of climate change. With the way we heat our homes, workplaces and other buildings making up the third-largest cause of carbon emissions in Scotland, it is vital the nation decarbonises its buildings. This is done through implementing measures to improve the energy efficiency of domestic and non-domestic buildings, as well as transitioning to zero direct emissions heating systems.

Several national policies are relevant to driving LHEES, particularly the Heat in Buildings Strategy, the Heat Network Act, and the Fuel Poverty Act. These policies are described below, followed by a table with all relevant national policies.

#### Heat in Buildings Strategy

The Heat in Buildings Strategy, published in 2021, sets out a vision that by 2045 Scotland's homes and buildings will be cleaner and easier to heat and no longer contribute to climate change. The Strategy prioritises improvements to the fabric of buildings to reduce energy demand, alongside a focus on zero emissions heating systems, such as heat pumps and heat networks. This LHEES will contribute to the targets set out in the Heat in Buildings Strategy by identifying measures for reducing building emissions and potential heat network zones.

In the Heat in Buildings Strategy, the Scottish Government committed to the development of a Heat in Buildings Bill to provide the regulatory framework for zero emissions heating and energy efficiency.

In November 2023, the Scottish Government launched a consultation on the Heat in Buildings Bill, which proposes a minimum energy efficiency standard for private landlords by the end of 2028, and for owner-occupiers by 2033. It also proposes a ban on polluting heating systems in all buildings by 2045.

### **Social Housing Net Zero Standard**

The Scottish Government has established targets to improve the energy efficiency of social housing. Previously, these targets have been set through the Energy Efficiency Standard for Social Housing (ESSH). ESSH2 guidance required all social housing to meet an energy efficiency rating of EPC band B by 2032. ESSH2 has been under review to realign the standard with net zero targets and the 2032 milestone has been put on hold.

In November 2023, the Scottish Government launched a consultation on a new Social Housing Net Zero Standard which will replace ESSH2. The proposed new standard includes setting a minimum fabric efficiency rating (different to current EPC ratings) and introducing a requirement to replace polluting heating systems with clean alternatives by a backstop date of 2045, with possible interim targets before then.

### **Heat Networks (Scotland) Act 2021**

Heat networks supply multiple buildings with heat or cooling from a central source or sources. This avoids the need for individual boilers or electric heaters in every building.

The Act defines a heat network to mean either a district heat network or a communal heating system. It provides the legislative framework to both set up and regulate heat networks. The act requires local authorities to review areas that are potentially suitable for heat networks within their constituency. This LHEES will function as the main vehicle by which Orkney Islands Council will carry out this review.

### **Fuel Poverty (Scotland) Act 2019**

The Fuel Poverty (Scotland) Act 2019 was passed by the Scottish Parliament in 2019. According to this Act, a fuel poor household spends at least 10% of their net income to pay for reasonable fuel needs after housing costs have been deducted. A household is extremely fuel poor if fuel costs are 20% or higher.

The first set of targets laid out in this legislation are that by 2030 no more than 15% of households in Scotland are in fuel poverty and no more than 5% are in extreme fuel poverty. Homes with a lower energy efficiency were identified as one of the key drivers of fuel poverty and the LHEES looks to address this pressing issue. By improving the energy efficiency of homes, a reduction in fuel costs can be expected. LHEES can therefore provide support to reducing fuel poverty by mitigating energy efficiency as a driver.

### **Energy Performance Certificate reform**

To date, Scotland's energy efficiency targets have been articulated through Energy Performance Certificate (EPC) ratings. Recently, limitations of this approach have been



highlighted.<sup>8</sup> One limitation is that the EPC rating is a cost efficiency rating, where the cost of using the heating system is a factor in the rating. This makes the rating less useful for setting targets for the energy demand of buildings.

The Scottish Government has launched a consultation on EPC reform.<sup>9</sup> It proposes to introduce a range of new metrics, including a fabric rating, which will specifically focus on the fabric performance in terms of heat loss. Recent consultations on minimum energy efficiency standards for buildings indicate that this rating may be used.

---

<sup>8</sup> [Climate Change Committee - Reform of domestic EPC rating metrics to support Net Zero](#)

<sup>9</sup> [Scottish Government - Energy Performance Certificate \(EPC\) reform: consultation](#)

## Stakeholder engagement

In developing the LHEES, the Council has engaged with a variety of stakeholders on several topics related to the Strategy. The following subsections outline the levels of current and future engagement with various internal and external stakeholders; their interest in the development of the LHEES; their level of engagement; and the potential challenges that could be faced.

### Interest and influence mapping

An Influence/Interest Matrix has been used to map key LHEES stakeholders across Orkney. This gives a clear picture of the level of engagement required for each stakeholder and quickly highlights who the high-priority stakeholders are.

The following engagement level is a recommended starting point for each tier, based on LHEES guidance from Zero Waste Scotland and Arup:

**Tier 1:** Part of project steering group. Ongoing engagement throughout the project at defined workshops e.g. identifying priorities and for delivery. Specific engagement plans developed as required. Includes:

- Tackling Household Affordable Warmth (THAW) Orkney.
- Orkney Housing Association Limited (OHAL).
- Warmworks – managing agent of HEES:ABS and national operator of the Warmer Homes Scotland Scheme.

**Tier 2:** Participate in workshops and engage with the project at key milestones (if required). Potentially one-to-one contact during data collection stage and one-to-one interviews to be held with these stakeholders to gain further insight and understanding of priorities and delivery contributions. Includes:

- Home Energy Scotland (HES).
- Aquatera.
- Island Centre for Net Zero.

**Tier 3 and 4:** Potentially participate in workshops and engage with the project at key milestones (ad hoc basis e.g. delivery planning). Receive a direct invite to public consultation. Includes:

- SSE.
- Orkney Care and Repair.
- Orkney Community Planning Partnership.
- Orkney Renewable Energy Forum (OREF).
- Community Energy Scotland (CES).
- ReFlex Orkney.
- Aspire Orkney.
- Community Councils.

- Development Trusts.
- Orkney Builders Ltd.
- R Clouston.
- Kirkwall Business Improvement District (BID).

## **Engagement plans**

### **Drafting the LHEES Strategy**

Participation and consultation with stakeholders are essential to the development of the LHEES. The following outlines the initial stakeholder engagement work undertaken to date with Tier 1 stakeholders.

### **Warmworks**

Since 2020, Warmworks has been the managing agent for Orkney Islands Council's HEES:ABS projects and work to deliver energy efficiency measures for private tenure housing. Warmworks provided detailed data on the number of measures and households it has worked with during this time, as well as laid out the challenges faced. The main priorities are improving energy efficiency in homes and removing energy efficiency as a driver of fuel poverty.

### **THAW Orkney**

THAW is a third sector organisation with the aim to reduce levels of fuel poverty and achieve affordable warmth in Orkney. It has provided information on the type of energy efficiency saving advice given to householders, as well as the funds available to help make homes retrofit ready. THAW's main priorities are improving energy efficiency in homes and removing energy efficiency as a driver of fuel poverty.

### **OHAL**

OHAL functions as the only housing association in Orkney and currently manages 7% of housing in the region. Focusing on implementing tenant support, as well as by adopting a fabric first approach to retrofit, OHAL prioritises improving energy efficiency in homes and removing energy efficiency as a driver of fuel poverty.

### **Approval and public consultation process**

After the draft of the Strategy was finalised, it went through the same consultation process as all Council policies:

- Approval from senior management.
- Public consultation.

### **Further stakeholder engagement plans**

The Council is already conducting stakeholder engagement as part of the recently passed Local Housing Strategy. The Council anticipates that there will be workshops and working groups around energy efficiency, fuel poverty, and other topics later in 2024. The Council staff responsible for LHEES will be part of these engagement activities. Feedback from

these sessions will be included in the ongoing development of the LHEES Strategy and Delivery Plans.

## **LHEES governance**

The delivery plan will be updated on an annual basis, the following steps will be included:

- Assessment of current funding opportunities will be undertaken.
- Stakeholder group will be approached to update current progress and new opportunities, a short workshop may be used or a round of telephone calls / Team meetings.
- Stakeholder group will be reviewed to update list and level of involvement.
- Current projects will be evaluated in terms of progress, impact, and cost.
- New projects developed over the year will be evaluated.
- New data available will be used to update LHEES datasets. Where new data insights are available, these will be included in reporting and project development.
- Annual LHEES update report will be produced.

The completed report will be taken to the Corporate Leadership Team. A briefing note will then be prepared and issued to the Councillors.

The LHEES Strategy will be reviewed every five years and the process will include the following steps:

- Update strategy review, what new legislation, national and local strategies will impact the LHEES.
- Delivery Plan will be reviewed as annual programme above and the highlights will be discussed in the strategy document.
- Revised strategy will undergo a public consultation.

The completed strategy will be taken to the Corporate Leadership Team. A report will then be prepared for the Policy and Resources Committee, with final approval by the full Council. The updated Strategy and Action Plan will then be published.

## Baselining: Heat and energy efficiency in the Council

This section provides an overview of the building stock in Orkney Islands Council at the time of writing. This baseline allows the Council to create an effective strategy and to measure progress towards targets and the ultimate target of net zero by 2045.

Age, dwelling type, wall construction, tenure, and heating fuel are key factors that impact energy performance, operational costs, and living conditions in buildings. Home Analytics data for Orkney Islands Council has been used to benchmark key property statistics against overall national statistics found in the 2021 Scottish House Condition Survey.<sup>10</sup>

### Domestic buildings

#### Property age and construction type for domestic buildings

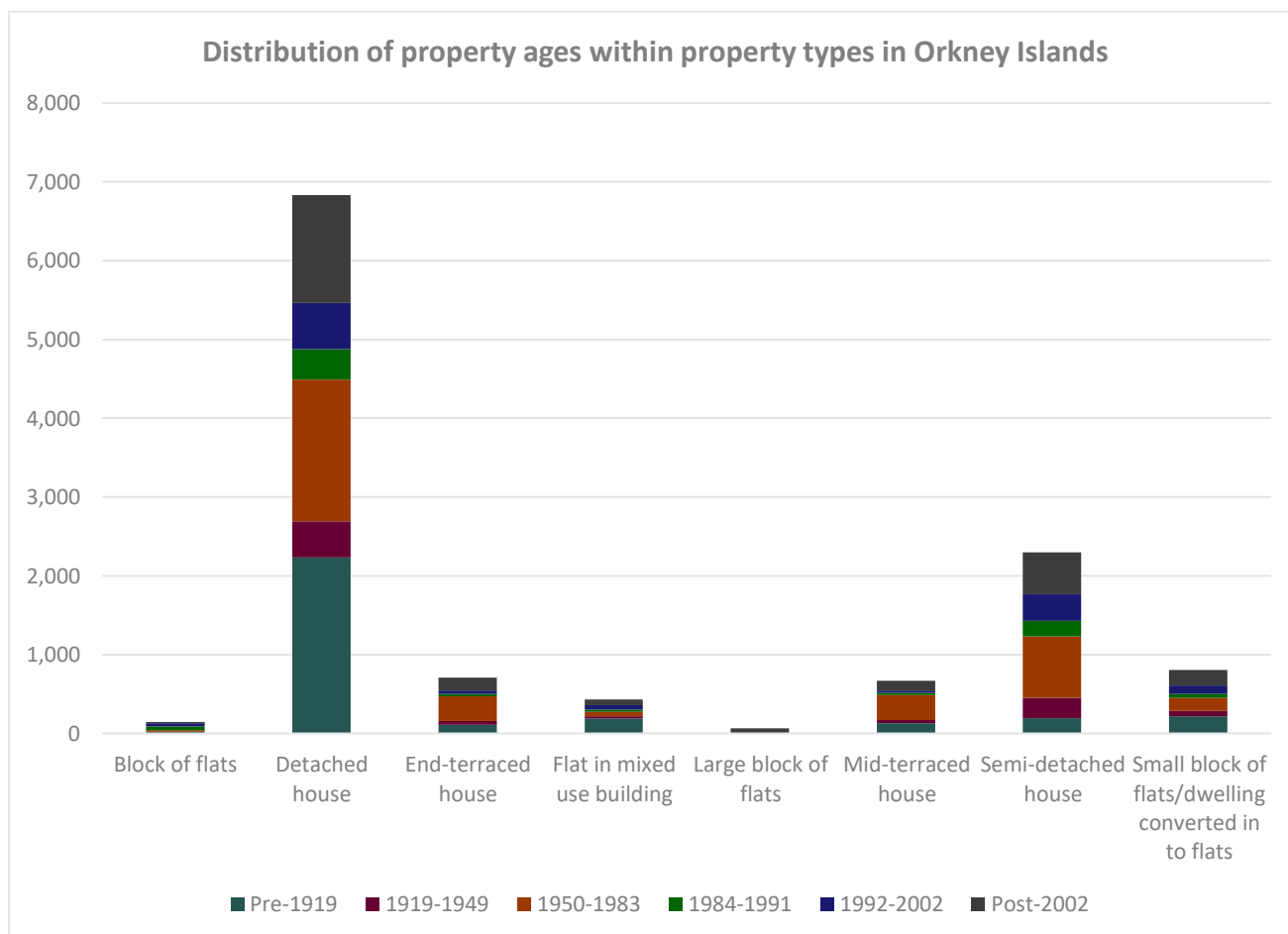
The majority of properties in Orkney Islands Council were built before 1950 and between 1984-1991. These properties are likely to require fabric measures to improve the level of insulation, due to the insulation standards in place at the time of their construction.

Table 4: Property ages per property type within Orkney Islands

Property Type	1919-1949	1950-1983	1984-1991	1992-2002	Post-2002	Pre-1919	Total
Detached house	2,232	460	1,800	387	586	1365	6,830
Semi-detached house	196	257	778	198	337	531	2,297
Mid-terraced house	131	41	317	27	27	126	669
Small block of flats/dwelling converted in to flats	219	69	165	53	102	200	808
Block of flats	23	0	21	45	40	17	146
End-terraced house	109	51	311	35	40	165	711
Large block of flats	0	0	0	1	0	65	66
Flat in mixed use building	191	27	58	26	59	71	432
<b>Total</b>	<b>3,101</b>	<b>905</b>	<b>3,450</b>	<b>772</b>	<b>1,191</b>	<b>2,540</b>	<b>11,959</b>

<sup>10</sup> [Introduction - Scottish House Condition Survey: 2021 Key Findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2021/04/Introduction-to-Scottish-House-Condition-Survey-2021-Key-Findings.pdf)

Figure 2: Property types by age of building in Orkney Islands



Property age can be used to predict construction type, which is useful when planning appropriate retrofit interventions across a large number of buildings.

The majority of properties in Orkney fall within two categories of construction: solid brick or stone (37% of total housing stock) and timber frame (32% of total housing stock) (Table 5). Additionally, 27% of total housing stock are of cavity construction, and 4% are system built. Within the total housing stock, 25% of properties are solid brick or stone and are uninsulated. Properties of the same construction category provide an efficient opportunity for retrofit, as fabric measures can be standardised and installed at a larger scale. However, as discussed below, there will be a range of different thermal performances within each archetype.

Properties built before 1919 are likely to be of a **solid wall construction**, from brick or stone, with timber floor and roof construction. Stone buildings are likely to have a high conservation value, and might be within conservations areas or listed. Retaining the facing stone in such buildings is often essential to the character of the area, however, it also presents unique retrofit challenges and is expensive. In Orkney, 25% of all domestic properties have uninsulated solid walls (see *Table 5*).

**Cavity wall construction** became more commonplace from the 1920s onwards and is still built today. Like traditional construction, cavity wall construction commonly uses timber for

floors and roofs. Walls are constructed in two layers, rather than a single leaf. In comparison to solid wall construction, unfilled cavity walls are almost twice as thermally efficient. Additionally, cavity wall constructed properties are much more likely to incorporate damp proof courses (DPCs) and Portland cement than traditionally constructed properties. More recent cavity wall constructed properties (post-1980) are likely to have partially filled cavities. In Orkney, 8% of domestic properties have uninsulated cavity walls (see *Table 5*).

In Scotland, **timber frame construction** superseded cavity wall construction as the primary method of housebuilding in the early 1980s. The proliferation of timber frame construction in Scotland has coincided with the incremental increase of insulation standards. Older properties may have minimal mineral wool insulation between timber studs whereas newer properties may have up to 140mm of phenolic foam or air tightness barriers. Increasing insulation standards have been the main driver in the increase in depth of the timber structure, with older properties having around 75mm timber studs in comparison to 140mm in modern buildings. In Orkney, 9% of domestic properties have uninsulated walls with a timber frame construction (see *Table 5*).

**System-built** usually refers to post-war, non-traditional construction housing that is not cavity wall constructed. It is generally found in mass social house building programmes of the period. Such housing is normally utilitarian in design with low conservation value. This is advantageous for potential external wall insulation interventions; however, these properties have a range of unique designs making standardised retrofit plans challenging. A very small percentage of domestic properties in Orkney are system-built (4%). Half of these have uninsulated walls (2% of all domestic properties) (see *Table 5*).

*Table 5: Wall insulation by construction types of properties within Orkney Islands*

Construction type	Number of properties		Number of properties with insulated walls		Number of properties with uninsulated walls	
	Count	% of total domestic properties	Count	% of total domestic properties	Count	% of total domestic properties
<b>Cavity</b>	3,279	27%	2,279	19%	1,000	8%
<b>Solid brick or stone</b>	4,441	37%	1,438	12%	3,003	25%
<b>System built</b>	414	4%	278	2%	136	2%
<b>Timber frame</b>	3,825	32%	2,800	23%	1,025	9%
<b>Total</b>	<b>11,959</b>	<b>100%</b>	<b>6,795</b>	<b>56%</b>	<b>5,164</b>	<b>44%</b>

## Tenure of domestic buildings

Property tenure will have a direct impact on the pace and extent of retrofit installations across Orkney. Specific tenure-targeted policies such as ESSH2 for social housing have been proven to accelerate change. Conversely, the private sector has seen slower

progress due to property owners not seeing a strong return on capital investment without government stimulation.

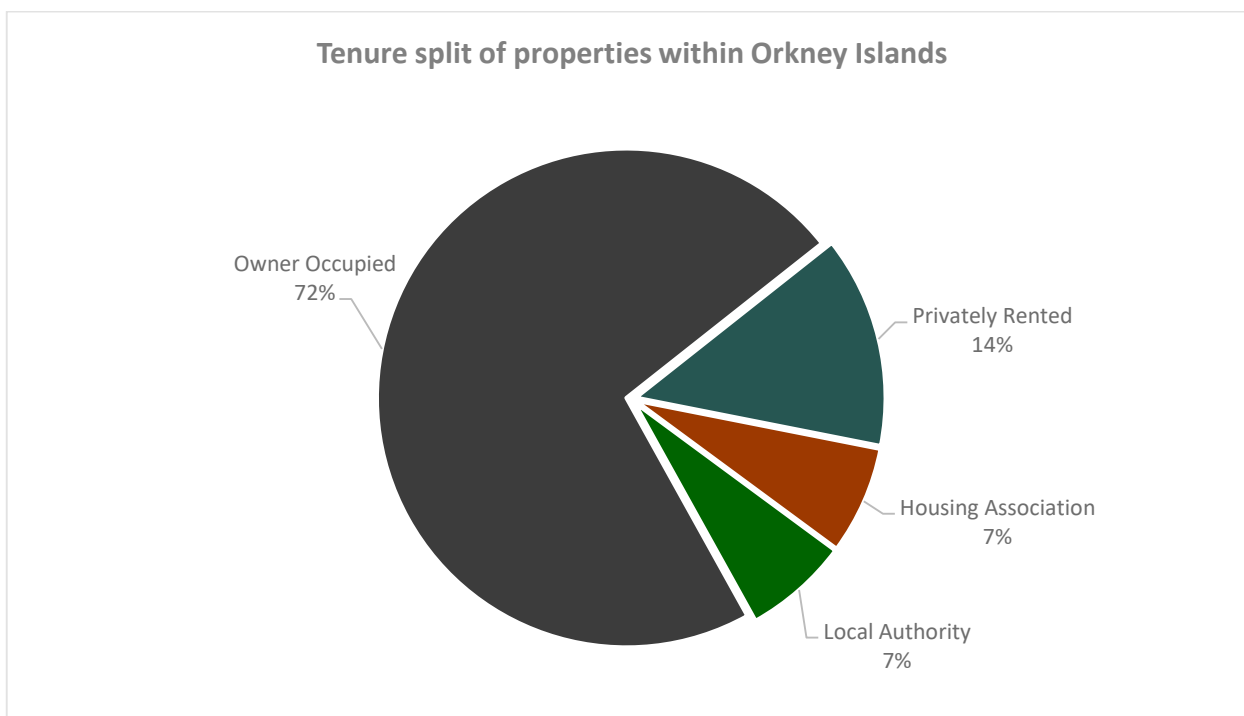
Approximately 14% of homes in Orkney are social housing (7% Council-owned and 7% housing association-owned). While these properties are eligible for various government funding streams for retrofit, the existing funding is not often sufficient to meet the energy efficiency requirements while keeping rent affordable. This is a challenge for the social housing sector.

Most properties in Orkney are owner occupied (72%) and a smaller proportion are private rented (14%). Private tenure properties will require a different approach to retrofit and heating upgrades than the social housing sector.

Table 6: Tenure split of properties within Orkney Islands

Owner Occupied	Local Authority	Privately Rented	Housing Association
8,660 (72%)	817 (7%)	1,644 (14%)	838 (7%)

Figure 3: Pie chart of property tenure split within Orkney Islands



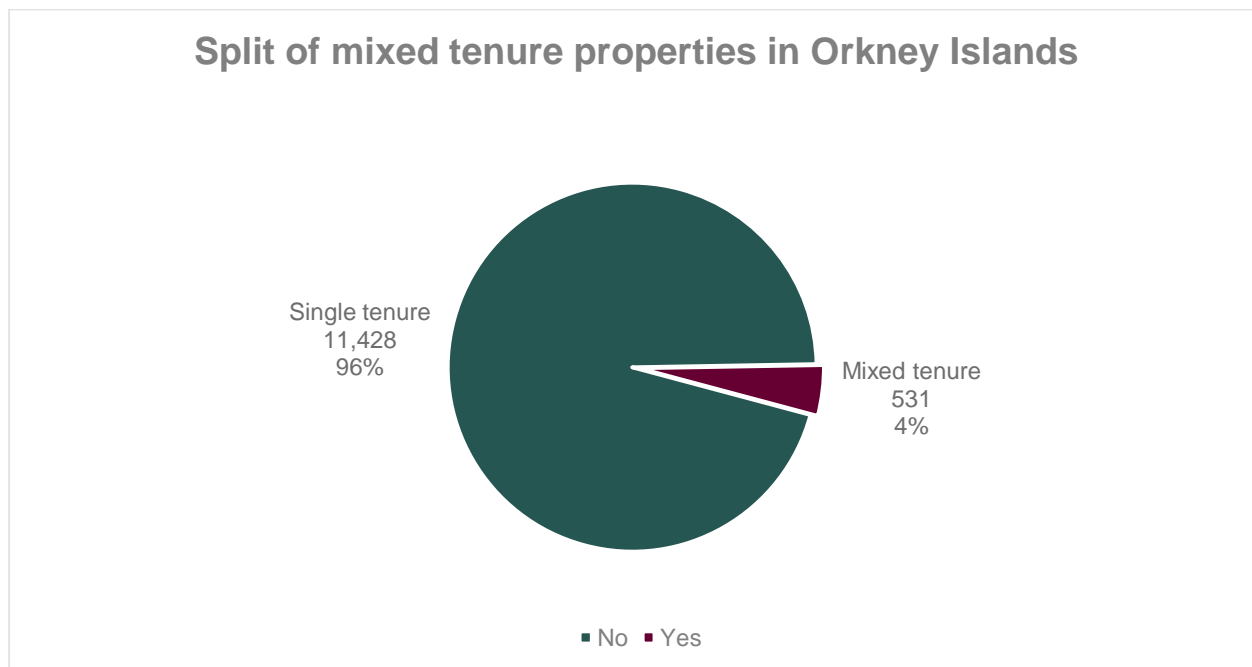
There are a small number of mixed tenure properties in Orkney (see Table 7). Mixed tenure provides an additional retrofit challenge due to multiple owners within the same property. In these buildings, there is a risk that retrofit plans are delayed or the extent of retrofit is reduced due to different priorities or capital investment plans for the property owners. Council-owned properties in mixed tenure buildings could be targeted first to develop a retrofit plan addressing challenges and opportunities.



Table 7: Mixed tenure properties in Orkney Islands

Single tenure	Mixed tenure
11,428 (96%)	531 (4%)

Figure 4: Pie chart of mixed tenure split within properties in Orkney Islands



## Fuel poverty

The Scottish House Condition Survey (SHCS) provides data on fuel poverty in Scotland. This data has been used to assess the fuel poverty of Orkney Islands. Scotland-wide data is published annually, with the latest data being from 2022. No data was published in 2020 and 2021 due to the COVID-19 pandemic. Local authority figures for fuel poverty are based on three years' worth of SHCS data in order to achieve sufficient sample sizes. The latest data is from 2017-19. This is no longer accurate but may provide an estimate of how Orkney compares to the Scottish average.

The Scottish Index of Multiple Deprivation (SIMD) is a tool for identifying areas with relatively high levels of deprivation. It is a relative measure of deprivation across small areas (data zones) in Scotland. 'Deprived' does not necessarily mean 'poor' or 'low income'. It can also mean people have fewer resources and opportunities, for example in health and education. SIMD data is split into ten deciles covering the whole population, where one is most deprived and ten is least on the scale. The latest data was published in 2020.

Based on 2017-19 data from the Scottish House Condition Survey (SHCS) (see Box 1), Orkney's fuel poverty rate<sup>11</sup> was 31%. This is above the Scottish average<sup>12</sup> in the same period, which was 24%. These statistics are the most up to date data on fuel poverty available at the local authority level.

Although there is no SHCS data available, it is likely that fuel poverty rates in Orkney now are far higher than 31%, as a result of the cost-of-living crisis and the sharp rise in energy costs. In 2022, the SHCS estimated that the national rate of fuel poverty had increased to 31% (Table 8).

Table 8 shows how Orkney Island's fuel poverty rates have changed in the past decade. Across these years, average fuel poverty in Orkney Islands has been above the Scottish national level. However, due to a change in fuel poverty definition, this is likely to have been the cause for the significant differences observed between 2015-17 and 2016-18. Therefore, direct comparisons cannot be drawn with the statistics published prior to and after 2016-2018.

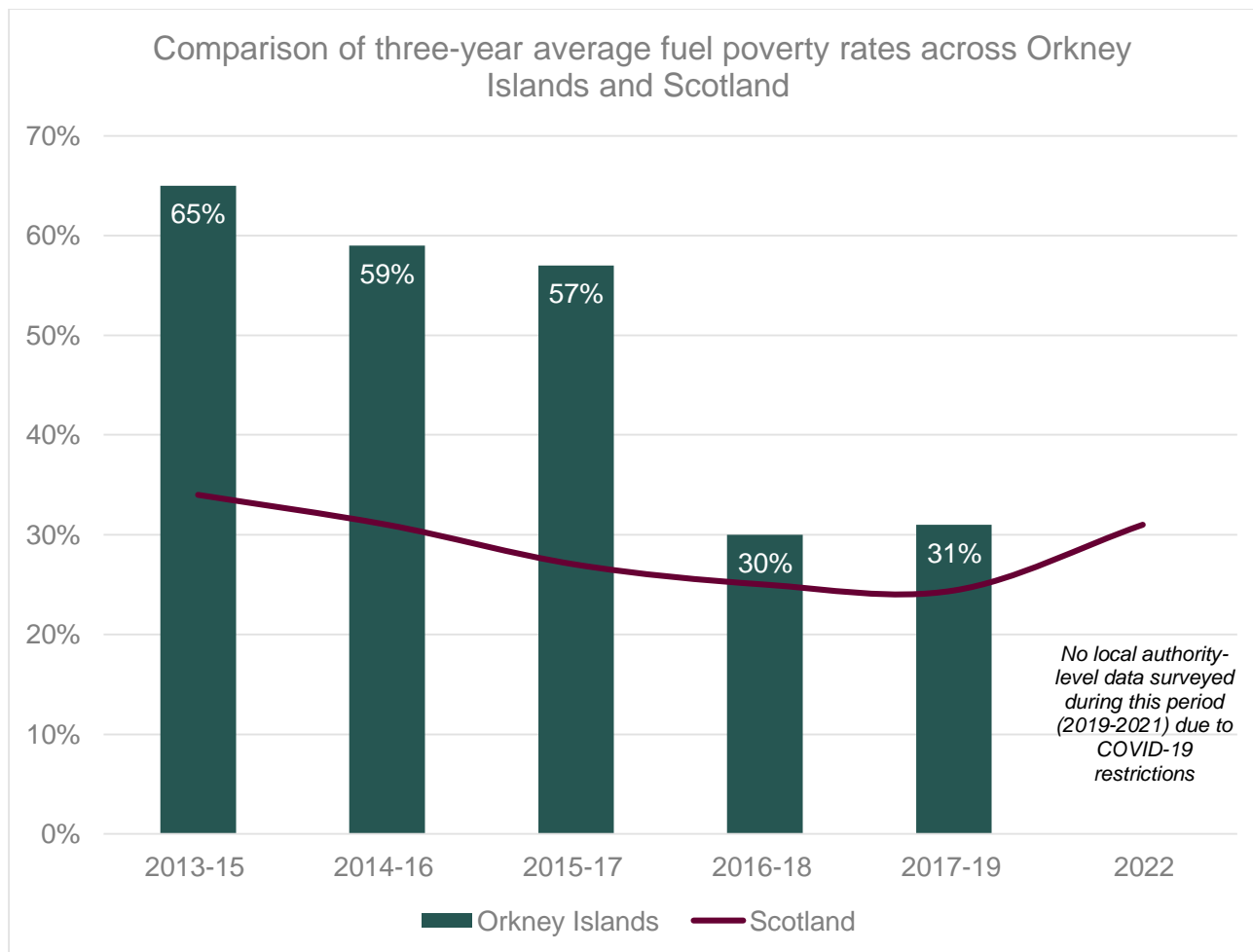
Table 8: Scottish House Condition Survey figures showing the three-year average fuel poverty rates across Orkney Islands and Scotland

Households	Old fuel poverty definition			New fuel poverty definition		
	2013-15	2014-16	2015-17	2016-18	2017-19	2019-22
<b>Orkney Islands Council</b>	65%	59%	57%	30%	31%	-
	7,000	6,000	6,000	-	-	-
<b>Scotland</b>	34%	31%	27%	25%	24%	31%

<sup>11</sup> Scottish Government (2022) Scottish House Condition Survey: Local Authority Analysis 2017-2019. Available at: <https://www.gov.scot/publications/scottish-house-condition-survey-local-authority-analysis-2017-2019/pages/6/> (Accessed: 15 July 2024).

<sup>12</sup> [Ibid.](#)

Figure 5: Three-year average fuel poverty rate across Orkney Islands Council relative to the Scottish national. Note that from the years 2016-18 onwards, the definition of fuel poverty differed to the previous years.



According to the Scottish index of Multiple Deprivation (see Box 1), no properties in Orkney Islands fall within SIMD deciles one and two (most deprived). However, this does not mean that deprivation does not exist. SIMD demonstrates that Orkney's ferry-linked isles experience higher ongoing levels of deprivation with these areas found to be in the bottom 28% across Orkney's 29 datazones.<sup>13</sup>

With a priority of alleviating fuel poverty, Orkney Islands Council has used the LHEES process to investigate areas where fuel poverty has contributed to poor energy efficiency, particularly in social housing and the private rented sectors. This is detailed in the Delivery Plan.

### Primary fuel type for domestic buildings

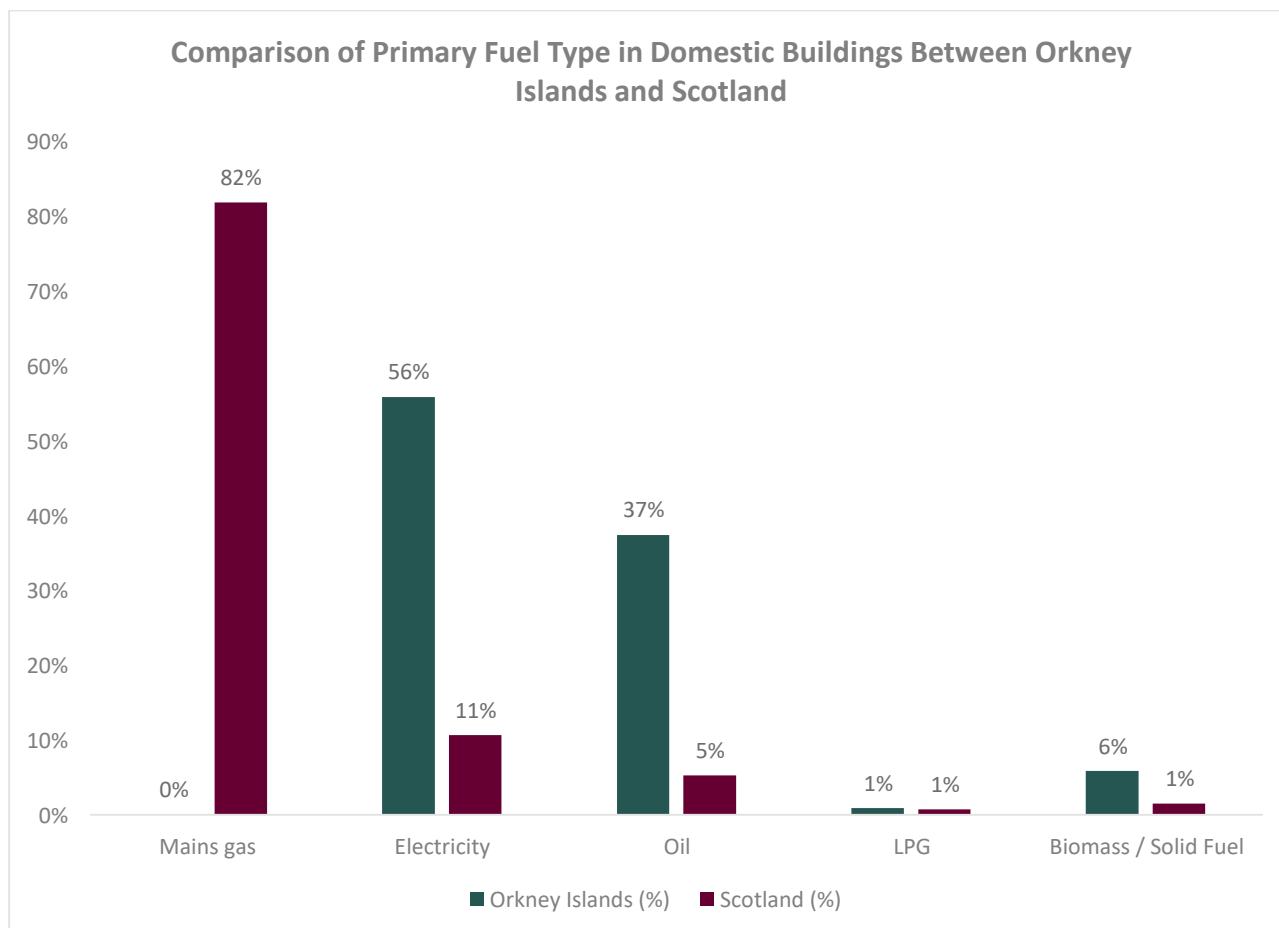
The primary fuel type for domestic buildings in Orkney is very different from the Scottish national average because the Orkney Islands have no mains gas network. The majority of properties use electricity as the primary fuel type which is approximately five times higher than the national average (Table 9). There are also a high number of domestic properties using heating oil (37%), approximately seven times the national average.

<sup>13</sup> [Orkney Child Poverty Strategy 2022-2026](#)

Table 9: Primary fuel type statistics for domestic properties in Orkney Islands

Primary Fuel Type	Orkney Islands Council	Scotland
Mains gas	0 (0%)	2,016,000 (82%)
Electricity	6,646 (56%)	262,000 (11%)
Oil	4,453 (37%)	129,000 (5%)
LPG	103 (1%)	18,000 (1%)
Biomass / Solid Fuel	697 (6%)	36,000 (1%)

Figure 6: Primary fuel types across properties in Orkney Islands relative to the Scottish national average.



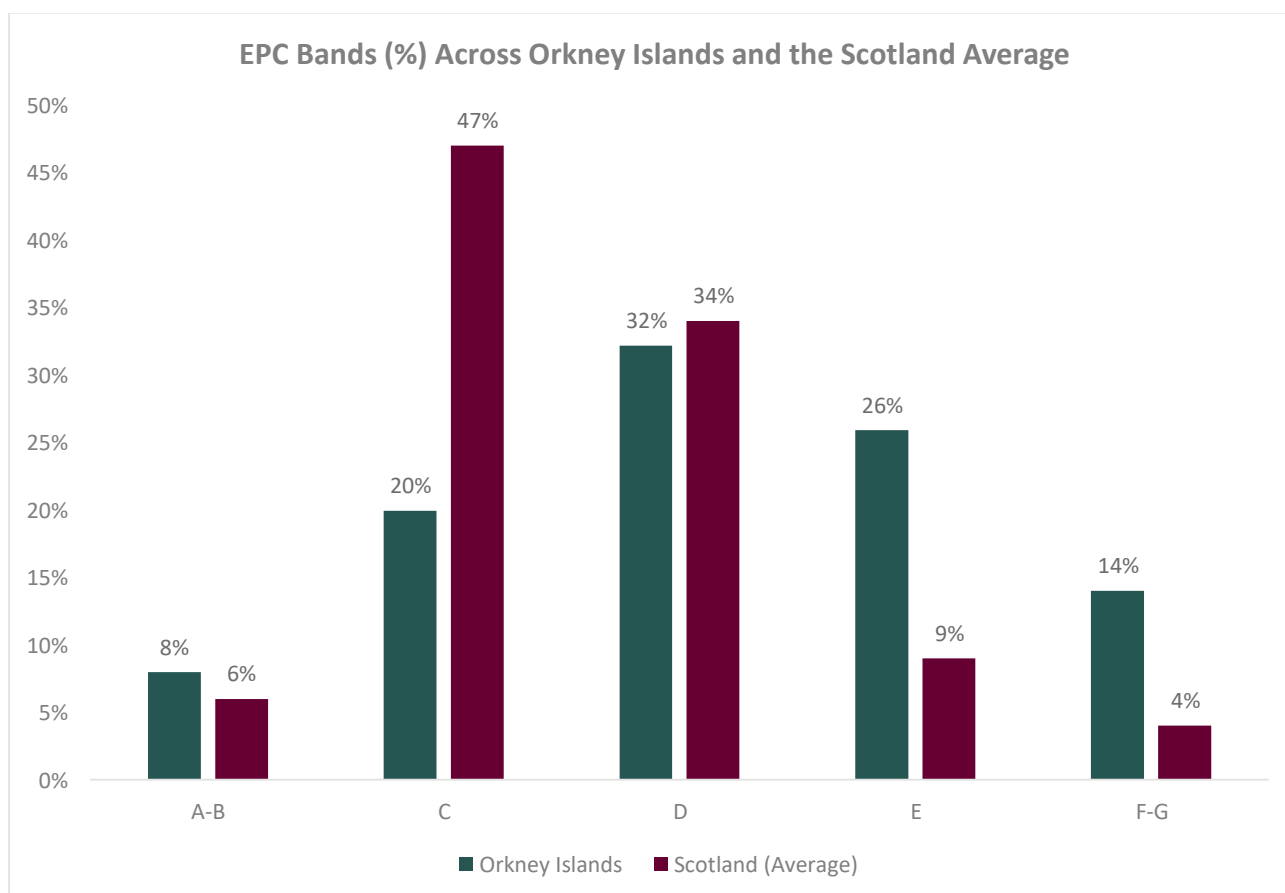
## Energy Performance Certificate data for domestic buildings

Orkney has more properties across all tenures that are within EPC bands A-B (most energy efficient) compared to the Scottish national average (Table 10). Most properties within the local authority are within EPC band D. Orkney also has a far higher percentage of properties in bands E-G (least energy efficient), compared to the national average.

Table 10: EPC data for domestic properties in Orkney Islands and national averages<sup>14</sup>

	A-B (81-100)	C (69-80)	D (55-68)	E (39-54)	F-G (1-38)
Orkney Islands	8%	20%	32%	26%	14%
Scotland (Average)	6%	47%	34%	9%	4%

Figure 7: Distribution of EPC Bands across Orkney Islands compared to the Scottish national average



<sup>14</sup> [3 Energy Efficiency - Scottish house condition survey: 2019 key findings - gov.scot \(www.gov.scot\)](http://www.gov.scot/resources/documents/2020/03/3_Energy_Efficiency_-_Scottish_house_condition_survey:_2019_key_findings_-_gov.scot)

The social housing sector in particular has high levels of energy efficiency, with only 10% of properties in band E or F (Table 11). It is also the tenure type with the largest share of properties in bands A-B. This indicates that policy drivers for the sector have been successful at driving energy efficiency improvements.

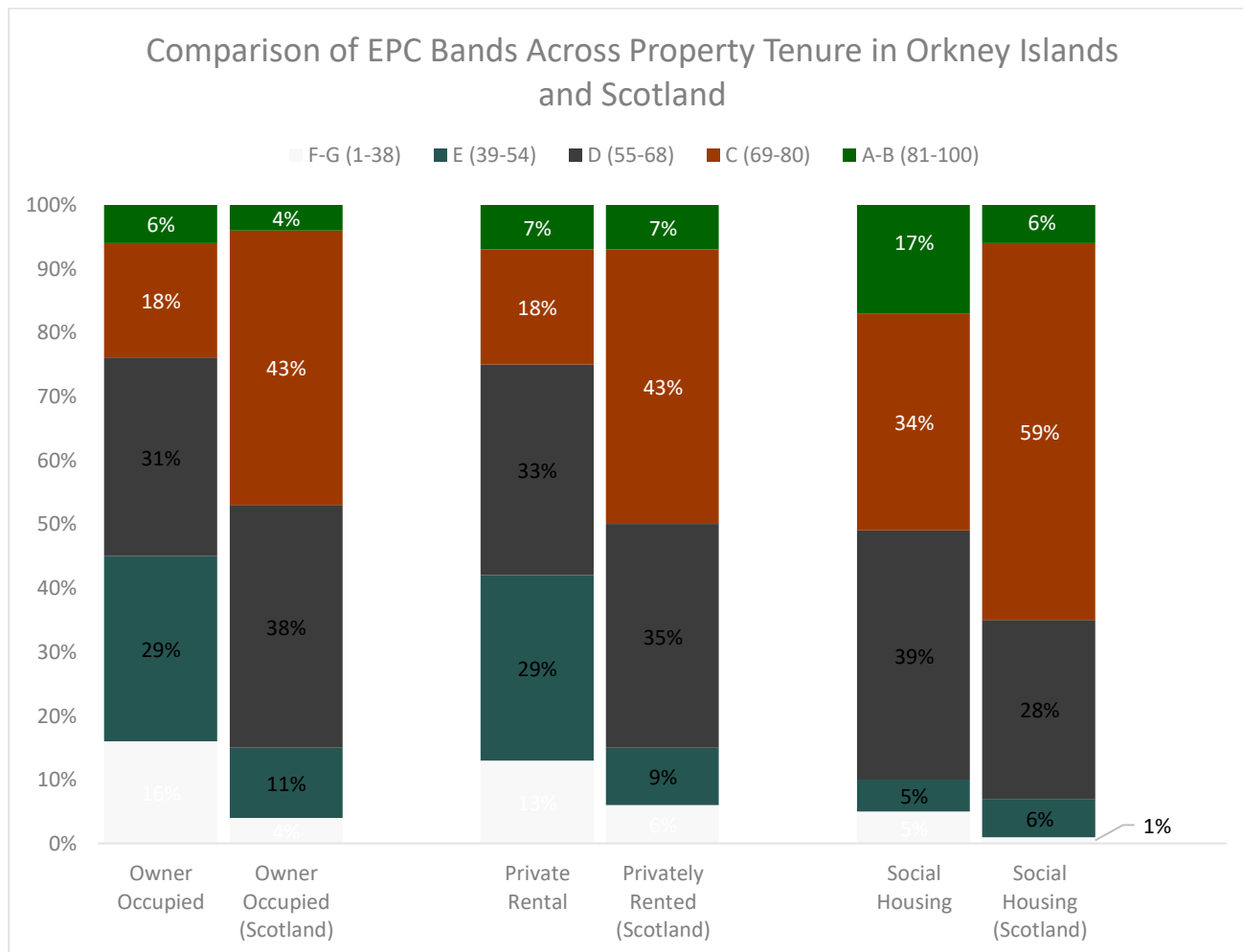
Owner-occupied properties have a wider distribution across EPC bands compared to the national average. This sector has fewer properties in band C compared to Scotland overall, but in turn more properties in both bands A-B (more energy efficient) and bands E (less energy efficient) (Table 11). Overall, most of the owner-occupied properties in Orkney (76%) are band D or below.

The private rented sector is similar to the owner-occupied sector. Most properties (75%) in this sector are in band D or below.

Table 11: EPC data for domestic properties in Orkney Islands

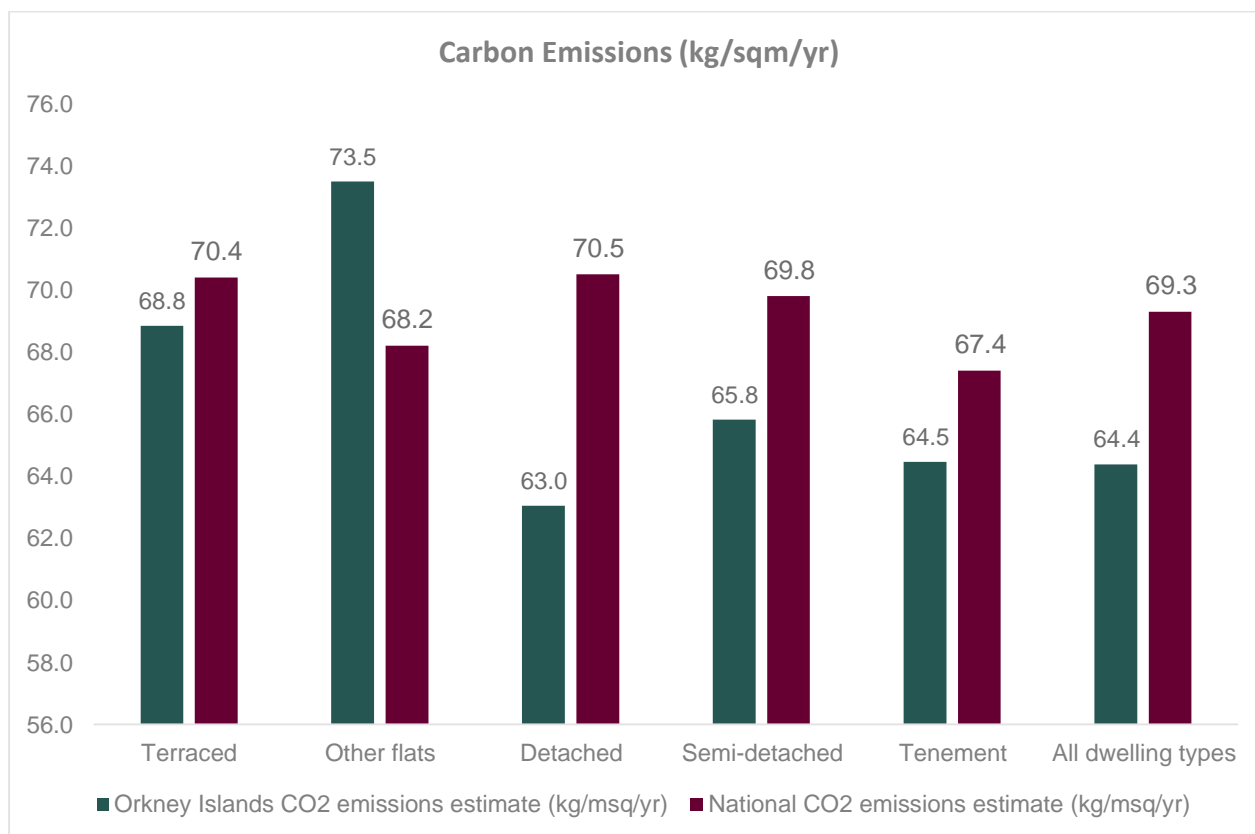
EPC Band	Owner Occupied		Private Rental		Social Housing	
	Orkney Islands Council	Scotland	Orkney Islands Council	Scotland	Orkney Islands Council	Scotland
A-B (81-100)	6%	4%	7%	7%	17%	6%
C (69-80)	18%	43%	18%	43%	34%	59%
D (55-68)	31%	38%	33%	35%	39%	28%
E (39-54)	29%	11%	29%	9%	5%	6%
F (1-38)	16%	4%	13%	6%	5%	1%

Figure 8: Split of EPC bands across all property tenures Orkney Islands relative to the Scottish national average



### Carbon emissions from domestic buildings

Carbon emissions from buildings are often measured by kilogrammes of carbon emitted per square metre in the property. Carbon emissions across the Scottish national housing stock are relatively consistent between 67.4 kg/m<sup>2</sup> and 70.5kg/m<sup>2</sup> for all types of dwellings (Figure 9). In Orkney Islands, the estimated amount of carbon emitted per m<sup>2</sup> across all property types except 'other flats' is significantly lower than the national average (Figure 9). This is mainly because the majority of properties rely on electricity for heating, compared to the rest of Scotland where most homes rely on mains gas. Terraced housing and other flats have much higher emissions compared to detached, semi-detached and tenements in Orkney Islands.

Figure 9: Carbon emissions (kg/m<sup>2</sup>) for each dwelling type in Orkney Islands

## Non-domestic buildings

Figure 10 provides a breakdown of the number of domestic and non-domestic buildings in Orkney Islands Council. There are 11,578 domestic buildings in Orkney Islands, amounting to 85% of the total building stock in Orkney. By comparison, non-domestic buildings make up only 15% of the total building stock, of which 12% are publicly owned. Non-domestic buildings include short term residential accommodation, offices, retail, hotels, industry, education and leisure facilities.

## Heat demand

Despite making up only 15% of buildings, non-domestic buildings account for 25% of total heat demand across Orkney Islands (Table 12 and Table 13). This demonstrates that average heat demand is higher in non-domestic buildings than domestic. Due to their higher relative heat demand, non-domestic buildings have the potential to be used as anchor loads to improve the feasibility of heat networks by providing guaranteed demand.

Table 12: Total property count for domestic and non-domestic buildings in Orkney Islands

Non-domestic property count	Domestic property count	Total property count
2,098 (15%)	11,578 (85%)	13,676



Table 13: Total heat demand for domestic and non-domestic buildings in Orkney Islands

Non-domestic total heat demand (MWh/yr)	Domestic total heat demand (MWh/yr)	Total heat demand (MWh/yr)
67,575 (25%)	207,324 (75%)	274,899

Figure 10: Breakdown of domestic and non-domestic building counts and respective heat demands in Orkney Islands

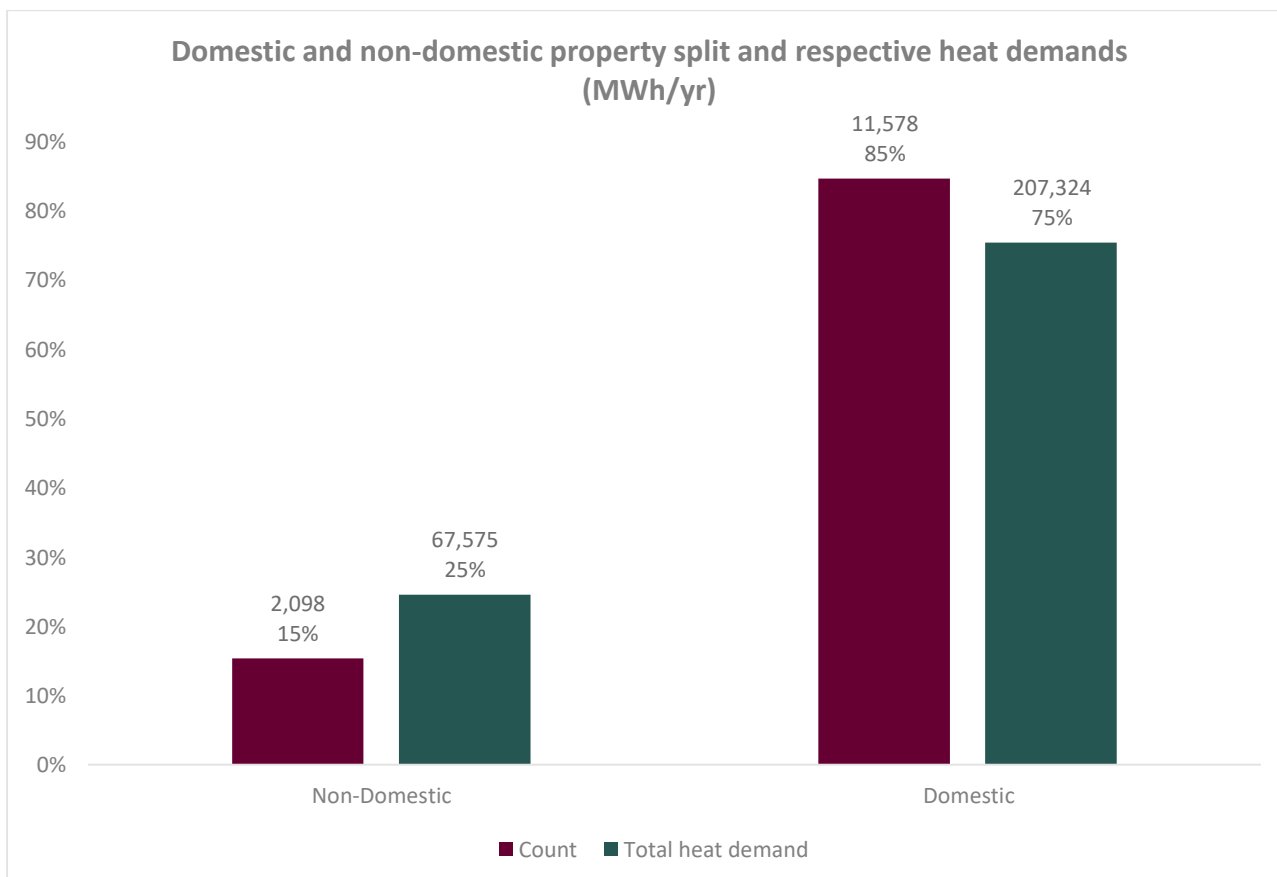


Figure 11 demonstrates that the relationship between number of properties and heat demand is not always directly proportional and is dependent on property end use. Non-domestic typologies such as hotels, residential uses<sup>15</sup> and retail properties have higher average heating demands per property when compared to offices, education and industry.

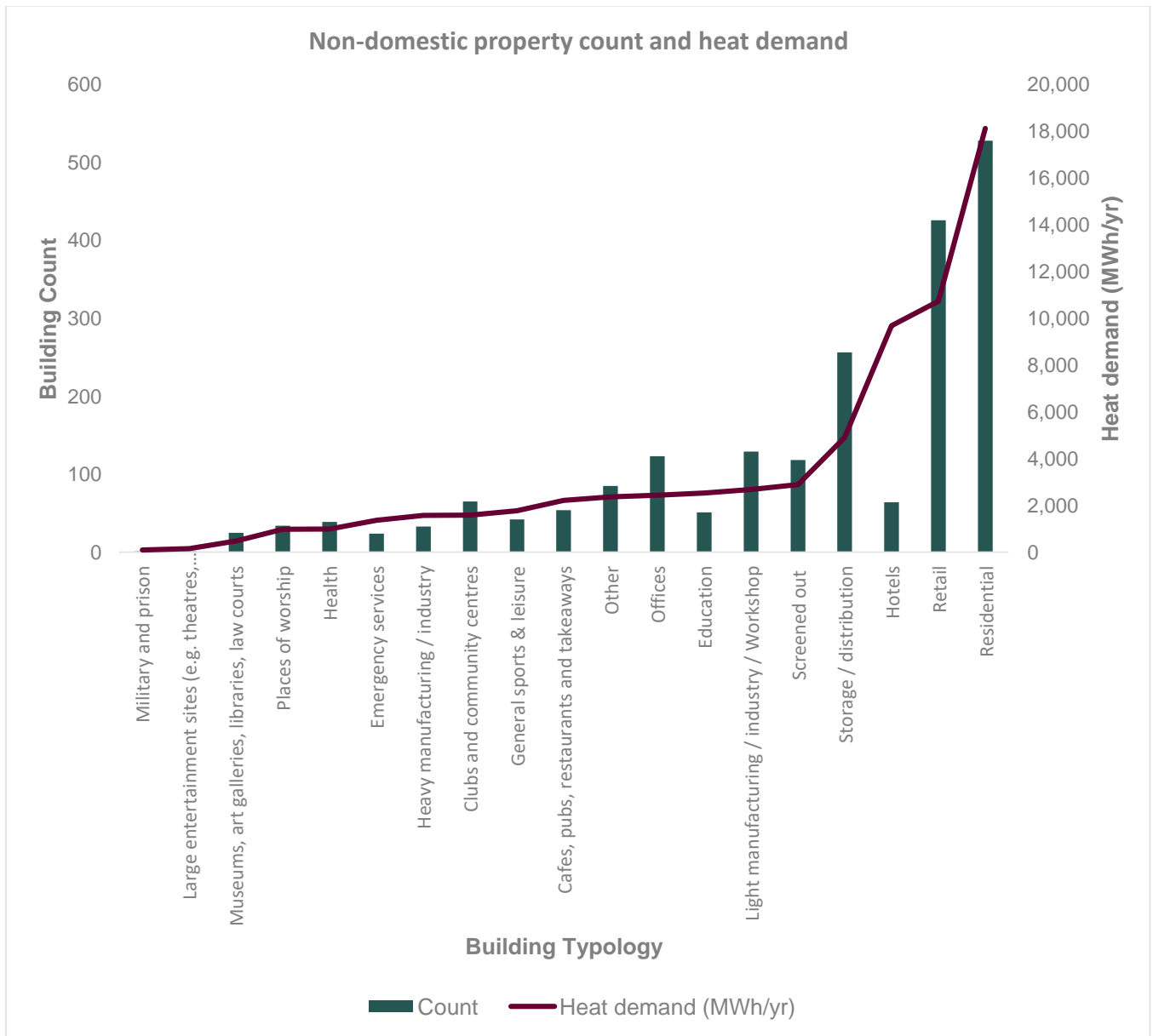
Comparatively across all property typologies, hotels have the highest heat demand of all non-domestic building typologies, accounting for 14% of non-domestic heat demand despite making up only 3% of non-domestic buildings. The category of hotels includes care homes, traditional hotels, hostels, guest houses and/or bed and breakfasts, which have very high heat demands.

Whilst offices make up 6% of total non-domestic buildings, they only contribute just under 4% of non-domestic heating demand. Similarly, although sports and leisure facilities

<sup>15</sup> In the context of non-domestic buildings, residential use refers to short-term accommodation such as holiday lets.

generally have very high heating demands, there are only 42 buildings of this typology, contributing 2% of total non-domestic heating demand in Orkney Islands.

Figure 11: Non-domestic property count and heat demand by building typology



### Primary fuel type in non-domestic buildings

Nearly 80% of non-domestic properties across Orkney Islands use electricity as their main fuel source, a total of 1,664 properties (Table 14).

Table 14: Non-domestic property count by main fuel type

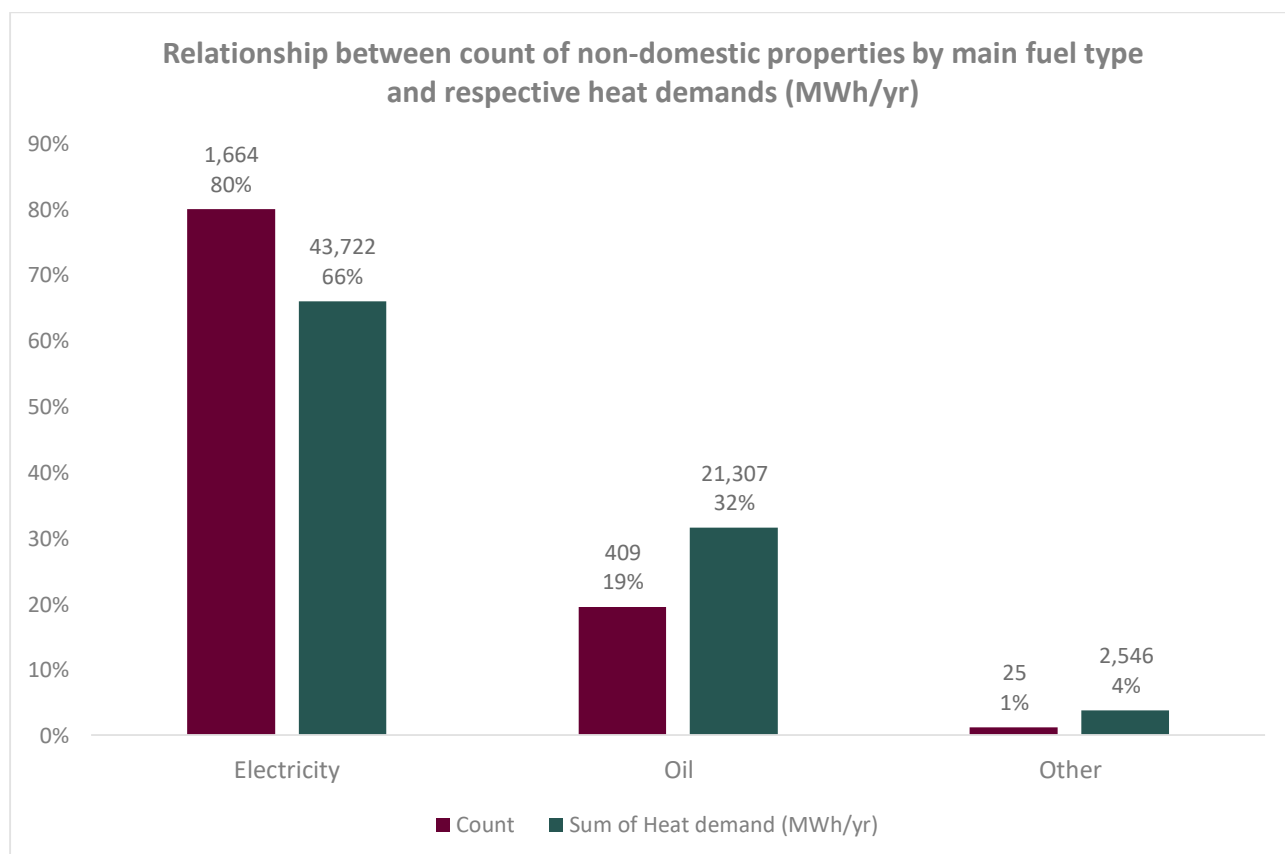
Electricity	Oil	Other
1,664 (80%)	409 (19%)	25 (1%)

While only 19% of non-domestic buildings use oil as the primary fuel type, oil is used to meet 32% of total heat demand, providing 21,307 MWh/yr of heat (Table 15). This means that properties which use oil as a main fuel type have a higher average demand than those that use electricity.

Table 15: Heat demand by main fuel type (MWh/yr)

Electricity	Oil	Other
43,722 (66%)	21,307 (32%)	2,546 (4%)

Figure 12: Count of non-domestic properties by main fuel type and respective heat demands within Orkney Islands



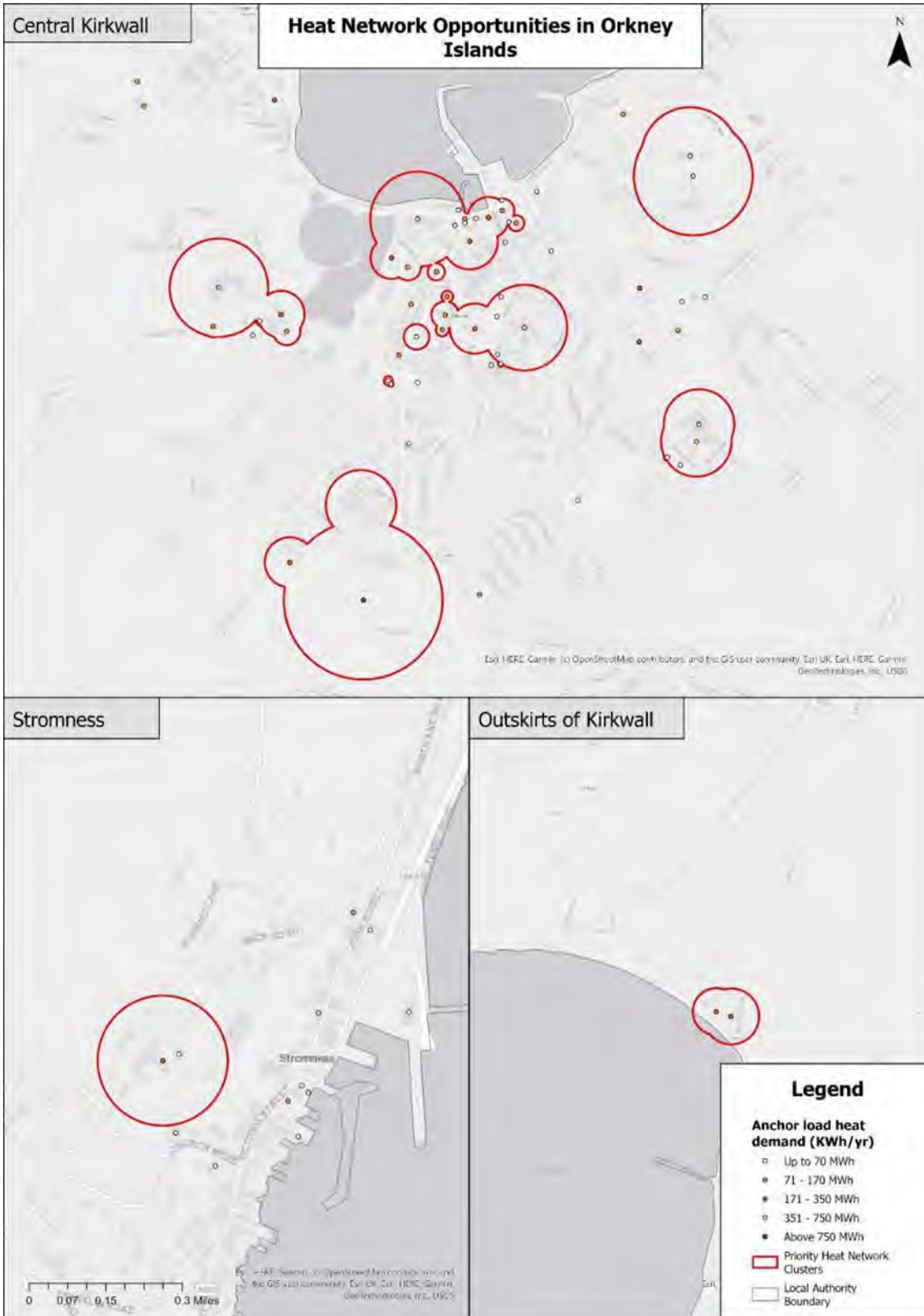
## Heat networks

Heat networks are a key part of the transition to net zero in Scotland.

Previously, Orkney Islands Council explored initial feasibility of heat networks in the centre and outskirts of Kirkwall. The assessments conducted by an external consultant highlighted three potential network routes based on areas of high heat demand. One route explored the possibility of a heat network connecting the main Council buildings in Kirkwall; the second following the first route and extending to public buildings identified by the Council; and the third following the first route and extending out through Hatston Industrial Estate to the proposed Energy Centre to the west of the Industrial Estate. For all three routes, the return on investment was very low.

Based on LHEES analysis, there are 15 potential heat networks clusters of varying area size and heat demands located in Kirkwall and one in Stromness (Figure 13). These are detailed in the Delivery Plan. Orkney Islands Council is seeking to explore the viability of connection opportunities between outputs from LHEES, prior and current assessments.

Figure 13: Heat network opportunities as derived from LHEES analysis



## Priority A: Making Orkney's homes energy efficient

### Summary of Priority A: Making Orkney's homes energy efficient

- The Council is focussed on improving energy efficiency for all tenures of homes.
- The Council has a '**fabric first**' approach meaning that improvements to the building's walls, roof, floors, doors, and windows should be considered before installing new heating systems.
- Warmworks delivers Area Based Scheme funding, on behalf of the Council, to improve energy efficiency for **owner occupied and private rented homes**.
- In accordance with Scottish Government legislation, **almost all social housing** run by the Council and OHAL is **EPC band C and above**.
- There is **upcoming legislation** that **will increase the energy efficiency standards for social housing**. Once this is announced, the Council and OHAL will move forward with developing specific plans to further improve energy efficiency.
- **Relevant policies:** Local Housing Strategy (2024-2029, Draft), Council Plan (2023-2028), Strategic Housing Investment Plan (2021-2026), Carbon Management Programme (2016-2026), Energy Efficiency Standard for Social Housing, upcoming Scottish Government Heat in Buildings Bill and Social Housing Net Zero Standard

### Overview

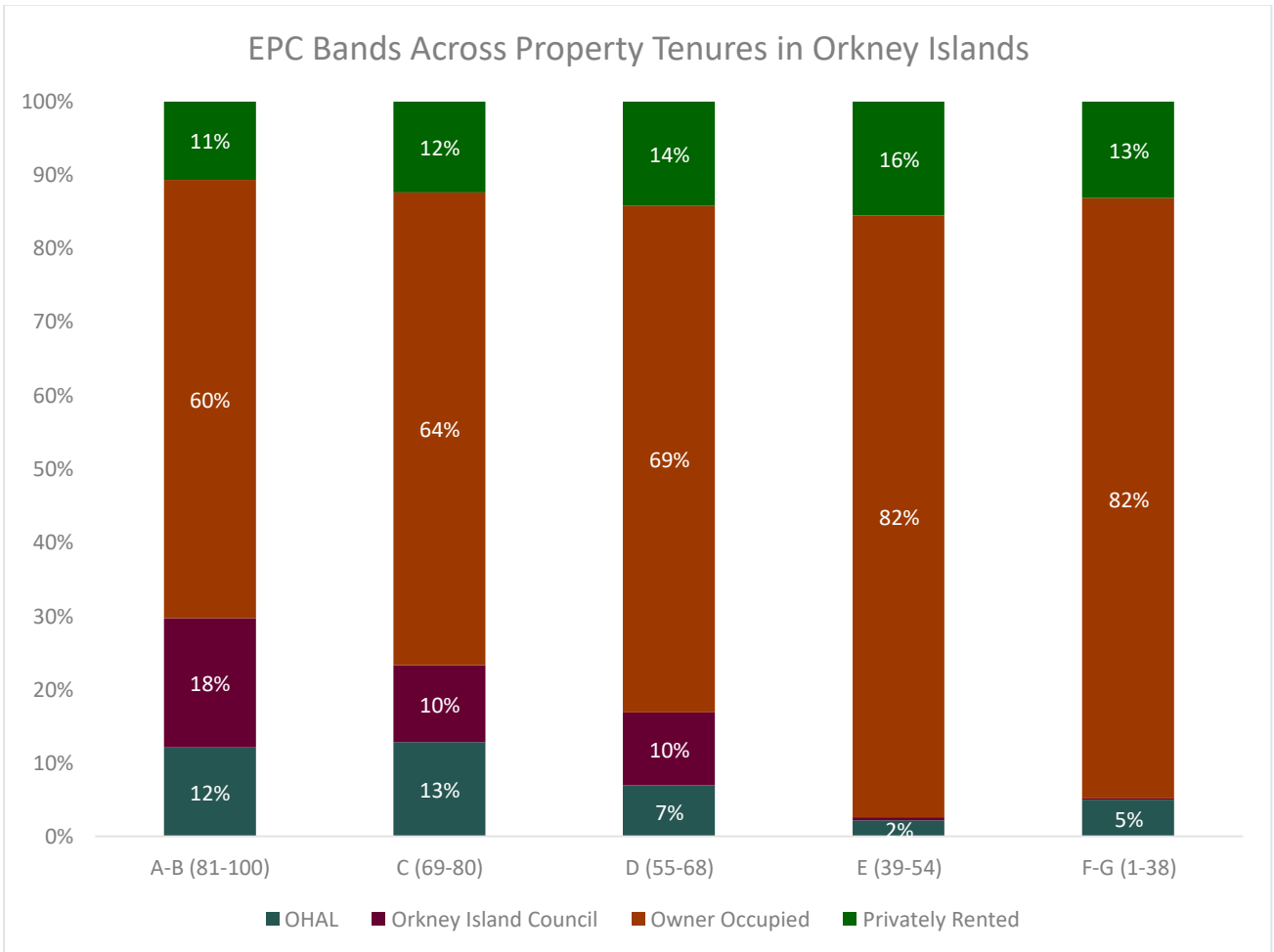
Making Orkney's homes energy efficient is a key priority for Orkney Islands Council. The approach the Council takes to improve energy efficiency depends on the tenure of the building.

The majority of homes (72%) in Orkney are owner occupied. A further 14% are privately rented. The Scottish Government's upcoming Heat in Buildings Standard is likely to include a minimum energy efficiency standard for owner occupied and privately rented homes.

Owner occupiers and private landlords can access funding through the Heat and Energy Efficient Scotland: Area Based Scheme, delivered by Warmworks. Social housing properties are owned and managed by either the Council or Orkney Housing Association Limited (OHAL). These properties are required to meet different standards and are eligible for different types of funding from Scottish Government to improve energy efficiency. There are also certain energy efficiency requirements for new social housing properties being built by the Council and OHAL.

The majority of homes with poor energy efficiency (EPC band D and below) are owner occupied and privately rented (see Figure 14).

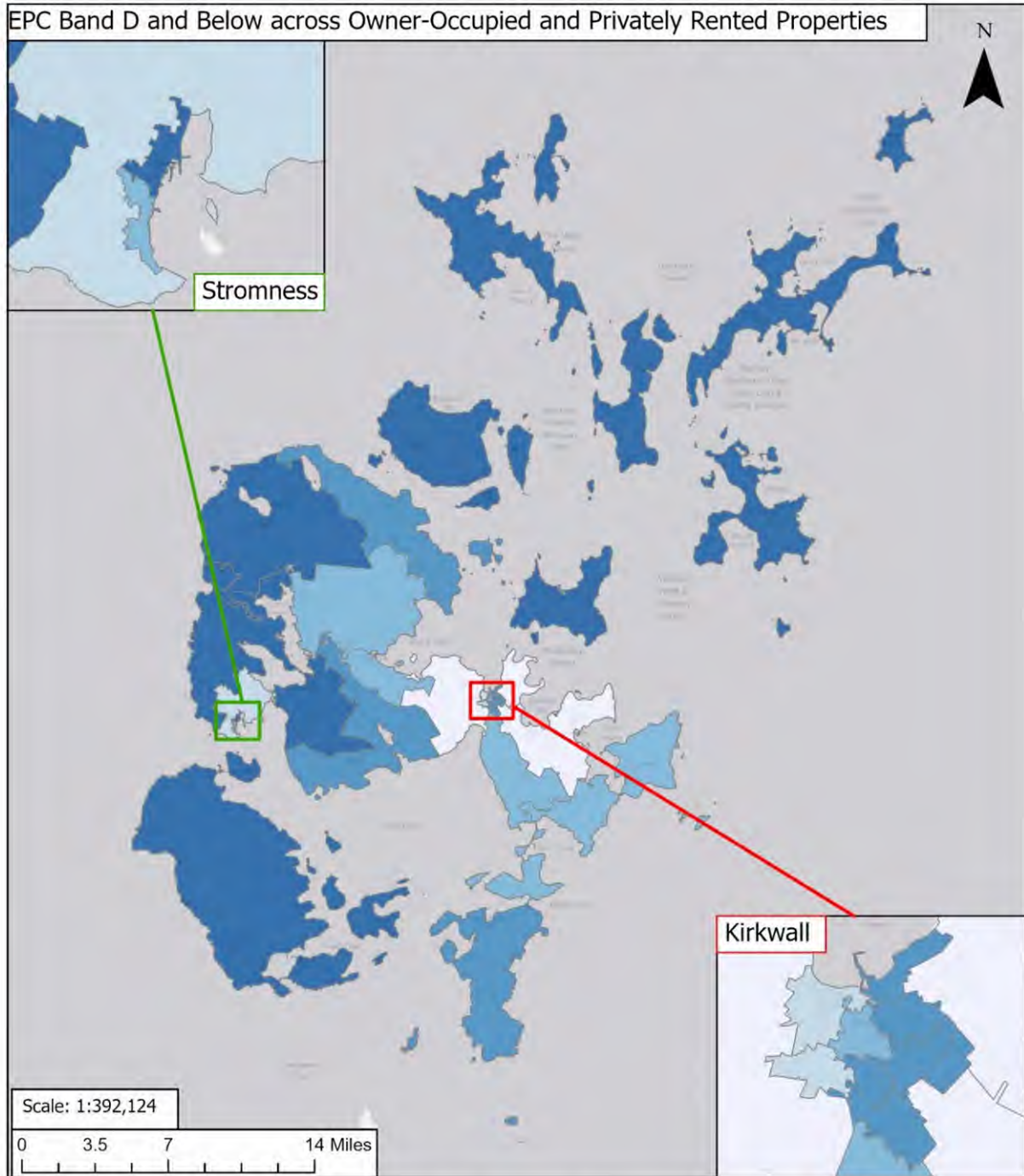
Figure 14: EPC Bands across all property tenures in Orkney Islands



### Owner occupied and privately rented homes

As outlined in Section 4.1, there is a lot of work to be done to make owner occupied and privately rented homes more energy efficient in Orkney. Figure 15 shows the distribution of owner-occupied and privately rented homes that are EPC band D and below across Orkney.

Figure 15. Strategic zoning of Owner-occupied and Privately Rented properties of EPC Band D and below



This map spatially displays the percentage of owner-occupied and privately-rented domestic properties of EPC Band D and below across each datazone. The EPC percentage is represented as a proportion of the total dwelling count for each datazone.

Note: Data zones are a statistical geography that are designed to meet constraints on population thresholds (between 500 and 1,000 household residents), to nest within Intermediate Zones, and to build up from aggregates of Census Output Areas.

**Legend**

- EPC Band D and Below**
- Less than 45%
  - 45% - 55%
  - 56% - 65%
  - 66% - 75%
  - Over 75%

Spatial Reference  
Name: British National Grid

Changeworks © 2023. Esri, HERE, Garmin, USGS, Esri UK, Esri, HERE, Garmin, USGS, Esri, HERE

## Heat and Energy Efficient Scotland: Area Based Scheme

The Scottish Government provides funding to every local authority to improve energy efficiency in owner occupied and privately rented homes in areas with high levels of fuel poverty. This funding is called **Heat and Energy Efficient Scotland: Area Based Schemes** (HEES:ABS). A grant of up to £10,500 – £16,100 was made available per customer in 2022/23, with a higher grant award available in certain circumstances.<sup>16</sup> The main aim of HEES:ABS is to upgrade homes to at least EPC band C.

Local authorities determine how the scheme is delivered, informed by requirements from Scottish Government. In Orkney, the scheme is run by a managing agent called Warmworks. Warmworks oversee delivery of the funding from start to finish, to install measures such as insulation and new, efficient storage heating. In many local authorities, the scheme is targeted at specific geographic areas with higher rates of fuel poverty. However, in Orkney the scheme is open to people living everywhere who meet the criteria. Most homes in Orkney qualify for HEES:ABS, meaning they will some level of funding and Warmworks will manage the retrofit work.

Most funding goes to owner occupiers. A very small percentage of HEES:ABS funding goes towards private rented homes because upgrades to heating systems are now required to be funded by landlords under minimum housing standards.

In 2024/25, the following measures will be offered by Warmworks:

- High heat retention storage heaters.
- Interlinked fire alarms (first time offered).
- Internal and External wall insulation.
- Loft top-up insulation.
- Underfloor insulation.
- Virgin loft insulation.

HEES:ABS funding has increased a lot in the last ten years. In 2015/16, Orkney Islands Council received nearly £800,000 in HEES:ABS funding. In 2024/25, the Council will deliver £1.2 million worth of energy efficiency projects. The Council intend to lobby for additional funding, as the original bid was for £2.25 million.

The HEES:ABS scheme has made a significant impact on the energy efficiency of owner occupied and privately rented homes in Orkney. In 2023/24, the HEES:ABS scheme has funded 229 energy efficiency improvements in 172 households in Orkney. At the time of writing, the full annual report for 2023/24 is not available. However, in 2022/23 the scheme had the following additional impacts:

- Increased the energy efficiency of homes, the average SAP score (score on an EPC report) increase by 11.7 points
- Helped some of the least energy efficient homes in Orkney, as **22%** of homes referred to HEES:ABS **were in EPC bands F and G** (the worst ratings for energy efficiency)

---

<sup>16</sup> Warmworks (2023) *Energy Efficient Scotland: Area-Based Scheme (Orkney) Annual Report 2022/23*, Available at: <https://www.warmworks.co.uk/wp-content/uploads/2023/10/Final-web-ready-version.pdf>



- **Saved 108 tonnes of CO<sub>2</sub>** by improving energy efficiency and reducing emissions

### **THAW Flex Fund**

THAW, Orkney's fuel poverty charity, also provides funding for owner occupied and private rented homes to make energy efficiency upgrades. Households must be in extreme fuel poverty (spending a minimum of 20% of their income on energy bills) to be eligible. See 6.2 for more information.

### **Council-owned social housing**

The Council owns 7% of the total housing in Orkney. Improving the energy efficiency of the Council's housing is a key priority and allows the Council to lead by example in delivering retrofit.

### **Retrofitting existing homes to improve energy efficiency**

The Energy Efficiency Standard for Social Housing (ESSH) was introduced by the Scottish Government to improve the energy efficiency of social housing in Scotland. The ESSH standard requires social housing properties to be EPC band C or D at a minimum. A stricter standard called ESSH2 was brought in more recently for all properties to be EPC band B (or as close as possible). ESSH2 is currently on pause as it is undergoing review. The Scottish Government intends to replace ESSH2 soon with a new standard called the Social Housing Net Zero Standard (SHNZS). Due to uncertainties around current and future regulations, Orkney Islands Council is focussing all energy efficiency work to meet the ESSH standard until a new standard is published.

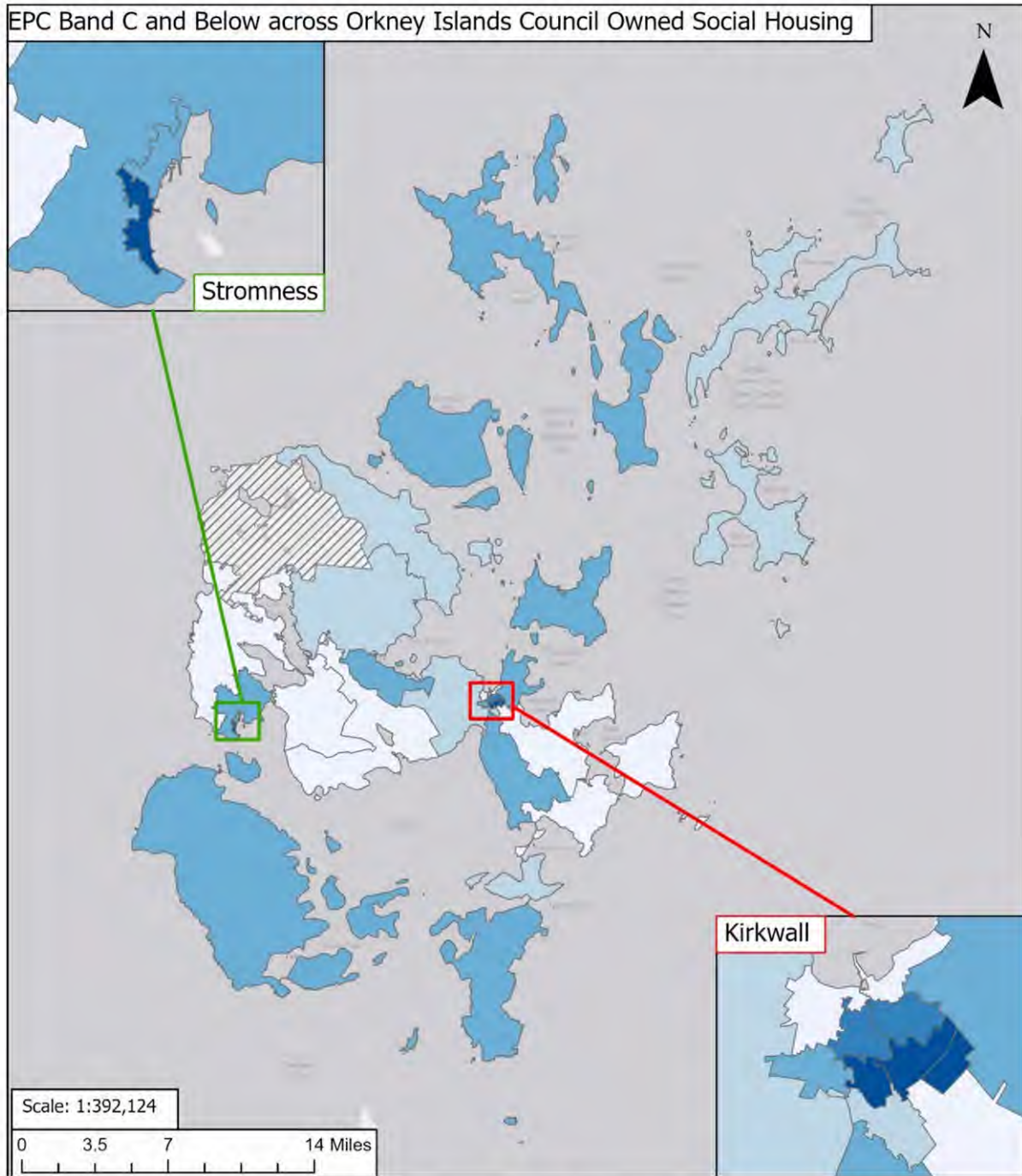
### **96% of Orkney Islands Council housing stock meets the current ESSH standard.**

Only 20 properties did not meet the standard due to various reasons described in the Local Housing Strategy.

The new standards are expected to be much more difficult to achieve. To prepare, the Council has been trialling approaches when properties become empty. For more information on these projects, see the Delivery Plan.

Figure 16 shows the areas where retrofit programmes for council-owned social housing will need to take place.

Figure 16. Strategic zoning of Orkney Islands Council owned social housing properties of EPC Band C and below



This map spatially displays the percentage of local-authority owned domestic properties of EPC Band C and below across each datazone. The EPC percentage is represented as a proportion of the total dwelling count for each datazone.

Note: Data zones are a statistical geography that are designed to meet constraints on population thresholds (between 500 and 1,000 household residents), to nest within Intermediate Zones, and to build up from aggregates of Census Output Areas.

**Legend**

EPC Band C and Below - Council-owned social housing buildings

- Below 1%
- 2% - 3%
- 4% - 6%
- 7% - 11%
- Over 11%
- No council-owned buildings

**Spatial Reference**

Name: British National Grid

Changeworks © 2023. Esri, HERE, Garmin, USGS, Esri UK, Esri, HERE, Garmin, USGS, Esri, HERE

### **Energy efficiency standards for new homes**

Based on an analysis of new social rented housing needs and the Council's Housing Revenue Account, **the Council has a target to build 14-15 new social rented homes every year** for the next ten years (140-150 by 2034). These homes need to meet a certain energy efficiency standard.

### **Orkney Housing Association Limited (OHAL)-owned social housing**

OHAL is the only housing association operating in Orkney. OHAL owns 7% of the housing in Orkney (half of the social housing)

### **Energy efficiency standards for new homes**

OHAL's Business Plan sets a target for 20 new homes to be built every year. These homes will be built to the Scottish Government energy efficiency standard required for social housing.

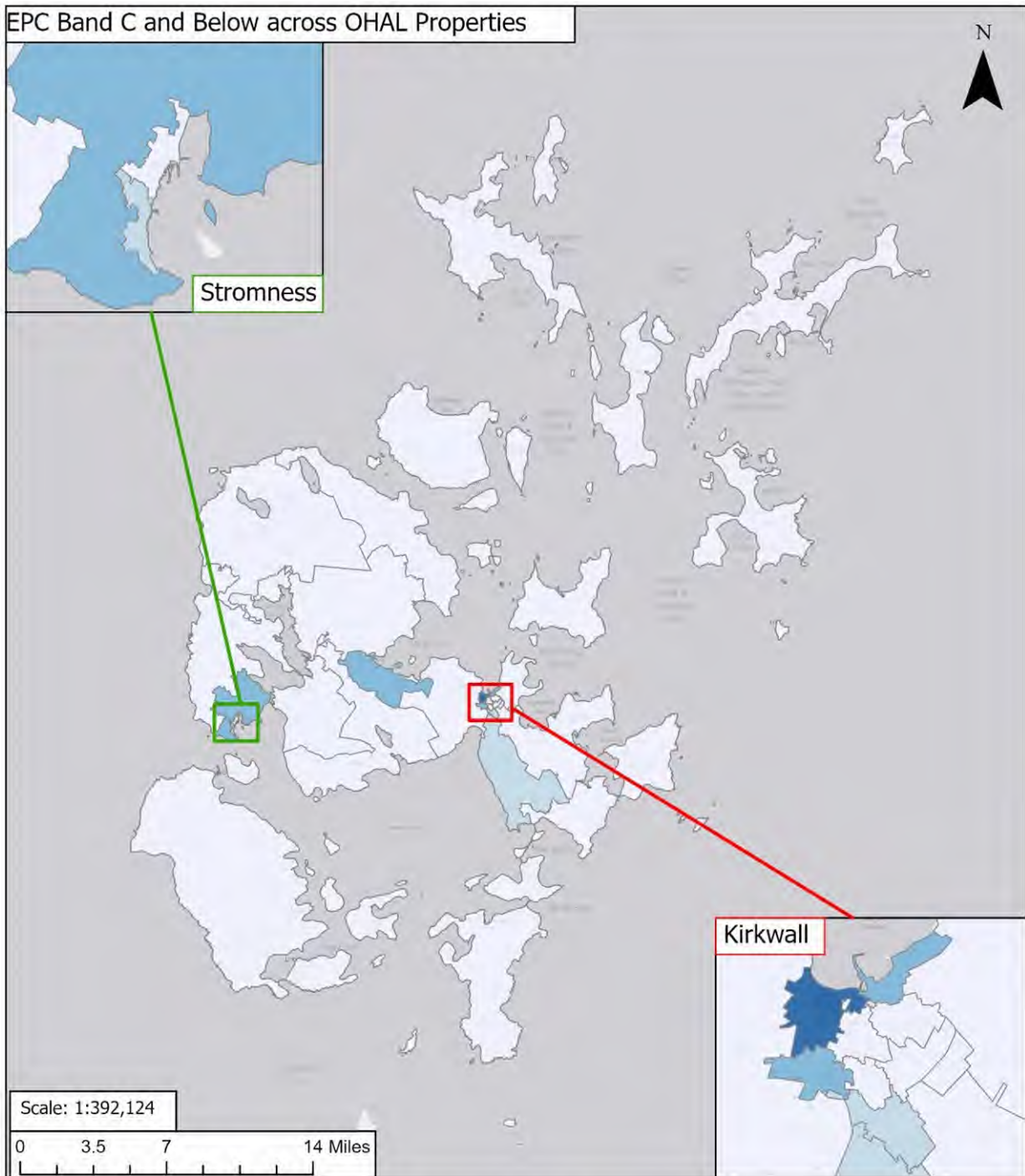
### **Retrofitting existing homes to improve energy efficiency**

OHAL's approach to improving the energy efficiency of its housing stock involves tenant support and a fabric first approach—making the building itself more efficient so less energy is needed to heat a home.

**97% of properties run by OHAL meet current EESSH standard.** Only 13 properties fail these standards due to various reasons described in the Local Housing Strategy.

Figure 17 shows the areas where OHAL will need to target retrofit programmes for its properties.

*Figure 17: Strategic zoning of housing association (OHAL) properties of EPC Band C and below*



This map spatially displays the percentage of housing association (OHAL) owned properties of EPC Band C and below across each datazone. The EPC percentage is represented as a proportion of the total dwelling count for each datazone.

Note: Data zones are a statistical geography that are designed to meet constraints on population thresholds (between 500 and 1,000 household residents), to nest within Intermediate Zones, and to build up from aggregates of Census Output Areas.

**Legend**

**EPC Band C and Below (%) (OHAL)**

- Below 6%
- 6% - 13%
- 14% - 19%
- 20% - 25%
- Over 25%

Spatial Reference  
Name: British National Grid

Changeworks © 2023. Esri UK, Esri, HERE, Garmin, USGS, Esri, HERE, Esri UK, Esri, HERE, Garmin, GeoTechnologies, Inc., USGS

## Priority B: Alleviating fuel poverty

### Summary of Priority B: Alleviating fuel poverty

- **Nearly every home in Orkney is at risk of fuel poverty**, if not already experiencing it.
- A large number of homes in Orkney are experiencing **extreme fuel poverty** and **fuel poverty rates are worse in more remote areas**, such as the Outer Isles.
- There are many causes of fuel poverty. **Energy efficiency** is one of the most straightforward ways that the Council and partners **can alleviate extreme fuel poverty** in Orkney.
- **Warmworks, THAW and OHAL all provide support for households in extreme fuel poverty** to improve energy efficiency.
- **Relevant policies:** Local Housing Strategy (2024-2029, Draft), Orkney Sustainable Energy Strategy (2017-2025), Regional Spatial Strategy (2011), Orkney Integration Joint Board: Joint Strategic Needs Assessment (2016), Fuel Poverty (Scotland) Act 2019

### Fuel poverty in Orkney

A household is in fuel poverty if they cannot afford to heat their home to a reasonable and healthy temperature. There are many causes of fuel poverty. Across all of Scotland, the four main causes are:

- High fuel costs.
- Poor energy efficiency in homes.
- Low household income.
- How energy is used in the home.

In Orkney, these factors are made more extreme and there are additional causes that make fuel poverty more extreme than other parts of Scotland. Some of these additional causes are:

- Cold, wet and windy climate.
- Higher fuel costs than other parts of Scotland (reliant on electricity, heating oil, or LPG).
- High cost of housing.
- High cost of living.
- High rates of underemployment (not having enough or consistent paid work) and unemployment.
- Ageing demographics, as people in older age groups require a higher temperature at home to stay healthy and warm.
- Limited access to support services because funding is limited, or support is dispersed across rural and remote areas.

**Nearly every household in Orkney is at risk of fuel poverty.** According to the Scottish Government definition, a fuel poor household spends at least 10% of their net income to pay for reasonable fuel needs after housing costs have been deducted. A household is extremely fuel poor if fuel costs are 20% or higher. The Scottish Housing Condition Survey reports that 31% of households in Orkney are in fuel poverty. However, this was from 2017-2019 before the energy crisis and does not include a number of important factors that have since impacted levels of fuel poverty.

The Scottish Housing Condition Survey is the only existing data that estimates fuel poverty rates for all of Orkney. However, local fuel poverty organisations and schemes can help to provide a fuller and more accurate picture.

The Area Based Scheme, run by Warmworks, provides grants to people in fuel poverty. Households are eligible if they qualify for the Warmer Homes Scotland scheme or if they are considered fuel poor after Warmworks conducts a fuel poverty assessment.<sup>17</sup> According to Warmworks, nearly every household in Orkney would be considered fuel poor if they were assessed. This means nearly every household is likely to be eligible for HEES:ABS grant funding.

### **Extreme fuel poverty**

In addition to high rates of fuel poverty overall, **Orkney has a high number of households who are experiencing extreme fuel poverty** (spending a fifth or more of their income on fuel, after housing costs).

80% of households who THAW supports are in extreme fuel poverty. **1 in 6 THAW clients would need to spend nearly all of their income to keep warm at home.** As a result of the high costs, 60% of THAW clients are not heating their home to a healthy or warm level.<sup>18</sup>

### **Fuel poverty on the Outer Isles**

Fuel poverty is not evenly distributed in Orkney. Organisations like Warmworks and THAW that provide support across Orkney, report that **fuel poverty is more extreme on the Outer Isles** than it is on the Mainland. This is because the cost of living is higher, the climate is more exposed, and buildings are less energy efficient.

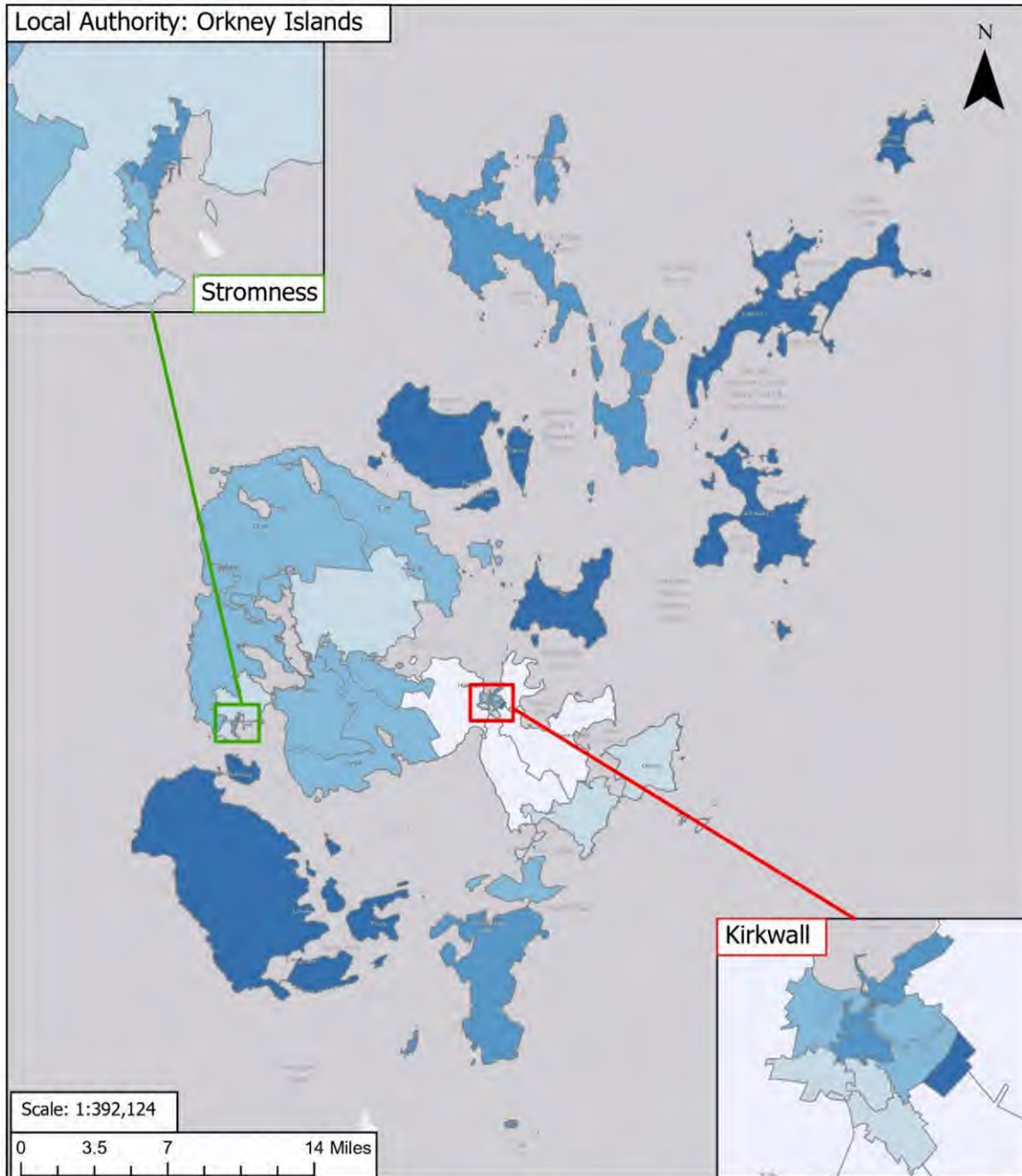
Changeworks analysed how likely it was that households are in fuel poverty due to inefficient housing across Orkney. This map indicates that energy inefficient housing plays a larger role in fuel poverty in the Outer Isles than the Mainland.

---

<sup>17</sup> The Warmworks fuel poverty assessment looks at factors like amount spent on energy bills, income, Council Tax band, the building fabric of the home, and more.

<sup>18</sup> THAW (2023) *Annual Review 2023*.

Figure 18: Strategic zoning map showing energy efficiency as a driver of fuel poverty in Orkney Islands.



This map spatially displays results from the Stage 3 analysis at Data Zone Level for the different LHEES Considerations. This map shows the weighted score of the likelihood of fuel poverty as a result of poor energy efficiency from Stage 3 of the LHEES Domestic Baseline Tool.

Fuel poverty risk and EE status both have a 50% weight in this map.

Note: Data zones are a statistical geography that are designed to meet constraints on population thresholds (between 500 and 1,000 household residents), to nest within Intermediate Zones, and to build up from aggregates of Census Output Areas.

Spatial Reference  
Name: British National Grid  
Changeworks © 2023. Esri UK, Esri, HERE, Garmin, USGS, Esri,

**Legend**

Fuel Poverty (weighted score, higher scores indicate a higher level of fuel poverty and more uninsulated walls)

- 0 - 28
- 29 - 34
- 35 - 39
- 40 - 46
- 47 - 60

## **Addressing fuel poverty by improving energy efficiency**

The previous section provides an overview of the many causes of fuel poverty in Orkney. Some causes, such as climate and cost of fuel, are out of the control of the Council. However, some are within the responsibility of the Council. **Improving energy efficiency is one of the most straightforward ways to reduce extreme fuel poverty in Orkney.** This section outlines the various schemes and organisations addressing fuel poverty by making peoples' homes more energy efficient.

### **THAW Orkney**

THAW Orkney is a fuel poverty charity in Orkney. It addresses fuel poverty through energy efficiency in two ways: energy efficiency advice and funding retrofit projects.

THAW energy advisors provide bespoke advice to householders about energy efficiency. This advice can help people use heating systems more efficiently, identify small draughtproofing projects to do at home, and more.

THAW have introduced a new type of grant called the Flex Fund. The Flex Fund provides between £250 to £2,000 to households in extreme fuel poverty. The funding can go towards repairing heating or hot water systems or providing additional funding alongside other schemes such as HEES:ABS. Projects are assessed on a case-by-case basis, but all projects support energy efficiency for households in extreme fuel poverty and provide funding in cases where national schemes such as HEES:ABS or Home Energy Scotland grants or loans may not.

### **HEES:ABS Extreme Fuel Poverty uplift**

The Heat and Energy Efficient Scotland: Area Based Scheme, delivered by Warmworks, provides additional grant funding to households who are in extreme fuel poverty, which is assessed on a case-by-case basis by the Warmworks team. This is in addition to the extra HEES:ABS funding provided in Orkney as a rural remote/island area.

In 2022/23, households who received HEES:ABS funding saved an average of £728 on their energy bills annually because of the energy improvements installed.

Warmworks also has a Local Engagement Manager who works with other organisations to increase the number of households outside of the Mainland applying for funding. This is important because areas outside the Mainland, especially the Outer Isles, have higher levels of fuel poverty.

### **OHAL Energy Advisor**

OHAL has a dedicated Energy Advice Officer who provides advice to tenants experiencing fuel poverty and/or need support or advice around their energy. The Energy Advice Officer can offer information specific to the tenant's situation to help them use energy more efficiently.



## Priority C: Improving carbon efficiency in council buildings

### Summary of Priority C: Improving carbon efficiency in council buildings

The Council has a responsibility to improve the energy efficiency of its operational and leased buildings. However, there is limited data on these buildings. 17% of the Council's operational buildings and 29% of the Council's leased buildings have EPCs. The Council will increase the carbon efficiency of these buildings, which means improving energy efficiency and changing heating systems away from fossil fuels, like oil or LPG.

- **Operational buildings:** There are a number of projects underway to improve the energy efficiency and replace heating systems in operational buildings.
- **Leased buildings:** The Council will collect more data on these buildings and explore ways to help tenants improve energy efficiency and upgrade heating systems.
- **Relevant policies:** Carbon Management Programme (2016-2026), Orkney Sustainable Energy Strategy (2017-2025)

### Overview

The Council has a responsibility to improve the carbon efficiency of the buildings that it operates and leases. Measures to improve carbon efficiency include energy efficiency measures and decarbonising heating systems. A number of Council operated and leased buildings will need to replace their fossil fuel-based heating systems to meet the 2045 net zero target. There are also a number of energy efficiency measures that would improve these buildings.

The Council is already working on several projects to improve the carbon efficiency of their operational buildings. The biggest barrier to taking further action in this area is energy and building data. In order to understand and plan carbon efficiency projects, the Council must know more information about the buildings it owns and operates. The Council is interested in developing a tool to track EPC information live.

### Operational buildings

The Council owns and operates 271 non-domestic operational sites across Orkney. Operational buildings include schools, council offices, sports centres and more. Only 17% of the Council's operational buildings currently have valid EPCs. The Council is legally bound to do EPCs for the remaining 83% of operational buildings without EPCs.

The 2016-2026 Carbon Management Programme identifies a list of projects on Council-owned operational buildings to improve carbon efficiency. These projects are:

- Hamnavoe house – replacement of existing care home with high efficiency building using zero direct emission Ground Source Heat Pump.
- Stromness Swimming Pool, Thermal Upgrade and Heat Pump replacement of Boiler Plant.

- Stronsay Junior High School, Thermal Upgrade and Heating Systems Upgrade.
- Shapinsay Primary School, Thermal Upgrade and Heating System Upgrade.
- Hatston Pier and Ferry Terminal, LED Lighting Upgrade.
- South Pier, Stromness LED Lighting Upgrade.
- Kirkwall Pier, Marina Breakwater LED Lighting Upgrade.
- Papdale Primary School, Thermal Upgrade.
- Pickaquoy Centre, LED Lighting.
- Stromness Academy, Thermal Upgrade.
- Hope Primary School, ASHP replacement of oil boiler plant.
- Smiddybrae Care Home – GSHP replacement of oil boiler plant.
- St Andrews Primary School – GSHP replacement of oil boiler plant.

Further details on the progress of each project can be found in the LHEES Delivery Plan.

For the past 10-15 years all major new build project in the county have employed renewable heating systems, with Ground, Air and Sea source heat pumps all being used to make best use of the renewable resources available.

Building fabric is of primary concern when addressing energy efficiency, high levels of insulation are specified for all building elements in our new build programme and where possible u-values will exceeds current building standards requirements. With the maritime climate of Orkney, building are frequently exposed to windy conditions, the Air Tightness of buildings is therefore very important. All new build properties are now tested to ensure air infiltration is low, the use of warm roofs has been adopted in new build projects to ensure continuous insulated envelope both at hand over and in later operational use.

Existing operational buildings have also benefited from building fabric upgrades including external and internal wall insulation, Triple glazing, Underfloor insulation and Air tightness Improvements.

## **Leased buildings**

In addition to operational buildings, the Council also owns and leases 89 buildings in Orkney to other stakeholders. Examples of leased buildings include offices, storage and multi-use spaces including workshop and/or storage. In multi tenanted properties, the Council pay for the utility bills initially which the tenant is then recharged for.

The majority of leased properties are let on a full repairing lease which means the Council has less control over how these buildings are operated compared to operational buildings. Tenants are normally responsible for arranging their own utility contracts. They also have less access to data on the operational performance of these properties

The Council has EPCs for 29% of leased buildings in Orkney. It is a priority for the Council to do EPCs on the remaining leased buildings without EPCs. The Council is also interested in exploring options to improve energy efficiency of leased buildings.

## Priority D: Exploring heat networks for Council buildings

### Summary of Priority D: Exploring heat networks for Council buildings

The final priority for Orkney Islands Council is exploring heat networks for non-domestic Council buildings. Heat networks can provide reliable and decarbonised heating to buildings. The Council has the opportunity to explore the implementation of these heat networks for its non-domestic buildings due to them possessing large, reliable and long-term demands for heat.

- **Areas of interest:** Central Kirkwall, West Kirkwall, Stromness, and Dounby.
- As buildings in Orkney are not very densely built, **it will be difficult to make a heat network cost effective**. Further analysis is needed to see if any of the potential heat networks will be feasible.
- Each of the potential heat networks has been chosen because there is **at least one building owned by the Council that requires a replacement heating system** of either a heat network, heat pumps, or other electric heating system. A heat network may provide a cost-effective opportunity when comparing with other options.
- There is some **funding available** for heat networks, including the Central Energy Efficiency Fund and the Scottish Public Sector Energy Efficiency Loan Scheme.
- **Relevant policies:** Local Development Plan (2017), Heat Networks (Scotland) Act, upcoming Heat in Buildings Bill

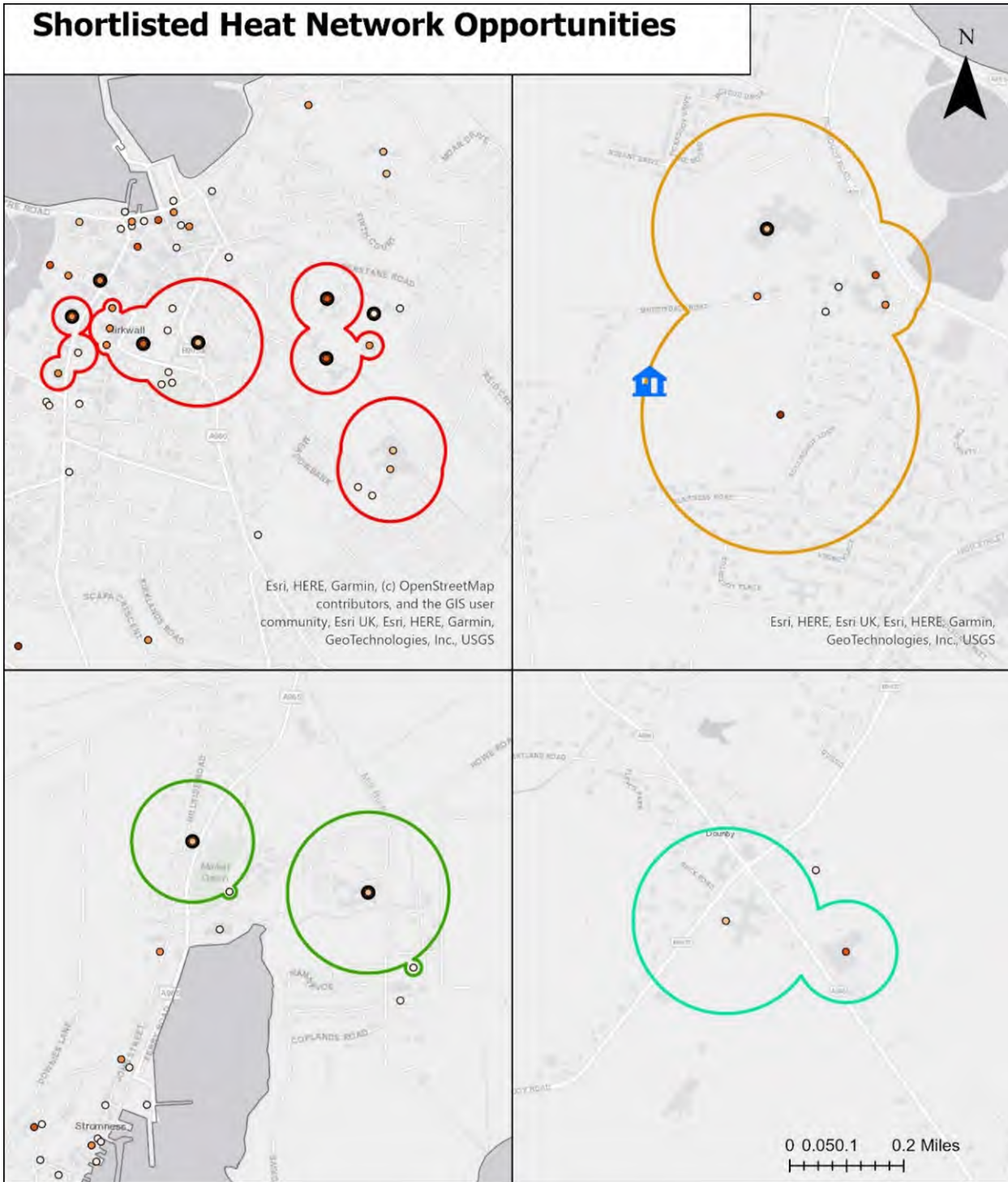
The Council has commissioned feasibility studies for several potential heat networks across Orkney. However, to date none have been identified as feasible or cost effective. This is due to a variety of reasons. The main reason is that heat networks need a large and consistent demand for heating to be feasible, which is difficult to provide from a dispersed building stock. For this reason, the Council is focussing on exploring heat network options for non-domestic buildings owned by the Council.

The Heat in Buildings Bill would require a ban on polluting heating systems in all buildings by 2045. Many non-domestic council buildings would need to transition to zero direct emission heating systems. Heat networks are one kind of permitted system under the bill.

Based on an initial analysis, the Council has identified potential heat networks in central Kirkwall, west Kirkwall, Stromness, and Dounby. The analysis done as part of this Strategy is intended to identify places where further feasibility studies should be conducted.

The map below identifies the four potential heat network zones in Orkney. The Council is investigating whether the individual heat networks can be connected together in each zone. For more information on each of the potential heat networks, see the LHEES Delivery Plan.

Figure 19: Shortlisted potential heat network zones in Orkney



**Legend**

- OIC New Housing Development
- Central Kirkwall Heat Network
- Stromness Heat Network

- West Kirkwall Heat Network
- Dounby Heat Network

- Potential Anchor Loads**
- Heatdemand\_kWh\_UPDATED
- Up to 70 MWh
  - 71 - 170 MWh

- 171 - 350 MWh
- 351 - 750 MWh
- Above 750 MWh
- Oil-fired council-owned buildings

## Challenges

### Challenges for domestic buildings

#### Owner occupied properties

In Orkney Islands Council area, 72% of properties are owner-occupied. Of these, 24% are in EPC bands A-C, meeting the proposed 2033 requirements for energy efficiency.<sup>19</sup> The remaining 76% will require improvements to the buildings fabric and/or heating system within the next 10 years.<sup>20</sup> Given that this deadline is several years away, owner-occupiers may lack motivation to take immediate action. The LHEES is part of the Council's efforts to create clear plans for the necessary changes across the entire building stock.

#### Private rented sector

In Orkney Islands Council area, 14% of properties are privately rented. Almost half (49%), of these are in EPC bands D or below. Under the upcoming Heat in Buildings Bill, privately rented properties will likely be required to meet a minimum energy efficiency standard equivalent to EPC band C by 2028 (replacing the existing requirement of EPC band E by 2025). Funding exists to support landlords to improve the energy efficiency of their properties. However, there is limited funding for heating system upgrades.

There is a 'split incentive' for landlords to upgrade their properties to improve energy efficiency. This means that whilst the private landlord is responsible for paying the cost of energy efficiency upgrades, they do not gain the financial benefits from cheaper energy bills.

#### Social housing

In Orkney Islands Council area, 14% of properties are social housing, with half of these being owned by the Council. As outlined in previous sections, a new energy efficiency standard is being developed for social housing. This will require Orkney Islands Council's and OHAL's social housing properties to undergo significant energy efficiency improvements. Social landlords will need assurance of long-term and adequate funding to fund projects and avoid rent increases, which would worsen fuel poverty.

#### Mixed tenure

In Orkney Islands Council area, 4% of properties are in mixed tenure buildings. While this is a relatively small proportion, they present a challenge when it comes to retrofit and heat decarbonisation.

Mixed-tenure buildings are often slow to renovate because, for some measures such as external wall insulation, all occupants in the building must agree to the installation and pay towards funding the project. If one occupant does not have the funding available or does not agree to proceed with the project, there is a risk that the project will not go ahead.

---

<sup>19</sup> [Delivering net zero for Scotland's buildings - Heat in Buildings Bill: consultation](#)

<sup>20</sup> This depends on how the targets will be measured. Future measurements (as described in Scottish EPC reform consultation) may set more ambitious targets specific to the fabric efficiency.

## Exposed climate

Orkney is made up entirely of islands, leaving many of the households in the region located near the coastline at risk of exposure to the extreme weather. Over time this degradation can force homes into disrepair, most notably through leaky roofs and damp walls. Disrepair makes homes hard to heat and hard to treat/retrofit, because retrofit work can only begin following these often-costly repairs. THAW highlights the deterioration of housing due to weather as being one of the biggest barriers to retrofitting in Orkney. THAW has grants to fund repair works before retrofit projects, but funding is limited.

## Geography

Orkney's population is sparse as it is spread across 20 permanently inhabited islands,<sup>21</sup> meaning 66.5% of the population live in areas classified as remote rural.<sup>22</sup> This results in just 22 people per km<sup>2</sup>, which is significantly lower than the Scottish average of 70 per km<sup>2</sup>.<sup>23</sup> This low density and rural setting can result in households becoming isolated and having far higher rates of heat loss compared to those in urban environments, which benefit from the shared warmth of neighbours in terraced housing or a block of flats. This exposed climate and high level of heat loss can leave Orkney residents requiring far longer periods of heating, at a far higher price, compared to the rest of Scotland. This extended heating season caused by the weather and geography illustrates why many Orkney householders are susceptible to the rural dimensions of fuel poverty, identified by the Scottish Rural Fuel Poverty Task Force in 2016.<sup>24</sup>

## High upfront capital costs

To reduce energy demand, many properties in Orkney require significant improvements to the building fabric to overcome the consequences of the region's geography and exposure to the climate. Additionally, a lot of homes needing similar improvements are not located near each other. The combined effect of travelling between islands and having a poor economy of scale means retrofit costs are often much higher for Orkney householders compared to the rest of Scotland. For more expensive measures, like external wall insulation, this can come with very high upfront costs and long-payback periods. This can pose a barrier for privately owned homes (owner-occupiers and private renters), if the owners do not have the funds to invest in energy efficiency improvements upfront.

## Building archetypes and bespoke properties

Orkney has a high percentage of unique/custom-built building archetypes and extensions compared to other local authorities. Retrofitting custom-built properties can be challenging because each building is unique, and each home may have uncommon or varying wall and floor types.

---

<sup>21</sup> Orkney Islands – Scotland.org ([Orkney Islands | Scotland.org](https://www.scotland.org/orkney-islands))

<sup>22</sup> Scottish Government Urban Rural Classification (<https://www.gov.scot/publications/scottish-government-urban-rural-classification-2020/pages/5/>)

<sup>23</sup> Orkney Islands Key Statistics (<https://www.hie.co.uk/media/6343/orkneypluskeyplusstatisticsplus2019.pdf>)

<sup>24</sup> Delivering affordable warmth in rural Scotland: Action Plan ([Delivering affordable warmth in rural Scotland: action plan - gov.scot](https://www.gov.scot/publications/delivering-affordable-warmth-in-rural-scotland/action-plan-2019-2022/pages/1/) ([www.gov.scot](https://www.gov.scot)))

Requiring an individual, bespoke solution for each home makes it challenging to hire contractors for multiple buildings at once. Any work on bespoke properties will be more expensive than large-scale retrofitting of similar homes at once.

### **Cost of professional surveying**

Due to the diverse range of archetypes across the region, it is essential that every house in Orkney being retrofitted receives an assessment. This is so that the correct measures and retrofit design are undertaken, based on the building's data. This assessment can be costly and can be a barrier for many householders beginning their journey to improve their home's energy efficiency, especially when there is little funding available for assessments.

Councils often overcome this issue in high density, urban areas by extrapolating the data of common archetypes so a reasonably accurate picture of retrofit work needed. However, this will not be possible in Orkney because of its diverse archetypes and low-density areas. Any estimation of property data will be inaccurate, so individual assessments are necessary before starting retrofit work.

### **Piecemeal funding**

It can be difficult for the Council, OHAL, and other stakeholders to commit to large-scale retrofit projects because of the varied archetypes in the building stock and low density of buildings. As a result, the Council must instead apply for smaller scale projects which takes their diverse building stock and geography into account. However, this piecemeal funding structure can be very challenging and time consuming. It increases the overall cost of retrofit and uses up more of the Council's own resources through repeated tendering processes.

### **Funding restrictions**

Most of the funding for energy efficiency and heat decarbonisation work in Orkney is provided by Scottish or UK Government. Due to this, the requirements for funding are often designed for the entire country rather than tailored to the needs of Orkney specifically. Warmworks and the Council work with funders to approve exceptions for Orkney. However, there are limits.

For example, national funding schemes do not offer as many grants for air-to-air heat pumps. In most of Scotland, these types of heat pumps are not necessarily the best choice because most households are switching from a wet system/gas boiler. In Orkney, many homes could benefit from an air-to-air heat pump as they are sometimes cheaper to install. However, there is limited grant funding available for these types of heat pumps.

### **Grid constraints**

Switching all buildings to electricity from oil and LPG will put additional pressure on the electricity grid. The grid will need to be reinforced to enable large scale heat decarbonisation. This will need to be managed through engagement with the distribution network operator to ensure that LHEES delivery will be aligned with grid investment planning.

## Skills gap

Apprenticeships can be a helpful tool to train more installers and increase the size of the decarbonisation workforce. However, opportunities are few because the cost to employers is so high. This is especially the case for rural areas, such as Orkney, where upskilling opportunities are limited.

## Local supply chain

There are major shortfalls facing the retrofit and decarbonisation industry in trades such as plumbers, plasterers, electricians, HVAC (Heating, Ventilation, and Air Conditioning) specialists, surveyors and Retrofit Coordinators.<sup>25</sup> Investment is needed to encourage existing contractors to upskill, obtain necessary accreditations and train young workers to enter the retrofit and decarbonisation workforce.

Warmworks is currently working with installers to support the delivery of HEES:ABS. For example, Warmworks supports new electrical contractors with their accreditations so the local supply chain can deliver heat pumps for HEES:ABS.

The Just Transition Commission has stated that the market will not drive the change required, and systemic change must be driven by legislation and regulation from the Scottish Government.<sup>26</sup> Similarly, reforming public procurement mechanisms can create demand and support growth of local workforces. The Scottish Government has committed to a £100m Green Jobs Fund between 2021 and 2026, which will be used to support the development of sustainable and low-carbon products and services.

## Challenges for non-domestic buildings

### Poor data accuracy

More accurate fuel poverty data and updated EPC data is essential to making correct models in LHEES. In areas where updated information is difficult to retrieve, this can prevent effective delivery. Council-owned, non-domestic operational buildings are largely up-to-date. However, there is limited data on Council-owned buildings that have been leased out externally long-term. This is because EPCs are required when new leases are signed, but the leases are over long periods so many buildings do not have recent EPCs. This limits how much the Council can plan improvements, because it does not have an accurate picture of its leased buildings.

Data for non-domestic properties not owned by the Council is difficult to obtain, the EPC register has very few entries due to the low turnover of properties. The Building Assessment Reports required to be completed as part of the heat networks assessment, may provide useful information in the absence of an EPC and efforts will be made to assist in the production of Building Assessment Reports.

---

<sup>25</sup> ClimateXChange (2022) [Clean Heat and Energy Efficiency Workforce Assessment](#)

<sup>26</sup> Just Transition Commission (2023) [Scotland's Retrofit Workforce: A Briefing on the Built Environment and Construction](#)



## **Funding avenues**

Most of the funding streams available are focused on domestic rather than non-domestic properties, due to the greater impact this will have on alleviating fuel poverty and reducing carbon emissions across the region. This will make it difficult to find funding options that are focused on improving the energy efficiency of Orkney Islands Council's non-domestic buildings.

## **Barriers to developing heat networks**

### **Low heat density in Orkney**

Orkney has a low population density, and buildings are generally dispersed. There are a small number of non-domestic Council buildings with heat demand high enough to warrant the exploration of a heat network.

High use of Heat Pumps by commercial properties for heating, storage heating and refrigerant heat pumps systems will not be easily transitioned to heat networks.

Housing tends to be electrically heated, moving to HN would require Wet Heating System to be installed.

Anchor loads tend to be some distance from one another, again low density of buildings results in low heat density.

Major non-Council loads already on Low Carbon heating (Balfour Hospital, Highland Park Distillery).

## Opportunities for Orkney Islands Council

Decarbonising heat and improving energy efficiency provide a range of economic and development opportunities for communities, the Council, businesses, charities and individuals in Orkney.

### Domestic retrofit opportunities

#### Supply chain development

The LHEES Delivery Plan will outline the substantial pipeline of work required to achieve the net zero targets in Orkney. A clear pipeline will help to improve the local availability of 'green skills' in Orkney, by encouraging the existing labour force to invest in upskilling young talent and provide them with opportunities. Warmworks is already working with installers to train and hire more labourers and plasterers to install more external wall insulation for the Area Based Scheme.

There is a shortage of electricians in Orkney which limits the number of heat pumps that can be installed. Warmworks has already supported contractors to complete their accreditations, and is working to boost the number of electricians in the region. This will ensure that the skills and capacity are in place to add heat pumps onto the list of HEES:ABS measures available to householders.

#### Addressing disrepair

Identifying house disrepair is one of the main barriers to undergoing retrofit works, either because of the exposure or old archetypes. THAW has developed the Flex Fund grant which offers between £250 to £2000 for households in extreme fuel poverty. The grant can go towards small-scale repairs, such as fixing leaky roofs or replacing outdated septic tanks, as well as clearing out homes. This support helps remove barriers for householders, particularly those who are vulnerable or live alone, by ensuring necessary work can be completed. The Flex Fund is unique because it provides funding for projects required to prepare a home for retrofit. It allows households to get additional grant funding, for instance from HEES:ABS, for larger projects.

#### Retrofit assessment upskilling

THAW is looking to train staff in a retrofit assessment qualification to offer detailed home assessments. This will enable THAW to carry out insulation repairs in the future, as a cost-effective way for householders to improve their energy efficiency. The development of THAW's home assessments could make retrofitting more accessible and enable widespread home assessments across the region.

This increase in accurate housing data could open the possibility of moving away from this piecemeal approach and instead to grouping similar archetypes and measures together more accurately. This would be crucial to enabling a greater economy of scale and reducing the cost of implementing energy efficiency measures across Orkney.

#### Area Based Scheme

The Area Based Scheme has been effective at improving energy efficiency and fuel poverty rates in Orkney. The scheme has grown from providing £800,000 worth of retrofit projects in 2015/16 to £1.7 million in 2022/23. HEES:ABS is one of the key drivers of

improving energy efficiency in private tenure properties across Orkney and this is expected to grow in the coming years. The scheme is led by the Council, with Warmworks as the managing agent.

16% of owner-occupiers and 13% of private tenants currently live in homes with an EPC band F or worse, which indicates very poor energy efficiency. In order to meet the challenge, the Council aims to increase their HEES:ABS funding to £4 million by 2026, pending Scottish Government approval, as detailed in the Local Housing Strategy. Expanding this funding provides many opportunities to help tackle this large proportion of private tenure households with poor energy efficiency, particularly those in more isolated areas who have previously been unable to get retrofit work done.

The 2024/25, HEES:ABS has broadened its measures to include high heat retention storage heaters and loft top-up insulation. Cavity wall insulation being considered (not currently offered) to provide an avenue for building archetypes that are unsuitable for external wall insulation, but could still benefit from fabric efficiency measures. Adding additional funding may make it possible to add more types of energy efficiency measures in the future.

A Local Engagement Manager has recently been hired to promote the scheme to smaller island communities, which often struggle to access services due to isolation. These communities are particularly vulnerable to extreme fuel poverty because of poorer housing stock and ongoing exposure to harsh weather conditions. Further growth of HEES:ABS could see more remote communities being targeted for larger-scale retrofitting projects. Householders in these communities would almost certainly be eligible for the extreme fuel poverty uplift, which grants additional funding towards the measures.

## **Stakeholder collaboration**

### **Fuel poverty stakeholder collaboration**

Fuel poverty is a pervasive challenge across all of Orkney, and many organisations across the area collaborate to support householders. Examples of collaboration include the Cost of Living Task Force, the Orkney Money Matters project and the Fuel Poverty Task Force.

One outcome of collaboration is a strong referral system between fuel poverty organisations, including the Council, Warmworks, and THAW. The network enables those suffering from fuel poverty to be referred to Warmworks, to access funding for energy efficiency measures. It also directs people to THAW, which offers energy efficiency advice and access to other grants and funds. This network has proven highly effective, demonstrating the success that continued collaboration among stakeholders can achieve in addressing Orkney Islands Council's LHEES priorities.

## Next steps

### Summary of context

Orkney Islands Council's LHEES sets out how to improve energy efficiency of domestic and non-domestic buildings, address fuel poverty through energy efficiency, and explore heat network options. This Strategy informs, and should be read alongside, the LHEES Delivery Plan.

The Strategy will support the Council and its community planning partners to scale-up and align existing programmes, and to increase the scale and pace of retrofit and heat network development, that is needed to meet the national target of net zero by 2045.

Overall, the content of Orkney Islands Council's LHEES has been informed primarily through a data-driven approach and by working with close partners of the Council. The Strategy outlines a number of challenges which need to be overcome in order to decarbonise Orkney Islands Council's buildings. It also highlights opportunities, including four potential heat networks.

There is a statutory duty on the Council to update the LHEES every five years. Due to the urgency of the climate emergency, and the rapidly evolving policy landscape, the Strategy and Delivery Plan will both be reviewed and updated on an annual basis, where relevant. This means they should be treated as live documents which will respond to the introduction of new standards, regulation, and delivery programmes, to any changes in the LHEES process, and to future opportunities in Orkney.

### Summary of priorities and actions

Orkney Islands Council identified the following priorities for heat and energy efficiency:

- Making Orkney's homes energy efficient.
- Alleviating fuel poverty.
- Improving carbon efficiency in Council buildings.
- Exploring heat networks for Council buildings.

### LHEES Delivery Plan

The Council's LHEES Delivery Plan identifies tangible and specific actions in the next five years to achieve the four priorities set out in this Strategy. The actions are organised by tiers:

- Tier 1: actions that are immediate and/or already in progress.
- Tier 2: actions to take in the next 1-2 years.
- Tier 3: actions to take in the next 3-5 years.

This document and the Delivery Plan will be reviewed regularly.

## Glossary

### Defining terms

Terms	Description
Baselining	Baselining is the purpose of understanding at local authority or strategic level, the current status of the buildings against the Priorities, Targets and Indicators set out in the Baseline tool.
Building-level Pathway	As part of LHEES Stage 5, a building-level pathway is the outcome of the assessment undertaken using PEAT. It provides the likely energy efficiency retrofit technologies, as well as the low carbon heating system (where applicable) to support building level decarbonisation.
Criteria	Criteria are the settings applied to the Indicators for each Priority in order to support Baselining, Strategic Zoning and the identification of Delivery Areas. An example of Criteria is a simple “no” applied to the indicator of “wall insulation (Y/N)” to identify properties with uninsulated walls. Another example is the definition of an “anchor load” within the Heat Networks analysis, which applies a minimum threshold to the “heat demand” Indicator. The LHEES methodology provides a set of default Criteria that local authorities may wish to use, with flexibility to update and augment these to support local needs or for more focused analysis linked to specific actions and project identification within the Delivery Plan.
Data - Alternative	Alternative data can overwrite the Core data to improve accuracy (national to local level of detail, e.g. local housing data to overwrite fields in Home Analytics).
Data - Core	Core data is the data that is essential to complete the minimum requirements of the LHEES analysis. Core data will come from national datasets e.g. Home Analytics or the Scotland Heat Map.
Data - Supplementary	Supplementary data allows inclusion of additional Indicators to inform specific, local priorities & targets; also, Supplementary data can be used in GIS investigation to complement the Core analysis carried out in any assessment. An example of Supplementary data would be the inclusion of low carbon heat supply information layers within a district heating analysis.
Data Zone	Data zones are groups output areas which have populations of around 500 to 1,000 residents.
Delivery Area	Delivery Areas (sometimes referred to as Delivery Level Areas) are a term used for all LHEES Priorities with the exception of Heat Networks. These Areas will be an

Terms	Description
	<p>important starting point for identifying a range of projects, regulation and actions that are within the competence of the Scottish Government and local authorities (projects and actions to be developed in the LHEES Delivery Plan). Delivery Areas are at a higher granularity than Strategic Zones, are generated as part of LHEES Stage 4 and are presented in the LHEES Delivery Plan. Guidance is provided for one approach to identify Delivery Areas, but there are other approaches that local authorities may wish to use.</p> <p>The identification of Delivery Level Areas through LHEES will be indicative only, with further investigation being required to determine the viability of progressing projects associated with the area identification activity.</p>
Detailed practitioner guidance Steps	<p>These Steps form part of the detailed practitioner guidance in LHEES Stage 4, Generation of Initial Areas to set out particularly suitable heat network zones and to support project identification.</p>
Indicator	<p>For a given Priority, the purpose of an Indicator is 1) To act as a key information field to help characterise the local authority using the Baseline tool as part of LHEES Stage 3 (authority-wide and at a strategic level); 2) To act as a key information field to support strategic zoning and generation of initial delivery areas (as part of LHEES Stage 3 and 4); 3) if suitable, to act as a key information field to measure progress against Targets over the duration of the LHEES - set out in LHEES Stage 8, LHEES Delivery Plan. For some Priorities, one Indicator may be sufficient, but for others a range may be appropriate. The LHEES methodology sets out a core set of default Indicators that local authorities may wish to use, with flexibility to update and augment these to support local needs or for more focused analysis linked to specific actions and project identification within the Delivery Plan.</p>
Intermediate Zone	<p>Intermediate zones are a statistical geography that are designed to meet constraints on population thresholds (2,500 - 6,000 household residents), to nest within local authorities, and to be built up from aggregates of data zones.</p>
LHEES Delivery Plan	<p>An LHEES Delivery Plan is an action plan that enables a local authority and its partners to work towards delivery of the changes identified in the LHEES Strategy. Actions will contribute to achieving Scotland's statutory targets on net zero greenhouse gas emissions and fuel poverty, as well as enabling the delivery of changes to buildings and local infrastructure needed to fulfil the Scottish Government's objectives relating to heat and energy efficiency in buildings.</p>

Terms	Description
	<p>The Delivery Plan will clarify stakeholder roles and responsibilities in delivering the Strategies; build on existing plans and policies, such as HEES:ABS Plans, as far as possible and; coordinate across local partners and provide a mechanism for identifying new delivery actions.</p>
LHEES Priorities	<p>The LHEES Priorities are a list of technologies, building typologies and policy priorities that the LHEES Methodology uses to identify and target interventions. They include:</p> <ul style="list-style-type: none"> <li>- Heat networks</li> <li>- Off-gas grid buildings</li> <li>- On-gas grid buildings</li> </ul> <p>Secondary outcomes include:</p> <ul style="list-style-type: none"> <li>- Poor building energy efficiency</li> <li>- Poor building energy efficiency as a driver for fuel poverty</li> <li>- Mixed-tenure, mixed-use properties and historic buildings</li> </ul>
LHEES Stages	<p>There are 8 LHEES Stages. The purpose of the LHEES Methodology is to enable the local authority to complete LHEES Stages 1 to 6. The completion of these Stages will provide the local authority with the data analysis and evidence base to enable them to complete their LHEES Strategy and Delivery Plan documentation. There are two LHEES guidance templates included alongside this methodology– LHEES Strategy guidance and LHEES Delivery Plan guidance. The completion of these two templates will satisfy the completion of LHEES Stages 7 and 8. The 8 LHEES Stages are:</p> <ol style="list-style-type: none"> <li>1 - Policy and strategy review</li> <li>2 - Data and tools library</li> <li>3 - Strategic zoning and pathways</li> <li>4 - Generation of initial delivery areas</li> <li>5 - Building-level pathway assessment</li> <li>6 - Finalisation of delivery areas</li> <li>7 - LHEES Strategy</li> <li>8 - LHEES Delivery Plan</li> </ol>
LHEES Strategy	<p>An LHEES Strategy identifies what needs to be done to change buildings and relevant local infrastructure by 2045 to fulfil the Scottish Government’s objectives and local priorities relating to heat and energy efficiency in buildings. These interventions might occur at building level or in energy supply networks or in a combination of both. The Strategy will reflect national and local priorities, policies and wider strategies. Where feasible, it will take into account local and national factors, such as the timing of planned infrastructure upgrades, access to resources and funding, major projects, decisions over the gas grid and community engagement.</p>

Terms	Description
Mixed-tenure, mixed-use and historic buildings	Mixed-tenure and mixed-use buildings could include a mixture of owner occupied, private rented and social housing, and also non-domestic uses, or simply multiple ownership within the same tenure. Historic buildings include the buildings that are within conservation areas or those that are listed buildings. These categories may require established alternative approaches and regulation for the installation of low carbon heat and energy efficiency solutions and where specific advice and support might be available relating to the installation of these solutions.
Potential Zones	The Heat Networks Priority follows a distinct methodology to the other LHEES Priorities – Stage 3 does not apply and the outputs from Stage 4 are of a different type, showing Potential Zones for Heat Networks as opposed to the identification of Delivery Areas (notionally using a 100m raster approach). The Heat Networks Priority analysis and activity carried out within LHEES is also anticipated to support activity related to formal zone designation as required by the Heat Networks Act. For these reasons, the analysis carried out in Stage 4 for Heat Networks is to identify Potential Zones rather than the otherwise used naming convention of Delivery Areas. The Potential Zones identified are to be included in the LHEES Strategy and could also inform actions around further investigation / progression within the LHEES Delivery Plan.
Raster	A matrix of squares, or grid, used as a method of data analysis in GIS. Each cell in the grid contains a value representing information on the cell's contents.
Strategic Level Zone	Strategic Zones (sometimes referred to as Strategic Level Zones) are a term used for all LHEES Priorities with the exception of Heat Networks. Strategic Level Zones are identified in Stage 3 and are presented in the LHEES Strategy. These zones offer a visualisation of the potential pathways to decarbonise the building stock at a local authority level, split out by intermediate zone level. They are useful to understand the baseline performance, the scale of potential and initial areas of focus. Strategic Zones could be used to inform or prioritise focus areas for the more granular identification of Delivery Level Areas. The identification of Strategic Zones through LHEES will be indicative only.
Targets	Targets are the measurable aspect of the Priority and are likely to be taken directly from national and/or local policy documentation, for example net-zero by 2045, or EPC C by 2040. Targets are likely to comprise of end-point targets and milestone targets and would sit along a timeline within (and



Terms	Description
	beyond) the LHEES. This timeline would help to prioritise the types of projects undertaken within the LHEES over its duration.
Weighting	For some Priorities, one Target and Indicator may be sufficient, but for others a range of Indicators may be appropriate to contextualise and characterise performance against a Target and/or progress towards a Priority. If multiple Indicators are used in strategic zoning or the identification of delivery areas, a Weighting can be applied based on the importance of each. The LHEES methodology sets out a core set of default Weightings for instances where multiple Indicators are suggested as a default setting. There is flexibility to update and augment these to support local needs or for more focused analysis linked to specific actions and project identification within the Delivery Plan.



## Appendix

### Acronyms and abbreviations

Acronym	Description
EESHS	Energy Efficiency Standard for Social Housing
EPC	Energy Performance Certificate
EST	Energy Saving Trust
GIS	Geographic Information System
HEES:ABS	Heat and Energy Efficiency Scotland: Area Based Schemes
IZ	Intermediate Zone
LA	Local Authority
LHEES	Local Heat and Energy Efficiency Strategy
LPG	Liquefied Petroleum Gas
mxd	Map Exchange Document
PEAT	Portfolio Energy Analysis Tool
SAP	Standard Assessment Procedure
ToC	Table of Contents
UPRN	Unique Property Reference Number

## Appendix A: Additional national policy drivers

	Name	Description	Targets/aims
Climate Change	Climate Change (Emissions Reduction Targets) (Scotland) Act 2019	Targets to reduce Scotland's emissions of all GHGs to net-zero.	2045: Net zero GHG emissions 2020: 56%
	Update to the Climate Change Plan 2018–2032	Sets out a pathway to deliver Scotland's climate change targets, including ambitions for Scotland's buildings.	Multiple targets, including: 2030: At least 50% of building heated using zero emission systems
Housing	Heat in Buildings Strategy 2021	Sets out a pathway to reduce emissions from buildings and to remove poor energy performance as a driver for fuel poverty.	By 2030, majority of buildings should achieve EPC band C, and 1 million homes use zero emission heating
	Heat in Buildings Bill (currently at consultation stage)	Proposed new laws around minimum energy efficiency standards and prohibiting direct emissions heating systems.	Minimum energy efficiency standards to be met by: 2028 for Private landlords 2033 for owner-occupiers
	Social Housing Net Zero Standard	Proposed new energy efficiency standard that replaces EESSH2. Sets a minimum fabric efficiency rating for each home rented by social landlords. Under consultation.	2033: Fabric energy efficiency rating 2045: Clean heating in all socially rented homes
	Housing to 2040	Sets out the vision and route map for housing in Scotland to 2040.	Existing homes are adapted and retrofitted to improve their energy efficiency and decarbonise their heating
Energy	Heat Networks (Scotland) Act 2021	Requires local authorities to review whether one or more heat network in the local authority is suitable for construction.	Achieve a combined supply of thermal energy by heat networks of: 2030: 6 TWh

	Name	Description	Targets/aims
			2027: 2.6 TWh
	Heat Networks Delivery Plan	Sets out how provisions of the Heat Networks (Scotland) Act 2021 will contribute to increasing heat networks in Scotland.	The targets set out in the Heat Networks (Scotland) Act 2021.
Fuel Poverty	Fuel Poverty (Scotland) Act 2019	Defines fuel poverty and requires the creation of strategies to tackle fuel poverty.	2040: < 5% of households in fuel poverty, < 1% in extreme fuel poverty.
	National Planning Framework 4	Sets out Scotland's spatial principles, regional priorities, national developments, and national planning policy.	Multiple

## Appendix B: Datasets used in the development of this LHEES

Data Resource/Tool	Description	Data Format	Weblink
<b>Scotland Heat Map</b> (Summer 2020)	Valuable spatial dataset with point-level heat demand data for all properties in Scotland / various other useful data fields and additional information layers. Updated approximately annually. Source data (including from public sector) requested at each update.	Spatial geodatabase	<a href="https://www.gov.scot/publications/scotland-heat-map-documents/">https://www.gov.scot/publications/scotland-heat-map-documents/</a>
<b>Home Analytics v3.7 (Feb 2021)</b>	Database covering all domestic properties in Scotland, built using information from the domestic EPC register and other sources; statistical models are used to provide estimates giving 100% property coverage	Excel spreadsheet	<a href="https://energysavingtrust.org.uk/service/home-analytics/">https://energysavingtrust.org.uk/service/home-analytics/</a>
<b>Non-Domestic Analytics (version 1.1)</b>	Database covering all non-domestic properties in Scotland, built using information from the non-domestic EPC register and various other sources, with extensive modelling to provide estimates giving 100% property coverage	Excel spreadsheet	
<b>Portfolio Energy Analysis Tool (PEAT)[VS1]</b>	Tool to accompany Home Analytics; can be used to investigate and cost intervention options for a portfolio of up to 500 properties; can be driven by a price cap or a target EPC score	Tool hosted online; input / output as Excel spreadsheet	<a href="https://homeanalyticspeat.est.org.uk/">https://homeanalyticspeat.est.org.uk/</a>
<b>One Scotland Gazetteer (OSG) - Address Gazetteer (AG)</b>	Central database for all addresses within an authority	GIS API or csv file	
<b>Local Development Plan sites</b>	Information, ideally in spatial format, on development sites in the LDP and LDP2. To include detail on development type and expected build-out where available.	GIS shapefiles	
	SEPA waste heat data	Online interactive map	

Data Resource/Tool	Description	Data Format	Weblink
<b>Waste sites capacity tool (SEPA)</b>		viewer/ Excel spreadsheet	<a href="https://www.sepa.org.uk/data-visualisation/waste-sites-and-capacity-tool/">https://www.sepa.org.uk/data-visualisation/waste-sites-and-capacity-tool/</a>
<b>Green Heat in Greenspaces (GHiGs)</b>	GHiGs investigated the suitability of many types of urban open space across Scotland for use as low carbon heat sources, heat storage sites and heat transmission corridors.	Excel spreadsheet	<a href="https://www.greenspacescotland.org.uk/introducing-ghigs#:~:text=Green%20Heat%20in%20Greenspaces%20(GHiGs)%20is%20a%20project%20within%20the,Scottish%20low%20carbon%20heat%20transition">https://www.greenspacescotland.org.uk/introducing-ghigs#:~:text=Green%20Heat%20in%20Greenspaces%20(GHiGs)%20is%20a%20project%20within%20the,Scottish%20low%20carbon%20heat%20transition</a>
<b>Geographic boundary datasets</b>	Information, ideally in spatial format, on council-owned assets.	GIS shapefiles	<a href="https://borders.ukdataservice.ac.uk/bds.html">https://borders.ukdataservice.ac.uk/bds.html</a>

## Appendix C: Datasets and Limitations of the LHEES approach

### Home Analytics

Home Analytics Scotland provides essential data on the Scottish housing stock. This data is provided down to the address level and is available to the Scottish Government and local authorities to assist them in developing, targeting and delivering policies, schemes and programmes designed to improve energy efficiency, install renewable technologies and alleviate fuel poverty. The core datasets that make up Home Analytics Scotland are:

- Energy Performance Certificate data.
- Home Energy Efficiency Database (HEED) data.
- Energy Saving Trust Home Energy Check (HEC) data.
- Ordnance Survey AddressBase, MasterMap Topography layer and StreetMap data.
- Scotland Gas Networks data.
- Scottish Census data.
- Scottish Index of Multiple Deprivation (SIMD) data.

While there is full coverage of the Council's property stock, the data is not entirely accurate given that not all properties are surveyed; where gaps exist property information will have been estimated based on neighboring characteristics using statistical modelling.

Fuel poverty figures in the dataset only act as an indication. To date, there has not been a comprehensive dataset detailing fuel poverty given the resources required to do so and the risk of identifying individuals and communities with sensitive information, such as income data. The fuel poverty data is therefore probability driven and users should not treat figures as an absolute number or percentage but rather a likelihood of fuel poverty. An instance where fuel poverty data lacks confidence and leads to a poor representation of the geographical area is in households in affluent areas who may be labelled as in fuel poverty because they live in stone buildings with poor heating capture.

Currently, fuel poverty data is calculated by the following:

- Probability of wall being uninsulated.
- Loft Insulation Prediction.
- Loft Insulation: 0-99mm.
- Loft Insulation: 100-249mm.
- Loft Insulation: >250mm.
- No loft.
- Excess Cold Category 1 Hazard.
- Probability of Fuel Poverty (Fuel Bill >10% of Income).

### Non-domestic Analytics

Non-domestic Analytics is a new data set developed by Energy Saving Trust on behalf of Scottish Government, to provide more property-level details about the non-domestic building stock in Scotland. The dataset brings together property details from a variety of data sources such as the Scottish EPC Register, Ordnance Survey, Scottish Assessors and

BEIS, to establish property attributes and energy profiles for each non-domestic building. Like Home Analytics, gaps in these records are imputed using a series of statistical models. The final database is therefore a combination of known and modelled records.

There are limitations on the confidence of using Non-Domestic Analytics due to the lack of robust information from the non-domestic sector compared to the domestic sector with much of the data relying on significant modelling. Therefore, users should not take figures as an absolute number or percentage but rather an estimation. Due to the reliance on probability, analysis was limited to exploring groupings of building typologies.

The dataset relies on the use of an external categorisation of property typology (Ordnance Survey) resulting in a deviation in standard interpretation of property classes. For example, church can be classified as either a commercial or place of worship depending on its main function, while residential (non-domestic) buildings can also indicate short-term lets and sheltered accommodation.

### **Scotland Heat Map (2020)**

Containing both domestic and non-domestic heat demand data, the Scotland Heat Map is an important resource to identify the opportunities for efficient heat supply projects and support their development. Developed with data provided by public and private sector organisations including all local authorities, it will help to identify opportunities for new and expanding heat projects including efficient supply projects, such as district heating. The dataset also contains various additional layers such as Geology and hydrogeology, waste energy supply points, and existing heat networks.

As the dataset was captured in the summer of 2020, demand data exists only as a snapshot in time. Since network viability is based around the demand of individual buildings, the difference between modelled and expected demand may affect that viability.

### **PEAT-OR tool**

The PEAT-OR tool, developed by EST, accompanies Home Analytics. It is used to investigate cost intervention options for a portfolio of up to 500 properties. The tool has a relatively high degree of flexibility to be tailored to reveal target areas and properties by price cap or a target EPC score.

However, there are the following limitations:

- Individual measures cannot be isolated or removed; the tool will show all possible interventions. This means some impractical measures are proposed such as installing wind turbines.
- Costs and Carbon savings are calculated for all possible measures, this means it is not possible to investigate the impact of individual measures.
- Fuel cost data used within PEAT-OR was released at the start of July 2023, with fuel costs modifying frequently these costs are not totally accurate.

These limitations will affect the outputs from Stage 5, which should be understood as estimates only.



**Ordnance Survey**

Various mapping data, central to the development and use of Scotland's Heat Map and other GIS information sources. OS product data and licenses are required to use SHM and other OS-derived datasets. Key to GIS analysis elements of LHEES.

**One Scotland Gazetteer**

Central database for all addresses within an authority. Key to GIS elements of LHEES for identifying multi-tenure non-domestic properties.

## Appendix D: LHEES stage descriptions

### Stage 1: Policy and strategy review

A policy review was carried out to highlight national, regional and local policies that are linked to, impact, or could be impacted by LHEES. Results from this review, along with initial stakeholder mapping were logged in the policy review template for reference during subsequent stages of the LHEES.

### Stage 2: Data and tools library

This stage involves identifying and maintaining a record of the data and tools used to support analysis in the subsequent stages of the LHEES process. The record captures data sources, ownership rights, requirements for the LHEES Considerations and data format.

### Stage 3: Strategic zoning and pathways

The purpose of LHEES Stage 3 is to support local authorities to understand the current energy efficiency and heat decarbonisation performance of the building stock at a local authority wide level. It also supports further analysis to set out Strategic Zones and pathways for each LHEES Consideration, as far as reasonably possible, at data zone level, a commonly used standard for statistical reporting of socio-economic data.

These Strategic Zones identify potential solutions for inclusion in the LHEES Strategy (Stage 7). The analysis sets out the strategic starting point for the generation and prioritisation of Delivery Areas (Stage 4), as well as further engagement and actions for the Delivery Plan (Stage 8).

LHEES Stage 3 is supported by both the 'Domestic Baseline Tool' and the 'Non-domestic Baseline Tool'. The Domestic Baseline Tool was developed by Zero Waste Scotland for analysis of the domestic sector drawing on Home Analytics as the core source data to support this. The tool was used to generate a performance baseline of buildings and to set out Strategic Zones with respect to the LHEES Considerations. The 'Non-domestic Baseline Tool' was developed following the release of Non-Domestic Analytics, to support better understanding of the breakdown of non-domestic building typologies and by other criteria, such as age, heating system type or floor area category. Given the limitations of the non-domestic dataset, the outputs are focused on providing property count and / or total heat demand information for these groupings, rather than suggesting suitability for specific interventions.

When assessing heat decarbonisation options in the tools, heat pump installation is one of the suggestions. According to the LHEES methodology, the level of heat pump 'readiness' in domestic properties are sorted into four categories:

Building category	Description
Category 0	Currently have a low or zero direct emissions heating system, or heat network connection
Category 1	"Heat pump ready" buildings that are well-suited to heat retrofit with minimal other changes.

Building category	Description
Category 2	Secondary potential for heat pump retrofit. Require some fabric and/or distribution systems upgrades.
Category 3	Significant upgrades required to be heat pump ready.

In the standard Zero Waste Scotland methodology, Category 1 properties are assessed based on a range of indicators including wall insulation, glazing status, wet heating system and loft insulation prediction. For Orkney Island's LHEES, only wall insulation was accounted for in Stage 3 given that this was the most relevant factor to the local domestic property stock.

#### **Stage 4: Generation of initial Delivery Areas**

Stage 4 is informed by the LHEES Strategy and analysis from Stages 1-3. The purpose of Stage 4 is to support the Council's decision making by generating initial Delivery Areas for each of the LHEES Considerations. This Stage uses GIS to generate initial Delivery Areas at a higher granularity than LHEES Stage 3, to enable the Council to understand specific locations of potential Delivery Areas within a Strategic Zone or across the whole local authority. The level of granularity is advised at 250m<sup>2</sup> to reflect an appropriately sized delivery area without the risk of identifying individual properties.

This analysis is the starting point for more detailed engagement, building level assessment of interventions and cross-checking against the policy and strategy review (stage 1) to enable finalisation of the Delivery Areas (LHEES Stage 6). These Delivery Areas should then support actions in the Delivery Plan (Stage 8) that are within the competence of the Scottish Government, local authorities and wider partners.

#### **Stage 5: Building-level pathway assessment**

The purpose of LHEES Stage 5 is to support with delivery area identification of Stages 4 and 6 to establish in more detail the type of intervention(s) required to decarbonise the building from a heating and energy efficiency perspective. This stage provides an understanding of the costs and the energy and carbon savings associated with interventions.

Stage 5 enabled Orkney Island Council to select and analyse domestic buildings for assessment in the Energy Saving Trust's PEAT-OR, for the domestic sector only. PEAT-OR enables the local authority to evaluate energy efficiency and heat decarbonisation retrofit options in terms of costs and carbon emissions reduction. Results can be presented at the building level or at a zone level. The buildings to be evaluated can be selected and taken from the analysis in LHEES Stage 3 or Stage 4.

It is recognised that PEAT-OR has not been designed specifically to support LHEES. Therefore, in this LHEES, a PowerBI report has been developed to enable the Council to explore potential decarbonisation results in an interactive and customised manner to assess viability and decision making of delivery areas.

**Stage 6: Finalisation of Delivery Areas**

During this stage, Strategic Zones, initial Delivery Areas and any building-level assessment were considered alongside the detail included as part of the policy and strategy review and all stakeholder engagement undertaken. The outcomes from this stage are documented in the Stage 8 Delivery Plan.

## Appendix E: Deviations from standard LHEES methodology

LHEES Consideration	Standard methodology	Deviation from standard LHEES method
Off-Gas Grid Buildings	Categories 0, 1, 2 and 3 properties determined according to the following factors:  Unlisted property Not in a conservation area Wall insulation Double/triple glazed windows Wet system replacement (except electric and no heating/hot water systems) Loft insulation prediction (99mm +)	Only wall insulation is considered in determining Category 1 properties for all heating types (boilers, room heaters, storage heaters, no heating/hot water systems).  Additionally identified solar PV suitability for category 1 properties.
On-Gas Grid Buildings	Categories 0, 1, 2 and 3 properties determined according to the following factors:  Unlisted property Not in a conservation area Wall insulation Double/triple glazed windows Wet system replacement (except electric and no heating/hot water systems) Loft insulation prediction (99mm +)	Only wall insulation is considered in determining Category 1 properties for all heating types (boilers, room heaters, storage heaters, no heating/hot water systems).  Additionally identified solar PV suitability for Category 1 properties.
Poor Building Energy Efficiency	Energy efficiency score is determined by wall insulation status, loft insulation status and double glazing.	As most programmes and projects are wall insulation focused, the weighted Energy Efficiency map only includes wall insulation potential, not glazing and loft.
Poor Building Energy Efficiency and Fuel Poverty	Energy efficiency and Fuel Poverty score is determined by wall insulation status, loft insulation status and double glazing and Fuel Poverty.	As most programmes and projects are wall insulation focused, the weighted Energy Efficiency and Fuel Poverty map only includes wall insulation potential, not glazing and loft.

## Appendix F: Detailed methodology for the identification of potential heat network zones

Analysis was undertaken to identify the areas where heat networks present a decarbonisation pathway that could be of strategic importance for Orkney Islands Council. Heat Data Point non-domestic properties were filtered to only include semi-public and public buildings. These were refined using OS AddressBase classification codes identified as semi-public or public by the Green Heat in Greenspaces project. Additionally, a sense check of building names was carried out to identify council-owned buildings. If that was the case, the buildings were added to analysis. This approach was chosen so that only non-domestic buildings that the Council has full or partial control over are treated as potential anchor loads in the heat network zoning. When defining anchor loads, public and council-owned buildings have been prioritised as the Council has greater control over the operation of these buildings.

Heat network zones have been identified based on a 4,000 kWh/yr/m linear heat density (a means of relating annual heat demand to a distance). Areas of greatest potential for heat network development have been further identified based on a solely heat demand perspective where at least two anchor loads were required > 500MWh/yr.

Further analysis through feasibility studies and constraints analysis were required to understand the viability of heat network development in each identified area. Existing heat networks have been added to potential heat network zones to identify viability of heat network expansion. For the purpose of LHEES, a 500m radius buffer has been drawn around the existing heat network points to provide a sensible estimate of the area within which heat demand can serve.


The methodology for identification of heat networks has been summarised in the figure below. For a comprehensive methodology, please see the Heat Network Zoning methodology in the LHEES documentation.



Figure 20: Summary of Scottish Government heat network methodology for LHEES



**ORKNEY**  
ISLANDS COUNCIL

An aerial photograph of a coastal town in Orkney, showing a harbor with many boats, a dense residential area, and green hills in the background under a blue sky.

# Local Heat and Energy Efficiency Strategy Delivery Plan

September 2024

## Table of contents

Glossary.....	3
Abbreviations .....	3
Terms .....	3
Executive Summary .....	7
Purpose of the Delivery Plan .....	7
Delivery Plan layout.....	7
Delivery Plan scope and limitations.....	8
Orkney Islands Council’s LHEES.....	9
LHEES Priorities .....	9
Heat network analysis based on LHEES methodology .....	13
Heat networks of interest for Orkney Islands Council.....	21
Improving energy efficiency in homes.....	25
Energy efficiency delivery areas.....	26
Actions for energy efficiency .....	37
Funding for energy efficiency .....	42
Non-domestic Council buildings .....	44
Actions for non-domestic Council buildings.....	44
Electrification of heat in homes .....	47
Monitoring and evaluation framework .....	49
Conclusion and next steps .....	51
Appendix: Monitoring and Evaluation Frameworks broken down by Goals, Outcomes, Method and Activities.....	52



# Glossary

## Abbreviations

Acronym	Description
EES	Energy Efficient Scotland
EESH	Energy Efficiency Standard for Social Housing
EPC	Energy Performance Certificate
EST	Energy Saving Trust
GIS	Geographic Information System
HEES:ABS	Heat and Energy Efficient Scotland: Area Based Schemes
IZ	Intermediate Zone
LA	Local Authority
LHEES	Local Heat and Energy Efficiency Strategy
LPG	Liquefied Petroleum Gas
mxd	Map Exchange Document
PEAT	Portfolio Energy Analysis Tool
SAP	Standard Assessment Procedure
ToC	Table of Contents
UPRN	Unique Property Reference Number

## Terms

Baselining	Baselining is the purpose of understanding at local authority or strategic level, the current status of the buildings against the LHEES Considerations, Targets and Indicators.
Building-level Pathway	As part of LHEES Stage 5, a building-level pathway is the outcome of the assessment undertaken using PEAT. It provides the likely energy efficiency retrofit technologies, as well as the low carbon heating system (where applicable) to support building level decarbonisation.
Criteria	Criteria are the settings applied to the Indicators for each Consideration in order to support Baselining, Strategic Zoning and the identification of Delivery Areas. An example of Criteria is a simple “no” applied to the indicator of “wall insulation (Y/N)” to identify properties with uninsulated walls. Another example is the definition of an “anchor load” within the Heat Networks analysis, which applies a minimum threshold to the “heat demand” Indicator. The LHEES methodology provides a set of default Criteria that local authorities may wish to use, with flexibility to update and

	augment these to support local needs or for more focused analysis linked to specific actions and project identification within the Delivery Plan.
Data - Alternative	Alternative data can overwrite the core data to improve accuracy (national to local level of detail, e.g. local housing data to overwrite fields in Home Analytics).
Data - Core	Core data is the data that is essential to complete the minimum requirements of the LHEES analysis. Core data will come from national datasets e.g. Home Analytics or the Scotland Heat Map.
Data - Supplementary	Supplementary data allows inclusion of additional Indicators to inform specific, local targets; also, supplementary data can be used in GIS investigation to complement the Core analysis carried out in any assessment. An example of supplementary data would be the inclusion of a constraint's appraisal as part of a heat network analysis.
Data Zone	Data zones are groups output areas which have populations of around 500 to 1,000 residents.
Delivery Area	Delivery areas are at a higher granularity than Strategic Zones. These spatial zones should set out clusters of buildings within a Strategic Zone or across the whole local authority that identify potential solution(s) at a delivery level. They will be an important starting point for identifying a range of projects, regulation and actions that are within the competence of the Scottish Government, local authorities and wider partners (included as actions to be developed in the LHEES Delivery Plan).
Detailed Practitioner Approach	These steps form part of the detailed practitioner approach in LHEES Stage 4, Generation of Initial Areas to set out particularly suitable heat network zones and to support project identification.
Indicator	For a given Consideration, the purpose of an Indicator is: 1) to act as a key information field to help characterise and baseline the local authority. 2) to act as a key information field to support strategic zoning and generation of initial delivery areas. 3) if suitable, to act as a key information field to measure progress against Targets over the duration of the LHEES - set out in the LHEES Delivery Plan. For some Considerations, one Indicator may be sufficient, but for others a range may be appropriate.
Intermediate Zone	Intermediate zones are a statistical geography that are designed to meet constraints on population thresholds (2,500 - 6,000 household residents), to nest within local authorities, and to be built up from aggregates of data zones.
LHEES Considerations	The LHEES Considerations are a list of technologies, building typologies and policy priorities used to identify and target interventions. They include: - Heat networks

	<ul style="list-style-type: none"> <li>- Off-gas grid buildings</li> <li>- On-gas grid buildings</li> <li>- Poor building energy efficiency</li> <li>- Poor building energy efficiency as a driver for fuel poverty</li> <li>- Mixed-tenure, mixed-use and historic buildings</li> </ul>
LHEES Delivery Plan	An LHEES Delivery Plan is a document setting out how a local authority proposes to support implementation of its local heat and energy efficiency strategy.
LHEES Guidance	The LHEES Guidance sets out the production and content requirements for a local authority to prepare a Local Heat and Energy Efficiency Strategy and Delivery Plan. Its purpose is to ensure that a Local Heat and Energy Efficiency Strategy and Delivery Plan contain outcomes and actions that are backed up by robust data and analysis, supported by stakeholder engagement, and that are linked to national and local priorities, plans and targets.
LHEES Methodology	The LHEES Methodology is a more detailed, step by step approach, which includes models, tools and templates, and represents best practice in how to produce an LHEES in accordance with the requirements set out in the LHEES Order and Guidance.
LHEES Stages	<p>There are 8 LHEES Stages proposed in this methodology. The purpose of the LHEES Methodology is to enable the local authority to complete LHEES Stages 1 to 6. The completion of these Stages will provide the local authority with the data analysis and evidence base to enable them to complete their LHEES Strategy and Delivery Plan documentation. There are two LHEES reporting templates included alongside this methodology– LHEES Strategy example template and LHEES Delivery Plan example template. The completion of these two templates will satisfy the completion of LHEES Stages 7 and 8. The 8 LHEES Stages proposed in this methodology are:</p> <ol style="list-style-type: none"> <li>1 - Policy and strategy review</li> <li>2 - Data and tools library</li> <li>3 - Strategic zoning and pathways</li> <li>4 - Generation of initial delivery areas</li> <li>5 - Building-level pathway assessment</li> <li>6 - Finalisation of delivery areas</li> <li>7 - LHEES Strategy</li> <li>8 - LHEES Delivery Plan</li> </ol>
LHEES Strategy	An LHEES Strategy is a long-term strategic framework for: <ul style="list-style-type: none"> <li>- the improvement of the energy efficiency of buildings in the local authority's area, and</li> <li>- the reduction of greenhouse gas emissions resulting from the heating of such buildings</li> </ul>
Mixed-tenure, mixed-use and historic buildings	Mixed-tenure and mixed-use buildings could include a mixture of owner occupied, private rented and social housing, and non-domestic uses, or simply multiple ownership within the

	<p>same tenure. Historic buildings include the buildings that are within conservation areas or those that are listed buildings. These categories may require established alternative approaches and regulation for the installation of low carbon heat and energy efficiency solutions and where specific advice and support might be available relating to the installation of these solutions.</p>
Potential Zones	<p>The analysis carried out for strategic zoning and pathways for the heat networks Consideration is to identify potential zones rather than the otherwise used naming convention of Delivery Areas. The potential zones identified are to be included in the LHEES Strategy and should inform actions around further investigation / progression within the LHEES Delivery Plan. The heat networks Consideration analysis and activity carried out within LHEES is also anticipated to support activity related to formal zone designation as required by the Heat Networks (Scotland) Act 2021.</p>
Raster	<p>A matrix of squares, or grid, used as a method of data analysis in GIS. Each cell in the grid contains a value representing information on the cell's contents.</p>
Strategic Zone	<p>Strategic Zones present a visualisation of the potential pathways to decarbonise the building stock at a local authority level. These could, for example, be split out by intermediate zone or data zone. They are useful to understand the baseline performance, the scale of potential and initial areas of focus, which could be used to inform Delivery Areas and follow on engagement.</p>
Targets	<p>Targets are the measurable aspect of the Consideration and are likely to be taken directly from national and/or local policy documentation, for example net-zero by 2045, or EPC C by 2040. Targets are likely to comprise of end-point targets and milestone targets and would sit along a timeline within (and beyond) the LHEES. This timeline would help to prioritise the types of projects undertaken within the LHEES over its duration.</p>
Weighting	<p>For some Considerations, one Target and Indicator may be sufficient, but for others a range of Indicators may be appropriate to contextualise and characterise performance against a Target and/or progress towards a Consideration. If multiple Indicators are used in strategic zoning or the identification of delivery areas, a Weighting can be applied based on the importance of each. The LHEES methodology sets out a core set of default Weightings for instances where multiple Indicators are suggested as a default setting. There is flexibility to update and augment these to support local needs or for more focused analysis linked to specific actions and project identification within the Delivery Plan.</p>

# Executive Summary

## Purpose of the Delivery Plan

Local Heat and Energy Efficiency Strategies (LHEES) are at the heart of a place based, locally-led, and tailored approach to the energy transition. The aim of LHEES is to provide a long-term and evidence-based plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area. LHEES are primarily driven by Scotland's statutory targets for greenhouse gas emissions reduction and fuel poverty:

- Net zero emissions by 2045 and 75% reduction by 2030
- In 2040, as far as reasonably possible, no household in Scotland is in fuel poverty

This LHEES Delivery Plan should be considered in conjunction with Orkney Islands Council's LHEES Strategy. The Delivery Plan explains how the Council will support implementation of the LHEES. It identifies areas for targeted intervention through early, low-regrets measures to improve energy efficiency and decarbonise heat in buildings. This is the first LHEES Delivery Plan, and it focuses initially on immediate and medium term (5-year) actions. The Council has identified four main priorities for the LHEES, which have been further developed in Sections 5-8:

- **Priority A:** Making Orkney's homes energy efficient
- **Priority B:** Alleviating fuel poverty
- **Priority C:** Improving carbon efficiency in non-domestic Council buildings
- **Priority D:** Exploring heat networks for Council buildings

This Delivery Plan sets out the Council's approach to delivering the LHEES over the next five years. The Council's approach is to primarily prioritise heat network development to achieve building level decarbonisation across the county. Furthermore, the Delivery Plan examines levels of energy efficiency across all property tenures in Orkney. At this early stage in the LHEES process, many of the actions detailed in this plan are developmental or reflect projects and initiatives which are already underway. The analysis undertaken to date as part of the LHEES process will be further expanded to develop a more detailed and strategic delivery framework. This will form the basis of the next iteration of the LHEES, which will be reviewed at least annually.

## Delivery Plan layout

The actions and delivery areas in this Delivery Plan are split into the following sections:

- Heat networks
- Energy efficiency in homes

- Non-domestic Council buildings
- Electrification of heat in homes

For each chapter, the actions are summarised in a table format shown below. Actions have been prioritised as one of:

- **Immediate:** actions already in progress
- **Short-term:** to be implemented in the next two years.
- **Medium-term:** to be implemented in the next three to five years.

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Action required to implement the LHEES	Immediate / Medium-term / Long-term	Additional detail of how the Council and its partners will achieve this.	Lead responsible for delivery	Key stakeholders to engage on specific action	How LA will know goal of action is achieved

## Delivery Plan scope and limitations

The LHEES is being developed in the context of changing national policies, targets and funding. Multiple relevant national policies and their specific targets are under review, such as the Heat in Buildings Bill and the Net Zero Standard for Social Housing (SHNZS). Equally, established targets have been pulled, such as the Scottish Government's interim target to reduce greenhouse gas emissions by 75% by 2030. Many actions described in the Delivery Plan are subject to Scottish Government funding for local authorities, such as Home Energy Efficiency Programmes for Scotland: Area Based Schemes.

LHEES is also a new type of policy for local authorities. Many of the actions set out in this document pull together existing actions from other policies. Others focus on laying the groundwork for collaboration between Council teams and other organisations to achieve the goals set out in LHEES. As the Strategy and Delivery Plan are reviewed in future years and as work progresses, the Council intends to use LHEES to develop new heating and energy efficiency projects.

# Orkney Islands Council's LHEES

## LHEES Priorities

Orkney Islands Council's key priorities for this LHEES have been informed by the six LHEES considerations (detailed in the LHEES Strategy), the local policy context, stakeholder engagement, and analysis of the building stock in Orkney Islands Council. The Council has identified four priorities for the first LHEES.

### **Summary of Priority A: Making Orkney's homes energy efficient**

Improving the energy efficiency of homes decreases the demand for energy, reduces fuel poverty, and addresses climate change. Orkney Islands Council has made significant improvements to the energy efficiency of domestic properties. However, a significant number of privately rented and owner-occupied properties require improved insulation.

### **Summary of Priority B: Alleviating fuel poverty**

The LHEES presents an opportunity to address the high levels of fuel poverty within Orkney. The Council has worked through a range of programmes to target support to fuel poor households. The Council has made the removal of energy efficiency as a driver of fuel poverty a priority within the LHEES strategy.

### **Summary of Priority C: Improving carbon efficiency in non-domestic Council buildings**

The Council operates and leases a number of non-domestic buildings across Orkney. As the owner of these buildings, it is the Council's responsibility to ensure these buildings become net zero by 2045. Replacing heating systems with zero direct emissions heating will be essential to this. Improving the energy efficiency of these buildings will help reduce the cost of running them.

### **Overview of Priority D: Exploring heat networks for Council buildings**

Heat networks can provide reliable and decarbonised heating to Council buildings. Developing heat networks in Orkney is a challenge because buildings are not densely located and there are issues with the geology of the area. However, there are some Council buildings that will need to replace their heating systems to a decarbonised heating source. Heat networks may provide a viable option for these buildings to meet Scottish Government decarbonised heating requirements.

## **Implementation and governance**

The implementation of the LHEES will be driven by Orkney Islands Council. The LHEES requires a collaborative cross-sectoral approach, engaging with partners and stakeholders to achieving the goals set out.

The LHEES will be integrated into existing steering groups and governance structure for sustainable development and climate change this will ensure the strategy can develop as priorities develop and legislative requirements dictate.

Action	Priority	Description	Responsibility	Key stakeholders	Measures of success
Identify leads and champions for the actions arising from the Delivery Plan	Immediate	These will be appointed at Corporate Director or Head of Service level.	OIC	Corporate Directors and Heads of Service	Each action in delivery plan has confirmed champion.  Meetings scheduled to support champions to deliver actions.
LHEES governance arrangements put in place	Immediate	LHEES to be integrated into existing Steering Group and governance structure for Sustainable Development and Climate Change (SDCC)	OIC	Steering Groups	Orkney Islands Council to meet with all steering groups to ensure integration of LHEES plans
Develop a monitoring and evaluation framework for the LHEES delivery actions	Immediate	For delivery actions, identify the owner and the indicators to be measured.	OIC	OIC	Orkney Islands Council review framework and create system to ensure it is reviewed on ongoing basis.



Action	Priority	Description	Responsibility	Key stakeholders	Measures of success
Annual review of Delivery Plan and review of the Strategy every five years	Immediate	Update and amend both documents in light of regulatory changes. Identify local targets.	OIC	OIC and partner organisations	Orkney Islands Council to set up system to prepare and deliver workshop with key stakeholders to review LHEES plans on an annual basis

### Engagement Approach

The LHEES Strategy and Delivery Plan have been developed in consultation with stakeholders across Orkney, and through the public engagement strategy. Implementation will also be a collaborative effort.

A key priority for the delivery of the LHEES is for the Council to develop an engagement strategy. This will draw on the stakeholder identification and mapping work which took place as part of the LHEES development. Key stakeholder groups that the Council will work with include:

- Local community groups
- Public sector partners
- Housing providers
- Delivery partners
- Electricity network operators
- Local businesses
- Advice organisations

Priority stakeholders	Specific outcomes of engagement	Stakeholder priorities	Existing methods of engagement	Action
OHAL	Develop closer working between OIC and OHAL on Energy Efficiency programmes	Improve energy efficiency of social housing stock	<i>Scheduled regular meeting</i>	<i>OIC to initiate</i>
Warmworks Managing Agent	Delivery of HEES:ABS Programme	Improve energy efficiency of private housing stock	<i>Progress meetings</i>	<i>Underway</i>
ICNZ	Work with ICNZ on the sharing of data and development of data processing opportunities	Progress towards Net Zero targets	<i>Scheduled regular meeting</i>	<i>OIC to initiate</i>
THAW	Develop existing referral system	Alleviation of Fuel Poverty	<i>Scheduled regular meeting</i>	<i>OIC to initiate</i>
SSEN	Development of LENZA scenarios for future energy	Delivery of electrical network to meet Net Zero targets	<i>Upload anticipated future loads</i>	<i>OIC Action</i>

### Heat network delivery areas

Section 47 of the Heat Networks (Scotland) Act<sup>1</sup> states that each local authority is required to carry out a review to consider whether one or more regions in its area are likely to be particularly suitable for the construction and operation of a heat network. This should be done within the Local Heat and Energy Efficiency Strategy. Following this review, the Act requires that a decision is made (by the local authority or Scottish Ministers) to consider designation of areas as Heat Network Zones. The local authority must publish a statement in relation to each area considered which provides a rationale for decisions made.

<sup>1</sup> [Heat Networks \(Scotland\) Act 2021, Scottish Government.](#)

## **Approach to selecting heat network delivery areas**

As part of the LHEES process, Changeworks conducted GIS analysis using Scotland Heat Map data to create initial heat network delivery areas. The analysis used heat load data from non-domestic public and semi-public buildings.

The Council and Changeworks delivered a workshop to share the findings with key stakeholders in LHEES Stage 6. This included Orkney Housing Association Limited (OHAL), Warmworks, Aquatera, and members of relevant local authority departments. This allowed a collaborative sense checking process to take place and allowed us to see if the outputs reflected the local knowledge and knowledge of those involved. Changeworks highlighted the limitations of non-domestic datasets, and the need for data to be collected in potential areas through a process such as Building Assessment Reports (BARs), to assess the suitability of a non-domestic property for connecting to a heat network. The primary use of BARs information is to inform decisions on the suitability of areas for the construction and operation of a heat network, and subsequently to inform designation decisions should these areas be progressed for consideration for designation. Following further communication with the council, Changeworks updated several anchor load data addressing any heat load inaccuracies and missing anchor loads.

The outputs of the LHEES data analysis are provided in Section 5.1. Following a review of the outputs, the Council have identified the key heat networks they are interested in exploring further which is discussed in Section 5.2.

## **Heat network analysis based on LHEES methodology**

### **Limitations**

The LHEES methodology for heat network analysis identifies potential high heat load areas suitable for heat network development for the Council to explore. These only account for non-domestic semi-public or public buildings where heat supply is not needed 24 hours a day. Any commercial, privately owned buildings that often come with large heat demands are not accounted for in this analysis. Buildings like this may be suitable for heat network developments.

Additionally, the Scotland Heat Map data that is used as the basis of this analysis may not capture the most up-to-date heat demands of buildings.

Lastly, the recommended practice for zoning heat networks is to apply a linear heat density of 4,000 kWh/yr/m for more rural local authority areas. However, when applied to Orkney, the outputs indicates that there are likely to be no heat network opportunities suitable for economic development. The linear heat density was therefore reduced to 3,000 kWh/yr/m to explore more potential heat network opportunities.

Because of these limitations, the Council has made the decision to not designate heat network zones at this time but have narrowed down specific areas in which potential heat networks may be a solution to meet net zero ambitions, based on knowledge of the area and data outputs. These are explored in the next section.

### **Priority heat networks**

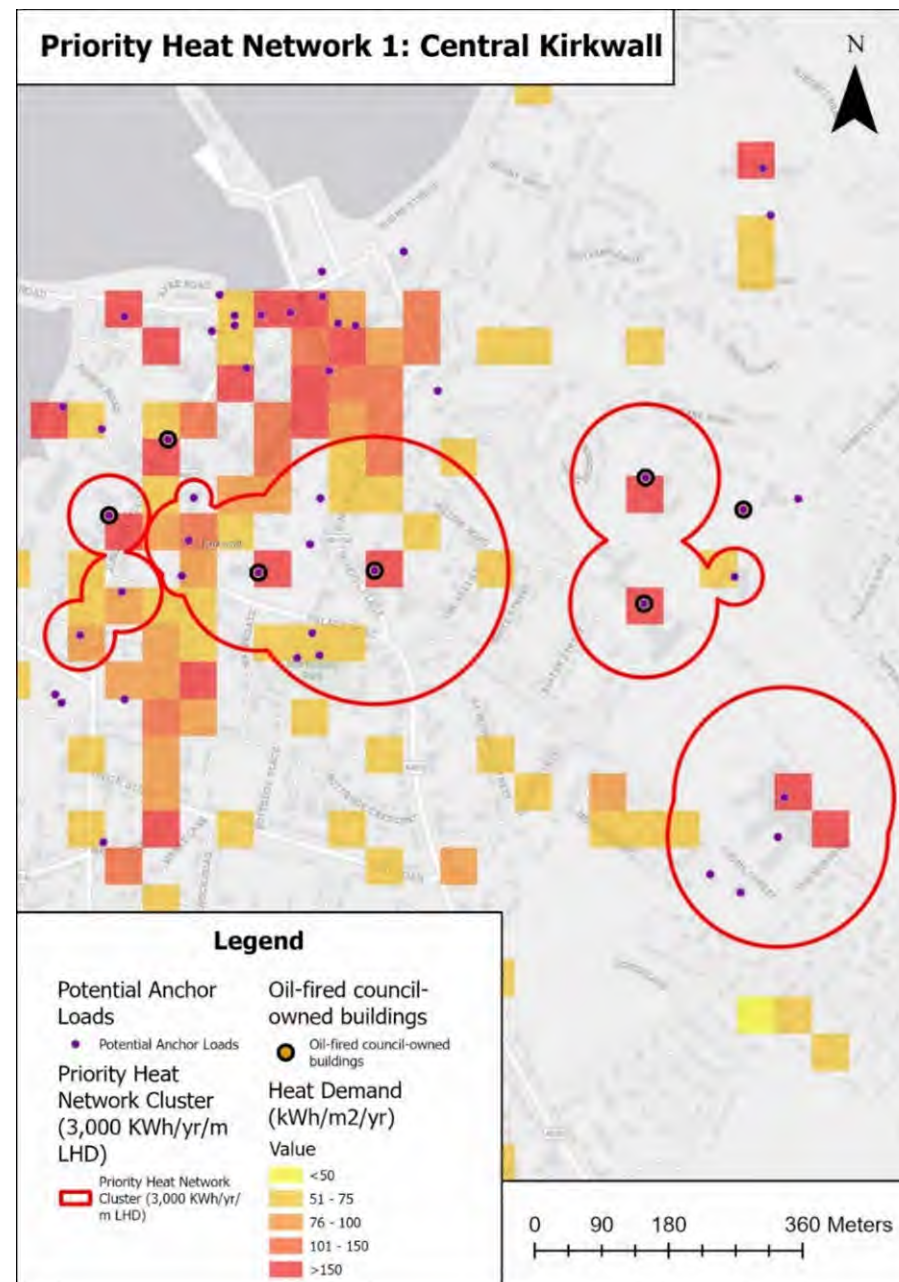
The LHEES analysis has identified two indicative heat network zones in Orkney that are the priority for further investigation and development. Despite inherent challenges in the shortlisting process due to sparse heating demand, priority heat networks were identified based on the possibility of replacing oil fired Council buildings with heat networks. The proximity of non-domestic public buildings such as leisure centres and schools also contribute to efforts in making the networks as efficient as possible, while offering potential connection to upcoming new housing developments.

For a detailed insight into the methodology for heat network identification, refer to the Appendices of the Strategy Document.

### Heat Network Zone 1: Central Kirkwall

The Central Kirkwall indicative heat network zone is represented at four separate heat networks, with a total combined area of 24 hectares, however the Council are exploring these in tandem as one larger heat network. Within the outlined zone there are 21 non-domestic public buildings registering a total estimated annual heat demand of 5,911 MWh/yr. The cluster is marked by a few pockets of very high heat demand (above 150 kWh/m<sup>2</sup>/yr) while moderate heat demand (51-75 kWh/m<sup>2</sup>/yr) underpins the majority of the zone. The two key anchor loads underpinning this area are the Council Offices (1,206 MWh/yr) and the Papdale Primary School (981 MWh/yr). The Council Offices and Papdale Primary School are currently heated using heating oil. The Council will need to change this heating system in coming years to meet net zero targets. The Council will also explore opportunities to connect the Kirkwall Grammar School (heated with LPG), special needs new build near Papdale Primary School, and Papdale Halls (heated with LPG).

Zone Name	Central Kirkwall
Zone Area (ha)	23.8
Count of Anchor Loads	21
Estimated Zone Heat Demand (MWh/yr)	5,911

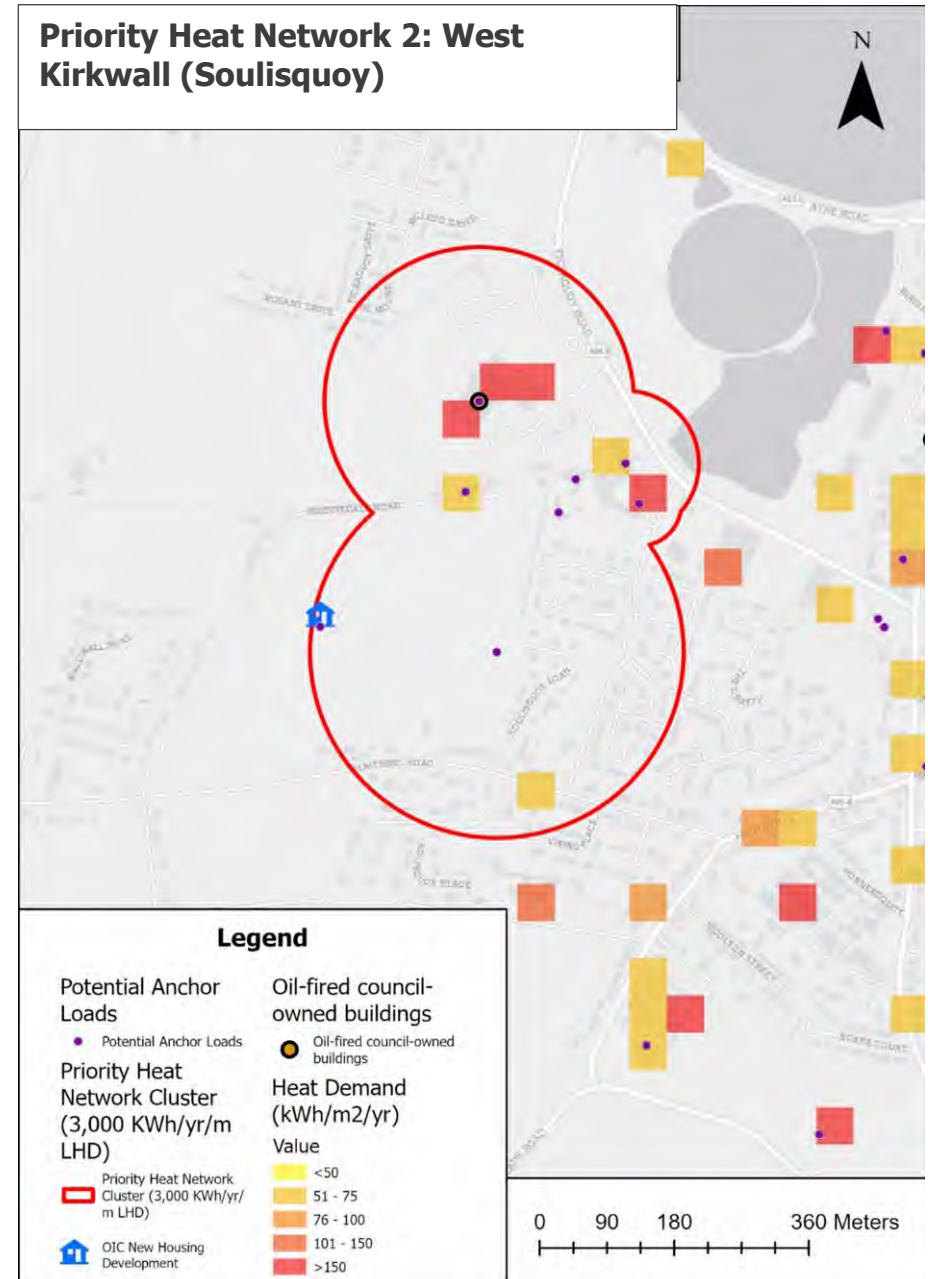


2055

## Heat Network Zone 2: West Kirkwall

The West Kirkwall (Soulisquoy) indicative heat network zone has an area of 32.2 hectares. Within the outlined zone there are 7 non-domestic public buildings registering a total estimated annual heat demand of 4,809 MWh/yr. The cluster is marked by a few pockets of very high heat demand (above 150 kWh/m<sup>2</sup>/yr). The two key anchor loads underpinning this area include the new care home (805 MWh/yr) and Pickaquoy Centre (2,976 MWh/yr). The Pickaquoy Centre is currently heated with heating oil, and the Council will need to change this heating system in coming years to meet net zero targets. The Council will also explore options to connect the new housing development to this potential heat network.

Zone Name	West Kirkwall
Zone Area (ha)	32.2
Count of Anchor Loads	7
Estimated Zone Heat Demand (MWh/yr)	4,809



2056

### **Further heat network opportunities**

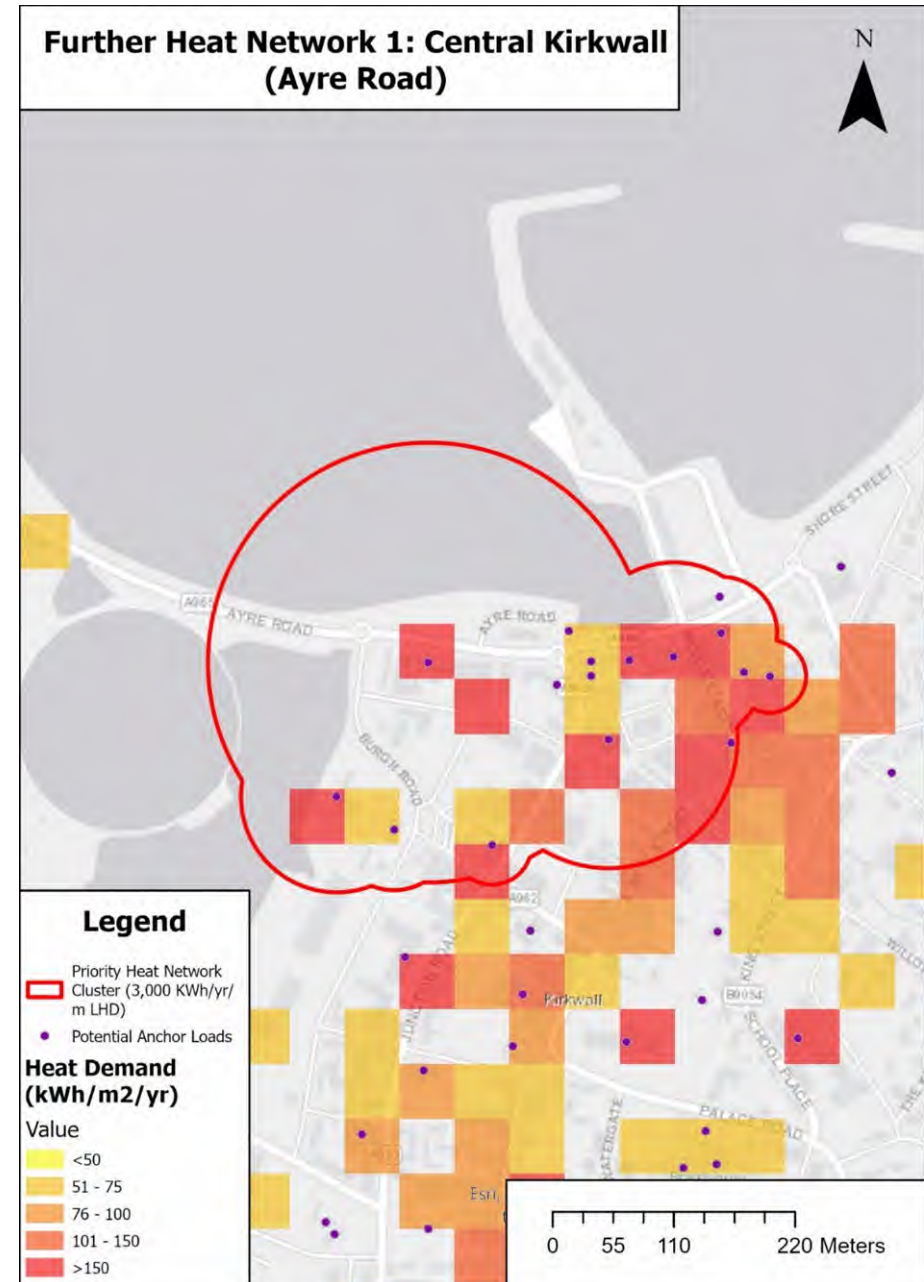
The following three indicative heat network zones have lower heat demands than the priority two clusters shown above and should be considered as additional opportunities. Further exploration will be required to assess viability of these opportunities. This is likely to include:

- Determining existing system capacity
- Site inspections
- Design considerations such as heat source appraisal (e.g. ASHP, GSHP), energy centre location and layout, grid capacity constraints, pipework distribution routes, operating temperatures, individual building upgrades required (e.g. heat interface unit installation)
- Techno-economic analysis
- Funding options and commercial delivery mechanism analysis

### Further Heat Network Zone 1: Central Kirkwall (North Harbour – Ayre Road)

This indicative heat network zone has a high density of heat demand as indicated by the large presence of connecting red rasters in the map below. The area is underpinned by 16 non-domestic anchor loads including the Kirkwall Police Station, Fire Station and travel centres. The next step for the Council is to explore the viability of this development in line with commercial activity in the area. The heat network also neighbours the Central Kirkwall heat network and more longer-term action could be to explore the possibility for connection between these two.

Zone Name	Central Kirkwall (Soulisquoy)
Zone Area (ha)	16.1
Count of Anchor Loads	16
Estimated Zone Heat Demand (MWh/yr)	2,277



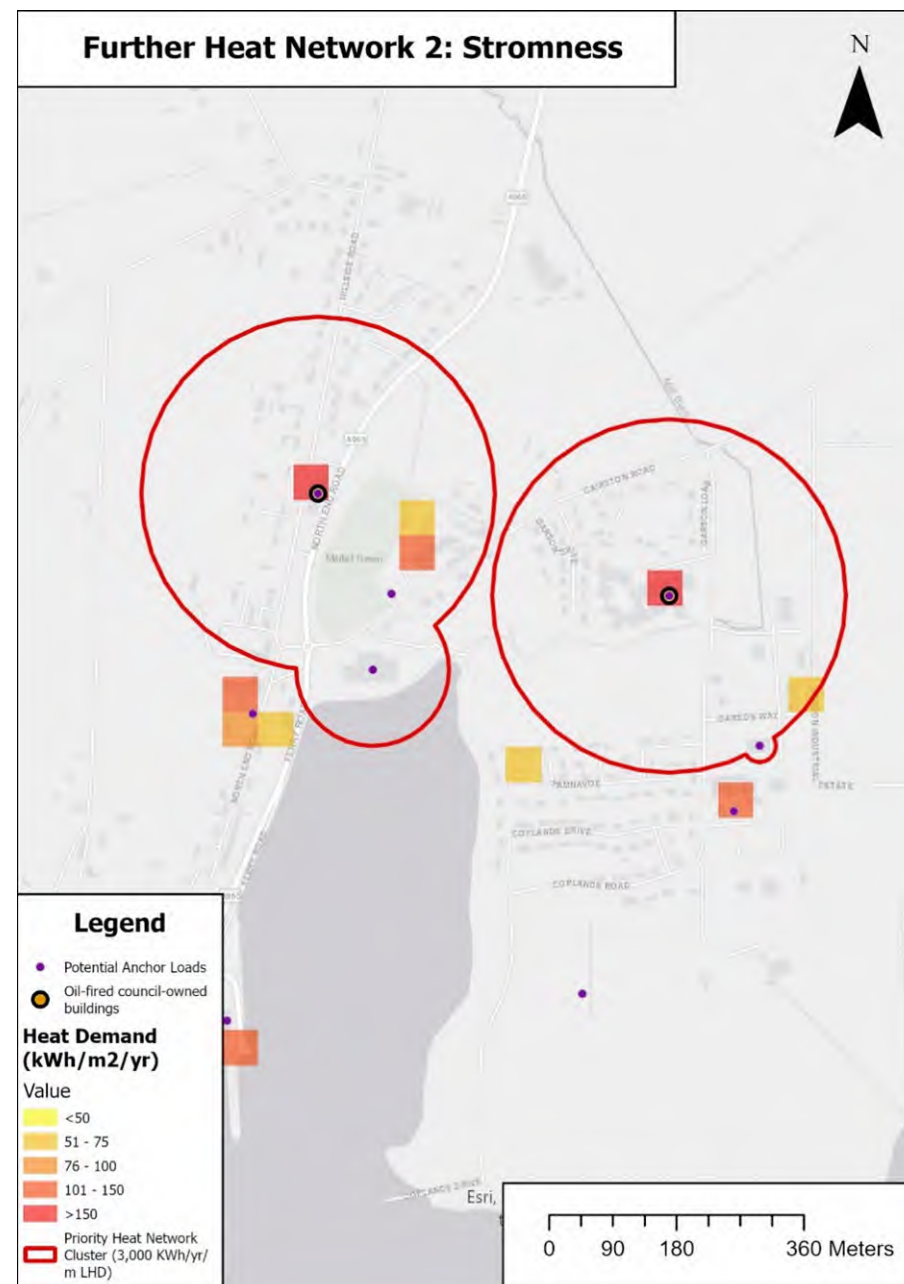
2058



## Further Heat Network Zone 2: Stromness

The Stromness indicative heat network zone is indicated by two individual heat networks, but the Council are exploring whether these can be looked at in tandem as one bigger zone. Currently, the clusters are marked by a sparse distribution of high heat demand as indicated by individual red cells in the map below. The area is underpinned by five non-domestic anchor loads including the Stromness Primary School, Stromness Academy and Stromness Swimming Pool. The latter two buildings are currently heated with heating oil. The Council will need to change these heating systems in coming years to meet net zero targets. Stromness Primary School is also nearby, and the Council will explore options to connect this building, which is currently heated with LPG. Further exploration of the viability of development in this indicative zone is required.

Zone Name	Stromness
Zone Area (ha)	41.4
Count of Anchor Loads	5
Estimated Zone Heat Demand (MWh/yr)	3,021

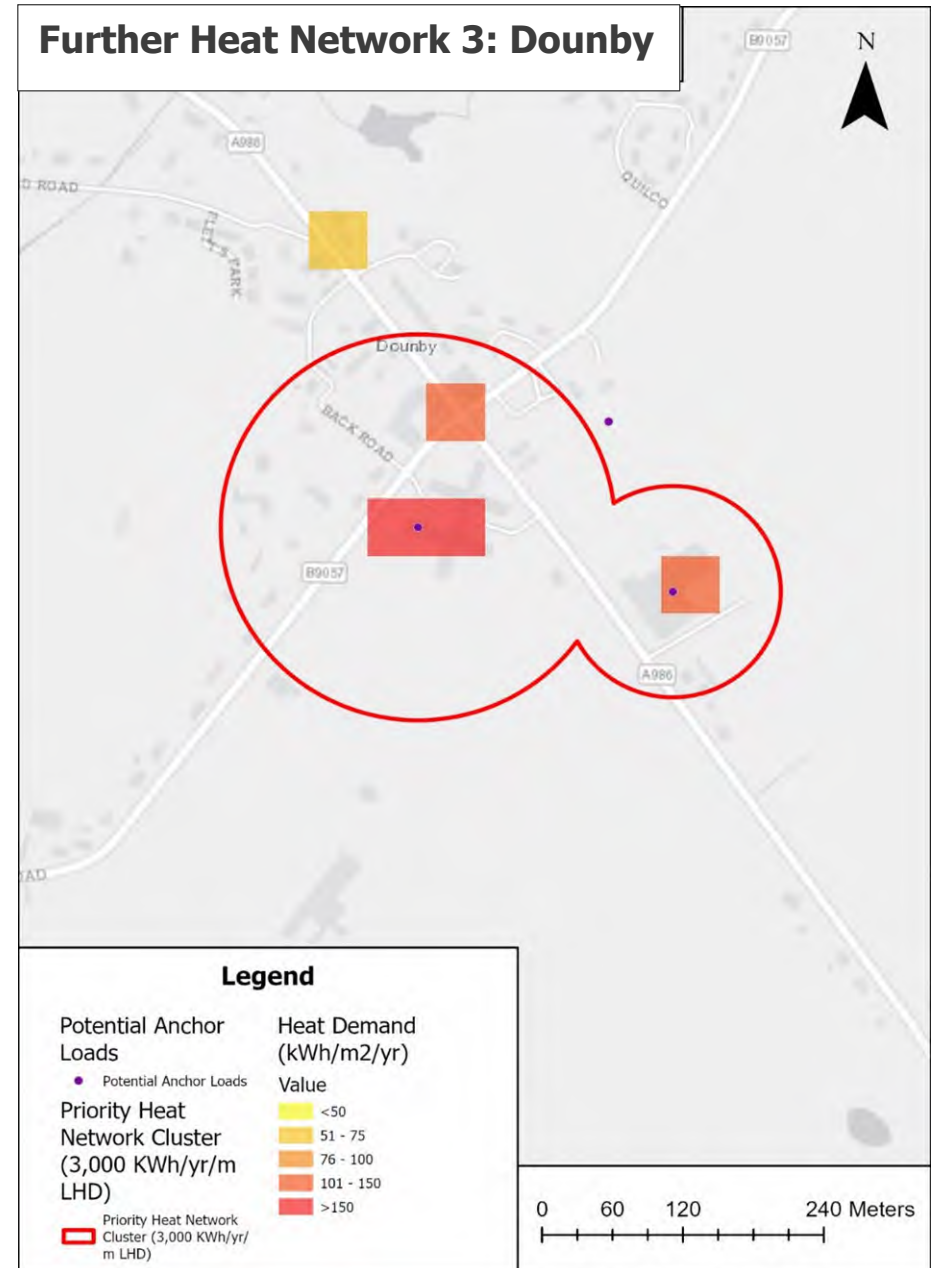


2059

### Further Heat Network Zone 3: Dounby

The Dounby indicative heat network zone is marked by a sparse distribution of high heat demand as indicated by individual red cells in the map below. The area is underpinned by two non-domestic anchor loads consisting of Dounby Surgery and Dounby Primary School. Dounby Primary School is currently heated using a boiler plant. The Council will need to change the heating system in coming years to meet net zero targets. There is also a care home in Dounby that the Council may explore connecting to. Further exploration of the viability of development in this indicative zone is required.

Zone Name	Dounby
Zone Area (ha)	11.2
Count of Anchor Loads	2
Estimated Zone Heat Demand (MWh/yr)	782



2060

## Heat networks of interest for Orkney Islands Council

Due to the limitations of the heat network data analysis, the Council has narrowed down the list of heat networks to focus on in the near term. These two heat networks of interest are in central and western Kirkwall.

### Central Kirkwall

The Council is interested in exploring a heat network in Central Kirkwall similar to the one identified in the LHEES analysis. However, they have amended the list of potential anchor loads:

- Council Offices KW15 1NY
- St Magnus Cathedral KW15 1DH
- Former Papdale Halls of Residence KW15 1NA
- Papdale Primary School KW15 1PJ
- Kirkwall Grammer School KW15 1QN
- Papdale House KW15 1LJ

### West Kirkwall

The Council is interested in exploring the heat network identified in the LHEES analysis. The potential anchor loads are:

- Pickaquoy Centre KW15 1LR
- St Colms Centre KW15 1RP
- Glaitness Primary KW15 1RP
- Keelylang KW15 1RP
- New Kirkwall Care Home
- Soulisquoy Housing Development

## Actions for heat networks

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Consider Central Kirkwall heat network zone	Immediate	The Council is having internal discussions about the Central Kirkwall potential heat network zone.	OIC	OIC Fire & Police Hoteliers	Commission feasibility studies
Engineering assessment	Immediate	The Council is undertaking an engineering assessment for a heat network to service OIC schools and the Council Office in Kirkwall.	OIC	OIC	Complete engineering assessment
Feasibility studies for housing developments	Medium-term	Commission a feasibility study on using ambient heat networks to supply heat pumps as an alternative to bore hole schemes.	OIC	OIC OHAL Construction Partners	Commission feasibility studies
Feasibility study in Hoy for wind to heat network	Medium-term	Carry out a feasibility study on wind to heat network scheme covering North Walls School and surrounding properties in Hoy.	OIC	OIC HWDT	Commission feasibility study
Finstown waste heat opportunity	Medium-term	Investigate Finstown Transmission sub-station as a waste heat opportunity for a heat network.	OIC	OIC SSEN	Open dialogue with SSEN
Communal heating for Council social housing clusters	Medium-term	Investigate viability of small-scale communal heating for clusters of Council social housing. For example, communal heat pump system for a small group of neighbouring Council homes.	OIC	OIC OHAL Construction Partners	Identify viable clusters for further investigation
Central Kirkwall heat network	Long-term	Development of Kirkwall Town Centre heat network, subject to positive feasibility study and business case.	OIC	OIC Heat network operator	Completion of heat network in Central Kirkwall

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Feasibility study in Stromness	Long-term	Commission a feasibility study to explore the Stromness heat network (Further heat network 2 above.)	OIC	OIC Heat network operator	Commission a feasibility study
Feasibility study in Dounby	Long-term	Commission a feasibility study to explore the Dounby heat network (Further heat network 3 above.)	OIC	OIC Heat network operator	Commission a feasibility study
Explore heat network options for Pierowall	Long-term	Investigate a sea water source heat network at the care home and Westray Junior High School in Pierowall.	OIC	OIC Heat network operator	Commission a feasibility study
Explore heat networks for domestic properties	Long-term	Investigate heat network options that would connect to domestic properties in Orkney.	OIC	OIC Heat network operator	Identification of possible feasibility study options

### Funding for heat networks

Currently there is an under-developed pipeline of heat network projects across Scotland. The Scottish Government is providing funding to stimulate and accelerate the development and growth of heat networks, as detailed below. Significant investment from the private sector and heat network developers is also required to achieve heat network deployment at the scale required to reach the national targets of 2.6 TWh of heat output by 2027 and 6 TWh of output by 2030.

**Scotland's Heat Network Fund** is designed to support the development and roll out of heat networks across Scotland. It is open to any organisation seeking to develop and deploy heat networks in Scotland. In total £300 million is being made available to stimulate investment and grow the low carbon heat sector. Applications can be made for enabling costs, commercialisation costs, and capital costs. The SHNF will only support projects that would not progress without capital grant funding or would not progress to the same scale. Therefore, applicants to the scheme need to clearly demonstrate the how the grant money will be used to expand the project outcomes and provide evidence the value of the grant is appropriate. Up to a maximum of 50% of the total eligible capital costs can be covered through this fund.

**The Heat Network Support Unit** identifies, supports, and develops heat network projects for the public sector. The support available includes expert advice and grant funding to develop projects until they have a clear financial strategy and well-defined business model. The unit is active in project identification, aggregation, and stakeholder engagement and can support with working group management, stakeholder workshops, and policy linkage and review. The Heat Network

Support Unit is no longer accepting applications for funding for the 2024-25 financial year. The unit is still accepting applications for advisory-only support and discussions on potential future applications.

## Improving energy efficiency in homes

Improving the energy efficiency of buildings reduces heat demand, whilst simultaneously addressing fuel poverty and climate change. Orkney Islands Council has made significant improvements to the energy efficiency of domestic and non-domestic properties. However, a significant number of privately rented and owner-occupied properties require improved insulation.

Overall, analysis of Energy Performance Certificate (EPC) data from Home Analytics shows that energy efficiency is worse on the islands than on the mainland. This section provides energy efficiency data by island for the Council and other stakeholders to plan energy efficiency projects on a geographic basis.

### How criteria were chosen

As part of standard Stage 4 LHEES methodology published by the Scottish Government, the energy efficiency delivery area outputs demonstrate and advise the Council on small-scale areas of domestic properties where energy efficiency projects could be initiated and delivered. The energy efficiency delivery areas are marked based on an equal weighted combination taking into account wall insulation, loft insulation, and window glazing statuses. The Council further opted to explore this by property tenure type: social housing, owner-occupied and privately rented sectors. The output of the modelling work did not identify any geographically specific areas but simply showed a uniform level of energy efficiency over areas, resulting in no clear project opportunities.

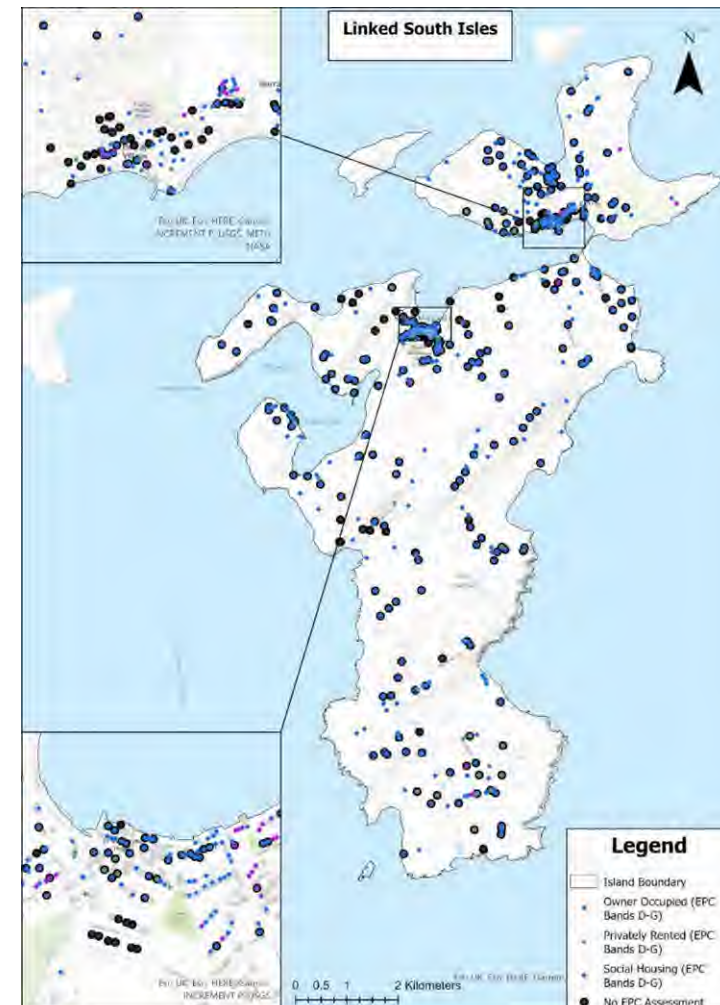
As an alternative, EPC data was used as a proxy for energy efficiency. Instead of delivery area maps, EPC maps were created. The maps display EPC bands D-G to identify the Council's poorest quality stock and are also further broken down into their respective property tenure. Another criterion included mapping domestic properties where EPC assessments had not been carried out. Both of these criteria were ultimately combined into one map output. The geographical focus for these maps remain in the 11 outer islands in Orkney as historically, domestic properties here have faced greater levels of fuel poverty. The Council hopes to utilise these maps to identify and provide comparison between the islands where opportunities for immediate EPC assessments could be carried out, and to determine who to approach for matched incentive to install heat pumps.

# Energy efficiency delivery areas

## Linked South Isles

The majority of the Linked South Isles is made up of owner-occupied domestic properties. Only 51% of properties have had an EPC assessment. Owner occupied EPC Band E properties comprise the greatest group that do not have EPC assessments. More work should be encouraged to increase EPC assessment uptake in this tenure.

Linked South Isles				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	279	D	Owner Occupied	68
			Privately Rented	7
			Social Housing	27
		E	Owner Occupied	86
			Privately Rented	9
			Social Housing	1
		F-G	Owner Occupied	69
			Privately Rented	7
			Social Housing	5
No	266	D	Owner Occupied	59
			Privately Rented	1
			Social Housing	4
		D	Owner Occupied	130
			Privately Rented	11
			Social Housing	4
		F-G	Owner Occupied	46
			Privately Rented	8
			Social Housing	3



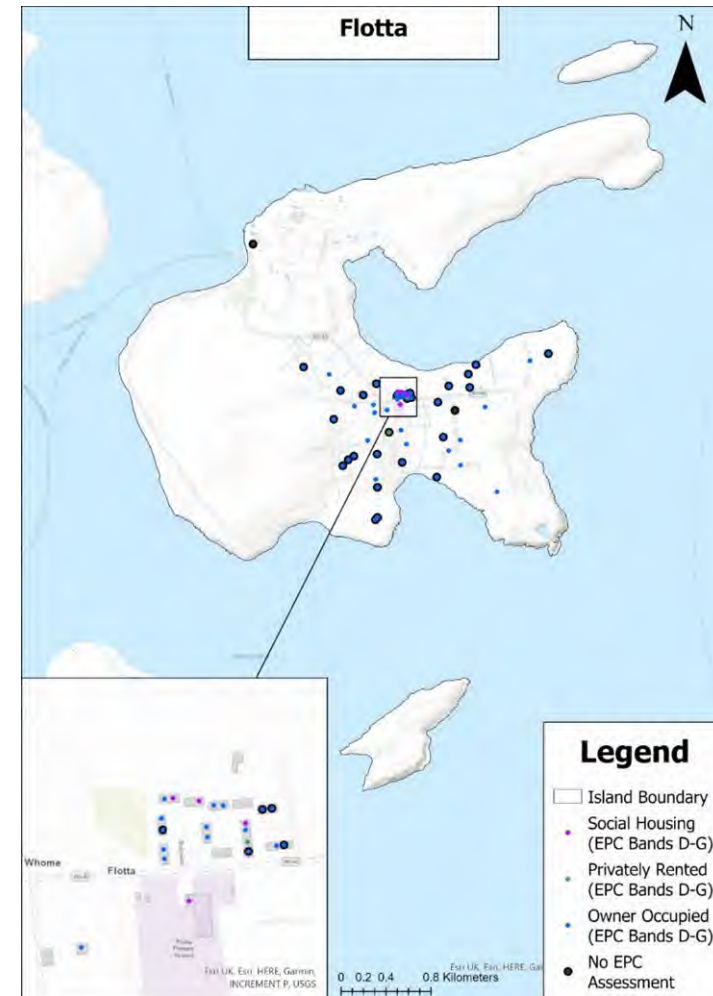
2066



## Flotta

Owner occupied properties make up the majority of domestic properties in Flotta, followed by social housing, privately rented properties have the least presence. Only 57% of properties have had an EPC assessment. EPC Band E owner occupied housing has the greatest number of properties that do not have EPC assessments, and work could be done to ensure assessments are carried out.

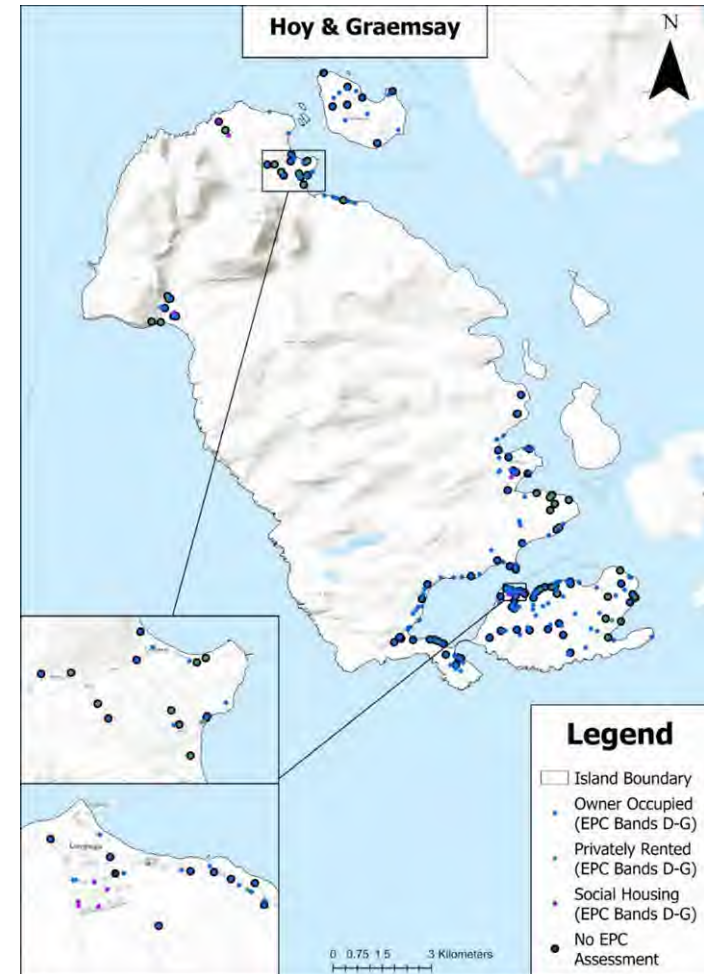
Flotta				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	30	D	Owner Occupied	12
			Privately Rented	1
			Social Housing	3
		E	Owner Occupied	10
			Privately Rented	0
			Social Housing	1
		F-G	Owner Occupied	3
			Privately Rented	0
			Social Housing	0
No	27	D	Owner Occupied	2
			Privately Rented	0
			Social Housing	0
		E	Owner Occupied	24
			Privately Rented	1
			Social Housing	0
		F-G	Owner Occupied	0
			Privately Rented	0
			Social Housing	0



## Hoy and Graemsay

Owner occupied properties make up the majority of domestic properties in Hoy and Graemsay. 43% of properties have not had EPC assessments due to long-term tenancies. EPC Bands E and F-G owner occupied properties make up the largest proportion of these unassessed properties.

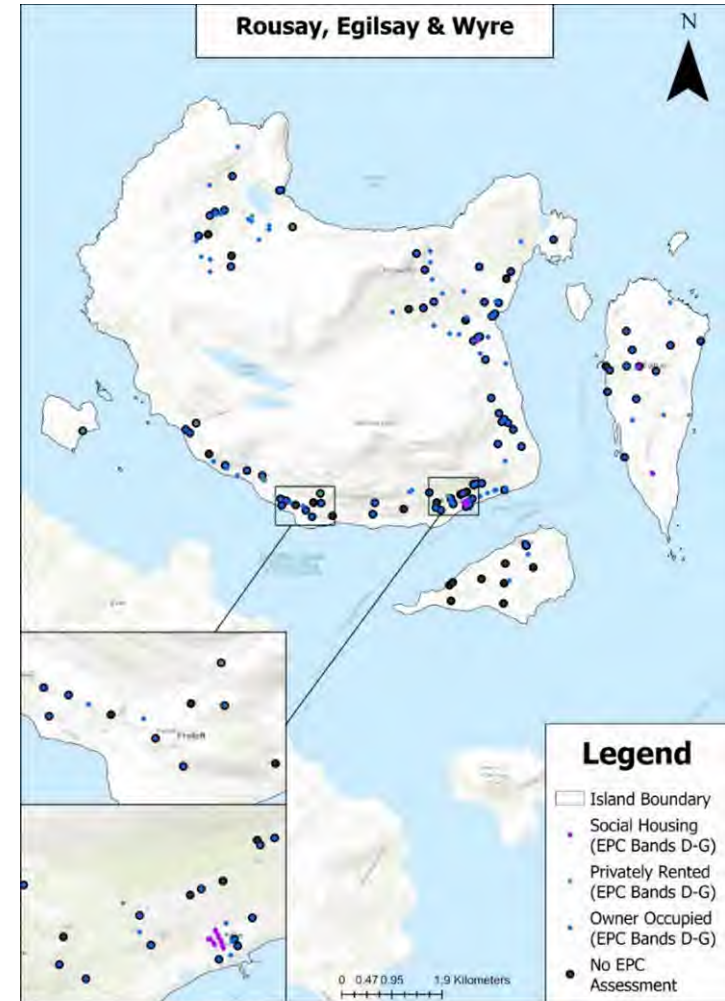
Hoy and Graemsay				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	146	D	Owner Occupied	40
			Privately Rented	8
			Social Housing	7
		E	Owner Occupied	35
			Privately Rented	4
			Social Housing	7
		F-G	Owner Occupied	42
			Privately Rented	1
			Social Housing	2
No	112	D	Owner Occupied	9
			Privately Rented	2
			Social Housing	2
		E	Owner Occupied	44
			Privately Rented	13
			Social Housing	0
		F-G	Owner Occupied	22
			Privately Rented	20
			Social Housing	0



## Rousay, Egilsay and Wyre

Only 33% of domestic properties in Rousay, Egilsay and Wyre do not have EPC assessments. EPC Bands E and F-G owner occupied properties make up the largest proportion of these unassessed properties.

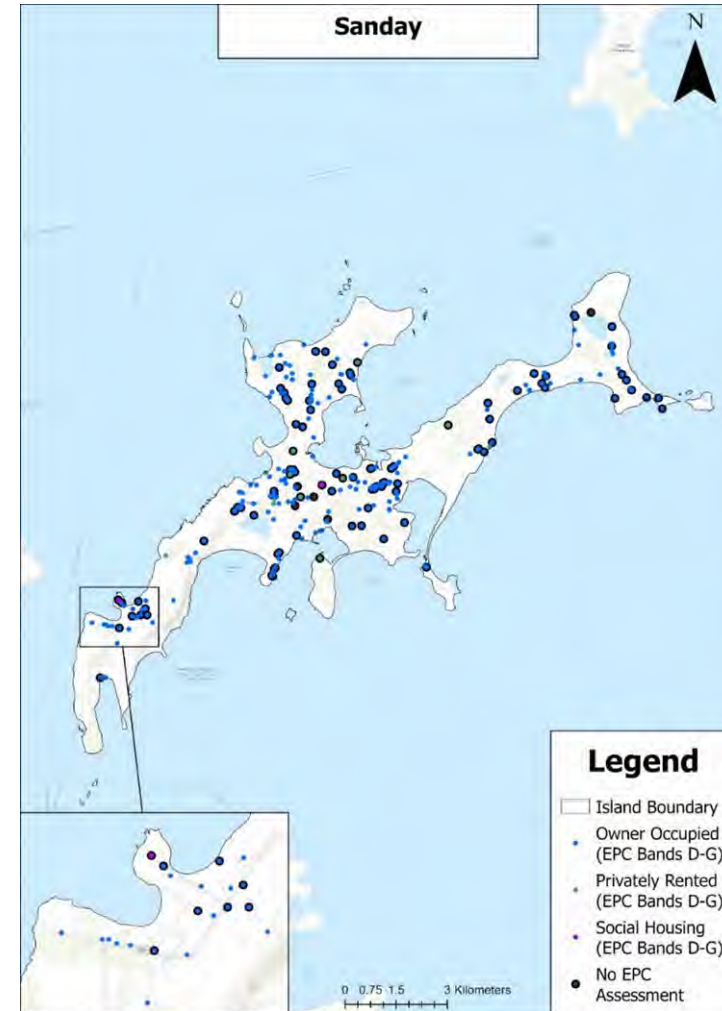
Rousay, Egilsay and Wyre				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	73	D	Owner Occupied	12
			Privately Rented	1
			Social Housing	12
		E	Owner Occupied	19
			Privately Rented	1
			Social Housing	2
		F-G	Owner Occupied	23
			Privately Rented	3
			Social Housing	0
No	36	D	Owner Occupied	0
			Privately Rented	1
			Social Housing	0
		E	Owner Occupied	9
			Privately Rented	2
			Social Housing	0
		F-G	Owner Occupied	22
			Privately Rented	1
			Social Housing	1



## Sanday

Domestic properties that do not have EPC assessments are in the minority (40%). EPC Band E owner occupied properties make up the largest proportion of these unassessed properties, followed by EPC Band D and F-G owner occupied properties.

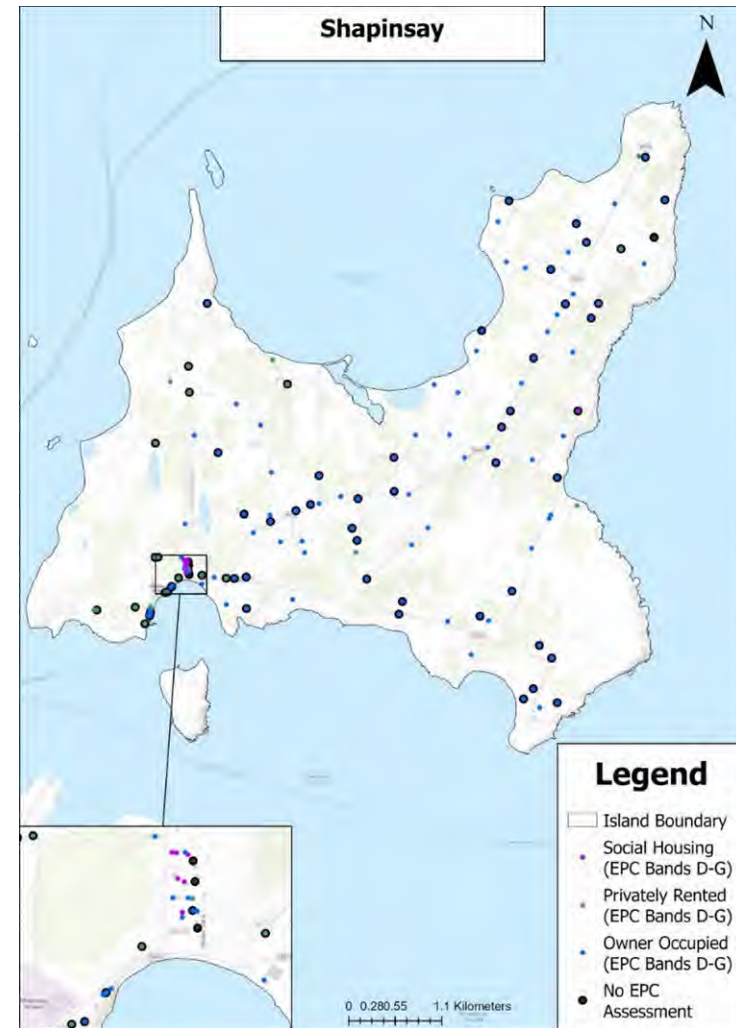
Sanday				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	150	D	Owner Occupied	45
			Privately Rented	1
			Social Housing	2
		E	Owner Occupied	51
			Privately Rented	3
			Social Housing	0
		F-G	Owner Occupied	45
			Privately Rented	3
			Social Housing	0
No	98	D	Owner Occupied	16
			Privately Rented	0
			Social Housing	0
		E	Owner Occupied	63
			Privately Rented	5
			Social Housing	2
		F-G	Owner Occupied	10
			Privately Rented	2
			Social Housing	0



## Shapinsay

In Shapinsay, 78% of properties are owner occupied properties and 44% have EPC assessments. Of the 44% of domestic properties without EPC assessments, 31% fall in the EPC Band E owner occupied category.

Shapinsay				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	76	D	Owner Occupied	15
			Privately Rented	5
			Social Housing	4
		E	Owner Occupied	31
			Privately Rented	3
			Social Housing	3
		F-G	Owner Occupied	14
			Privately Rented	1
			Social Housing	0
No	60	D	Owner Occupied	3
			Privately Rented	1
			Social Housing	0
		E	Owner Occupied	42
			Privately Rented	12
			Social Housing	0
		F-G	Owner Occupied	1
			Privately Rented	1
			Social Housing	0



## Stromsay

74% of properties are owner occupied in Stromsay, of which 41% have an EPC. Just under half of all properties in the island do not have EPC assessments. Most of these are EPC Band E and F-G owner occupied properties. There is also a relatively high count of EPC Band E privately rented properties with unconfirmed assessments.

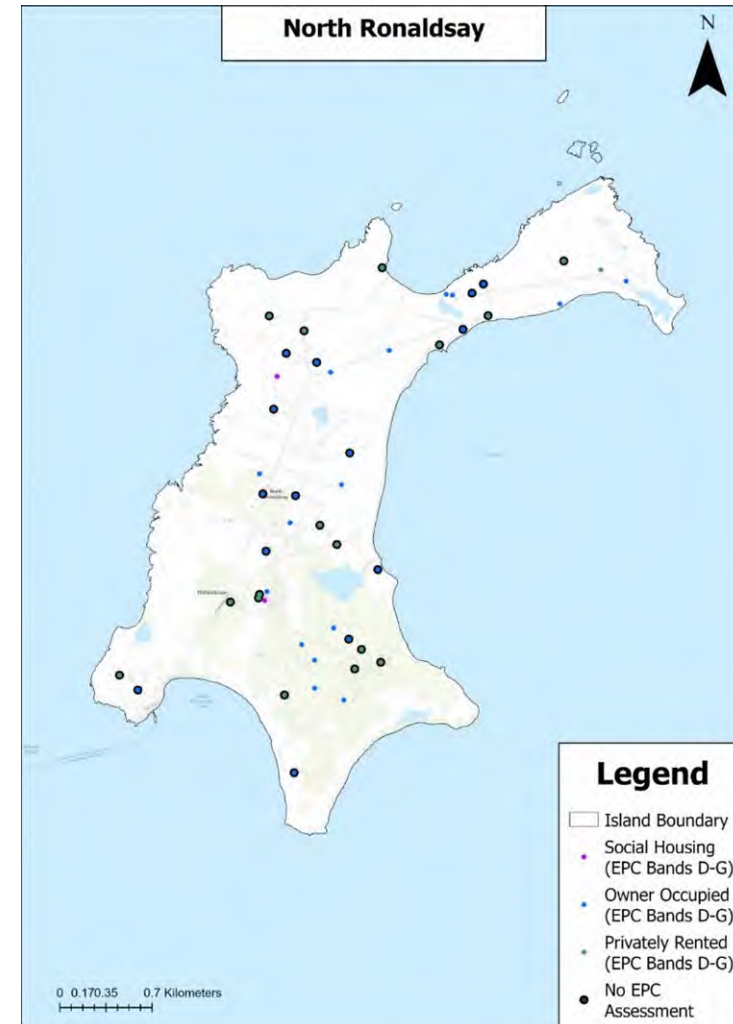
Stromsay				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	90	D	Owner Occupied	9
			Privately Rented	1
			Social Housing	4
		E	Owner Occupied	33
			Privately Rented	5
			Social Housing	0
		F-G	Owner Occupied	30
			Privately Rented	6
			Social Housing	2
No	85	D	Owner Occupied	1
			Privately Rented	0
			Social Housing	0
		E	Owner Occupied	29
			Privately Rented	24
			Social Housing	0
		F-G	Owner Occupied	27
			Privately Rented	4
			Social Housing	0



## North Ronaldsay

63% of domestic properties do not have EPC assessments. EPC Bands F-G owner occupied properties make up the largest proportion of these unassessed properties.

North Ronaldsay				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	18	D	Owner Occupied	2
			Privately Rented	0
			Social Housing	1
		E	Owner Occupied	4
			Privately Rented	1
			Social Housing	0
		F-G	Owner Occupied	9
			Privately Rented	0
			Social Housing	1
No	30	D	Owner Occupied	2
			Privately Rented	0
			Social Housing	0
		E	Owner Occupied	2
			Privately Rented	8
			Social Housing	0
		F-G	Owner Occupied	10
			Privately Rented	8
			Social Housing	0



## Papa Westray

The majority of domestic properties are EPC Band E in Papa Westray. A third of properties do not have an EPC. Most of these are EPC Band E privately rented properties.

Papa Westray				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	34	D	Owner Occupied	8
			Privately Rented	4
			Social Housing	0
		E	Owner Occupied	13
			Privately Rented	0
			Social Housing	0
		F-G	Owner Occupied	8
			Privately Rented	1
			Social Housing	0
No	17	D	Owner Occupied	0
			Privately Rented	0
			Social Housing	0
		E	Owner Occupied	5
			Privately Rented	12
			Social Housing	0
		F-G	Owner Occupied	0
			Privately Rented	0
			Social Housing	0

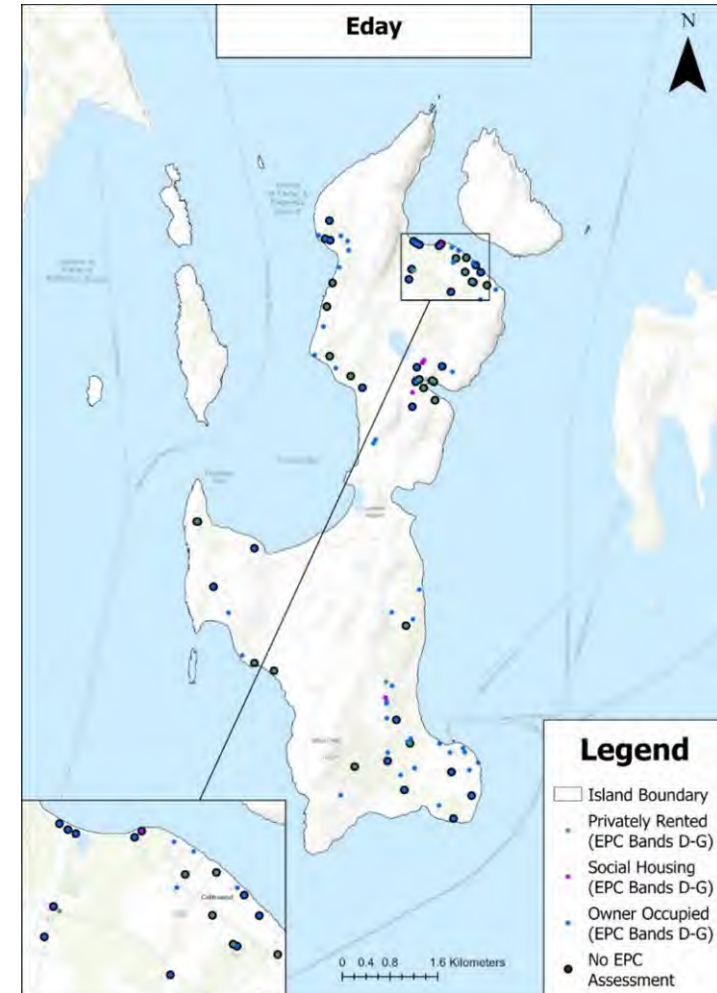




## Eday

65% of domestic properties do not an EPC assessment in Eday. Over half (54%) of the properties are EPC Band F-G, with owner occupied and privately rented properties having the highest number of unassessed EPCs in this category.

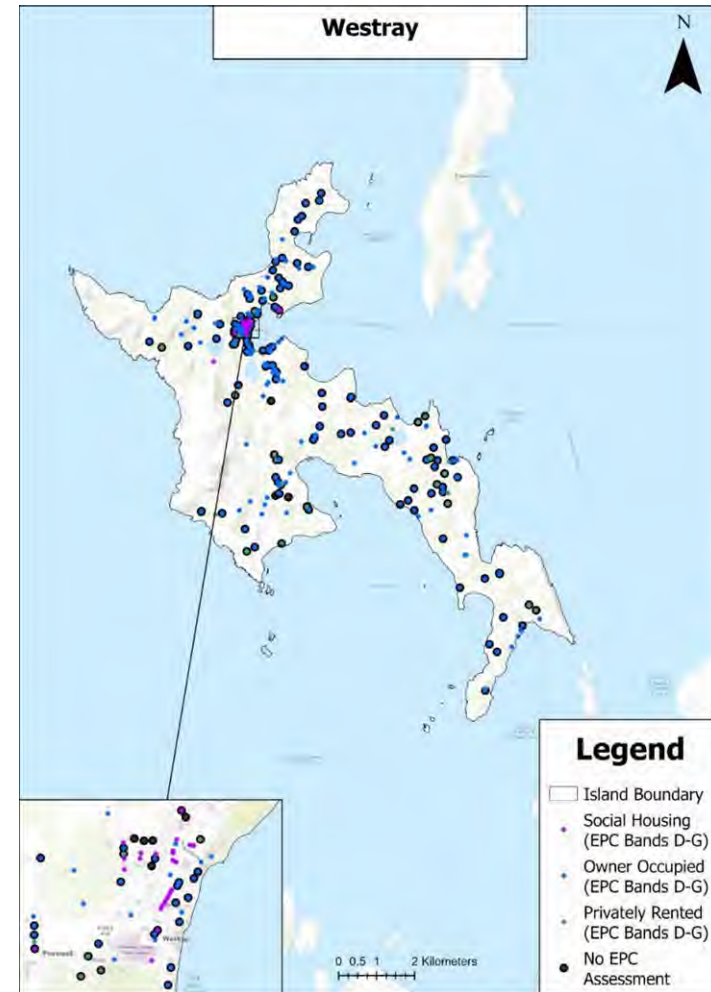
Eday				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	25	D	Owner Occupied	0
			Privately Rented	1
			Social Housing	4
		E	Owner Occupied	0
			Privately Rented	1
			Social Housing	0
		F-G	Owner Occupied	18
			Privately Rented	0
			Social Housing	1
No	54	D	Owner Occupied	0
			Privately Rented	2
			Social Housing	0
		E	Owner Occupied	9
			Privately Rented	0
			Social Housing	0
		F-G	Owner Occupied	23
			Privately Rented	19
			Social Housing	1



## Westray

Just over half (55%) of domestic properties do not an EPC assessment in Westray. Over a third (35%) of these properties have EPC Band E.

Westray				
Valid EPC	Count	EPC Band	Tenure	Count
Yes	127	D	Owner Occupied	31
			Privately Rented	2
			Social Housing	23
		E	Owner Occupied	35
			Privately Rented	6
			Social Housing	1
		F-G	Owner Occupied	26
			Privately Rented	3
			Social Housing	0
No	158	D	Owner Occupied	26
			Privately Rented	13
			Social Housing	3
		E	Owner Occupied	80
			Privately Rented	18
			Social Housing	1
		F-G	Owner Occupied	15
			Privately Rented	2
			Social Housing	0



## Actions for energy efficiency

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Collaboration between OHAL and OIC	Immediate	The Council/OHAL will explore ways of collaborating on energy efficiency in social housing, including combined funding applications.	OIC OHAL	OIC OHAL	Decision made on focus and frequency of meetings.
Develop data sharing agreement for energy efficiency data	Immediate	The Council will develop a data sharing agreement so the Council can share the data analysis from LHEES with relevant stakeholders.	OIC	OIC EST ICNZ	Data sharing agreement signed.
Share energy efficiency data with Warmworks	Immediate	The Council will share energy efficiency data with the managing agent to support planning for the HEES:ABS scheme.	OIC	OIC Managing agent	Data shared.
Share energy efficiency data with Islands Centre for Net Zero	Immediate	The Council will share energy efficiency data with the Islands Centre for Net Zero to support their energy data hub for Orkney, the Western Isles, and Shetland.	OIC	OIC EST ICNZ	Data shared.
Addressing fuel poverty in social housing	Immediate	Planned maintenance activities for Council properties will address energy efficiency. The Council will focus on fabric insulation, air tightness, and efficiency of heating systems until the new Social Housing Net Zero Standard is announced.	OIC	OIC OHAL Construction Partners	Improved fabric insulation, air tightness, and efficiency of heating systems.

2077

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Training for retrofit assessors	Immediate	THAW is training retrofit assessors to offer more services to fuel poor households. More detailed assessments for homes in fuel poverty can help homes get more funding for retrofit projects.	THAW Orkney	OIC THAW	Improved data on retrofit needs in Orkney.
Third sector retrofit projects	Immediate	THAW is starting retrofit projects for homes in fuel poverty. THAW focusses on projects that help households become eligible for other funding, such as HEES:ABS.	THAW Orkney	OIC THAW	Increase in fuel poor households eligible and ready for energy efficiency schemes.
Collaboration for fuel poverty	Immediate	A number of organisations are part of the Orkney Money Matters initiative to coordinate fuel poverty working in Orkney.	Orkney Money Matters	OIC, The Orkney Partnership, Orkney Foodbank, NHS Orkney, Social Security Scotland, OHAL, The Trussell Trust	Increase in households supported.
Walliwall housing development	Immediate	OHAL will continue working on Walliwall Stage 9 housing project.	OHAL	OHAL Construction Partners	Increase in number of energy efficient, new build homes.
Improve OHAL energy efficiency data	Immediate	OHAL to digitise data on their housing stock, like housing condition surveys. This will help OHAL understand the energy efficiency of their stock better.	OHAL	OIC OHAL	Housing condition surveys will be fully digitised.

2078

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
<i>From Local Housing Strategy:</i>					
Energy efficiency pilot projects on Council social housing	Immediate	OIC has been trialling approaches to meet the higher energy efficiency standard, undertaking an individual assessment when a property becomes void and taking a Fabric First approach, coupled with fitting mechanical heat recovery ventilation systems to help maintain air quality alongside ensuring the provision of an efficient heating system.	OIC	OIC OHAL Construction Partners	Identify viable approaches to energy efficiency retrofit in Council social housing properties.
<i>From Council Delivery Plan:</i>					
Finalise decarbonisation of domestic Council social housing	Immediate	The Council will finalise programme of decarbonisation for Council-owned housing stock.	OIC	OIC Construction Partners	Publish programme of decarbonisation.
Collect data on private rented sector interest in HEES:ABS	Immediate	The Council to collect data from Warmworks on number of private rented sector landlords who enquired about HEES:ABS funding but were not eligible. This could identify potential projects in the private rented sector.	OIC	OIC OHAL Managing Agent	Data obtained on private rented sector interest.
Collaboration on energy efficiency standards	Immediate	The Council to liaise with OHAL to understand similarities and differences between energy efficiency standards across Orkney's social housing.	OIC	OIC OHAL Construction Partners	Clarify differences between Council and OHAL energy efficiency standards.

2079

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
OHAL to submit SHNZHF bids	Medium-term	OHAL will continue submitting bids to the Social Housing Net Zero Heat Fund for retrofit projects. They will focus on fabric measures, heat pumps, and high retention storage heaters.	OHAL	OIC OHAL	Funding awarded for retrofit work.
Develop plan for social housing	Medium-term	The Council and OHAL will develop delivery plans in line with new Social Housing Net Zero Standard (yet to be published by Scottish Government).	OIC OHAL	OIC OHAL	Delivery plans put in place to improve energy efficiency in social housing.
Energy efficiency data pilot project.	Medium-term	Owner occupied and private rented homes have lower levels of EPC data. The Council is interested in undertaking a surveying project on one of the Northern Isles to provide more information on how energy efficiency can be improved across an entire island.	OIC	OIC ICNZ Local Development Trusts	Funding secured for a surveying project.
Whole house energy assessments	Medium-term	Reflex Orkney will introduce whole house energy assessments that provide a recommended list of measures for each building. People can use these recommendations to take advantage of funding when it becomes available.	Reflex Orkney	ReFlex Orkney OIC ICNZ	Whole house energy assessments available for domestic and commercial properties.
Increase HEES:ABS bid values	Medium-term	OIC/Warmworks will scale-up and submit higher value bids for HEES:ABS funding in coming years to cover more properties.	OIC Managing Agent	OIC Managing Agent	HEES:ABS funding awards increase.
HEES:ABS funding for heat pumps	Medium-term	Warmworks/Managing agent will explore offering heat pumps as part of the HEES:ABS scheme. Further work is needed to determine feasibility, including finding installers.	OIC Managing Agent	OIC Managing Agent	Heat pumps added to the HEES:ABS measurement, if feasible.

2080

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Advanced training for retrofit assessors	Medium-term	THAW is aiming to train employees in renewables and traditional building assessments.	THAW Orkney		Renewables and traditional building assessments available.
<i>From Council Delivery Plan:</i>					
Carbon Neutral Islands for Orkney	Medium-term	The Council will 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 (from Council Plan Delivery Plan.)	The Council	Scottish Government	
<i>From Council Delivery Plan:</i>					
Update Orkney Sustainable Energy Strategy		Update Orkney Sustainable Energy Strategy in line with Scottish Government 'Energy Strategy and Just Transition Plan.'	The Council	Scottish Government	Publish updated Orkney Sustainable Energy Strategy.
Energy efficiency data project	Long-term	If the energy efficiency pilot project is successful, the Council will replicate for more islands.	The Council	Islands Centre for Net Zero, local development trusts	Surveying projects for multiple islands.
Investigate Passivhaus standard	Long-term	The Council will investigate Passivhaus standards as an option for new build and refurbishment for Council social housing.	The Council		Decision made on Passivhaus standard.
Investigate EnerPHit standard	Long-term	The Council will investigate EnerPHit standard and other similar standards for existing stock retrofit schemes.	The Council		Decision made on standard for existing stock retrofit.

2081

## Funding for energy efficiency

The Council will draw on available funding from the Scottish Government and other providers to support energy efficiency upgrades of homes.

### Social housing

**The Social Housing Net Zero Heat Fund** supports social housing landlords across Scotland to install zero direct emission heating systems. Funding for “fabric first” energy efficiency projects is also available; however, applicants are required to demonstrate a commitment to installing eligible ZDEH systems into these properties. There is currently £200 million available over five years up to 2026 and the fund supports capital costs and resource support to help build a pipeline of future projects. The fund can cover up to a maximum of 60% of total capital expenditure costs for zero direct emissions heating elements and 50% of the fabric and energy efficiency measures.

### Mixed tenure

**Heat and Energy Efficient Scotland: Area Based Schemes (HEES:ABS)** are designed and delivered by local authorities, in combination with utility companies and local delivery partners. This funding is provided by Scottish Government. Schemes are targeted in areas in or at risk of fuel poverty and is intended for owner-occupiers and private landlords. HEES:ABS has historically focused on installing single insulation measures but is now expanding to a ‘whole house’ approach and includes other measures such as zero emissions heating systems. By working on an area-based delivery model, the programme enables mixed-tenure projects, bringing together homeowners, housing associations, and private landlords.

### Owner-occupiers

**The HES grant and loan** is available to homeowners and offers grant funding for heat pumps of £7,500, or £9,000 to those living in rural areas. There is also £7,500 available as an optional interest free loan to further help towards the installation of a heat pump. £6,000 of interest free loan funding is available for households for solar PV panels when taken as a package of measures including a heat pump. In addition to this funding, up to 75% of the cost of energy efficiency measures can be covered by grant funding, up to a maximum of £7,500 or £9,000 in rural areas. The final 25% can be covered by an interest free loan, or paid by the customer as the loan is optional. These energy efficiency measures include but are not limited to cavity wall insulation, solid wall insulation, loft insulation, and floor insulation.

**Warmer Homes Scotland (WHS)** offers funding and support to households struggling to stay warm and keep on top of energy bills. This programme is available for homeowners and private sector tenants. WHS takes a ‘whole house’ approach, offering eligible households a bespoke package of measures that takes account of both the needs of the property and the needs of the household. Heating measure



installations are not available in private rented properties. This programme is most often fully grant funded, and potential improvements include wall insulation, loft insulation, draught-proofing, central heating, and renewables. Households must meet the eligibility criteria<sup>2</sup> and live in a property with a low efficiency rating. Interest free loans of up to £10,000 are available for homeowners or landlords who require further assistance to help pay a contribution towards the work.

**The Energy Company Obligation (ECO 4)** is in its fourth round as a grant/subsidy scheme which provides insulation and heating measures for low income, vulnerable owner occupiers. The measures and funding available are based on specific eligibility criteria and can include insulation, heat network connection, renewable measures, heating installation and repair. This funding is managed through Ofgem, with energy companies determining which retrofit projects they choose to fund and what level of funding they provide. It is available to households in an Affordable Warmth Group in receipt of benefits or tax credits. This fund is also available to households in properties with an EPC of D, E, F, or G.

**ECO Flex** is a household referral mechanism made available through the wider ECO 4 scheme. This program allows local authorities to widen the eligibility criteria to include households that would otherwise not be eligible through the ECO 4 standard criteria. Under this scheme, participating local authorities can refer owner occupied and private tenured households considered to be at risk of living in fuel poverty or on low income and vulnerable to the impacts of living in a cold home. Orkney Islands Council have previously incorporated ECO Flex funding to HEES:ABS projects. However, the funding requirements have changed, and this is no longer permitted. The Council will assess what resources are required to facilitate future ECO 4-only projects.

---

<sup>2</sup> Eligibility criteria detailed on the [Home Energy Scotland website](#)

# Non-domestic Council buildings

The Council operates and leases many non-domestic buildings across Orkney. It is the Council's responsibility to do what is possible to make these buildings more energy efficient and replace their heating systems to zero direct emissions heating.

The Council will focus on improving the fabric and energy efficiency of buildings and transitioning to net zero heating systems for buildings currently using heating oil or LPG. The retrofit measures will be completed when it is most financially viable and alongside replacement of the building fabric and heating system. For example, roof insulation may be installed when the roof tiles are replaced.

## Actions for non-domestic Council buildings

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Hope Primary School retrofit	Immediate	The Council will install an air source heat pump (to replace oil heating), triple glazed windows, and improve air tightness.	OIC	OIC Construction Partners	Zero direct emissions heating installed, and energy efficiency improved.
Picky Campsite domestic hot water upgrade	Immediate	The Council will retrofit the domestic hot water system to be powered by a heat pump.	OIC	OIC Construction Partners	Zero direct emissions water heating installed.
<i>From Carbon Management Programme:</i>					
Evaluate Council carbon emissions data	Immediate	The Council will 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.	OIC	OIC Aether	Baseline analysis of Council buildings complete.

2024

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
EPC assessments for OIC operational buildings	Medium-term	The Council will conduct EPCs on the remaining properties that are required to have up to date EPCs (250m <sup>2</sup> or greater floor area & open to the public).	OIC	OIC	All required operational buildings will have up to date EPCs.
Orkney Library and Archive air source heat pump	Medium-term	The Council will replace the oil heating system with an air source heat pump at Orkney Library and Archive.	OIC	OIC Construction Partners	Zero direct emissions heating installed.
Stromness Swimming Pool air source heat pump	Medium-term	The Council will replace the oil heating system with an air source heat pump at Stromness Swimming Pool.	OIC	OIC Construction Partners	Zero direct emissions heating installed.
Oil boiler replacement schemes	Medium-term	The Council will develop schemes for remaining oil boiler replacement in the Council's buildings.	OIC	OIC Construction Partners	Zero direct emissions heating installed.
Building Energy Reports for Kirkwall properties	Medium-term	The Council will conduct Building Energy Reports for OIC buildings in central Kirkwall.	OIC	OIC	Assessment complete for all OIC owned buildings in central Kirkwall.
Building Energy Reports for all Council buildings	Medium-term	The Council will conduct Building Energy Reports for all occupied and leased non-domestic OIC buildings to improve data.	OIC	OIC	100% of Council-owned buildings have BERs.

2085

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Building Energy Reports for non-Council owned buildings	Medium-term	The Council will conduct Building Energy Reports for all occupied and leased non-domestic and non-Council owned buildings to improve data.	OIC	OIC	100% of <i>all</i> non-domestic buildings have BERs.
EPC assessments for all leased OIC properties	Medium-term	The Council will conduct EPC assessments for every leased property, regardless of lease renewal date.	OIC	OIC Tenants	100% of leased Council buildings have valid EPC assessments.
Action plan for leased OIC properties	Medium-term	The Council will develop an action plan to improve leased properties. The Council will prioritise zero direct emissions heating and fabric improvements based on cost benefit.	OIC	OIC Tenants	100% of leased Council buildings have NZDE Heating System.
<i>From Council Delivery Plan:</i>					
Finalise decarbonisation programmes	Long-term	The Council will finalise decarbonisation programmes for the school estate, infrastructure property, and ICT estate buildings.	OIC	OIC Construction Partners	Finalise decarbonisation programmes.
<i>From Council Delivery Plan:</i>					
Carbon Neutral Islands pilot project	Long-term	The Council will replicate Carbon Neutral Islands project on one or more islands.	OIC	CNI OIC Development Trusts	Replicate project plan developed

2086

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
<i>From Carbon Management Programme:</i>					
Support commercial building owners	Long-term	The Council will develop mechanisms to support business uptake of renewable energy, smart energy and energy efficiency solutions.	OIC	OIC Reflex Orkney ICNZ	Business Support Project operational

## Electrification of heat in homes

Homes across Orkney will need to move from oil heating systems to electric heating systems by 2045 at the latest. This will require collaboration between the Council and a number of stakeholders.

The Council will work with SSEN (the Distribution Network Operator for Orkney) to develop the future energy scenario for Orkney. The LENZA tool will be used to identify increases in supply required to meet the additional load associated with heat pumps replacing oil heating systems. The installation of EV charging infrastructure will also be considered together with the opportunities for on-site renewable generation, likely solar PV.

The Islands Centre for Net Zero will also be working with the wider community and business sector to identify anticipated future demands.

## Actions for electrification of heat in homes

Action	Priority	Description	Responsibility	Key stakeholders	Measure of success
Collaborate with SSEN to plan for electrification of heat	Immediate	The Council will collaborate with SSEN to identify and develop a plan for improving the electricity grid to support heat pumps and other electric heating systems.	OIC SSEN	OIC SSEN	Published plan for grid upgrades.
Collaborate with the Islands Centre for Net Zero	Immediate	The Council will collaborate with the Islands Centre for Net Zero to identify future energy demands and share data on electrification of heat.	The Council, Islands Centre for Net Zero	OIC ICNZ	Data sharing initiated
Air tightness testing for void OIC properties	Immediate	The Council will begin conducting air tightness tests for Council-owned buildings when they become void.	The Council	OIC Tenants	All void buildings will have air tightness tests
Explore options for retraining oil heating engineers for heat pumps	Medium-term	The Council and UHI to explore opportunities for retraining oil heating engineers and others to install and maintain heat pumps.	The Council & University of Highlands and Islands	OIC Construction Partners	Training programmes developed and delivered

2028

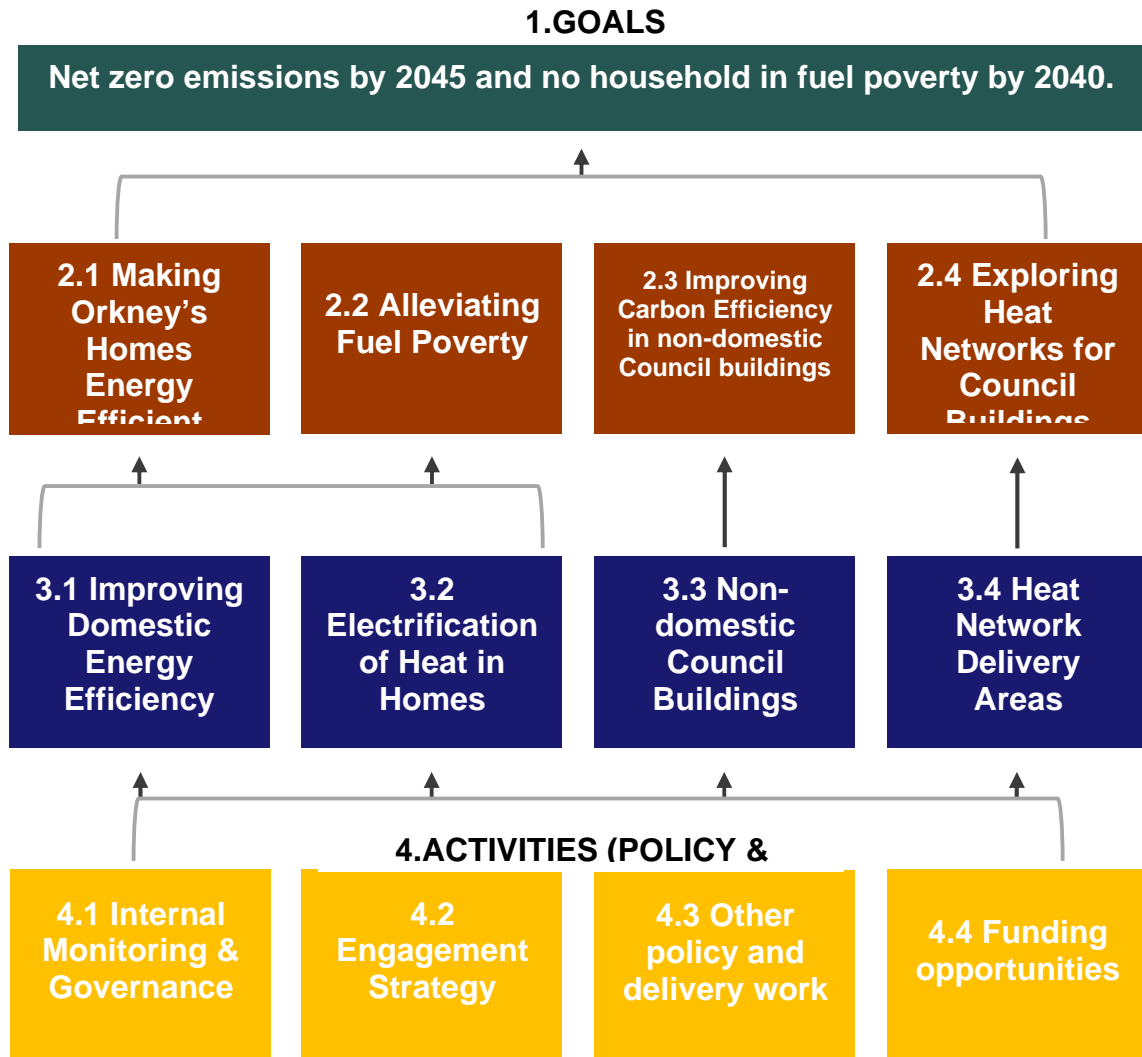
## Monitoring and evaluation framework

The monitoring and evaluation frameworks should be used by the council to measure progress against LHEES considerations, local priorities and targets identified in the LHEES Stage 1 and reported against in Stage 3, and to report on the effectiveness of their LHEES delivery.

They should also set out, as far as reasonably possible, a portfolio of projects that are to be taken forward, and track progress of ongoing projects related to LHEES. The frameworks below provide a useful starting point, however, and are to be completed and updated by Orkney Islands Council as per the council's governance arrangements. The council is responsible for identifying quantifiable, time-measured targets in line with statutory requirements and local priorities. The monitoring and evaluation frameworks can be found in the Appendix of this document.

A monitoring map has been developed to show the enabling factors that will need to be in place in order to fulfil the overarching objectives of Orkney Islands Council's LHEES Strategy and Delivery Plan.

Figure 1: A Monitoring Map to show Orkney Islands Council's pathway for decarbonising heat in buildings and improving energy efficiency





## **Conclusion and next steps**

This Delivery Plan is designed to sit alongside the LHEES Strategy. It provides a more detailed view of the actions required over the next five years to decarbonise Orkney's domestic and non-domestic building stock. This Delivery Plan details the immediate and medium-term actions that can be delivered now, given the existing policy landscape.

It is a statutory duty for the Council to update the LHEES every five years. Due to the urgency of the climate emergency, and the rapidly evolving policy landscape, the Delivery Plan will be monitored, updated and reported on annually, while the Strategy will be reviewed every five years. This means they should be treated as live documents which will respond to the introduction of new standards, regulation, and delivery programmes.

# Appendix: Monitoring and Evaluation Frameworks broken down by Goals, Outcomes, Method and Activities

## Key

Status	Colour
Not yet started	F
In progress	P
Slightly Delayed (<3 months)	D
Significantly Delayed (>3 months)	X
Complete	C

Table 1: Goals: an evaluation framework to monitor progress towards national decarbonisation targets.

Item	Target	Relevant indicators	Data type and source	Baseline (data)	Progress 2025-26	Timescale	Status
1.1	Net zero emissions by 2045	Greenhouse gas emissions statistics	Scottish National Net Zero Emission Figures			2045	P
1.2	75% Net zero emissions by 2030	Greenhouse gas emissions statistics	Scottish National Net Zero Emission Figures			2030	P
1.2	No household in fuel poverty by 2040	Fuel poverty statistics	Scottish National Fuel Poverty Figures			2040	P

Table 2: Outcomes: an evaluation framework to monitor progress of Orkney Islands Council's LHEES Priorities.

Priority	Target	Relevant indicators	Data type and source	Baseline (data)	Progress 2025-26	Timescale	Status
A Making Orkney's homes energy efficient	Improving energy efficiency of homes to reduce heat demand.	EPC energy efficiency rating C or above	EST Home Analytics				P
		EPC energy efficiency rating D or below	EST Home Analytics				P
B Alleviating Fuel Poverty	Improve energy efficiency of homes through fabric improvements to tackle fuel poverty.	Number of households in fuel poverty	Scottish			2040	P
		Average household energy cost as a percentage of income				2040	P

2093

Priority	Target	Relevant indicators	Data type and source	Baseline (data)	Progress 2025-26	Timescale	Status
C Improving Carbon Efficiency in non-domestic Council buildings	Improve non domestic buildings through fabric improvements and heating system upgrades	Number of buildings with zero direct emissions heating	OIC Estates Data			2045	P
		% of building stock powered by renewable sources					P
D Exploring Heat Networks for Council Buildings	The Council is focused on exploring heat networks to connect Council buildings and heat sources.	Number of heat networks established	OIC Estates Data	0		By October 2029	P
		Carbon emissions from the built environment on Network	OIC Estates Data				P

2094

Table 3: Method: an evaluation framework to monitor progress within Orkney Islands Council's delivery areas.

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency	Collaboration between OHAL and OIC	Explore ways of collaborating on energy efficiency in social housing, including combined funding applications.	OIC	NS&I EL&H	OHAL	By 2026	P
	Develop data sharing agreement for energy efficiency data	Develop a data sharing agreement so the Council can share the data analysis from LHEES with relevant stakeholders.	OIC	NS&I EL&H	ICNZ EST External Consultants	By 2026	P

2095

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued.	Share energy efficiency data with Warmworks	Share energy efficiency data with Warmworks to support planning for the HEES:ABS scheme.	OIC	NS&I EL&H	Warmworks	By 2026	<b>P</b>
	Share energy efficiency data with Islands Centre for Net Zero	Share energy efficiency data with the Islands Centre for Net Zero to support their energy data hub for Orkney, the Western Isles, and Shetland.	OIC	NS&I EL&H	ICNZ	By 2026	<b>P</b>

2096

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency Continued.	Address fuel poverty in social housing through retrofit measures	Planned maintenance activities for OIC properties will address energy efficiency. They will focus on fabric insulation, air tightness, and efficiency of heating systems until the new Social Housing Net Zero Standard is announced.	OIC	NS&I EL&H	OHAL OIC Construction Partners	By 2026	<b>P</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency Continued.	Training for retrofit assessors	THAW is training retrofit assessors to offer more services to fuel poor households. More detailed assessments for homes in fuel poverty can help homes get more funding for retrofit projects.	THAW	THAW Training Partners	THAW Training Partners	By 2026	<b>P</b>
	Third sector retrofit projects	THAW is starting retrofit projects for homes in fuel poverty. THAW focusses on projects that help households become eligible for other funding, such as HEES:ABS.	THAW	THAW Training Partners	THAW Training Partners	By 2026	<b>P</b>

2098



Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued.	Collaboration for fuel poverty	A number of organisations are part of the Orkney Money Matters initiative to coordinate fuel poverty working in Orkney	Orkney Money Matters		OIC The Orkney Partnership, Orkney Foodbank, NHS Orkney, Social Security Scotland, OHAL, The Trussell Trust	By 2026	P
	Walliwall housing development	OHAL will continue working on Walliwall Stage 9 housing project	OHAL	OHAL External Consultants	OHAL Construction Partners	By 2026	P
	Improve OHAL energy efficiency data	OHAL to digitise data on their housing stock, housing condition surveys.	OHAL	OHAL OIC External Consultants	OHAL Construction Partners	By 2026	P

2099

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency Continued.	Energy efficiency pilot projects on Council social housing	<p><i>From Local Housing Strategy:</i></p> <p>The Council has been trialling approaches to meet the higher energy efficiency standard, undertaking an individual assessment when a property becomes void and taking a Fabric First approach, coupled with fitting mechanical heat recovery ventilation systems to help maintain air quality</p> <p>Identify lost rental impact of Void works</p>	OIC	NS&I EL&H	OIC OHAL Construction Partners	By 2026	<b>P</b>

2100

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued.	Finalise decarbonisation of domestic Council social housing	<i>From Council Delivery Plan:</i>  The Council will finalise programme of decarbonisation for Council-owned housing stock	OIC	NS&I EL&H	OIC OHAL Construction Partners	By 2026	P
	Collect data on private rented sector interest in HEES:ABS	The Council to collect data from Warmworks on number of private rented sector landlords who enquired about HEES:ABS funding but were not eligible. This could identify potential projects in the private rented sector.	OIC	NS&I EL&H	OIC Managing Agent	By 2026	P

2101

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued.	Collaboration on energy efficiency standards	The Council to liaise with OHAL to agree energy efficiency standards across Orkney's social housing	OIC	NS&I EL&H OHAL	OIC OHAL	By 2026	<b>P</b>
	OHAL to submit SHNZHF bids	OHAL will continue submitting bids to the Social Housing Net Zero Heat Fund for retrofit projects. They will focus on fabric measures, heat pumps and high retention storage heaters	OHAL	OHAL		By 2029	<b>F</b>
	Develop plan for social housing	OIC and OHAL will develop delivery plans in line with new Social Housing Net Zero Standard	OIC	NS&I EL&H OHAL	OIC OHAL	By 2029	<b>F</b>

2102

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency Continued.	Energy efficiency data pilot project	Owner occupied and private rented homes have lower levels of EPC data. The Council is interested in undertaking a surveying project on one of the Northern Isles to provide more information on how energy efficiency can be improved across an entire island	OIC	NS&I EL&H	OIC OHAL North Isles Development Trust	By 2029	<b>F</b>
	Increase HEES:ABS bid values	OIC will scale-up and submit higher value bids for HEES:ABS funding in coming years to cover more properties.	OIC	EL&H	OIC Managing Agent	By 2026	<b>P</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued	Whole house energy assessments	Reflex Orkney will introduce whole house energy assessments that provide a recommended list of measures for each building. People can use these recommendations to take advantage of funding when it becomes available	ReFlex Orkney	ReFlex Orkney ICNZ		By 2026	<b>P</b>
	HEES:ABS funding for heat pumps	Managing agent will explore offering heat pumps as part of the HEES:ABS scheme. Further work is needed to determine feasibility, including finding installers.	OIC	EL&H	OIC Managing Agent	By 2026	<b>P</b>

2104

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued	Advanced training for retrofit assessors	THAW is aiming to train employees in renewables and traditional building assessments.	THAW		THAW Training Partners	By 2029	F
	Carbon Neutral Islands for Orkney	<i>From Council Delivery Plan:</i>  The Council will 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 (from Council Plan Delivery Plan.)	OIC	EL&H NS&I	OIC Scottish Government	By 2029	F

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued	Update Orkney Sustainable Energy Strategy	<i>From Council Delivery Plan:</i>  Update Orkney Sustainable Energy Strategy in line with Scottish Government 'Energy Strategy and Just Transition Plan.'	OIC	NS&I	OIC Scottish Government OREF	By 2029	<b>F</b>
	Energy efficiency data project	If the energy efficiency pilot project is successful, the Council will replicate for more islands.	OIC	NS&I	OIC ICNZ Local Development Trusts	By 2029	<b>F</b>

2106



Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Improving Domestic Energy Efficiency  Continued	Investigate Passivhaus standard	The Council will investigate Passivhaus standards as an option for new build and refurbishment for Council social housing.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>
	Investigate EnerPHit standard	The Council will investigate EnerPHit standard and other similar standards for existing stock retrofit schemes.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Conservation Areas	work with OIC Planning to address energy efficient refurbishment for properties in conservation areas	OIC	NS&I EL&H	OIC	By 2026	<b>P</b>
	Energy Efficiency Standard	Develop a formal policy for the energy efficiency standards for all new build and refurbishment projects.	OIC	NS&I EL&H	OIC SIC CNS ICNZ	By 2029	<b>F</b>
	Community Projects	Request update from CES regarding projects in and around Orkney and the other island groups.	OIC	NS&I EL&H	OIC CES ICNZ	By 2026	<b>P</b>

2108

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Improved Data Sets	investigate the use of additional data sets to help identify vulnerable populations	OIC	NS&I EL&H	OIC CES ICNZ Scottish Government	By 2026	<b>P</b>
	New Build High Density Accommodation	investigate planning policy with regards to density	OIC	NS&I EL&H	OIC	By 2026	<b>P</b>
	Publicising Information	investigate the opportunity to contact private rented landlords / tenants to inform them of funding opportunities.	OIC	NS&I EL&H	OIC	By 2026	<b>P</b>

2109

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	LA Funding	Investigate opportunities for Local Authority funding for private sector to improve Energy efficiency of properties  promote tax opportunities available to private landlords	OIC	NS&I EL&H	OIC Business Gateway	By 2026	<b>P</b>
	Maximise EPC Data availability	investigate opportunity to use local energy efficiency assessors to provide no/low cost EPC service to assist in development of Energy Efficiency improvement projects	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Promotion of Energy Efficiency Projects	investigate opportunity to highlight local energy efficiency projects where improvements have been made to a property. Possibly in conjunction with CINZ or ReFLEX Orkney.	CES		CES ICNZ OREF	By 2026	<b>P</b>
	EPC Availability	investigate opportunity for Online portal to arrange EPC and understand recommendations. Possibly in conjunction with ICNZ or ReFLEX Orkney.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>
	Building Simulation	Investigate the opportunity for providing building simulation modelling for major projects. OIC could take a lead on this and share results to encourage others to consider use of this.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>
	Building Certification	Investigate the opportunity of providing BREEAM / LEED surveys as part of an energy advice service.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Energy Advice Centre	investigate the opportunity to provide an energy advice service within Orkney open to both domestic and commercial clients and able to provide technical support	OIC	NS&I EL&H	OIC Business Gateway ReFlex Orkney OREF	By 2029	<b>F</b>
	Carbon Monitoring	investigate the option of providing a carbon monitoring service for non domestic properties, companies could sign up and provide billing data to receive an annual CO2 report	OIC	NS&I EL&H	OIC Business Gateway ReFlex Orkney OREF	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Electrification of heat in homes	Collaborate with SSEN to plan for electrification of heat	Collaboration between the Council and SSEN to identify a plan for improving the electricity grid to support heat pumps and other electric heating systems.	SSEN	NS&I	OIC SSEN	By 2026	<b>P</b>
	Collaborate with the Islands Centre for Net Zero	Identify future energy demands from the commercial sector and work to develop an Orkney wide assessment of future electrical needs.	SSEN	NS&I	OIC ICNZ SSEN	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Non-domestic Council buildings	Hope Primary School retrofit	Air source heat pump (to replace oil heating), triple glazed windows, air tightness improvements.	OIC	NS&I EL&H	OIC Construction Partners	By 2026	P
	Picky Campsite domestic hot water upgrade	Retrofit the domestic hot water system to be powered by a heat pump or heat network.	OIC	NS&I EL&H	OIC Construction Partners	By 2026	P
	Air tightness testing for void OIC properties	The Council will begin conducting air tightness tests for Council-owned buildings when they become void.	OIC	NS&I EL&H	OIC Construction Partners	By 2026	P
	Orkney Library and Archive air source heat pump	Replace the oil heating system with ASHP	OIC	NS&I EL&H	OIC Construction Partners	By 2026	P
Non-domestic Council buildings	Stromness Swimming Pool air source heat pump	Replace the oil heating system with an ASHP System.	OIC	NS&I EL&H	OIC Construction Partners	By 2026	P

2114



Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Continued.	Oil boiler replacement schemes	Development of schemes for remaining oil boiler replacement in the Council's building portfolio	OIC	NS&I EL&H	OIC Construction Partners	By 2029	<b>F</b>
	Building Energy Reports for Kirkwall properties	Conduct Building Energy Reports for OIC buildings in central Kirkwall.	OIC	NS&I EL&H	OIC	By 2026	<b>P</b>
	Building Energy Reports for all Council buildings	Conduct Building Energy Reports for all occupied and leased non-domestic OIC buildings to improve data.	OIC	NS&I EL&H	OIC	By 2029	<b>F</b>
Non-domestic Council buildings  Continued.	Evaluate Council carbon emissions data	<i>From Carbon Management Programme</i>  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.	OIC	NS&I EL&H	OIC	By 2026	<b>P</b>

2115

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	EPC assessments for all leased OIC properties	The Council will conduct EPC assessments for every leased property, regardless of lease renewal date.	OIC	NS&I EL&H	OIC	By 2029	F
	Action plan for leased OIC properties	The Council will develop an action plan to improve leased properties. The Council will prioritise zero direct emissions heating and fabric improvements based on cost benefit.	OIC	NS&I EL&H	OIC	By 2029	F
	Finalise decarbonisation programmes	<i>From Council Delivery Plan:</i> finalise decarbonisation programmes for the school estate, infrastructure property, and ICT estate buildings	OIC	NS&I EL&H	OIC	By 2034	F
	Carbon Neutral Islands pilot project	<i>From Council Delivery Plan:</i> replicate Carbon Neutral Islands project on one or more islands.	OIC	NS&I EL&H	ICNZ CNI Development Trusts	By 2029	F

2116

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Support commercial building owners	<p><i>From Carbon Management Programme:</i></p> <p>develop mechanisms to support business uptake of renewable energy, smart energy and energy efficiency solutions.</p>	OIC	NS&I EL&H	OIC ICNZ ReFlex Orkney	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	Development of Brownfield Sites	investigate synergies between Development Plan and LHEES with respect to development of brown field sites	OIC	NS&	OI	By 2026	<b>P</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Heat Network Delivery Areas	Consider Central Kirkwall heat network zone	The Council will have internal discussions about the Central Kirkwall potential heat network zone.	OIC	NS&I External Consultants SG Heat Networks Team	OIC Fire & Police Hoteliers	By 2026	<b>P</b>
	Engineering assessment	The Council will undertake an engineering assessment for a heat network to service OIC schools and the Council Office in Kirkwall	OIC	NS&I External Consultants	OIC	By 2026	<b>P</b>
	Feasibility studies for housing developments	Commission a feasibility study on using ambient heat networks to supply heat pumps as an alternative to individual bore hole schemes.	OIC	NS&I EL&H External Consultants SG Heat Networks Team	OIC Construction Partners	By 2029	<b>P</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Heat Network Delivery Areas  Continued.	Feasibility study in Hoy for wind to heat network	Carry out feasibility study on wind to heat network scheme covering North Walls School and surrounding properties in Hoy	OIC	NS&I External Consultants	OIC HWDT	By 2026	<b>P</b>
	Finstown waste heat opportunity	Investigate Finstown Transmission sub-station as a waste heat opportunity for a heat network.	OIC	NS&I External Consultants SSEN	OIC SSEN	By 2026	<b>P</b>

2120

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Heat Network Delivery Areas  Continued.	Communal heating for Council social housing clusters	Investigate viability of small-scale communal heating for clusters of Council social housing. For example, communal heat pump system for a small group of neighbouring Council homes.	OIC	NS&I EL&H External Consultants	OIC Construction Partners	By 2029	<b>F</b>
	Central Kirkwall heat network	Development of Kirkwall Town Centre heat network, subject to positive feasibility study and business case.	OIC	NS&I External Consultants SG Heat Networks Team	OIC Fire & Police Hoteliers	By 2034	<b>F</b>

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Heat Network Delivery Areas  Continued.	Feasibility study in Stromness	Commission a feasibility study to explore the Stromness heat network (further heat network 2 above.)	OIC	NS&I EL&H External Consultants	OIC Construction Partners	By 2029	<b>F</b>
	Feasibility study Dounby	Commission a feasibility study to explore the Dounby heat network (further heat network 3 above.)	OIC	NS&I EL&H External Consultants	OIC Construction Partners	By 2034	<b>F</b>
	Explore heat network options for Pierowall	Investigate a sea water source heat network at care home and Westray Junior High School in Pierowall.	OIC	NS&I EL&H External Consultants	OIC Construction Partners	By 2034	<b>F</b>

2122



Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
Heat Network Delivery Areas Continued	Explore heat network opportunities for domestic properties	Investigate heat network options that would connect to domestic properties in Orkney.	OIC	NS&I EL&H External Consultants	OIC Construction Partners	By 2034	F
	Heat Pump to Heat Networks	investigate existing heat pump properties where conversion to heat network is a possibility.	OIC	NS&I	OIC Construction Partners	By 2034	F
	Public Engagement	develop public engagement process where a heat network is considered for an area.	OIC	NS&I	OIC	By 2034	F

Strategic actions	Actions	Target	Lead	Resource requirements	Partners	Timescale	Status
	ORIC Campus	investigate cost and benefit of heat network on ORIC campus, as part of a wider Stromness heat network.	OIC	NS&I	OIC External Consultants	By 2034	<b>F</b>

Table 4a: Activities: an evaluation framework to monitor progress with governance, stakeholder engagement and other policy work to support LHEES delivery.

Strategic actions	Actions	Target	Lead	Resources required	Partners	Timescale	Status
Develop clear governance framework for LHEES delivery	Identify LHEES leads and champions	Leads and champions ensure that actions identified in Delivery Plan are realised as per their timescale and measures of success.	Orkney Islands Council, Executive Director/ Head of Service Level	NS&I EL&H	OHAL ICNZ	By 2026	<b>P</b>
	Monitoring and evaluation framework review	Monitoring and evaluation framework should be updated to include specific measurable targets, clear timescales and a full portfolio of ongoing and planned projects.	Orkney Islands Council, Executive Director/ Head of Service Level	NS&I EL&H	OHAL ICNZ	By 2026	<b>P</b>

Strategic actions	Actions	Target	Lead	Resources required	Partners	Timescale	Status
Develop clear governance framework for LHEES delivery  Continued.	Annual review of delivery plan	Update and amend document in light of regulatory changes. Identify local targets.	OIC  Executive Director/ Head of Service Level	NS&I  EL&H	OHAL  ICNZ	By 2029	<b>P</b>
	Full review of LHEES Strategy and Delivery Plan	Update and amend both documents in light of regulatory changes. Identify local targets.	OIC  Executive Director/ Head of Service Level	NS&I  EL&H	OHAL  ICNZ	By 2029	<b>F</b>

Strategic actions	Actions	Target	Lead	Resources required	Partners	Timescale	Status
Engage with relevant stakeholders to support with LHEES delivery.	Stakeholder mapping exercise	Review stakeholder mapping annually to ensure relevance and accuracy.	OIC	NS&I EL&H	OHAL, SSEN, ICNZ  Scottish Government, OREF  Local community groups,	By 2026	<b>P</b>
	Community consultation workshops	Undertake community consultation at major reviews to ensure policy addresses all concerns and opportunities identified by the wider community.	Orkney Islands Council	NS&I EL&H	Community Councils  OHAL	By 2026	<b>P</b>

Table 4b: Activities: an evaluation framework to monitor progress with funding opportunities to support LHEES delivery.

	Funding Sources	Description	Action	Deadlines / Key Dates	Lead	Partners	Progress
4.4 Funding opportunities	Scotland's Heat Network Fund	Designed to support the development and roll out of heat networks across Scotland. It is open to any organisation seeking to develop and deploy heat networks in Scotland. In total £300 million is being made available to stimulate investment and grow the low carbon heat sector. Up to a maximum of 50% of the total eligible capital costs can be covered through this fund.	OIC to research eligibility, submit expression of interest	Application deadline ongoing.  Successful projects must draw down funding in full by March 2026.	NS&I		<b>P</b>
	The Heat Network Support Unit	Unit identifies, supports, and develops heat network projects for the public sector. The support available includes expert advice and grant funding to develop projects until	The unit is still accepting applications for advisory-only support and discussions on potential future applications.  OIC to research eligibility to determine if they will	No longer accepting applications for the 2024-25 financial year.	NS&I		<b>P</b>

2128

	Funding Sources	Description	Action	Deadlines / Key Dates	Lead	Partners	Progress
		they have a clear financial strategy and well-defined business model.	apply for the 2025-26 financial year funding, or for advisory support for existing projects.				
	The Social Housing Net Zero Heat Fund	Supports social housing landlords across Scotland to install zero direct emission heating systems. Funding for “fabric first” energy efficiency projects is also available; however, applicants are required to demonstrate a commitment to installing eligible ZDEH systems into these properties.	OIC to research eligibility and apply for funding if appropriate.	Funding available until 2026.	NS&I EL&H	External Consultants	P
	Heat and Energy Efficient Scotland: Area Based Schemes (HEES:ABS)	This funding is provided by Scottish Government. Schemes are targeted in areas in or at risk of fuel poverty and is intended for owner-occupiers and private landlords.	OIC to continue allocating funding for HEES:ABS projects.	Ongoing	EL&H	OHAL External Consultants	P

2129

	Funding Sources	Description	Action	Deadlines / Key Dates	Lead	Partners	Progress
	The HES grant and loan	Available to homeowners and offers grant funding for heat pumps of £7,500, or £9,000 to those living in rural areas. There is also £7,500 available as an optional interest free loan to further help towards the installation of a heat pump. £6,000 of interest free loan funding is available to households for solar PV panels when taken as a package of measures including a heat pump. In addition to this funding, up to 75% of the cost of energy efficiency measures can be covered by grant funding, up to a maximum of £7,500 or £9,000 in rural areas. The final 25% can be covered by an interest free loan, or paid by	OIC to research eligibility and apply for funding if appropriate.	Ongoing	NS&I EL&H	ICNZ ReFlex Orkney External Consultants Development Trusts	P 2130



	Funding Sources	Description	Action	Deadlines / Key Dates	Lead	Partners	Progress
		the customer as the loan is optional.					
	Warmer Homes Scotland (WHS)	Offers funding and support to households struggling to stay warm and keep on top of energy bills. This programme is available for homeowners and private sector tenants.	OIC to research eligibility and apply for funding if appropriate.	Ongoing	EL&H	OHAL External Consultants	<b>P</b>
	The Energy Company Obligation (ECO4)	Provides insulation and heating measures for low income, vulnerable owner occupiers. It is available to households in an Affordable Warmth Group in receipt of benefits or tax credits. This fund is also available to households in properties with an EPC D, E, F, or G.	OIC to research eligibility and apply for funding if appropriate.	Ongoing	EL&H	OHAL External Consultants	<b>P</b>
	ECO Flex	Participating local authorities can refer owner occupied and private tenured	OIC to identify eligible households for funding.	Ongoing.	EL&H	OHAL External Consultants	<b>P</b>

2131

	Funding Sources	Description	Action	Deadlines / Key Dates	Lead	Partners	Progress
		households considered to be at risk of living in fuel poverty or on low income and vulnerable to the impacts of living in a cold home.					



**ORKNEY**  
ISLANDS COUNCIL



# Occupational Health, Safety & Welfare Policy

[www.orkney.gov.uk](http://www.orkney.gov.uk)

# Contents

Contents ..... 2

Occupational Health, Safety and Welfare Statement of Intent..... 4

1. Responsibilities for Health and Safety ..... 5

    1.1 Elected Members ..... 5

    1.2 Chief Executive ..... 5

    1.3 Corporate Directors..... 6

    1.5 Line Managers ..... 7

    1.6 Employees ..... 9

    1.7 Safety and Resilience Service .....10

2. Arrangements for Health and Safety .....12

    2.1. Risk Assessments.....12

    2.2. Training .....13

    2.3. Consultation .....14

    2.4. The Orkney Islands Council Safety Committee.....14

    2.5. Health and Safety Representatives.....15

3. Health and Safety Approaches .....16

    3.1 Acts of Aggression .....16

    3.2 Asbestos .....17

    3.3 Management of Premises .....17

    3.4 General Arrangements.....18

    3.5 Monitoring and Review.....18



Images courtesy of Orkney.com

# Occupational Health, Safety and Welfare Statement of Intent

**Promote  
Unity**

**Taking  
Ownership**

**Reduce  
Accidents &  
work-related  
ill health**

**Provide  
Protective  
Equipment**

**Our  
People**

**Provide  
Occupational  
Health**

**Safe  
Working  
Environment**

**Manage  
Risks**

**Trust  
through  
Talking**

**Digital Signature** Chief Executive, Orkney Islands Council 2025

## Occupational Health, Safety and Welfare Statement of Intent

Our Occupational Health, Safety and Welfare Policy will prioritise our people by enhancing our comprehensive safety and resilience practices at Orkney Islands Council (The Council).

This will be achieved through building trust by means of:

- Reducing accidents, incidents, and work-related ill health by keeping all Council employees safe at work.
- Promoting unity throughout the Council where we value everyone's welfare.
- Identify, assess and providing adequate control of occupational health and safety risks arising from our work activities.
- Ensuring risks are managed sensibly, responsibly and proportionately to eliminate or minimise the hazards.
- Fostering trust among our staff by ensuring clear two-way communication regarding instructions and information, while actively listening to their health, safety, and welfare concerns.
- Providing suitable and sufficient training, risk assessments, and methods of work to create a safe working environment.
- Providing Personal Protective Equipment (PPE) and the maintenance in accordance with current regulations of all plant and equipment.
- Assuming responsibility for the implementation of emergency procedures related to fire safety, first aid, and overall resilience.

Signature.....

Dated.....

Oliver Reid  
Chief Executive  
Orkney Islands Council

# 1. Responsibilities for Health and Safety

## 1.1 Elected Members

All elected members are responsible for supporting the policies and strategic direction of Orkney Islands Council on behalf of their stakeholders. They must uphold health, safety, and welfare for themselves and others while fostering a proactive approach to these areas in the workplace.

This can be achieved through:

- Actively demonstrating support for health, safety, and welfare in their roles as elected members.
- Designating an elected member with specific responsibilities for health and safety oversight.
- Ensuring sufficient resources are allocated to assist the Chief Executive with health, safety, and welfare matters, particularly in exceptional or urgent situations, such as when exercising the Chief Executive's emergency powers.
- Reviewing corporate and directorate reports related to occupational health, safety, and welfare.

## 1.2 Chief Executive

The Chief Executive, as far as is reasonably practicable, is responsible for ensuring the health, safety and welfare at work of all Council employees and others who may be affected by the Council's work operations.

This will be achieved by:

- Visibly demonstrating personal commitment to achieving a high standard of Occupational Health, Safety and Welfare performance.
- Assigning ownership for the implementation of the policy to Corporate Directors and promoting a proactive culture amongst the Senior Management Team.
- Ensuring that adequate resources are made available to enable the Council's policy to be implemented and to address any exceptional and/or urgent issues that arise when Council Services have exhausted all avenues within their power.
- Appointing a Corporate Director to champion an initiative-taking health, safety and welfare culture as the Chair of the Safety Committee, placing our people at the centre of all we do.
- The formation and maintenance of health and safety management systems within Services, which will ensure the assessment of risks and the effective planning, organisation, control, monitoring and review of the preventative and protective measures necessary to control the risks.

### 1.3 Corporate Directors

Corporate Directors are, as far as is reasonably practicable, responsible for ensuring the health, safety and welfare at work of all employees in their respective Services.

They should:

- Visibly demonstrate a united positive approach to achieving a high standard of health and safety performance within their services and promote a positive approach to health, safety, and welfare among their colleagues.
- Prepare and revise as necessary, service management arrangements which set out the organisation and arrangements within the Service through which the Council's Health, Safety and Welfare Policy will be implemented.
- Put into operation health and safety management systems within Services, which will ensure the assessment of risk and the effective planning, organisation, control, monitoring and review of the preventative and protective measures necessary to eliminate or control the risks. Where this is not possible Council services should engage with the Chief Executive for guidance.
- Build trust amongst their service sectors with robust communication channels to empower staff to work together to improve health, safety and welfare.
- Identify causes of work-related ill health, promote a positive work environment and ensure sufficient resources are available to support a healthy work environment.
- Support the Council's Safety and Resilience Service Manager in all matters of evaluation and advise to ensure legal compliance of each Service.
- Aid the Council's Safety and Resilience Manager to prepare a biennial plan targeting health and safety improvements within each service.
- Hold a centralized Risk Assessment Register for their Directorate that is maintained and kept up to date.

Corporate Directors must put into practice systems through service management teams to ensure that all adverse events (near miss, accidents and incidents) occurring in areas of their responsibility are recorded, investigate, reviewed and reported to the Safety and Resilience Team in accordance with the Adverse Event and Investigation Reporting Guidance.

### 1.4 Head of Service Responsibilities

Heads of Service are, as far as is reasonably practicable, responsible for ensuring the health, safety and welfare at work of all employees in their respective services.

They are/should:

- Be responsible for the implementation, maintenance and monitoring the Health, Safety and Welfare Policy arrangements and supporting their team at an operational level.
- Ensure suitable welfare facility arrangements for the employees in their respective sectors.



- Ensure key occupational health and safety risks related to their service delivery and work tasks are identified, eliminated, reduced or controlled.
- Represent management at health and safety committees and provide adequate periods for employee's safety representation to attend safety committee meetings.
- Ensure the availability of accurate and accessible information on work-related near miss, accidents, incidents and occupational ill-health, with the setting of clear priorities, targets and strategies for their reduction.
- Ensure effective management of employee workload to ensure that an appropriate balance is struck between work and life outside of work.
- Ensure proper control, including management, of all visitors and contractors' activities at premises under their responsibility.
- Identify managers of premises to co-ordinate and control legal requirements of safety matters for the premises. For example, but not limited to, fire and first aid provision.
- Ensure that all Adverse Events (near miss, accidents and incidents) are recorded, investigated, reviewed and reported to the Safety & Resilience Team in accordance with the Adverse Event and Investigation Reporting Guidance.
- Provide clear lines of communication with employees on matters pertaining to health, safety and welfare to build unity and trust. This should include workplace meetings with employees, feedback from Safety Committee meetings, safety performance and information provided on safety matters relevant to their sector.
- Undertake assessment of the effectiveness of health and safety management within their related service. Ensuring that compliance checks on the health and safety management systems are received and corrective action implemented.
- Keep all employees, contractors and visitors safe whilst on their premises of responsibility with suitable and sufficient risk assessments that are annually reviewed.
- Ensure that all Line Managers produce suitable and sufficient risk assessments that are recorded in the Directorate risk register.

Line Managers are, as far as is reasonably practicable, responsible for ensuring the Occupational Health, Safety and Welfare at work of all employees, contractors and visitors under their responsibility.

## 1.5 Line Managers

They are:

- Responsible for ensuring that appropriate health, safety and welfare arrangements are in place for all employees, contractors, and visitors, ensuring that any health and safety responsibilities delegated to staff within their area are clearly identified, relayed and undertaken.
- The first point of contact to support their team's welfare, health concerns and safety matters.

- Responsible for ensuring that all significant hazards and risks posed to employees, contractors and visitors are identified and suitable risk assessment(s) produced.
- Responsible for ensuring that all equipment, vehicles and plant are to be maintained in accordance with manufacturing guidelines, the Lifting Operations & Lifting Equipment Regulations 1998 (LOLER) and the Provision Use of Work Equipment Regulations 1998(PUWER). New equipment should be marked UKCA or CE supplied with a declaration of conformity and instructions in English.
- Responsible for ensuring the safe handling, transportation and exposure to substances that cause ill health are controlled in accordance with the Control of Substances Hazardous to Health Regulation 2002 (COSHH).
- Responsible for conducting return-to-work interviews that identify work-related ill health should be reported to Safety and Resilience to help determine how the risks associated with work-related ill health can be eliminated or minimised.
- Responsible for ensuring all employees are to be trained, remain current in their qualifications, adequately supervised, and receive suitable instruction to ensure that they can perform their duties safely and competently.
- Responsible for ensuring that all Adverse Events (near miss, accidents and incidents) are recorded, investigate, reviewed and reported to the Safety & Resilience Team in accordance with the Adverse Event and Investigation Reporting Guidance.
- Responsible for monitoring working conditions and environment, undertake and arrange, where appropriate, referrals, provision of access and health surveillance through a competent occupational health provider in accordance with legal requirements.
- Responsible for implementing and monitoring employee attendance management, regularly review workload and working hours in line with legal requirements and corporate policy taking remedial action where necessary.
- Responsible for ensuring compliance with all relevant Council policies, guidance documents and procedures.
- Responsible for encouraging every employee to co-operate in near miss, accident and incident reporting and prevention.
- Responsible for motivating and empowering employees to work in a safe and healthy manner to encourage a positive attitude towards health, safety and welfare in the workplace.
- Responsible for ensuring effective discussion and communication of health, safety and welfare with employees in a fair unbiased open discussion to encourage employee interactions. Issues raised or concerns should be brought to Head of Service attention with feedback given to employees as a regular update.
- Responsible for undertaking assessment of the effectiveness of health and safety management within their related service delivery.
- Responsible for conducting Good Conversation meetings with individual employees to receive feedback on health, safety and welfare.

All risked assessments should be reviewed on change of process/annually. Risk assessments should be communicated to all employees that are at risk from the identified hazard(s) and recorded on the Corporate Risk Assessment Register.

## 1.6 Employees

All employees will be expected to co-operate in the implementation of the Council's Health, Safety and Welfare Policy by:

- Acting in the course of their employment with due care for their own safety, avoid unnecessary risk and that of others, who may be affected by their acts or omissions at work.
- Co-operating, as far as is reasonably practicable, to enable the Council to perform its duty or to comply with any requirements, due to health and safety legislation and in compliance with Risk Assessments, Method Statements, Safe Systems of Work, etc. and as instructed by a line manager or other appropriate delegated person.
- Familiarising themselves with the Occupational Health, Safety and Welfare Policy and all other safety arrangements in their workplace.
- Operating all work items provided by the Council in accordance with the training, instructions, manufacture guidelines, Safe Systems of Work, Risk Assessments and any other administrative controls they receive to provide a safe working environment.
- Reporting all near miss, accidents and incidents, when safe to do so, to the employee's line manager to ensure accurate recording of Adverse Events and to enable the Accident Folder to be kept current. Employees are requested to assist the employer in all investigations concerning Adverse Events to identify the cause and reduce the risk of re-occurrence.
- Reporting work-related ill health, issues of welfare, workplace hazards and risks of exposure to their line manager without prejudice.
- Informing the Council without delay of any work situation which might represent a serious or imminent danger.
- Notifying their line manager or other appropriate delegated person of any shortcomings in health and safety arrangements, even when no immediate danger exists, so that the Council can take remedial action if needed. This would include reporting any near-miss incidents.
- Not compromising the health and safety of persons working with or around them through negligent acts or omissions.
- Completing all the required online iLearn health and safety training modules, including refresher training at the appropriate intervals, as well as any other training required by the Council.
- Taking reasonable care of their own health and safety.
- Wearing personal protective equipment (PPE) as instructed and reporting any lost, damaged, ill-fitting PPE to their line manager prior to commencement of work.
- Making themselves aware that suitable and sufficient PPE and Respiratory Protective Equipment (RPE) will be provided by the employer free of charge.

## 1.7 Safety and Resilience Service

Corporate Directors, Heads of Service, and Line Managers should support the Safety and Resilience Team in delivering their duties to all OIC staff. This collaboration ensures effective service delivery and strengthens the overall safety and resilience of OIC.

To fulfil this duty the Safety and Resilience Team will:

- Provide competent occupational health and safety assistance to the Chief Executive, Senior Management Team and other members of the Council with an open-door approach to all Council employees.
- Be the competent person providing advice to the Council and information on current legislation.
- Develop corporate policy, procedures and guidance that will ensure compliance with statutory requirements and applicable codes of practice.
- Co-ordinate, interpret, progress enquiries from enforcing authorities and support Directorates in addressing actions.
- Independently assess health and safety management system compliance and conduct Health and Safety Audits within the Council.
- Undertake proactive and reactive monitoring, analysis and evaluation of health and safety performance to check compliance and identify remedial actions.
- Prepare an annual corporate health and safety management report and a biennial improvement plan intended to ensure that safety standards are raised or maintained throughout the Council.
- Actively promote and develop an initiative-taking, positive health and safety culture within the organisation.
- Assist in the enhancement of the organisations occupational health and safety management system to improve health and safety performance within the organisation.
- Conduct investigations into RIDDOR reportable incidents and other Adverse Events that they deem necessary to identify the root cause(s) and reduce the risk of accidents.
- Hold and maintain the Accident Folder for the Council where all Adverse Events within the Council are recorded and held centrally.
- Promote resilience within Orkney Islands Council in accordance with the Contingency Act 2004.

Safety and Resilience provide a comprehensive health and safety service offerings designed to proactively manage risks, ensure compliance, and promote the well-being of all employees. Our activities include:

- **Risk Assessment Programme:** Conducting regular assessments to identify and mitigate potential risks.
- **Safety Training Initiatives:** Providing comprehensive training programs tailored to various roles within the Council.

- **Incident Reporting System:** Implementing a streamlined process for reporting and analysing incidents.
- **Health Surveillance Programs:** Monitoring and promoting employee health through targeted surveillance initiatives.
- **Emergency Preparedness Plans:** Developing and communicating emergency response procedures, including a dedicated 24-hour emergency response contact point.



Safety & Resilience can be contacted by e-mail: [health.safety@orkney.gov.uk](mailto:health.safety@orkney.gov.uk)

## 2. Arrangements for Health and Safety

### 2.1. Risk Assessments

The identification and assessment of risks associated with all activities of the Council with the aim of eliminating or controlling the risks, as far as is reasonably practicable shall be undertaken through the production of health and safety risk assessments.

Line Managers are responsible for ensuring that suitable and sufficient risk assessments, with reasonable precautions, are in place before employees start work.

All risk assessments should be recorded in the appropriate Corporate Risk Assessment Register.

Employees have first-hand knowledge and experience of the risks involved with their work and should be consulted in the creation of risk assessments.

Employees are to raise any hazards or risks they identify with their Line Manger and request suitable risk assessments before starting the work they are assigned.

Risk assessments should be reviewed annually and on change of procedures effecting the risk assessment.

Additional Information on risk assessment is available in the OIC's Risk Management Policy and Strategy, as well as the Health and Safety Risk Assessment Guidance.

Hazard	Consequences	Severity	Likelihood	Risk Rating	Measures to Mitigate the risk	Severity	Revised Likelihood	Residual Risk	Comments on Residual Risk / Information to Contractors
Slipping and falling on wet, slippery surfaces	Lacerations and Bruising	3	3	9	<ol style="list-style-type: none"> <li>Operatives are to prepare the area by removing any obstacles enroute.</li> <li>Operatives should wear suitable safety footwear for the conditions they are working on</li> <li>Operatives are to remain vigilant when sweeping and operating machinery on wet/slippery surfaces.</li> <li>Operatives should not use undue force to push equipment that may cause them to slip and lose their footing</li> </ol>	3	1	3	Operatives to regularly assess their work area
Manual Handling	Musculoskeletal disorders, sprains, and strains	3	3	9	<ol style="list-style-type: none"> <li>The task is to be planned and lifts to be within the individuals' capabilities.</li> <li>The environment and other constraints are also to be taken into consideration in the planning.</li> <li>The need for manual handling should be removed where possible or mechanical means used.</li> <li>Where necessary a Dual Lift should be used for example emptying the spoil bucket on the Kerston</li> <li>The Kerston should be manoeuvred using minimum effort by regulating the speed of the equipment so that there is only a need to steer</li> </ol>	3	1	3	Tasks should be planned to remove the risk of manual handling where possible.

## 2.2. Training

Corporate Directors must ensure that their employees receive all necessary health and safety training to perform their duties safely. Appropriate arrangements should be made to keep remote workers' training up to date

Senior officials (e.g., the Health and Safety Elected Member, the Chief Executive, Corporate Directors, and Heads of Service) should receive appropriate health and safety training and refresher courses to understand and fulfil their organisational and personal health and safety responsibilities.

Managers and supervisors should undergo relevant health and safety training specific to their areas of work to ensure statutory compliance.

All staff should receive appropriate health and safety training related to the hazards and risks identified through risk assessments in their workplace.

All staff, volunteers, and subcontractors should complete suitable induction training before starting work.

Corporate Services are responsible for developing, implementing, and providing corporate health and safety training programs to staff.

Council services must ensure that service-specific specialist training is available to staff.

The following is recommended as a starting point criterion for general Health and Safety training at the Council:

Safety for Senior Executives and Directors	Chief Executive	Corporate Directors	Head of Service		
Leading Safely	Head Teachers	Elected Member with special Health and Safety responsibility			
Managing Safely	Service Managers	Team Managers	Business Managers	Managers of medium to high-risk work operations	
Working Safely	Office Managers	Supervisors	Managers of predominately low risk work operations	Key workers requiring general health and safety competency	Employees with the responsibility for conducting health and safety risk assessments

iLearn - All Employees should complete:

- Core Health and Safety and Welfare
- Fire Safety Awareness
- Protect Against Terrorism
- Manual Handling
- Job specific training as required by risk assessment
- Essential development as identified by Good Conversation.

iLearn offers an online standard of health, safety, and welfare training for all employees. Depending on an employee's role and responsibilities, more detailed and advanced training may be necessary to supplement iLearn. For instance, iLearn's manual handling training for the Care Sector might require in-person practical sessions to minimise the risk of accidents in the sector.



## 2.3. Consultation

All management levels within Orkney Islands Council will regularly consult with staff through workplace meetings. Occupational health, safety, and welfare should be a standing agenda item, allowing employees to discuss their concerns without prejudice. Issues raised should be addressed and communicated to employees. If necessary, significant items can be escalated to the OIC Safety Committee through safety representatives or management.

## 2.4. The Orkney Islands Council Safety Committee

In the interest of promoting cooperation on health and safety with a fair and balanced approach, the Council established the Orkney Islands Safety Committee, known as the Safety Committee. This forum allows both Union and non-union employee representatives to raise health and safety matters, discuss accident statistics, training, legislation, and other concerns.

The terms of reference of the Safety Committee have been agreed and are contained within the constitution which is available in the health and safety section of the Council's Intranet. The main duties will be:

- To study accidents, incidents, work-related ill health, and notifiable diseases, statistics and trends, so that reports can be made to management on unsafe and unhealthy conditions and practices, together with recommendations for corrective action.
- To examine safety audit reports on a similar basis.
- To consider reports and information provided by inspectors of the enforcing authority under the Health and Safety at Work Act 1974.
- To consider reports which safety representatives might wish to submit.
- To assist in the development of works safety rules and safe systems of works.



- To monitor the effectiveness of the safety content of employee training.
- To provide a link with the appropriate inspectorates of the enforcing authority.

Items raised by employees to their Line Managers that cannot be resolved by escalation through the management line of communication or require further discussion can be addressed by the Safety Committee.

The minutes of the Safety Committee meetings should be readily available to all employees in either electronic format or print.

## **2.5. Health and Safety Representatives**

Health and Safety Representatives on the Safety Committee can be either union appointed or a non-union representative of employee safety. The council encourages the appointment of safety representatives to enhance the engagement of its fellow employees in all matters pertaining to health and safety. Union and non-union representatives are governed by separate regulations and have differing rights in law.

The Council will consult with all safety representatives appointed by employees regarding:

- Introduction of measures which may substantially affect the health and safety of employees.
- Arrangements for appointing competent health and safety advisers and persons to implement emergency procedures.
- Provision of health and safety information and training required under the relevant statutory provisions.
- The health and safety consequences of new technologies introduced into the workplace.

The Council will provide such facilities and assistance as safety representatives may reasonably require them to carry out their functions.

Safety representatives appointed by recognised trade unions will be allowed to inspect any statutory document, which the Council is required to maintain and will also be given on request any information necessary to conduct their functions.

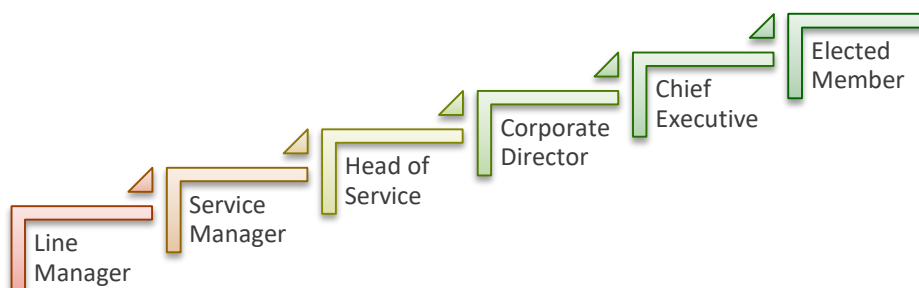
### 3. Health and Safety Approaches

The Council is committed to maintaining a safe and healthy working environment for all employees. We encourage staff to actively participate in health and safety discussions and report any concerns without hesitation. Regular consultations and risk assessments are conducted to identify and mitigate potential hazards. By working together and following HSE guidelines, we aim to ensure the welfare of everyone in the workplace.

Adverse reporting provides comprehensive guidance on the procedures for reporting incidents and concerns. This ensures that all employees are aware of the steps to take when encountering any issues, promoting a culture of transparency and accountability. Detailed Adverse guidelines are available to help staff accurately document and communicate incidents, accidents and near misses ensuring that appropriate actions can be taken to address and resolve any problems effectively. Adverse guidance is available on the intranet, through line management, and from the Safety & Resilience team.

Where there is a risk of a Dangerous Occurrence, the work should be stopped immediately, and the incident reported to a manager with Safety and Resilience informed.

The line of communication for health, safety and welfare items should be from the employee to:



The Safety & Resilience Team operates an 'open door policy' for any concerns raised by Orkney Islands Council employees. They can be contacted through various communication channels regarding occupational health, safety, and welfare

#### 3.1 Acts of Aggression

The Council will not tolerate any form of violence towards its employees and will take necessary actions to protect its staff. This includes verbal or physical violence, such as spitting, online harassment, malicious damage, or any form of aggressive behaviour.

The Council will:

- Proactively encourage the reporting and recording of all acts of violence.
- Provide support and guidance to reduce aggressive behaviour towards its employees.
- Offer training to staff who are at risk of violence.
- Continuously work towards reducing the risk of violence against its staff.
- Prevent violence through appropriate risk assessments and communicate control measures to staff exposed to the risk of violence.

## 3.2 Asbestos

The Council is committed to minimising, as far as reasonably practicable, the exposure of employees to disturbed or exposed asbestos in buildings, materials, or equipment.

Exposure will be reduced by:

- Identifying all locations containing asbestos, warning people about it and keeping it safe.
- Conducting surveys in all council properties to identify the presence of asbestos.
- Record all findings in the council's asbestos register.
- Controlling works that expose staff or contractors by ensuring that:
  - A method statement is in place.
  - People are suitably trained.
  - Suitable decontamination procedures.
  - Disposal of materials has been arranged.
  - All relevant documentation is available.

## 3.3 Management of Premises

It is the responsibility of the person regularly managing a premises to ensure that the building and surrounding area provide a safe working environment for employees, visitors, the public, and contractors.

The term 'visitors' also includes students, pupils, residents, and service users.

The person managing the premises must ensure that the Fire Risk Assessment, First Aid Needs Assessment, and both Generic and Specific Risk Assessments are current, adequate, and appropriate for the work conducted on the premises.

The premises manager must have:

- A current Fire Logbook that is completed in accordance with the Fire Scotland Act 2005 and Fire Safety (Scotland) Regulations 2006.
- Knowledge of any Asbestos Containing Materials (ACM) within the premises and of the Asbestos Survey Report if Asbestos has been identified on the premises in accordance with Control of Asbestos Regulations 2012.
- Awareness of the Control of Substances Hazardous to Health Regulation 2002 and any compliance required for the premises.

- A system in place for reporting and monitoring building faults, damage and maintenance using the Property Management System and liaison with their associated Building Inspector.

Occupational Health, Safety and Welfare Policy for the Council sets out our overarching strategy to provide a safe working environment for all its employees, which works towards progressively reducing the exposure of risk to its employees and keeping them safe.

### 3.4 General Arrangements

The Occupational Health, Safety, and Welfare Policy is supported by additional Council policies, guidance, and procedures that should be read alongside this policy. These documents are available on the council's intranet, website, and through the Safety and Resilience team. Further advice can be sought from respective management within each Directorate and the Safety and Resilience team. Each Directorate and area of responsibility will have specific needs that require further information to ensure employees are kept safe, appropriately trained, adequately informed, and legally compliant.

All Council employees are responsible for working safely and ensuring the safety of their colleagues. 'Ignorance is no excuse in the eyes of the law.' If there is any uncertainty regarding the welfare or safety of employees, advice and guidance must be obtained from senior managers.

### 3.5 Monitoring and Review

The Council utilises a thorough approach to performance monitoring for health and safety, incorporating a programme of performance metrics that includes the following measures:

- Quarterly Key Performance Indicators (KPIs): A regular report that tracks and reports on key metrics such as incident rates, training completion rates, and audit results on a quarterly basis.
- Annual Health and Safety Report: A comprehensive report each year detailing our health and safety performance and initiatives.
- Safety Committee Oversight: The Safety Committee is committed to continuous improvement, regularly reviewing performance metrics to enhance safety practices and identify new areas for development.

The effectiveness of the Occupational Health, Safety and Welfare Policy will be regularly monitored and reviewed to ensure it remains current and effective. This includes conducting periodic audits, gathering feedback from employees, and analysing incident reports. The policy will be reviewed every two years, and any necessary adjustments will be made to continuously improve our health and safety practices and to address emerging risks promptly.

# Financial Policy and Procedure for Foster Carers and Kinship Carers

## Contents

1. Background .....	2
2. Structure for Allowances and Fees .....	2
3. Weekly Allowance to Foster Carers and Kinship Carers .....	2
4. Guidance for Use of Allowances.....	3
5. Discretionary and Additional Allowances .....	5
6. Payments of Allowances, Fees, Discretionary and Additional Allowances .....	8
7. Additional Information on Kinship Carers Allowances.....	10
8. Information on Benefits.....	11
9. Insurance.....	11
10. Financial Inaccuracies - Under or Overpayments.....	12

<b>Version:</b>	January 2025.
<b>Lead:</b>	Service Manager (Children and Families Authority Wide Services).
<b>Date Approved:</b>	
<b>Date for Review:</b>	Bi-ennially, unless significant changes are required.

## **1. Background**

1.1. This document sets out the framework of financial support that Foster Carers and Kinship Carers receive from the Fostering, Adoption and Kinship Team. It details the allowances and fees that will be paid to Carers and what the money is expected to be used for. It also explains the circumstances in which any additional payments can be made.

1.2. The information contained in this Policy is the current, and primary, source of information about finances for Foster Carers and Kinship Carers approved by the Fostering, Adoption and Kinship Team.

1.3. Kinship Carers are paid the same allowances as Foster Carers. This was nationalised by the Scottish Government in 2023.

## **2. Structure for Allowances and Fees**

2.1. Fostering Allowances are in line with the Scottish Government required level of allowances. The increased allowances are funded by the Scottish Government. Additional payments (as outlined in 5) are not specified by the Scottish Government.

2.2. The weekly fee paid to Foster Carers (sometimes called the skills payment) will be £400.00 per week.

2.3. The weekly fee during the first 12 months following approval will be set at 90%. This will increase to the full amount following an annual review and completion of the agreed core training.

2.4. When a Foster Carer agrees to look after a child/young person for a short break, the short break Carer will receive the full allowance and fee pro rata for the period of the short break. The allowance will follow the child i.e. the fulltime Foster Carer will not receive allowance when they are not caring for the child. They will continue to receive their fee.

## **3. Weekly Allowance to Foster Carers and Kinship Carers**

### **3.1. Payments to Carers**

3.1.1. The allowance has been nationalised and agreed by the Scottish Government. It is provided to cover the costs of looking after a child/young person in a foster care or kinship approved placement. For example, it covers the costs of accommodating the child/young person in the Carer's home, food and associated household bills, sundries, entertainment, sporting and other activity costs, clothing costs and items that help children and young people improve their quality of life.

3.1.2. The amount of the weekly allowance is age related and is calculated on a weekly basis. When a child/young person becomes an age where the payment increases, this will take effect from the beginning of the week in which the child/young person's birthday falls.

## 3.2. Weekly Allowances

3.2.1. The weekly nationalised allowances, which were last set by the Scottish Government on 1 April 2023 are:

- 0 to 4 year olds: £168.31.
- 5 to 10 year olds: £195.81.
- 11 to 15 year olds: £195.81.
- 16 years old and over: £268.41.

## 4. Guidance for Use of Allowances

Item	Guidance and Terms of Payments
Clothing and Footwear.	<p>The allowance can be used flexibly by the Carer to buy clothes directly for younger children; or be given to older children/young people on a periodic basis to purchase their own clothing. Older children/young people should be encouraged to take responsibility for some of this allowance as part of their developing independence skills and learning to budget.</p> <p>Clothing enhances the child/young person's concept of self and is important to his/her sense of identity and self-esteem. For this reason, it is generally not encouraged for Foster Carers to buy second hand clothing for children/young people. Carers should involve the child/young person and, where possible, their parents in choices about clothing. Where reasonable, parents' choices should be respected.</p> <p>The allowance is intended to be used to purchase school and casual clothing/footwear.</p> <p>All children/young people should have sufficient clothing at the start of a placement. Any subsequent purchases for clothes are to be purchased using the Fostering Allowance.</p> <p>Carers of young people aged 16 and over should ensure that the young person has appropriate clothing and footwear for formal interview situations, education, training or employment opportunities and for their future move to independence.</p> <p>If a child/young person has inadequate clothing at the start of a placement then an initial allowance should be considered by the child's Social Worker prior to the placement commencing and would not be taken from the fostering team budget. This payment would be taken from the Children and Families Core Budget.</p>
Education.	<p>Due to additional vulnerabilities such as multiple school moves and trauma, looked after children can experience barriers within education. It is important therefore that they</p>

Item	Guidance and Terms of Payments
	<p>have opportunities to excel and are encouraged in terms of any educational experiences, including extra educational materials, outdoor learning, revision books and internet access.</p> <p>Standard materials that are required for children/young people's school attendance and activities are provided for within the allowance. If specific major items are required Carers should contact their Social Worker regarding payment for 'one-off' educational situations. Consultation with the Education Service can also take place in line with corporate parenting responsibilities.</p> <p>The allowance provides for the purchase of a yearly set of standard school photographs.</p> <p>The allowance provides for school trips and activities.</p>
Holiday Clubs and Activities	<p>The allowance provides for the provision of holiday clubs and activities during term time and for part of the holiday period. Children/young people should not spend all their school holidays in play schemes.</p>
Luggage Allowance	<p>The allowance provides for the purchase for two items of luggage for children/young people. All children/young people moving to independence, between placements or returning to family must have appropriate personal luggage. Children/young people should never move with their possessions in shopping bags or bin liners.</p>
Personal Leisure and Hobbies.	<p>The allowance is provided to enable children/young people to engage in hobbies which develop their confidence and self-esteem such as sport or playing a musical instrument.</p> <p>This element of the allowance might also be used to pay for membership of a hobby or club, for example, Brownies or Karate.</p> <p>Children/young people should be encouraged to take part in a weekly activity.</p> <p>If Carers require additional financial support this needs to be discussed with the child/young person's Social Worker and the Carer's Social Worker prior to making a commitment to support the child/young person.</p>
Pocket Money.	<p>The allowance is provided for children/young people for their social and personal needs. Carers should exercise their own judgement on suitable amounts for pocket money age appropriate to a child/young person's needs.</p>
Religious and Cultural Needs.	<p>The allowance contains an element to assist children/young people to access services aimed at meeting their ethnic, religious and cultural needs. This might include skin and hair care, dietary requirements and visits to the child/young person's place of worship.</p>



Item	Guidance and Terms of Payments
Travel/Mileage.	The allowance contains an element per child/young person to enable transport associated with their basic care. This includes transport to and from school, family time, health appointments or leisure activities within 200 miles. (Given this would take you out with Orkney all travel associated with the child's basic care within Orkney does not receive any additional payment).
Mileage.	<p>Additional mileage can be claimed in excess of the 200 miles. The Carer's Social Worker agrees in advance for the transportation to take place. The following examples will be agreed for claiming mileage/transport costs:</p> <p>The rate of mileage will be in accordance with the Council's mileage rates. The cheapest travel arrangements need to always be considered where this is practicably possible.</p> <p>If Carers or children/young people need to travel by plane this is to be agreed in advance by the Service Manager (Children and Families Authority Wide Services).</p>
Savings.	<p>Carers are expected to encourage looked after children/young people to develop a custom of saving money for their future needs and any interests they may have.</p> <p>Opening of a bank account and savings account should be discussed with the child/young person's Social Worker and the Carer's Social Worker.</p> <p>When a child/young person moves to a new placement or into independence or returns to family any accounts should also transfer with them.</p> <p>Any savings for a child/young person should come out of the weekly maintenance allowance and pocket money earned.</p>

## 5. Discretionary and Additional Allowances

Item	Guidance and Terms of Payments
Birthday Payment for children/young people in foster care.	<p>The birthday payment will be equivalent to one week's allowance relative to the age of the child/young person.</p> <p>This is provided for Carers to purchase gifts and to provide a contribution towards the cost of the child/young person's birthday celebrations. Unspent birthday allowances should be put into savings for the child/young person. The Carer's Social Worker will ask for details on how the birthday allowance has been spent. Payments are made automatically</p>

Item	Guidance and Terms of Payments
	approximately three weeks before the child/young person's birthday.
Christmas/Religious Festival Payment for children/young people in foster care.	<p>The one Christmas/religious festival payment is equivalent to one week's allowance.</p> <p>The payment is provided to purchase a gift and to provide a contribution towards the cost of the celebrations. It is paid automatically for all children/young people in placement approximately three weeks before Christmas.</p> <p>If the allowance is required at a different time of year for an alternative festival a request should be made via the Carer's Social Worker.</p> <p>The Carer's Social Worker will ask for details on how the allowance has been spent.</p>
Annual Holiday Payment for children/young people in foster care.	<p>The annual holiday payment equivalent to two weeks allowance per child/young person (age related) is provided as a contribution towards additional costs associated with holidays.</p> <p>The payment is paid to the Carer three weeks before the start of the school summer holiday (June).</p> <p>In exceptional circumstances a discretionary payment may be considered where a child/young person moves between placements in the summer months.</p> <p>If Carers are undertaking overseas travel, adequate travel insurance must be obtained, and a copy of the policy provided to the child/young person's Social Worker. Appropriate consent is required for all trips and the details of the holiday to be discussed fully with both the Carer's and the child/young person's Social Workers.</p>
Children/young person's glasses/contact lenses/prescription sport glasses/other health needs.	Consideration will be given for costs additional to NHS provision for glasses and contact lenses or any other specific health requirement. This must be discussed and agreed in advance by the Carer's Social Worker.
School Uniform and School Meals.	<p>Foster Carers are entitled to claim for a school uniform grant and free school meals from the Council's Education Service.</p> <p>Kinship Carers are not entitled unless they meet the required criteria set by the Education Service.</p> <p>Ongoing school uniform needs are provided for in the weekly allowance.</p>

Item	Guidance and Terms of Payments
Expenses relating to introductions and transitions.	<p>Where Carers incur costs relating to taking a child/young person to a permanent/adoptive placement these will be reimbursed. Subsistence costs will be paid equivalent to the Council's rates of subsistence.</p> <p>Overnight stays will be reimbursed on the provision of receipts not exceeding the Council's overnight subsistence rates.</p> <p>Travel costs will be reimbursed on the provision of receipts.</p> <p>All costs should be discussed with the Carer's Social Worker in advance.</p> <p>If additional members of the Carer's family are involved in the introductions, this must be discussed in advance before any claim for expenses can be made.</p>
Furniture and Equipment expenses for new carers or following a change of terms of approval.	<p>On approval, new Carers will be provided with furniture and appropriate equipment such as cots, stair gates for younger children or desks for older children/young people, if they do not already have these.</p> <p>Equipment will either be new or, if used, clean, in good condition and will meet relevant safety standards.</p> <p>New Cot mattresses for children under one will be provided by the Fostering, Adoption and Kinship Team each time.</p> <p>If a Carer's approval is varied to take on a different age group of children/young people an additional furniture and equipment grant may be negotiated.</p> <p>All items must be discussed and agreed in advance with the Carer's Social Worker and Team Manager before being purchased and receipts must be provided. It is preferred that any furniture is purchased using Orkney Islands Council's purchase order system. All expenditure must be agreed before any purchases are made.</p> <p>The service has a limited store of equipment which can be loaned to Carers such as pushchairs and cots; if a suitable item is in stock this will be provided to the Carer. All items will need to be signed for by the Carer.</p> <p>Any equipment that is no longer required must be returned to the service. All equipment returned must be signed for by the Carer and the member of staff receiving the equipment.</p>
Training Fees Out with Orkney.	Any training out with Orkney must be pre-agreed with the Fostering, Adoption and Kinship Team prior to

Item	Guidance and Terms of Payments
	<p>application. Carers can claim subsistence rates at the current levels for Orkney Islands Council employees.</p> <p>The preferred method of travel will be the most economical taking in disruptions to childcare and will need prior approval and a travel cost comparison.</p>
<p>Specific need identified in line with the child's health / developmental need.</p>	<p>There may be occasions where the specific need of the child means that caring for them requires a specific payment or enhanced allowance.</p> <p>This is something that can be considered in exceptional circumstances, any additional or discretionary payments should be reviewed at a Resource Management Meeting.</p> <p>This payment is kept under review and can be reduced / removed at any time where the additional payment is no longer felt to be required to care for the child.</p>

## 6. Payments of Allowances, Fees, Discretionary and Additional Allowances

### 6.1. Payment Procedure

6.1.1. The allowance will be paid on a fortnightly basis and two weeks in arrears. Carers will receive a payment slip detailing the payments. Payments will be paid directly into the Carer's bank account.

6.1.2. The Social Worker who is responsible for the child/young person placed with the Carer will notify their line manager and the Administration Assistant responsible for the Children Fostered budget at the start and end of any placement, providing the name of the child, PARIS number and date of birth. The Carer's Social Worker from the Fostering, Adoption and Kinship Team should always be involved in the placement, moving and ending of care and should notify the Administration Assistant responsible for the Children Fostered budget.

### 6.2. Payment if a Child is Absent from Placement

6.2.1. Where a child/young person is absent from a placement (not including planned absences such as short breaks), the allowances and any fees will continue to be paid for up to seven days.

6.2.2. Any decision to continue allowances and fee payments beyond seven days will be taken following an assessment of need and will consider whether the child/young person is still being supported by the Carers. For example, whether a child/young person is in hospital and the Carers are visiting daily and providing ongoing practical, emotional and financial support.

6.2.3. If a child/young person is on a school trip the Carer will continue to receive the full allowances and any fees for the child/young person. The Carer is expected to ensure the child/young person has sufficient money for food, travel and pocket money for the duration of the school trip. During this period the Carers are expected to remain available to resume care of the child/young person should the plans change, or the trip breaks down due to the child/young persons' behaviour or health.

### **6.3. Processing of Additional Foster Carer Allowances**

6.3.1. Allowances for birthdays are processed three weeks prior to the birthday.

6.3.2. Allowances for Christmas/religious festival allowance are processed three weeks prior to Christmas or in respect of a religious festival allowance a date agreed with the Foster Carer's Social Worker and child/young person's Social Worker.

6.3.3. Allowances for an annual holiday are processed three weeks before the start of the school summer holiday unless there has been specific agreement with the Team Manager (Fostering, Adoption and Kinship).

### **6.4. Transport/Mileage Expenses in Respect of Foster Carers**

6.4.1. Mileage within Orkney will be reimbursed at the current agreed rate of Orkney Islands Council.

6.4.2. The first 200 miles of any childcare/foster care related travel is included in the weekly maintenance allowance. Any mileage over will be reimbursed at the Council's mileage rate where the mileage has been incurred in relation to the child/young person's activities/meetings.

6.4.3. Exceptional mileage over 200 miles per week must be pre-approved by the Service Manager with responsibility for the Fostering, Adoption and Kinship Care Team before reimbursement is made.

6.4.4. Foster Carers should submit any claims monthly, unless there is pre-agreed by the Service Manager with responsibility for the Fostering, Adoption and Kinship Care Team significant level of mileage/transport expenses in which case they will submit claims on a weekly basis. Under the Council's policy, mileage claims cannot be paid after a period of three months.

6.4.5. Foster Carers must submit any claim on a Foster Carer's Mileage and Travel Expenses Form attaching any receipts; if there are no receipts, payments will not be processed.

6.4.6. Travel outwith Orkney on public transport will be reimbursed on receipt of travel tickets. Agreed mileage outwith Orkney will be reimbursed on production of valid fuel receipts/charging costs.

6.4.7. If a Foster Carer has more than one placement mileage/transport expenses should be detailed on separate expenses forms, if a journey involved more than one child/young person only one claim can be made.

6.4.8 All claims MUST have receipts attached; otherwise, payment will not be made.

## **6.5 Looked after Children/Young People in Receipt of State Benefits**

6.5.1. Where children/young people receive benefits such as Disability Living Allowance, this will be payable direct to the Carers in relation to the child's additional support and care needs. Carer's weekly maintenance allowance will not be affected by this income.

6.5.2. An agreement between the Carer and the child/young person's Social Worker will be written outlining how these monies will be spent. This will be reviewed annually.

## **7. Additional Information on Kinship Carers Allowances**

### **7.1. Policy for Kinship Care Allowances**

7.1.1. Orkney Islands Council administers an Allowance Scheme for looked after children/young people in approved kinship care.

7.1.2. Kinship Care allowances are payable for approved Carers of looked after and previously looked after children/young people.

7.1.3. Those moved into kinship care will require an assessment by a Social Worker. An element of this might be an emergency placement and then a full assessment. Payment of an allowance will begin from time of care. If within the 12-week full assessment period, the Carers are not approved this payment will cease.

7.1.4. Kinship allowances legally are to be paid until the child/young person reaches the age of 18. Orkney Islands Council will continue payment until the child/young person leaves school or reaches the age of 18.

7.1.5. Where a child/young person has been looked after beyond the age of 16 years and has made a specific request to remain in their placement beyond the age of 18 years and this is supported by Social Work and has been reviewed and agreed at a resource management meeting, payments would continue under continuing care arrangements.

7.1.6 Allowances in respect of continuing care may continue up to the age of 21 years if in full time education. These payments must be subject to a social work assessment and approved/ reviewed by a Resource Management Meeting.

### **7.2. Payment of Kinship Allowances**

7.2.1. All approved Kinship Carers will be paid the weekly maintenance allowance as set by Scottish Government according to the age of the child/young person, less Child Benefit irrespective of whether the Carer claims this or not.

7.2.2. Kinship Carers will also receive the additional birthday allowance, Christmas/religious festival allowance and annual holiday allowances.

7.2.3. The procedure for payment is the same as noted above for Foster Carer payments.

### 7.3. Discretionary Payments in exceptional circumstances

7.3.1. Occasionally a Kinship Carer may need additional financial support for a child/young person. For example, equipment, educational opportunity, or specific additional care support that is required to ensure the needs of the child/young person are met. The Kinship Carer should discuss this with the service. A social work assessment will identify where it is felt to be required, and agreement has to be sought from a Resource Management Meeting. Any payments are subject to review and can reduce or be stopped where Social Work services no longer feel them to be required to ensure safe and appropriate care for the child/young person.

7.3.2. Kinship Carers may be able to claim transport/mileage to attend specific training and meetings in relation to the child/young person they are caring for and with agreement from the Team Manager (Fostering, Adoption and Kinship). This will be assessed and agreed as part of the kinship carer agreement.

## 8. Information on Benefits

8.1. Foster Carers are required to register with HMRC as self-employed.

8.2. Carers who are taxpayers should check with **Department of Work and Pensions (DWP)**.

8.3. Further advice on tax and benefits is also available from **The Fostering Network Fosterline**.

8.4. Kinship financial advice can be found through **Adoption UK Scotland** and **AFKAS Scotland**.

8.5. Foster Carers and Kinship Carers are encouraged to keep up to date with any changes to benefit entitlements and must seek direct advice from the Department for Work and Pensions.

8.6. The Fostering, Adoption and Kinship Team is unable to provide direct advice or guidance around benefits issues as these matters are complicated and unique to each Carer's circumstance.

## 9. Insurance

9.1. **As a Foster Carer it is very important that the insurance policy covers the foster children/young person.**

9.2. Carers are expected to have adequate home, contents, vehicle, personal injury and third-party liability insurance. Carers should inform their insurance companies that they are fostering. If Carers have any difficulty in obtaining insurance cover, this should be discussed with their Social Worker and/or Fostering Network.

9.3. The Service requires that Orkney Foster Carers have the following:

- Household and contents insurance cover.
- Buildings insurance for owner occupiers.
- Fully comprehensive motor vehicle insurance including valid licence and MOT.

- Holiday insurance for foster children/young people's holidays abroad.

#### **9.4. Household, Buildings and Contents Insurance Cover**

9.4.1. The key areas in relation to home insurance are accidental damage, malicious damage and theft by a foster child/young person.

9.4.2. Any damages or theft caused by a foster child/young person should, in the first instance, be claimed through the Carer's own insurance company. If the claim is not accepted, there is an excess to pay, or the Carer's insurance premium is increased as a result of a claim, this should be discussed with the Carer's Social Worker, who can help to submit a claim to the Council.

#### **9.5. Motor Vehicle Insurance**

9.5.1. It is the Carer's responsibility to ensure that their car insurance covers any additional liability relating to their role as a Carer. Any vehicle used for transporting children/young people must be maintained in a legal and roadworthy condition and used in compliance with statutory regulations. Carers need to provide copies of their MOT and car insurance to their Social Worker. If there are any changes to their car or insurance company, they must ensure that their Social Worker is kept up to date.

9.5.2. Carers must provide their documentation, as detailed above, before they are eligible to be reimbursed for their mileage expenses.

9.5.3. Carers must ensure that cars are fitted with car seats appropriate to the age and height of the child/young person that they are transporting.

#### **9.6. Travel Insurance**

9.6.1. Carers must arrange travel insurance and insurance for their foster children/young person if they take them on holiday. The Carers should check if the child/young person can be covered by their own holiday insurance or if they need to obtain this through another company. If difficulties are experienced, the Fostering Network may be able to provide advice. Prior, written agreement will be required from parents and/or the child/young person's Social Worker if the holiday is outwith Scotland. All holidays overnight from the family home will be discussed in the first instance with the Carer's supervising Social Workers.

9.6.2. It is vital that any accident or injury to the child/young person, Carer, their family, or anyone else, is reported to the Carer's Social Worker or the child/young person's Social Worker. They will advise on any actions, forms or reports that should be completed.

9.6.3. Individual membership of The Fostering Network is purchased for carers. This provides members with **Legal Protection Insurance** and entitles members to legal advice and representation, if required. Terms and conditions are available from the Fostering Network.

### **10. Financial Inaccuracies - Under or Overpayments**

10.1. The service will make every effort to ensure payments are correct. Carers should check their payments and remittance advices to ensure they are correct. In



the event of an overpayment the Carer should contact their Social Worker to discuss how to return the overpaid monies. Overpaid money should be returned in full immediately. However, in certain circumstances the Council will negotiate a payment arrangement to recoup these funds over an agreed period.

10.2. Overpayments made by the Council will be recovered in full except in exceptional circumstances, authorised by the Head of Children, Families and Justice Services.

# Adoption Allowance Scheme

## Contents

1. The Child/Young Person's Allowance Eligibility .....	2
2. Approved Adopters' Allowance Eligibility.....	3
3. Allowances for Foster and Kinship Carers who Adopt.....	4
4. Inter-County Agreement.....	4
5. Inter-Country Agreement.....	5
6. Adoption Support.....	5
7. The Adoption Allowance Rate .....	5
8. Calculating Financial Eligibility .....	6
9. Information for Adopters About Adoption Allowances .....	7
10. Requirements of Adopters.....	7
11. Review of Adoption Allowances .....	8
12. Termination of Adoption Allowance .....	8
13. Other Costs .....	8
13.1. Legal Expenses.....	8
13.2. Transition Expenses.....	9
13.3. Children/Young People of Foster Carers .....	10
13.4. Children/Young of Kinship Carers .....	10
13.5. Additional transition costs.....	10
14. Appeals .....	10
15. Financial Inaccuracies - Under or Overpayments.....	10
Appendix 1: Financial Circumstances Pro-Forma .....	12
Applicant Details .....	12
Adopter's Family Income and Expenditure.....	12
Special Needs of Child/Young Person Placed for Adoption or Adopted.....	13
Financial Income and/or Resources of Child/Young Person Placed for Adoption or Adopted .....	13
Declaration.....	14
Appendix 2: Adoption and Allowance Means Test Example .....	15

Version:	November 2024.
Lead:	Service Manager (Children and Families Authority Wide Services).
Date Approved:	
Date for Review:	Bi-ennially, unless significant changes are required.

## **1. The Child/Young Person's Allowance Eligibility**

1.1. Adoption is the preferred permanency option for a child/young person who is in the care of Orkney Islands Council, where there is no possibility of reunification with the birth family and no Kinship option available.

1.2. When a child/young person's plan for adoption is presented to the Adoption and Permanence Panel, the Panel will consider whether the child/young person's circumstances meet the eligibility criteria for financial support including an adoption allowance. This will be determined by the Panel in consultation with the Medical Advisor representing the child/young person's health and developmental progress alongside their family medical history. The Panel will make a recommendation about the child's eligibility, and this will be reviewed by the Agency Decision Maker.

1.3. If an adoptive family has not been identified at this point, the child/young person's eligibility for an adoption allowance will be included in the drawing up of 'matching considerations' within the 'family finding' process so that any prospective Adopters are aware of the child/young person's eligibility for an adoption allowance before making a decision about whether they feel able to meet that child/young person's long-term needs.

1.4. Once a match between the child/young person and suitable prospective Adopters has been identified, the match will be considered at a Link Matching Meeting, where the child/young person's health and development will be discussed in line with the prospective Adopters' ability to meet the child/young person's needs and provide for them throughout their childhood.

1.5. The Adoption and Permanence Panel will review the child/young person's eligibility again when considering the match between the child/young person and the prospective Adopters, and the Agency Decision Maker will also express a view on the child/young person's eligibility. Notably, the Agency Decision Maker has the overarching decision. However, further to this, it is widely acknowledged that children/young people's needs might change as they grow and develop and therefore a child/young person may become eligible for an adoption allowance later in their childhood. Where this is the case, Adopters are encouraged to contact the Council's Fostering, Adoption and Kinship Team for support, where they will be helped to explore their welfare entitlement and alternative supports before consideration is given to an application for an adoption allowance. Where an adoption allowance is requested or deemed appropriate, the Fostering, Adoption and Kinship Team representative will be required to complete an assessment of need which will also include a Financial Assistance Request to be considered by the Service Manager with responsibility for the Fostering, Adoption and Kinship Team. It will be presented as a recommendation to the Panel and a final decision is then made by the Agency Decision Maker.

1.6. The decision as to whether an adoption allowance is to be awarded must be undertaken prior to any adoption order being made. There is no provision in law to allow such a payment to be awarded post adoption. An allowance would only be paid once the child/young person has been placed for adoption or the adoption order has been made as determined by the Agency Decision Maker.

1.7. The circumstances under which an allowance may be paid are:

- Where it is deemed **necessary** to ensure that the adoptive parent can look after the adoptive child/young person.
- The child/young person needs special care which requires expenditure of resources by reason of illness, disability, emotional or behavioural difficulties or the continuing consequences of past abuse or neglect.
- Where it is necessary for the adoption agency to make any special arrangements to facilitate the placement or the adoption by reason of:
  - The age or ethnic origin of the child/young person.
  - The desirability of the child/young person being placed with the same adoptive parent as the child/young person's brother or sister (whether of full or half-sibling) or with a child/young person with whom the child/young person previously shared a home.
- Where such an allowance is to meet recurring costs in respect of travel for the purpose of visits between the child/young person and a relative.

1.8. One or more of the criteria detailed in section 1.7 must be satisfied before an allowance can be considered. Where the criteria are met a financial assessment of the prospective adopter(s) must be carried out, to determine eligibility for an allowance. All adoption allowance payments must be ratified by a Resource management meeting process and be subject to (at least) annual review.

1.9. One-off payments can exceptionally be considered on a case-by-case basis where a child/young person's special needs require significant additional expenditure. Any additional or discretionary payments should be reviewed at a Resource Management Meeting

1.10. Where an allowance is being considered to support the placement of siblings together, the already adopted child/young person will not automatically be eligible for an allowance if this is not stipulated in their individual adoption support plan. Each child/young person is assessed on their individual needs and whether these can be met by prospective Adopters.

1.11. The Council may also provide lump sum payments to the adoptive parents. Such lump sum payments are separate and distinct from an adoption allowance and should not be confused with said allowance. A lump sum payment can be paid when such a payment is required, in accordance with an individual child/young person's circumstances, for an adoption to proceed. Any additional or discretionary payments should be reviewed at a Resource Management Meeting.

1.12. The awarding of an adoption allowance and the making of a lump sum payment arise in exceptional circumstances. Most adoptions will proceed without such payments being awarded or paid. The necessity for such payments to be awarded or paid to adoptive parents has no bearing on the paramount consideration of an adoption namely whether an adoption by the prospective Adopters is in the best interests of the child/young person concerned.

## **2. Approved Adopters' Allowance Eligibility**

2.1. A child/young person's eligibility for an adoption allowance will be discussed with prospective Adopters during the 'Preparation to Adopt' course and home study

phases of the adoption approval process, and specifically during the linking and matching process.

2.2. The adoption allowance information will be given to all prospective Adopters at this stage and eligibility for an adoption allowance will be based on an assessment of financial circumstances and the child/young person's support needs.

### **3. Allowances for Foster and Kinship Carers who Adopt**

3.1. There may be circumstances which allows for the Council to pay an adoption allowance to prospective Adopters who are existing Foster Carers or Kinship Carers, based on an assessment of the child/young person's needs and the Carers' financial circumstances.

3.2. In the case of Foster Carers, the Council can pay existing Foster Carers the same level of fostering fee for a period of up to two years following the Adoption Order being granted. This is to allow Foster Carers a period of adjustment to enable them to continue to care for the child/young person without experiencing significant financial hardship which might impact the child/young person during the early stages of adoption. However, as is the case in all circumstances, the Council expects that all prospective Adopters, including Foster Carers, will understand and accept adoption places a legal responsibility on them to provide for the child/young person throughout their childhood and in the case of Foster Carers who might cease fostering, to have considered alternative sources of income which will enable them to meet their responsibility.

3.3. There may be some instances where payments may need to continue post two years, and these exceptional circumstances would be identified at the linking and matching and before any order is made. Any additional or discretionary payments should be reviewed at a Resource Management Meeting.

3.4. In all instances relating to Foster Carers and Kinship Carers, the Carers will be provided with information outlining the expectations of the Fostering, Adoption and Kinship Team, ahead of a professionals meeting to consider the viability of the Carer's request to adopt. Pending a positive outcome, a viability assessment will be undertaken by the Fostering, Adoption and Kinship Team to inform the recommendation or decision to support the request to adopt following a further professionals meeting.

3.5. Any financial support provided by the Council must be agreed by the Service Manager with responsibility for the Fostering, Adoption and Kinship Team, prior to the match being considered by the Adoption and Permanence Panel and prior to any legal assistance being sought in respect of the child/young person's adoption.

3.6. Where the needs of the child/young person are such that a Foster Carer is required to cease fostering, the Council may consider remuneration appropriate, this might be in the form of an adoption allowance.

### **4. Inter-County Agreement**

4.1. A financial agreement is required for use in inter-county placements between local authorities or with voluntary adoption agencies where the aim is to provide an adoption placement for a child/young person or sibling group. It is anticipated that

the agreement will be completed by agency personnel only and the contents agreed separately from the placement planning meeting at which the practical arrangements are discussed. The fee will be paid as one payment and will follow the standard inter-county fee as set out by the Scottish Government.

4.2. The Inter-County Agreement is required to be signed prior to the placement of a child/young person for adoption purposes. The agreement should include any financial arrangements agreed to support the child/young person's adoption. Where it is anticipated an agency will request payment of the fee prior to the child being placed, the terms on which the fee will be paid and refunded should be set out in the Agreement.

4.3. All fee invoices should be addressed to the Service Manager responsible for the Fostering, Adoption and Kinship Team and should identify the child/young, by initials only, placed for adoption.

## **5. Inter-Country Agreement**

5.1. If Adopters want to adopt a child abroad, they need to apply via the Fostering, Adoption and Kinship Team who complete the home study assessment which is charged at the agreed rate of £10,741 (subject to annual review).

## **6. Adoption Support**

6.1. The Council is responsible for placing a child/young person for the purposes of adoption and is responsible for assessing the child/young person's support needs for the first three years after the making of an Adoption Order. After three years the residing Local Authority becomes responsible for providing any support required, apart from the payment of a previously agreed adoption allowance.

6.2. The Adoption Support Plan should reflect the responsibilities of each stakeholder including any financial arrangements. The Plan should be completed and signed by the prospective Adopters, their agency representatives, and also by any other Council contributors to the Plan, prior to the adoptive match being approved by the Adoption and Permanence Panel.

6.3. The Adoption Support Plan will be reviewed prior to the child/young person being placed, and thereafter the Plan will be reviewed at the six-week Looked After Children's Review, at twelve weeks from the point of placement, six months following the child/young person's placement and immediately following the Adoption Order. It will be reviewed at least annually following this.

## **7. The Adoption Allowance Rate**

7.1. The rate of adoption allowance will be based on the foster care allowance and subject to financial assessment. An adoption allowance is a regular payment which is made by the Council to the Adopters and is deemed to cover the costs associated with the specific needs of an adopted child/young person. The payment considers the financial circumstances of the adoptive parents.

## 8. Calculating Financial Eligibility

8.1. In calculating the level of an allowance both the child/young person's needs and resources, and the Adopter's financial circumstances, are considered. The aim is to assist in a successful placement and to enhance the child/young person's wellbeing in the adoptive home.

8.2. The amount of adoption allowance payable must not include any element of reward or profit for the care of the child/young person. Income and expenses are calculated by the Council's Finance team to determine eligibility for adoption allowance and ask for evidence of this using the Financial Circumstances Pro-Forma, attached at Appendix 1.

8.3. When determining income the following is included:

- Earnings from employment or self-employment minus Income Tax and National Insurance. This information either from the most recent P60 or from the Adopter's taxable earnings, Income Tax and National Insurance payments made during the year to date – not an average of these over the past months.
- Certain benefits, including Child and Working Tax Credits, Universal Credit, contributions based Job Seekers Allowance and Carers Allowance.
- Pension income.
- Income from property.
- Child support payments received.
- Certain other income.
- Where Adopters have capital, the calculations disregards £10,000 for a single person and £20,000 for a couple. The remaining capital is then divided by 500 to give a weekly tariff. An example of a couple with £25,000 capital is given below:

Capital minus disregarded amount.	$£25,000 - £20,000 = £5,000.$
Balance divided by 500.	$£5000 / 500 = £10$ (weekly tariff).
Weekly tariff x 52 weeks.	$£10 \times 52 = \mathbf{£520}$ (counted as annual income).

8.4. Not included:

- Certain benefits including Disability Living Allowance and Personal Independence Payments.
- Child Benefit – although we do reduce payments by the amount of Child Benefit received.

8.5. When determining your expenses the following is included:

- A personal allowance of £18,920 for single parents and £23,600 for couples.
- £3,600 personal allowance for each child/young person living in the family home.
- Child support payments made.

- Certain other expenditure but this is usually only where the expense is as a direct result of additional needs of your adopted child/young person.

8.6. Once a figure for income has been reached and a figure for expenses the ratio is calculated. If less than 70% of the Adopter's income is spent on the expenses described at section 8.5, Adopters will not be eligible for adoption allowance.

8.7. Allowances payable according to % of outgoings:

Less than 70%.	0%.
70-77%.	50%.
78-84%.	75%.
85% or more.	100%.

## 9. Information for Adopters About Adoption Allowances

9.1. The Agency Decision Maker will notify Adopters in writing of the decision as to whether any adoption allowance is payable and, if so the proposed amount.

9.2. In situations where payment of an allowance is subject to developments in a child/young person's condition, which may occur after placement, the Agency Decision Maker will advise Adopters of the conditions under which any adoption allowance will be paid including its assessment, review, variation and termination.

9.3. Once the Agency Decision Maker has agreed to payment of an adoption allowance the following information will be provided to Adopters in writing:

- The method by which the adoption allowance has been determined.
- The amount of allowance to be paid to the Adopters.
- The date on which the first payment will be made.
- The method by which the allowance will be paid, the frequency of payments and the period of payments.
- The arrangements and procedures for review, variation and termination of the allowance.
- The responsibilities of the Adopters with regard to their agreement to notify the Council of any changes in their circumstances or those of the child/young person.

## 10. Requirements of Adopters

10.1. The Council will require Adopters to agree, before any adoption allowance can be awarded and paid, to inform the Council immediately in the event of any of the following occurring:

- The child/young person ceases to live with the Adopters on a permanent basis.
- Any change of address.
- Any change in the Adopters' financial circumstances or in the child/young person's needs or resources.



10.2. Adopters must also agree to complete and supply to the Council, each year, an annual statement (and verification) of their financial circumstances, namely income and outgoings, and the child/young person's financial circumstances, including financial needs.

10.3. An adoption allowance can be awarded from the date a child/young person is placed for adoption or at a later date as determined by the Agency Decision Maker.

10.4. The Council reserves the right to cease payment of allowances and to demand repayment of allowances where Adopters have failed to disclose financial circumstances or changes to these.

## **11. Review of Adoption Allowances**

11.1. The Council is required to review the allowance to ascertain whether there is a need for the allowance to continue and if so whether it should be maintained at the same level, increased or reduced.

11.2. Reviews will take place at a Resource Management Meeting.

- Annually after receiving the statement from Adopters detailing their financial circumstances together with the financial circumstances of the child/young person.
- At any other time further to a material change in the financial circumstances of the Adopters and/or child/young person.

## **12. Termination of Adoption Allowance**

12.1. The circumstances under which the Council will terminate the payment of an adoption allowance are as follows:

- When a child/young person leaves an adoptive home as a permanent arrangement.
- When a child/young person leaves full-time secondary education and commences employment or joins a government training scheme.
- When a child/young person qualifies for income support.
- When a child/young person reaches the age of 18, unless he/she is in full-time education. The allowance can then continue until the child/young person reaches the age of 21, as long as they remain in full-time education.
- Any pre-determined period for the payment of allowance agreed between the Council and Adopters has expired.

## **13. Other Costs**

### **13.1. Legal Expenses**

13.1.1. Adoption is a private legal action and not something that the local authority can be party to. The service encourages prospective adopters to seek independent legal advice or consult with the Sherriff Clerk. Adopters can claim legal expenses from Orkney Islands Council and can claim a Legal Expenses Allowance up to £700 to contribute towards the legal costs after a positive assessment by the Fostering, Adoption and Kinship Team.

13.1.2. However, if there are escalating costs resulting from a protracted contested adoption, the Chief Officer, Orkney Health and Social Care Partnership, will be asked to approve legal assistance to submit the adoption petition. Or it is anticipated the adoption will be contested, then a referral will be made to the Council's Legal Services who will put the individual piece of work out to tender within a "framework of solicitors". Legal Services will then recommend a solicitor based on value for money. Should the prospective Adopter choose to retain a solicitor of their choice, then the financial assistance provided to them will be capped at the cost indicated by the preferred solicitor within the "framework of solicitor".

## **13.2. Transition Expenses**

13.2.1. Section 10 (2) (e) (ii) of the Adoption Support Services and Allowances (Scotland) Regulations 2009 refers to the expenditure for the purpose of introducing an adoptive child to the adoptive parents. The Council will support reasonable expenses incurred by prospective Adopters, Foster Carers and Kinship Carers during a child's transition to the adoptive family.

13.2.2. Adopters, Foster Carers and Kinship Carers should be provided with guidance around permissible expenses during a child/young person's transition; this forms part of the Adoption Support Plan and should set out the roles and responsibilities within these arrangements.

### **13.2.3. What is included:**

- Accommodation.
- Car parking fees.
- Public Transport/Taxi fares.
- Fuel/mileage.
- Subsistence allowance towards meals (in line with current Council subsistence rates).

Note: Reimbursement of fuel is preferred where the cost of mileage is greater.

### **13.2.4. What is not included:**

- Subsistence allowance for extended family members.
- Food and drink purchased, which is included in the accommodation costs or when the accommodation provided is self-catering.
- Personal purchases, snacks, cosmetics, cigarettes, stationery etc.
- Alcohol.
- Entry fees to activities and outings, not previously agreed with the adoption service.
- Items for the child/young people, such as clothing, toys and equipment.
- Any other miscellaneous items.

Note: Expenses incurred during the transition will only be reimbursed when the request is accompanied by supporting receipts.

### **13.3. Children/Young People of Foster Carers**

13.3.1. Foster Carers will be required to meet the expenses of any foster child/young person in their care during the course of the transition, including the child/young person to be placed for adoption as this will be covered by the child/young person's fostering allowance.

### **13.4. Children/Young of Kinship Carers**

13.4. Financial assistance to kinship carers regarding children in their care involved in transitioning the child to the adoptive family will be considered.

### **13.5. Additional transition costs**

13.5.1. Financial assistance for travel costs will also be provided in respect of a child's transition, and specifically, relating to introductory meetings such as, 'Bump Into' meetings which form part of the child/young person's preparation, and 'Child Appreciation Day' events, but only when these form part of the agreed transition plan.

13.5.2. Expenses incurred via these events will require prior approval from the Service Manager responsible for Fostering, Adoption and Kinship Care and, as outlined above, any accommodation required to assist in facilitating these events will be arranged by the Council's Travel team.

13.5.3. The Council will reimburse Kinship Carer's fuel/mileage and parking expenses and contribute to the expenses incurred by Foster Carer's outwith their normal mileage expenses. Claimants will be required to evidence receipts to all expenses claimed.

13.5.4. The cost of travel will be considered within an overall 'value for money' approach and factors such as the predictability of travel plans. If the prospective Adopters or carers need to make any additional changes to the travel arrangements this must be discussed with the Family Finding Social Worker and any changes in fees/costs may need to be met by the prospective Adopter or Carer.

13.5.5. The requirement for accommodation to facilitate a transition, where distance is a challenge or a prohibitive factor, will be considered at the 'linking and matching' stage and when planning the child/young person's transition.

## **14. Appeals**

14.1. Prospective Adopters can appeal the decision using the appeals process. Anyone wishing to appeal needs to contact the Team Manager (Fostering, Adoption and Kinship) to request further information.

## **15. Financial Inaccuracies - Under or Overpayments**

15.1. The service will make every effort to ensure payments are correct. Carers should check their payments and remittance advices to ensure they are correct. In the event of an overpayment the Carer should contact their Social Worker to discuss how to return the overpaid monies. Overpaid money should be returned in full

immediately. However, in certain circumstances the Council will negotiate a payment arrangement to recoup these funds over an agreed period.

15.2. Overpayments made by the Council will be recovered in full except in exceptional circumstances, authorised by a Resource Management Meeting.

## Appendix 1: Financial Circumstances Pro-Forma

### Applicant Details

First Applicant's Name	
Address:	
Second Applicant's Name:	
Address:	
Ages of your Children/Young People	
First Applicant's Employer	
Address	
Second Applicant's Employer	
Address	

### Adopter's Family Income and Expenditure

Weekly Income	£	P	Weekly Expenditure	£	P
Net Earnings (First Applicant)			Rent		
Net earnings (Second Applicant)			Council Tax		
Family Credit			Mortgage Payments		
Child Benefit			House Insurance		
One-Parent Benefit			Life Insurance		
Retirement Pension			Social Fund Repayments		
Dependent Children's Allowance			Pension Contributions (not deducted at source)		
Superannuation/Occupational Pension			Food		
ESA			Clothing		
Universal Credit			Childcare costs		
Sickness/Invalidity Benefit			Gas/Electric/Heating		
Disability Benefits (please state)			Car repayment costs		
Investment Income			Car running costs		

<b>Weekly Income</b>	<b>£</b>	<b>P</b>	<b>Weekly Expenditure</b>	<b>£</b>	<b>P</b>
Other(s) please state			Endowment policies or equivalent		
			Telephone /internet		
			Television		
			Household Goods		
			Holidays		
			Other(s) please state		
<b>Total Weekly Income</b>			<b>Total Weekly Expenditure</b>		

### **Special Needs of Child/Young Person Placed for Adoption or Adopted**

Name of Child/Young Person	
Date of Birth	

Please provide the following details given monetary costs as a weekly rate:

	<b>Detail.</b>	<b>£.</b>
Childcare costs for respite purposes.		
Educational costs.		
Replacement costs through damage/destruction, e.g. clothing, household items, etc.		
Health associated costs.		
Travel due solely to child/young person's special needs		

### **Financial Income and/or Resources of Child/Young Person Placed for Adoption or Adopted**

Name of Child/Young Person	
Date of Birth	

Please provide the following details giving income as a weekly rate:

	<b>Detail.</b>	<b>£.</b>
Weekly Income including Social Security Benefits payable in respect of the child/young person.		

## Declaration

I/We certify that the information given in this statement is correct to the best of my/our knowledge and I/We authorise Orkney Islands Council to verify the information if this is considered necessary.

<b>First Applicant</b>		
Name	Signature	Date
<b>Second Applicant</b>		
Name	Signature	Date
<b>Social Worker</b>		
Name	Signature	Date
<b>Home Finder</b>		
Name	Signature	Date

## Appendix 2: Adoption and Allowance Means Test Example

Calculation of Adoption allowance level based on Income/Expenditure

Name	Mr & Mrs Orkney	Child Name	master Orkney	Age at assessment date	01/01/2015	Expected School leaving date	8.6
Address	1 Orkney Street Orkney		Miss Orkney		01/06/2016		7.2

Creditor Ref	<a href="#">dfjgbdj</a>	Couple (Yes/No)	Yes
Date of assessment	2024	Total number of children in household	3

INCOME				EXPENDITURE			
	Disregard	Include	Notes	Evidence Provided?		Notes	Evidence Provided?
Net Earnings 1st		£ 41,250.00		Monthly payslips	Maintenance or Child Support Payments		
Net Earnings 2nd					Other		
Child Benefit	Disregarded	£ 2,901.60					
Tax Credits							
Other State Benefits							
Pension Income					Personal Allowance		
Income from Property					Couple: £23,600	£ 23,600.00	
Any other Income					Single: £18,920		
Tariff Income from Capital		£ 1,560.00			Child: £3,600	£ 10,800.00	
Gross Income		<u>£ 42,810.00</u>			Gross Expenditure	<u>£ 34,400.00</u>	
Capital Allowance £10,000 each		35,000					
Balance		15,000					
Weekly Tariff		30					

Total Outgoings as % of Income 80.36 %

Level of Allowance applicable 75.00%

	Name	Master Orkney	Miss Orkney	Total	
Weekly rate payable	Age	8.63	7		
Less CB		82.23	82.23		
Paid Quarterly		24.00	15.90		If the child receiving the Adoption Allowance is not the eldest child, or Child Benefit is not received, these amounts may need changed.
Allowances Payable according to % outgoings		58.23	66.33		
Less than 70%		757.01	862.31	1,619.31	
70%-77%					
78%-84%					
85% or more					
Adoption Allowance rate					
	Age	56 weeks	52 weeks		
	0-4	82.03	88.34		Paid quarterly (*13 weeks) less CB
	5-10	101.81	109.64		
	11-15	126.71	136.46		
	16-18	164.08	176.70		
Child benefit rates	24.00	1st Child			
<a href="https://www.gov.uk/child-ben">https://www.gov.uk/child-ben</a>	15.90	every other child			



## **Minute**

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

Tuesday, 19 November 2024, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



### **Present**

Councillors David Dawson, Duncan A Tullock and Raymond S Peace.

### **Present via remote link (Microsoft Teams)**

Councillors Graham A Bevan, Jean E Stevenson and Mellissa-Louise Thomson.

### **Clerk**

- Sandra Craigie, Committees Officer.

### **In Attendance**

- Donna-Claire Hunter, Service Manager (Safety and Resilience).
- Veer Bansal, Solicitor.

### **Scottish Fire and Rescue Service:**

- David McGroarty, Group Commander.

### **Police Scotland:**

- Chief Inspector Scott Robertson.

### **In Attendance via remote link (Microsoft Teams)**

### **Scottish Fire and Rescue Service:**

- Scott Gibson, Local Senior Officer.

### **Apology**

- Councillor Alexander G Cowie.

### **Declarations of Interest**

- No declarations of interest were intimated.

### **Chair**

- Councillor David Dawson.

## **1. 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 made against the objectives set within the Orkney Islands Local Policing Plan 2023 to 2026 Year 2, attached as Appendix 1 to the report by the Area Commander, for the period covering 1 April to 30 September 2024, and obtained assurance that progress was being made against the objectives.

## **2. 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 Services, Orkney Islands area, for the period 1 July to 30 September 2024, 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.

## **3. Conclusion of Meeting**

At 15:00 the Chair declared the meeting concluded.

Signed: David Dawson.

## Minute

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

Wednesday, 20 November 2024, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



### **Present**

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

Councillors Heather N Woodbridge, P Lindsay Hall, Steven B Heddle, Rachael A King and Kristopher D Leask.

#### **Pension Board:**

##### **Employer Representatives:**

Councillors David Dawson and Owen Tierney, Orkney Islands Council.

Karen Ritch, Orkney Ferries Limited.

##### **Trade Union Representative:**

Eileen Swanney (Unison).

### **Present via remote link (Microsoft Teams)**

##### **Employer Representative:**

Councillor Graham A Bevan.

### **Clerk**

- Sandra Craigie, Committees Officer.

### **In Attendance**

- Erik Knight, Head of Finance.
- Robert Adamson, Service Manager (Payroll and Pensions).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Katie Gibson, Team Manager (Finance).
- Paul Maxton, Solicitor.

### **Hymans Robertson:**

- David Walker, Partner.

## **Apologies**

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

- Councillor Alexander G Cowie.
- Councillor Mellissa-Louise Thomson.

### **Pension Board:**

### **Trade Union Representatives:**

- Karen Kent (Unison).
- Eoin Miller (Unite).

## **Not Present**

### **Trade Union Representative:**

- Mark Vincent (GMB).

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor Heather N Woodbridge.

## **1. Revenue Expenditure Monitoring**

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

Noted:

**1.1.** 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 2024, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £4,909,600.

**1.2.** The revenue financial detail by service area statement in respect of service areas for the Pension Fund Sub-committee was responsible, for the period 1 April to 30 September 2024, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

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

Councillor Owen Tierney joined the meeting during discussion of this item.

## **2. Pensions Administration – Performance**

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 (Payroll and Pensions), the Sub-committee:

Scrutinised the Pension Fund administration activities, together with performance against key service standards, for the period 1 April to 30 September 2024, as detailed in sections 3 to 8 of the report by the Head of Finance, and obtained assurance.

## **3. Pension Regulator General Code of Practice**

### **Self-Assessment of Compliance**

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:

Scrutinised the Pension Regulator's General Code of Practice self-assessment results and Summary Scorecard, including action points, attached as Appendices 1 and 2 to the report by the Head of Finance, and obtained assurance.

## **4. Statement of Managed Funds**

On the motion of Councillor Heather N Woodbridge, seconded by Councillor P Lindsay Hall, 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:

Scrutinised:

**4.1.** 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 2024.

**4.2.** The IFM Annual Sustainability Report for the year ending 30 June 2024, attached as Appendix 2 to the report by the Head of Finance.

**4.3.** The Baillie Gifford report for the quarter ending 30 September 2024, attached as Appendix 3 to the report by the Head of Finance.

## **5. Conclusion of Meeting**

At 14:23 the Chair declared the meeting concluded.

Signed: H N Woodbridge.

# Minute

## Investments Sub-committee

Thursday, 21 November 2024, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.



## Present

Councillors Heather N Woodbridge, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask and Mellissa-Louise Thomson.

## Clerk

- Sandra Craigie, Committees Officer.

## In Attendance

- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Katie Gibson, Team Manager (Corporate Finance).
- Michael Scott, Solicitor.

## In Attendance via Remote Link (Microsoft Teams)

- David Walker, Partner, Hymans Robertson.

## Apology

- Councillor Alexander G Cowie.

## Declarations of Interest

- No declarations of interest were intimated.

## Chair

- Councillor Heather N Woodbridge.

## 1. Revenue Expenditure Monitoring

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

Noted:

**1.1.** 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 2024, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £277,500.

**1.2.** 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 2024, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

**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 appropriate action was being taken with regard to significant budget variances.

## **2. Treasury Management – 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:

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

- An economic update for the first half of financial year 2024/25.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators.
- A review of the Council's investment portfolio for 2024/25.
- A review of the Council's borrowing strategy for 2024/25.
- A review of compliance with Treasury and Prudential Limits for 2024/25.

## **3. Exclusion of Public**

On the motion of Councillor Heather N Woodbridge, seconded by Councillor Mellissa-Louise Thomson, the Sub-committee resolved that the public be excluded from the meeting 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.

## **4. Statement of Managed Funds**

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 6 of Part 1 of Schedule 7A of the Act.

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:

Scrutinised:

**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 2024.

**4.2.** The Barings Global High Yield Credit Strategies Fund ESG report for the quarter ending 30 September 2024, attached as Appendix 2 to the report by the Head of Finance.

**4.3.** The Schroders Sustainable Investment report for the quarter ending 30 September 2024, attached as Appendix 3 to the report by the Head of Finance.

Councillor Steven B Heddle joined the meeting at this point.

## **5. Strategic Reserve Fund – Corporate Bond Manager Implementation**

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 6 and 9 of Part 1 of Schedule 7A of the Act.

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

Resolved, in terms of delegated powers, what action should be taken with regard to implementation of corporate bond allocations for the Strategic Reserve Fund.

**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.**

## **6. Strategic Reserve Fund – Investment Strategy – Implementation**

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 6 of Part 1 of Schedule 7A of the Act.

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



Resolved, in terms of delegated powers, what action should be taken with regard to implementation of the investment strategy for the Strategic Reserve Fund.

**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.**

## **7. Conclusion of Meeting**

At 10:10 the Chair declared the meeting concluded.

Signed: H N Woodbridge.

## **Minute**

### **Asset Management Sub-committee**

Tuesday, 28 January 2025, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.



### **Present**

Councillors Alexander G Cowie, Kristopher D Leask, Janette A Park, Ivan A Taylor and Heather N Woodbridge.

### **Present via remote link (Microsoft Teams)**

Councillors Steven B Heddle and Mellissa-Louise Thomson.

### **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.
- Thomas Aldred, Service Manager (ICT).
- Graeme Christie, Service Manager (Estates).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Glen Thomson, Service Manager (Property and Capital Projects).
- Michael Scott, Solicitor.
- Gwyn Evans, Strategic Projects.

### **Declarations of Interest**

- No declarations of interest were intimated.

### **Chair**

- Councillor Alexander G Cowie.

## **1. 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:

**1.1.** 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 2024, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £119,200.

**1.2.** 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 2024, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

**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 appropriate action was being taken with regard to significant budget variances.

## **2. 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:

**2.1.** The summary position of expenditure incurred as at 31 December 2024 against the approved corporate asset improvement programmes for 2024/25, as detailed in section 1.4 of the report by the Head of Finance.

The Sub-committee scrutinised:

**2.2.** The detailed analysis of expenditure figures and programme updates, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance regarding significant budget variances and progress being made with delivery of the approved corporate asset improvement programmes.

## **3. Corporate Asset Maintenance Programmes**

### **Revenue Expenditure Monitoring**

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

Noted:

**3.1.** The summary position of expenditure incurred, as at 31 December 2024, against the approved corporate asset maintenance programmes for 2024/25, as detailed in section 1.4 of the report by the Head of Finance.

The Sub-committee scrutinised:

**3.2.** The detailed analysis of expenditure figures and programme updates, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance regarding significant budget variances and progress being made with delivery of the approved corporate asset revenue maintenance programmes.

#### **4. Information Technology and Cybersecurity Strategy**

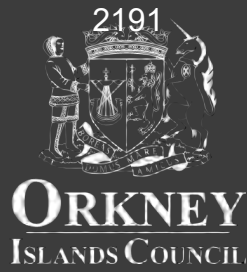
After consideration of a report by the Corporate Director for Neighbourhood Services and Infrastructure, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (ICT), the Sub-committee:

Resolved to **recommend to the Council** that the Information Technology and Cybersecurity Strategy 2025-2029, together with Delivery Plan, attached as Appendix 1 to this Minute, be approved.

#### **5. Conclusion of Meeting**

At 09:50 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.



# IT and Cybersecurity Strategy 2025 - 2029 DRAFT

# Contents

Section 1 – Executive Summary .....	4
1.1 Introduction.....	4
1.2 Strategic Overview .....	4
Section 2 – Objectives .....	6
2.1 Objectives of the IT and Cyber Security Strategy .....	6
Section 3 – Cyber Security .....	7
3.1 Types of threat: .....	10
3.2 Vulnerabilities .....	10
3.3 Risk Management .....	11
3.4 Cyber Security Strategic Targets .....	12
Chief Executive .....	13
Senior Information Risk Owner (SIRO).....	13
Corporate Leadership Team.....	14
Corporate Director for Neighbourhood Service and Infrastructure .....	14
Head of Property, Asset Management and Facilities.....	14
Service Manager (IT).....	14
Service Manager (Safety and Resilience) .....	14
System owners.....	14
System administrators .....	14
Data Protection Officer .....	15
Freedom of Information Officer.....	15
Information Governance Officer .....	15
Information Security and Assurance Officer .....	15
Section 4 – Governance .....	17
4.1 Structures .....	17
Section 5 – Infrastructure.....	18
Strategic Targets .....	18
Section 6 – Internal and External Customer Communications.....	19
Strategic Targets .....	19
Section 7 – Digital.....	20
Strategic Targets .....	20
Section 8 - Customer Focus .....	21
Strategic Targets .....	21
Delivery of the Strategy .....	22
Appendix 1 - IT and Cyber Security Strategy Delivery Plan 2025-2029 .....	23
1.1. ....	23

2. Introduction.....	23
2.1. ....	23
2.2. ....	23
2.3. ....	23
2.4. ....	23
3. Actions to Support IT Strategy Objectives .....	24
3.1. Cyber Security Objectives .....	24
3.2. Governance Objectives .....	29
3.3. Infrastructure .....	31
3.4. Internal and External Customer Communication .....	36
3.5. Digital Objectives.....	38
3.6. Customer Focus Objectives .....	40

# Section 1 – Executive Summary

## 1.1 Introduction

Since the publication of the previous IT Strategy, covering 2021 to 2024, the Council's IT environment continued to undergo significant levels of transformation and renewal, delivering improvements in capacity, capability, connectivity, and resilience.

Of greatest significance has been the ongoing establishment of the Microsoft 365 solution which has enabled the adoption of hybrid staff working solutions including capabilities in remote working.

These developments have opened up improvements in how the organisation works, how it meets, how documents are stored and shared and brought real flexibility to the user experience.

However, these changes in how the organisation works have increased demands to maintain service availability for a diverse workforce while keeping the integrity of the data we hold, safely and securely.

The main focus in this strategy compared with previous strategies will be:

- Shift in focus to greater Cybersecurity
- Emerging technologies
- Artificial intelligence
- Mobile working
- Trend towards Cloud Hosting systems
- Increased Cybersecurity threat levels

## 1.2 Strategic Overview

While a digital strategy sets up goals and objectives for how specific functions and services of the Council can be delivered digitally (e.g. processing payments, managing assets, scheduling transport), this strategy details the Council's IT infrastructure and technology foundation that underpins Council operations.

The delivery undertaken by the IT Service year on year shows that expectation to engage with the Council via digital channels continues to increase. However, limitations in consumer connectivity in Orkney remain a constraining factor in progress and maintains a complementary demand for the traditional means of face to face and telephone.

This means that service delivery must continue to match these demands, whilst recognising that for our community, traditional methods must continue to work well and be maintained.

Providing cost effective secure IT services for our Services and Community is something the IT Service takes pride in. IT, done well, reduces workloads, simplifies processing, supports better systems integration, and provides efficiencies.

Simplifying IT sits at the heart of the successful adoption of digital solutions, ensuring good practice is well understood and ensuring secure practice. If it is hard to understand it is hard



to support and hard to secure. IT needs to stay simple as far as practical. Therefore, we will adopt a common approach to technology as much as is practical, so that solutions are repeatable, equipment is standardised, and economies of scale can occur by doing many things the same way as best we can. IT should not be a “pick and mix” solution and what works in one area should be broadly repeatable.

Distributing this offering across the organisation and across the complex geography of Orkney is a growing demand and meeting this need by providing an IT solution that is common, simple and everywhere underpins this strategy, along with the need to ensure and assure from a standpoint of privacy, security and governance.

Well established, effective IT governance, and an open communications approach, is supported by regularly reporting progress to leadership, colleagues and members. We have established an IT culture of proactively asking for and listening to feedback on our services and have adopted a continuous improvement approach based on identified requirements.

## Section 2 – Objectives

### 2.1 Objectives of the IT and Cyber Security Strategy

Effective and efficient use of IT by Orkney Islands Council is vital in ensuring the delivery of many of the Council's key objectives. There are significant challenges in sustaining a comprehensive and secure IT environment with Information Security being at the very core of what IT do ensuring data confidentiality and integrity is maintained, but at the same time ensuring the correct level of availability to those that require it.



*Fig1: Ensuring data information security - CIA Triad*

To ensure that this new 5-year strategy covers the objectives this IT and Cyber Security Strategy will cover the following areas.

- Cyber Security
- IT Governance
- Infrastructure and Systems
- Internal and External Customer Communications
- Digital
- Customer Focus

This document outlines our direction, highlights our priorities and compliments our Digital Strategy. It reflects feedback from our consultations and aims at providing a strategy that will support a flexible modern agile approach to providing IT services.

## Section 3 – Cyber Security

The Cyber Security Strategy has been incorporated into the Council Information Technology Strategy and has been introduced in response to the increasing threat from cyber criminals and several successful and high-profile cyber-attacks on public and private organisations. The purpose of this strategy is to give assurance to stakeholders of the Council's commitment in delivering robust information security measures to protect citizen and stakeholder data from misuse and cyber threats, and to safeguard their privacy through increasingly secure and modern information governance and data sharing arrangements both internally and with partners.

Across the globe, cyber-attacks are growing in frequency and becoming more sophisticated. Amidst the increased use of information technology since the 2020 Covid-19 pandemic, cyber criminals have become more active, and our exposure has increased. When cyber-attacks succeed the damage can be significant; with personal, economic and social consequences.

Cyber-attacks will continue to evolve, which is why we will continue to work at pace to stay ahead of all threats. The Information Technology Strategy which continues to ensure we will place stakeholders at the heart of everything we do in a changing technological landscape. The measures outlined in this strategy will deliver assurance and compliance in the way we operate and deliver our services, supporting the Council to remain at the forefront of cyber resilience. To ensure this strategy continues to deliver robust Cyber security high level scrutiny will be achieved by the Corporate Risk Register and twice-yearly review by the Policy and Resources Committee.

In technology terms, the legacy of the 2020 Covid-19 pandemic is a transformation in how organisations, including the Council, deliver and utilise technology with more remote working combined with office-based activity.

While these changes have delivered significant benefits to the workplace, they have also presented new and lucrative opportunity routes for cyber-criminal activity. Cyber security has become, and will remain, a key responsibility for all of us collectively and as individuals.

The prevalence of digital services and the dependence on their confidentiality, integrity, and availability means that a robust and comprehensive cyber security strategy and framework are vital to ensure that appropriate measures are in place.

Systems and data must conform to secure access arrangements and information storage must be protected, carefully curated and still available for use by those authorised to do so.

Vendors must comply with effective and recognised standards of security, robustness and service, both in the organisation that they are and the product that they produce, supply and support.

Information systems must have clearly defined internal owners within our organisation, responsible for the functionality, controls and development roadmaps of systems we use.

Finally, staff training is also an important factor in combating cyber threats and reducing risk in a constantly changing online environment. Ongoing programmes seek to raise awareness of cyber security and to strengthen the human element of cyber defence. This strategy is our cyber security commitment, both to the people we represent and the national interest; and supports delivery of the Information Technology Strategy and in line with Council Plan priorities by providing a framework for the Council to securely harness the benefits of digital technology for the benefit of all.

Orkney Islands Council is increasingly dependent on the use of digital technologies to provide services and to communicate with its citizens. With the increase in the use of publicly visible technology, e.g. websites, payment portals, and other publicly available internet-based services, there is an associated increased risk of exposure to threats from criminal and other malicious parties. There has been a significant rise in the incidence of cyber-crime in recent years with no signs of this trend abating. The Council must rise to the challenge of meeting this increased risk through implementation of strong security controls and raising staff awareness while at the same time enabling the use of innovative and progressive technological solutions where possible.

Through delivery of this strategy, we will comply with and embed the principles of good cyber security practice based on the controls of ISO 27001:2022, an internationally recognised standard for information security. We will also follow the “10 Steps to Cyber Security” framework published by the National Cyber Security Centre.

The scope of this strategy includes all of the Council’s information systems, the data held on them, and the services they help provide. It aims to increase cyber security for the benefit of all citizens, businesses, partners, and stakeholders.

The world today is dependent on connectivity to function effectively, and this dependence leads to risks from malicious actors looking to disrupt services for political or financial gain. The risks posed by cyber threats are widespread and pervasive across all sectors. Well managed cyber risk is an enabler for organisations to function and protect their critical assets as well as maintain functional integrity and maintain confidence with partner agencies and stakeholders.

Failure to manage cyber risk can result in severe impacts including:

**Financial impacts.** Direct costs for remediation and recovery of systems, forensic investigations, costs of additional equipment to assist in recovery of systems and services, potential regulatory penalties.

**Data impacts.** Loss of access to data, data theft.

**Operational impacts.** Loss of access to systems for a prolonged period, staff demotivation stress and burnout.

**Reputational impacts.** Erosion of trust and confidence from our citizens, reduced levels of trust from partner agencies, negative publicity in media.

**Regulatory impacts.** Imposition of penalties and improvement notices, ongoing monitoring and auditing from regulators.

Cyber security refers to the body of technologies, processes, and practices designed to protect networks, devices, programs and data from attack, damage, or unauthorised access. Cyber security is the practice of ensuring the confidentiality, integrity and availability (CIA) of information held on digital systems.

- **Attacks on Confidentiality:** This is where a threat actor steals or copies personal information for criminal or malicious purposes.
- **Attacks on Integrity:** This is where a threat actor seeks to corrupt, damage or destroy information held on systems.
- **Attacks on Availability:** This is where a threat actor attempts to prevent legitimate access to systems to cause reputational damage. Denial of service attacks are a typical route for this.

In order to deliver services, the Council collects, processes, transmits and stores large amounts of personal and sensitive data and transmits sensitive data across networks to other devices.

A successful cyber-attack would interrupt the Council's ability to deliver services, many of which serve our most vulnerable residents, for an extended period as well as incurring large recovery costs and significant damage to our reputation.

A successful cyber security approach enables us to protect information, the systems that are used to process or store it, ensures our services are kept up and running, and is vital in ensuring the public trusts the Council to protect their information and store it securely.

The Council continues to use an increasing range of technology, from apps and the cloud to locally hosted devices. Much of our business is done online, e.g. corresponding with residents and local businesses, carrying out case work, and reviewing reports for Council meetings.

This direction of travel is expected to continue and accelerate, making effective cyber security ever more crucial in protecting against new types of threats, risks and vulnerabilities.

## **Threats**

A threat left unchecked could disrupt the day-to-day operations of the Council and the delivery of local public services, and ultimately has the potential to compromise the security of other organisations.

### 3.1 Types of threat:

#### Cyber criminals and cyber crime

Cyber criminals are generally working for financial gain, most commonly, for the purposes of fraud: either selling illegally gained information to a third party, using it directly for criminal means, or denying legitimate access to information in order to hold it to ransom.

Key tools and methods used by cyber criminals include:

- **Malware:** Malicious software that includes viruses, Trojans, worms or any code or content that could have an adverse impact on organisations or individuals.
- **Ransomware:** A type of malware that encrypts data to prevent legitimate access. This type of criminal action is usually followed by a ransom demand for a means of decryption to regain access or to prevent stolen data being published on criminal websites.
- **Phishing:** Emails purporting to come from a trusted source and intended to extract sensitive or personal information from the recipient.
- **Hactivism:** Hacktivists will usually attempt to take over public websites or social media accounts to raise the profile of a particular cause. When targeted against local government websites and networks these attacks can cause reputational damage. If online services are regularly disrupted by cyber-attacks, this can lead to the erosion of public confidence in those services. Hacktivist groups have also successfully used distributed denial of service attacks to disrupt the websites of a number of councils (Distributed Denial of Service or DDoS attacks send overwhelming quantities of network traffic to the target with the intention of preventing access to the services it provides).
- **Insiders:** Staff may intentionally or unintentionally release sensitive information or data into the public domain. This may be for the purpose of sabotage or to sell to another party, but often is due to simple human error or a lack of awareness about the particular risks involved.
- **Zero-day threat:** A zero-day exploit is a cyber-attack that occurs as soon as a weakness is discovered in software and before the supplier is either aware of it or can provide an update to mitigate it. It is an attack that exploits a previously unknown security vulnerability. This poses a risk to any computer or system that has not had the relevant update applied.
- **Physical threats:** The increasing reliance on digital services brings with it an increased vulnerability in the event of a fire, flood, power cut or other incident, natural or otherwise, that impact upon IT systems.

### 3.2 Vulnerabilities

Vulnerabilities are weaknesses or other conditions in an organisation that a threat actor; such as a hacker, nation state, disgruntled employee, or other attacker, can exploit to adversely affect system security. Cyber vulnerabilities typically include a subset of those weaknesses and focus on issues in the IT software, hardware, and systems an organisation uses.

## Types of vulnerability

- **Failure to System Maintenance:** Software vulnerabilities are constantly discovered by software suppliers and independent security professionals, and patches or updates are made available by the suppliers as quickly as possible to reduce the risk of a malicious actor exploiting them. The vulnerabilities are assessed and scored using an internationally recognised system to allow prioritisation according to severity of likelihood and impact. It is necessary to apply these patches and updates in a timely fashion to avoid the risk of malicious exploitation. Defence against exploitation employs the use of both automated tools and manual intervention to patch and update systems in a timely manner. If systems are not patched or updated in a timely fashion, then an attack on a system has a much better chance of success. It is also vital that system owners budget for future upgrades and set a timely schedule for the work to be undertaken,
- **Legacy Software:** Software that is in use but out of support, or unsupported, cannot be patched. Therefore, the likelihood of it being successfully compromised grows over time and cannot be addressed.
- **People:** ‘Social engineering’ seeks to trick people into allowing access to systems or handing over their credentials. Training and support are the main methods of dealing with this challenge, and these can be backed up with well thought out procedures and guidelines as well as good controls on user systems plus system monitoring for unusual events.

## 3.3 Risk Management

Cyber Risk Management is a fundamental part of broader risk management to ensure cyber security challenges are fully identified across the Council and appropriate action is carried out to mitigate the risk. The management of cyber security is, in large part, the management of risk, and falls within the Council’s overall risk management policy. The Council has robust processes in place to manage risk at various levels within the organisation. To mitigate the multiple threats we face and safeguard our interests in cyberspace, we need a strategic approach that underpins our collective and individual actions in the digital domain.

This will include:

- A cyber security risk management framework to help build a risk aware culture within the Council.
- Cyber Awareness training to help mitigate insider threats, understand supply chain risks and ensure all staff understand the issues and their responsibilities.
- Applying ISO 27001:2002 controls and conforming to appropriate standards and frameworks to ensure that the Council will be able to identify, mitigate and protect against information security risks in a timely manner.
- Accrediting to the Public Sector Network (PSN) and any successor standards set by the Cabinet Office or Scottish Government.
- Undertaking an annual security health check using an independent specialist.
- Undertaking ad hoc security health checks for major system changes and externally hosted systems where necessary.

## 3.4 Cyber Security Strategic Targets

### Deter and Detect

The Council shall present a difficult target for all forms of attack and exploitation online. To achieve this will involve detecting, understanding, investigating and disrupting hostile action against us.

- Support enhanced governance through the application of government's cyber security guidance, e.g. 10 Steps to Cyber Security, NCSC cloud security guidelines, etc.
- Support network security through:
  - The use of multi-factor authentication, where technically possible.
  - Application of password protocols with high entropy. This means reliance on password length rather than complexity as per NCSC guidelines. Passwords which would on their own grant extensive system access, will have higher entropy levels.
- Raise defences through malware prevention.
- Review and enforce removable media/device controls.
- Maintain secure configuration.
- Deliver agreed plans and guidance.
- Training and educating users to help detect, deter and defend against the Cyber threats.

### Defend and Develop

The Council will continually develop its cyber security strategy to address the risks faced by the public sector. This includes developing a coordinated and tailored approach to risks and threats that we may encounter and mitigation of potential vulnerabilities.

- Develop and maintain risk management framework, internal control and governance for the prevention and detection of irregularities and fraud.
- Ensure that major cyber security risks are present on the corporate risk register and hence managed by the Corporate Leadership Team.
- Implement processes, procedures and controls to manage changes in cyber threat level and vulnerabilities.
- Manage vulnerabilities that may allow an attacker to gain access to critical systems.
- Operate the Council's penetration testing programme and cyber-incident response.
- Develop training for staff and elected members.
- Develop an incident response and management plan, with clearly defined actions, roles and responsibilities.
- Develop a communication plan in the event of an incident which includes notifying (for example) the Corporate Leadership Team, the Communications Service, the National Cyber Security Centre (NCSC), Scottish Government Cyber Co-ordination Centre (SC3), Government Security Group (Cabinet Office), Police Scotland, and Information Commissioner's Office (ICO).



In continuing to provide assurance, the Council will:

- Maintain and continuously develop appropriate cyber security governance processes and a security framework with policies/procedures reviewed on a regular basis.
- Maintain, rehearse and regularly review an incident response and management plan, with clearly defined actions, roles and responsibilities. A copy of all incidents shall be recorded regardless of the need to report them.
- Set practice exercises on a regular basis; to ensure effective reaction to incidents when they occur.
- Maintain and regularly test and review business continuity plans for each service.
- Review vendor management – process of assessments of third parties.
- Explore Active Cyber Defence tools and new technologies to ensure the Council has best solutions to match with threats.
- Apply the government's cyber security guidance – 10 Steps to Cyber Security.
- Provide relevant cyber security training for staff and elected members.
- Comply with the applicable standards (PSN, PCI-DSS, etc).
- Protect enterprise technology by working with the Council's supply chain to develop model architecture and review audit logs to reduce chances of threats.
- Engage with external intelligence providers (Scottish Local Authority Information Security Group, Scottish Cyber Coordination Centre (SC3), Government Cyber Coordination Centre (GC3) OLECG and the OLECG cyber security subgroup, Cyber Scotland, North of Scotland Regional Resilience Partnership).

Effective cyber security governance in the Council is delivered through the following roles and functions:

## Chief Executive

The Chief Executive plays a critical role in cyber security. The Chief Executive is ultimately responsible for the Council's strategic direction, governance, and preparedness in managing cyber risks, including:

- **Providing strategic leadership** by ensuring cyber security is a strategic priority for the Council, and recognising its importance to service delivery and public trust,
- **Fostering a culture of security** by promoting a security-conscious culture across the organisation, and ensuring that as the Council adopts digital solutions, it balances innovation with robust security practices.
- **Supporting Incident Response and Resilience** by ensuring the Council has robust incident response plans that include clear roles and responsibilities for mitigating cyber-attacks and co-ordinating with external bodies, such as the National Cyber Security Centre (NCSC), local resilience forums, and law enforcement during incidents.

## Senior Information Risk Owner (SIRO)

The Council's nominated Senior Information Risk Owner (SIRO) is the Corporate Director for Neighbourhood Services and Infrastructure. The SIRO is responsible for the governance of cyber security and information risk within the Council. This includes ensuring that

information governance risk is managed in accordance with the General Data Protection Regulation (GDPR). However, whilst the SIRO is the nominated officer, responsibility for safeguarding information and information systems is shared across the organisation with all staff having a role to play.

## **Corporate Leadership Team**

Corporate Leadership Team (CLT) sponsor the Cyber Security Strategy and oversee the strategic framework through which the Council governs its information resources.

## **Corporate Director for Neighbourhood Service and Infrastructure**

The Corporate Director for Neighbourhood Services and Infrastructure has responsibility for the oversight of cyber security management through the Head of Property, Asset Management and Facilities, and provides a link into the promotion of cyber security at board level.

## **Head of Property, Asset Management and Facilities**

The Head of Property, Asset Management and Facilities has responsibility for the oversight of this plan and the IT implementation plan this feeds into as well as responsibility for oversight of cyber security generally.

## **Service Manager (IT)**

The Service Manager (IT) has responsibility for implementation of cybersecurity controls by the IT Support team.

## **Service Manager (Safety and Resilience)**

The Safety and Resilience team have responsibility for both the major incident plan and the overall business continuity process that would be necessary if an incident such as a cyberattack were to occur.

## **System owners**

System owners are responsible for ensuring that the procurement of new systems is overseen by a project board that includes the Information Security and Assurance Officer and the Information Governance Officer and that systems meet the required standards for cyber security and data protection standards, and the Digital Strategy.

System owners are also responsible for ensuring that upgrades are budgeted and undertaken in a timely fashion, that access is permitted for maintenance and patching, and that adequate provision is made for user acceptance testing when required.

## **System administrators**

System administrators are responsible for installing, supporting, and maintaining data and application servers, and other IT (Information Technology) infrastructure. The persons with this function will normally be nominated by the Service Manager (IT), or where the system is directly managed by a service, the Head of Service for that area. The system

administrator must not be the same person as the Data Controller for the data contained on the system.

System administrators are also responsible for:

- Ensuring that access privileges are granted at the appropriate level for staff requiring access to the system and revoking privileges in a timely manner when staff no longer need access.
- Ensuring that access is permitted for maintenance and patching.
- Developing and monitoring procedures for the system, satisfying the requirements of the relevant Data Controller, satisfying corporate security standards based on cyber security policies and procedures.

### **Data Protection Officer**

The Data Protection Officer is responsible for ensuring that data protection responses do not compromise the cyber security of the Council's data, IT infrastructure, or services.

### **Freedom of Information Officer**

The Freedom of Information Officer is responsible for ensuring that freedom of information responses do not compromise the cyber security of the Council's data, IT infrastructure, or services.

### **Information Governance Officer**

The Information Governance Officer is responsible for ensuring that, in conjunction with the Head of Property, Asset Management and Facilities and the Information Security and Assurance Officer, Information Governance policies support the principles of this strategy document.

### **Information Security and Assurance Officer**

The Information Security and Assurance Officer is responsible for developing and maintaining this strategy document to reflect changes in cyber security standards, and national public sector policies and frameworks.

The Information Security and Assurance Officer is also responsible for developing and maintaining Council and operational policies, cyber security standards and controls, reporting mechanisms and checklists, and risk management for cyber security.

It is the responsibility of all Staff to comply with the standards set out in this Information Technology and Cyber Security Strategy.

Currently the Council must comply with the following standards:

- Bankers' Automated Clearing Services (BACS).
- Payment Card Industry Data Security Standard (PCI DSS).
- Public Services Network (PSN).

In addition, the Council should follow all relevant National Cyber Security Centre (NCSC) guidance.

To ensure as robust a cyber security stance is taken IT will work with and assist our partners including Orkney Health and Social Care Partnership, Orkney Ferries Ltd, UHI Orkney and others.

## Section 4 – Governance

Good governance helps to ensure that investment in IT delivers benefits to the wider community as well as addressing corporate and service objectives. Our Strategy will take account of national and local initiatives and developments. We continue to work closely with colleagues in the NHS, UHI and the SG Digital Office as well as seeking opportunities to work with other Orkney based partners. These partnerships provide a firm platform for deriving benefits from joint working, shared systems, and procurement.

Good governance requires us to be open and accountable. Feedback from stakeholders tells us that we need to explain our services and the value of changes to the business.

### 4.1 Structures

- Asset Management Sub-committee considers reports from IT on a regular basis, including on delivery of this Strategy, the IT Capital Programme and the IT Asset Management Plan.
- The Corporate Leadership Team reviews IT performance, considers significant change requests, agrees the IT Capital Programme and ensure strategic fit working with the Council's Asset Management Strategy.
- IT will work closely with Internal and External Auditors to ensure good governance is acted upon.
- To ensure that any changes to key IT infrastructure and systems are correctly scrutinised IT will follow best IT Infrastructure (ITIL) practice with changes being discussed within a Change Advisory Board (CAB).
- IT will work with the Procurement team to ensure best practice is conducted with regard to infrastructure and systems procurement.
- IT will meet regularly with colleagues within the Improvement and Performance section to ensure the IT Strategy aligns with the Council's Digital Strategy.

## Section 5 – Infrastructure

The Council's IT assets, both physical and data, need constant maintenance and investment to ensure they remain fit for purpose and can fully support the Council's business objectives. These systems must be resilient, secure, available and enable improved public services whilst supporting innovation and change.

When ensuring resilience, consideration must also be given to responsible and careful arrangements around the supply and consumption of energy. Making use of such technologies as Cloud services, server virtualisation and remote collaboration and conferencing will assist in achieving a 'power light' collaborative green digital strategy.

One of the key themes of the recent digital transformation is the move "out" of the buildings and beyond the normal perimeters of the Council's local area network. Therefore, there is a challenge to be met in the continuing establishment of a Council network without walls that provides access to IT systems widely, flexibly, securely and responsively.

Continuing partnerships and collaboration with other councils has provided further opportunities to understand, enhance and improve our digital approach and overall network capabilities. Such partnerships as the Society of Council IT Managers (SOCITM), Scottish Wide Area Network (SWAN2) along with our own locally implemented improvements have provided an understanding that we can apply to expanding and linking our digital network to our users throughout our islands, premises, and schools.

### Strategic Targets

- We will continue our existing activities to 'harden' our local core infrastructure to provide an accessible, secure, and stable IT platform for existing and future systems requirements.
- Fully implement the next iteration of the Scottish Wide Area Network (SWAN2) while lowering costs.
- Ensure that our network fully enables access to electronic resources such as the Scottish Educational Digital Network (GLOW) and supports Council employees working in more flexible and mobile ways, including widening access to the Intranet.
- Continue to develop the use of Cloud technologies to enhance our IT offerings to customers and staff on an enhanced expanded local to cloud based network infrastructure.
- Continue to develop the use of cloud based remote working technologies.
- Work with staff and partners in meeting their expectations and needs through identifying what systems and equipment are required; improve efficiencies by identifying and removing redundant systems on our infrastructure.
- Ensure our IT Infrastructure represents 'value for money' and supports the Council's business objectives.
- Continue to improve our resilience and disaster recovery infrastructure.
- Ensure that our data holdings are secure, accurate and available to services to derive maximum value from the data we hold.

## Section 6 – Internal and External Customer Communications

Effective communications between our customers, partners and staff are an essential ingredient to provide high quality Council services. Balancing security and data protection obligations, while providing good ways to collaborate with partner organisations in the public sector and Orkney economy will be a theme for our enhancements in our digital offerings.

Documentation and access to documentation forms an essential part of effective technology based interactive services. It provides information to customers and staff required to deliver services. We will continue to support the ongoing development of Records Management solutions and governance standards being applied across the Council's data holdings both on-premise and in the Cloud, which will help us produce a robust documentation infrastructure, while meeting our green targets.

### Strategic Targets

- Continuously improve the Council's digital communications infrastructure and encourage its use, through providing facilities to support Council employees and customers to work and interact in a more flexible and mobile way, supporting sustainable communities.
- Introduce and promote digital document and record management to support effective, secure document creation and storage.
- Ensure easy access for staff and customers to information and meet our legislative data management requirements.
- Continuously improve our use of technology and work towards using systems that are used by others.
- Work proactively with partner organisations and other councils to achieve the best fit technologies for our customers – do not re-invent the wheel.
- Assist Customer Services to improve the way we work and communicate with our customers. Continuously review the way we collect staff and customer feedback through surveys and providing information on our activities and plans to our customers and staff.
- Continue to develop our Information Technology Infrastructure Library (ITIL) processes around IT support in incident management, service management, problem management, change management and asset management, including the creation of staff 'self-help'.

## Section 7 – Digital

Technology offers a tangible benefit to customers. IT therefore needs to embrace emerging technology and deliver a service that meets our customer expectations. This also means supporting our workforce to develop their own digital skills and implementing hardware that supports a more digital position.

Many staff work using a hybrid working arrangement. We will continue to not only support but enhance technologies to develop an ever-increasing mobile workforce in a secure and robust manner.

### Strategic Targets

- Support the introduction of new streamlined electronic processes and collaborative communications using available interactive technologies, such as Office 365, Electronic Document and Records Management System (EDRMS), Customer Service Platform and many other available IT solutions.
- Demonstrate leadership behaviour that supports and fuels a digital culture among staff and customers.
- Listen to and support staff on how to ‘get the best’, from these systems through providing pro-active knowledge bases.
- Advise on appropriate training using available browser based interactive platforms such as provided by partners, iLearn, IT Helpdesk and all other available resources.
- Enhance technologies to support modern working practices.
- Improve and develop our staff’s digital competency.
- Actively support areas of change in automated systems including Artificial Intelligence where appropriate.

Furthermore, our partnerships in the public sector, especially across Orkney, and our relationship with the technology economy across the isles, will be of importance. While we cannot merge infrastructure and systems across discrete organisations, we will seek to enhance our partnership and digital collaboration.



## Section 8 - Customer Focus

What we do as a Council touches the lives of most people in Orkney. Much of the time it won't be noticed, which is how it should be. Our services are provided in the background, efficiently and are there when they are needed. Our staff need IT to support them in delivering these services. At the same time our customers have an increasing expectation to be able to use technology to interact with our services at a time and in a way that suits them.

As a Council our customer base covers a wide variety of stakeholders. This includes Council staff in the various Council Offices, school staff and pupils, Marine Services, Airfields, and local Community Councils, as well as the wider Orkney community. Technology can be difficult to understand and use. IT will use their expertise to work with Services to introduce IT that has a stronger 'Customer Focus'. Any new system needs to meet the needs of our external and internal customers, with the design stage taking both into account as early as possible.

### Strategic Targets

- IT will use their expertise to work with Services to introduce IT that has a stronger 'Customer Focus'.
- Any new system requires to meet the needs of our external and internal customers, with the design stage taking both into account as early as possible.
- IT will use feedback from customers and staff to deliver continuous improvements to our business processes.
- We will review our Service Charter and introduce new targets as appropriate to support our changing business needs.
- We will encourage our stakeholders to work with us to discuss their issues and any planned IT developments.
- Where available and appropriate we will use technology and user workshops to train and inform staff on our service technologies.
- We will concentrate on developing and updating user guidance with the aim to make our staff more technically independent on the systems they use.

## Delivery of the Strategy

Each key aspect of this Strategy will be allocated to a lead officer within the IT Management Team and they will be responsible for preparing a Delivery Plan to demonstrate how each of the Strategic Targets will be delivered.

The Delivery Plan will set out the operational targets, resources required and performance indicators to demonstrate improvement.

Scrutiny of this Delivery Plan will be through regular reports to the Asset Management Sub-committee, usually biannually.

# Appendix 1 - IT and Cyber Security Strategy Delivery Plan 2025-2029

## Purpose

### 1.1.

This Delivery Plan provides information on delivering each of the objectives of the Information Technology (IT) Strategy.

## 2. Introduction

### 2.1.

The IT and Cyber Security Strategy Delivery Plan is a technical plan which underpins and supports the IT and Cyber Security Strategy and aims to improve and maintain the Council's IT infrastructure and systems.

### 2.2.

The table below set out the detail of how the IT and Cyber Security Strategy is being delivered. The IT and Cyber Security Strategy has a number of strategic targets, grouped into 6 themes. Objectives have been abstracted from the strategic targets in the strategy, and the table in sub-section of section 3 below, corresponds to a group of actions (one per row) contributing to that objective.

2213

### 2.3.

Each action is owned by a specific member of staff, who is accountable for the correct and thorough completion of the task, and each is led by a specific member of staff who is responsible to the owner for the planning, execution and implementation of each necessary piece of work.

### 2.4.

For each action, progress will be reported, and an indication is given of the next steps planned. Where appropriate, an indication is given about where to find more information about the project or workstream.

### 3. Actions to Support IT Strategy Objectives

#### 3.1. Cyber Security Objectives

We will maintain a secure physical and virtual environment, with a high degree of resilience and confidence, based on national standards to present a difficult target for all forms of attack and exploitation online. To achieve this will involve detecting, understanding, investigating and disrupting hostile action against us.

**Objective 3.1.1:** We will implement suitable security controls to present a difficult target for all forms of attack and exploitation online.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.1.1.1. Public Services Network (PSN) accreditation.	Kenny MacPherson	Tony Whenman	Current accreditation until May 2025. Preparations for the next PSN accreditation due May 2025 have started. A full IT Health Check has been completed and a remediation plan has been drawn up.	Remediation Plan actions.
3.1.1.2. Build and Maintain IT Network defences following recognised (NCSC) security protocols.	Tony Whenman	Thomas Aldred	Network design is based on National Cyber Security Centre (NCSC) guidelines and security protocols. A review of network design to ensure it meets guidelines has found that some IT systems, while in a secure design do not meet current best practice.	Review systems by end 2025. Develop best practice designs 2025-2026. Establish financial cost implications 2025-2026. Migrate to best practice 2026-2029 where resources permit.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.1.1.3. Undertake an annual ITHC using an independent specialist	Kenny MacPherson /Tony Whenman	Thomas Aldred	A health check is conducted annually by an external accredited cyber security specialist. Any issues identified are programmed into an Action Plan that is worked through by IT and stakeholder services. Weekly internal checks are performed by the Information Security and Assurance Officer.	Review Health Check Report. Finalised Action Plan. Apply remediation steps as per plan by May 2025. Continuous review of internal checks.
3.1.1.4. Support Systems Security	Tony Whenman	System Owners	Systems security is supported using multi-factor authentication, where technically possible, and use of password protocols with high entropy. This means reliance on password length rather than complexity as per NCSC guidelines.	Work with System Owners to introduce Muli-factor authentication on an ongoing basis.
3.1.1.5. Train and educate users to defend against cyber threats	Tony Whenman	OD/ Communications /IT Support	Regular notification of new threats by bulletin email and SharePoint distribution. iLearn courses.	Continue to develop ways of enhancing user participation.

**Objective 3.1.2:** We will develop a coordinated and tailored approach to risks and threats that we may encounter and mitigation of potential vulnerabilities.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
3.1.2.1. Develop and maintain Cyber risk management framework.	Kenny MacPherson	Tony Whenman	Internal controls and governance for the prevention and detection of irregularities and fraud are in place.	Review and adjust controls, due end 2025.
3.1.2.2. Ensure that major cyber security risks are present on the corporate risk register.	Kenny MacPherson	Tony Whenman	Cyber security is currently recorded as a risk on the Corporate Risk Register.	Ensure the cyber security risk register is reviewed and updated regularly. Ongoing
3.1.2.3. Implement processes, procedures and controls to manage changes.	Kenny MacPherson	Tony Whenman /Thomas Aldred /System admins	Change Advisory Board (CAB) is in place.	Generate assurance that changes are presented to the CAB. Review 2025, with implementation 2026 onwards.
3.1.2.4. Review Process for Change management.	Kenny MacPherson	Tony Whenman /Thomas Aldred /System admins	It is important that all significant System changes are documented and agreed. It is known that some system administrators commit unrecorded changes.	Work with system owners to ensure changes are recorded and agreed before changes are made. Ongoing.

2216

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.1.2.5. Manage IT Infrastructure vulnerabilities that may allow an attacker to gain access to critical systems.	Tony Whenman	Thomas Aldred	Internal network is scanned on a weekly basis to capture the threat level and vulnerability position. Remediation is in place to correct vulnerability position.	Continue to enhance remediation actions and reporting. Ongoing
3.1.2.6. Manage third party system vulnerabilities that may allow an attacker to gain access to critical systems.	Tony Whenman	System Owners	Internal systems are scanned on a weekly basis to capture the threat level and vulnerability position. Remediation is only partly in place to correct vulnerability position as is reliance on supplying vendor to provide security updates.	Continue to work with System Owners, System Administrators and supplying vendors to enhance patching regime and to ensure only fully supported systems are procured. Ongoing
3.1.2.7. Operate a Council network penetration testing programme.	Tony Whenman	Thomas Aldred	Penetration testing is completed yearly on all systems. However, due to ever increasing criminal cyber incidents, penetration testing should be increased to match the threat.	Develop a more robust testing regime. Continuous review and improvement.
3.1.2.8. Upgrade all end user devices to latest operating system.	Thomas Aldred	Ray Groundwater	IT are working through an upgrade cycle of moving End-Of-Life (EOL) Windows operating systems. Approximately 50% of EOL devices have been upgraded.	Continue to upgrade with deadline of 14 October 2025 for EOL of Windows 10.

**Objective 3.1.3:** We will increase defences to mitigate cyber risks as far as possible.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.1.3.1. Develop a new web proxy system to ensure devices are always secured.	Tony Whenman	Thomas Aldred	Internal web proxy in place, but due for replacement June 2025. Remote working has brought a new threat where devices not on the Council network are not protected by a Web Proxy.	Purchase new Web Proxy which will also cover devices not on the Council network, this includes school devices. In progress replacement due summer 2025.
3.1.3.2. Purchase, set up and run a security information and event management (SIEM) solution.	Tony Whenman	Thomas Aldred	No SIEM in place – relying on SolarWinds reporting. SIEM is a standard component in cybersecurity which reviews logs across multiple systems automatically generating a clear overview for IT security management purposes.	Investigate most suitable SIEM solution and implement by end 2025. Likely to be delivered by 3.1.3.1

2218

**Objective 3.1.4:** We will develop a culture of security by raising awareness of personnel to vulnerabilities, risks and threats from cyberspace and the need to protect information systems.

Action.	Owner.	Lead.	Current position, January 2025.	Next Steps.
3.1.4.1. Identify and implement measures to develop a culture of security.	Kenny MacPherson	Tony Whenman.	Information Governance Group owns and maintains standards. Use of regular all staff bulletins and email alerts to educate and inform. Information Security Officer developed content for mandatory online training courses for all staff, now delivered through iLearn.	Ongoing work to ensure high levels of security awareness remains.



Action.	Owner.	Lead.	Current position, January 2025.	Next Steps.
			Close co-operation between Information Security Officer and Information Governance Officer, within Information Governance Group and operationally.	

### 3.2. Governance Objectives

We will report on progress and make sure that decision makers have the information they need to make sound decisions.

**Objective 3.2.1:** Regular reporting to Council Asset Management Sub-committee on the delivery of Digital & IT Strategy, IT Asset Management Plan and IT Capital Programme.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.2.1.1. Establish regular Asset Management Sub-committee reporting.	Kenny MacPherson	Thomas Aldred	Reports to Asset Management Sub-committee are being submitted at least twice a year, either as stand-alone reports or included in broader financial reports.	Continue to submit reports.

**Objective 3.2.2:** The Corporate Leadership Team reviews IT Performance, considers significant change requests, agrees the IT Capital Programme and ensure strategic fit working with the Council's Asset Management Strategy.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.2.2.1. Significant changes are reported to Corporate	Kenny MacPherson	Thomas Aldred	Reports to CLT are submitted in the form of briefings.	Ensure significant changes are reported to CLT on an ongoing basis.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
Leadership Team (CLT).				
3.2.3.1. Ensure IT Capital Programme is strategically aligned to the Council's Asset Management Strategy.	Kenny MacPherson	Thomas Aldred/ Tony Whenman	IT Capital Replacement Programme is approved by Asset Management Subcommittee, following oversight by CLT.	Ensure reports are completed.

**Objective 3.2.3:** Establish and operate effective IT infrastructure and systems to support delivery of the outcomes in the Digital Strategy.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
3.2.3.1. Ensure full cooperation between IT and the Improvement and Performance team.	Kenny MacPherson	Thomas Aldred/ Tony Whenman	IT and the Improvement and Performance team meet on a monthly basis to review status and cooperation between the Council's IT Strategy and Digital Strategy.	Continue to enhance cooperation and systems to the benefit of the Council to ensure the IT and Cyber Security Strategy aligns with the Digital Strategy.

### 3.3. Infrastructure

We will invest in and maintain the Council's IT assets, both physical and data, to ensure they remain fit for purpose, and we will ensure they are resilient, secure and available, as well as improving services, while supporting innovation and change.

**Objective 3.3.1:** We will ensure that the IT asset base is available, resilient and effective.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.3.1.1. Embed processes for annual review of the IT asset base.	Kenny MacPherson	Thomas Aldred	The annual IT Capital Replacement Programme supports this objective by ensuring timely replacement of priority core infrastructure.  The IT Capital Replacement Programme for 2024/25 was approved by Asset Management Sub-committee in March 2024.	Deliver 2024/25 IT Capital Programme by 31 March 2025.
3.3.1.2. Upgrade of infrastructure.	Thomas Aldred	Ross Sutherland	The Council webserver infrastructure is not fit for purpose. There is little resilience in the current system and the network design no longer meets the NCSC's recommendations.	Implementation of new webserver infrastructure expected to be completed by September 2025.
3.3.1.3 Replace Analogue Phone systems and lines.	Thomas Aldred	Ray Groundwater	Due to the analogue switch off announced to occur in December 2025, IT has been migrating individual phone systems to the Council's Avaya phone system with resilience built in by adopting a local survivable BT line. At present, 22 Council establishments have been migrated with a further 53 to be completed. Of those 53 Council sites 12 at present cannot be migrated due to the absence of a BT digital line.	Continue to migrate phone systems/lines as they become available through BT.

2221

**Objective 3.3.2:** We will ensure resilience is considered as part of project definition.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
3.3.2.1. When new systems are put in place resilience is considered.	Kenny MacPherson	Thomas Aldred	When new systems are being considered resilience of the system is taken as a key priority.	Consider resilience for main Internet feeds, which is dependent on the full implementation of SWAN II and webserver infrastructure.

**Objective 3.3.3.** We will seek to provide protection via good Disaster Recovery capability to support business continuity.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
3.3.3.1. Disaster recovery project.	Thomas Aldred	Pamela Money	A new data centre has been implemented at the Harbour Master's building at Scapa and is operational. This synchronises IT systems between Kirkwall and Scapa.	Continue to increase resilience via disaster recovery including investigation of additional Internet feed.
3.3.3.2. Immutable backups	Thomas Aldred	Ross Sutherland	Installation of an enhanced backup solution designed with measures to protect against ransomware cyberattacks is underway at both the main Council datacentre and the disaster recovery data centre at the Harbour Master's building at Scapa. This adds an additional layer of protection to systems and data if an attack was orchestrated against the Council.	Continue to ensure system is updated and appropriate for needs.

2222

### 3.3.4.

Objective 3.3.4: We will support the innovation opportunities provided by developing a foundation for Business Intelligence and Data Warehousing to be explored and leveraged.

Work towards this objective will be done under Customer Focus Objective 3.3.

### 3.3.5.

Objective 3.3.5: We will continue to harden our local core infrastructure to provide an accessible, secure and stable IT platform for existing and future system requirements.

Work towards this objective will be done under Cyber Security Objectives 3.1 and Infrastructure and Systems Objective 3.5.

### 3.3.6.

Objective 3.3.6: We will ensure that our network fully enables access to electronic resources such as the Scottish Educational Digital Network (GLOW), which supports employees working in more flexible and mobile ways.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.3.6.1. Upgrade network capacity for access to cloud systems.	Thomas Aldred	Pamela Money	Network capacity has been upgraded to meet increased demands for access to cloud-based systems.	Implement SWAN2 which will increase bandwidth and improve network capacity. Ongoing as required.
3.3.6.2. Upgrade core networking infrastructure to ensure bandwidth capacity across network.	Thomas Aldred	Pamela Money	Core network infrastructure is currently within bandwidth requirements for Council services. However, a number of core infrastructure devices are nearing End-Of-Life (EOL) within the next 12 months.	Upgrade infrastructure before EOL. Ongoing as required.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025</b>	<b>Next Steps.</b>
3.3.6.3. Make use of R100 infrastructure to enhance rural Wide Area Network (WAN) connections.	Kenny MacPherson	Thomas Aldred	Make use of the Scottish Government R100 infrastructure as and when it becomes available to enhance rural Wide Area Network (WAN) connections where suitable.	Continue to review and make use of connections as required.

**Objective 3.3.7:** We will develop co-operative connectivity with public sector and third sector bodies.

<b>Action.</b>	<b>Owner.</b>	<b>Lead.</b>	<b>Current position, January 2025.</b>	<b>Next Steps.</b>
3.3.7.1. Implement SWAN2 services.	Thomas Aldred	Vince Buchan	<p>The Scottish Wide Area Network (SWAN) used by many councils and public sector organisations delivers connectivity to the Council headquarters and other Council sites (mainly outside Kirkwall and Stromness).</p> <p>The national contract for SWAN has ended and the procurement process for a successor (SWAN2) has now completed, with transitions to new BT circuits to be completed by March 2026. At present Burray Primary School has been migrated with remaining sites to be completed by August 2025. BT infrastructure and resourcing are the limiting factor.</p>	Work with BT to migrate further sites.

2224

Action.	Owner.	Lead.	Current position, January 2025.	Next Steps.
3.3.7.2. Implement joint systems with NHS Orkney.	Vince Buchan	Ray Groundwater	The Scottish Government Digital Office Microsoft 365 collaboration project has been set up to create a Digital Partnership between Orkney Islands Council and NHS Orkney to recognise the transformational potential of using M365 as a collaboration platform between the two organisations to provide concrete deliverables.	Waiting for Scottish Government Digital Office Phase 2 collaboration project.

**Objective 3.3.8:** We will introduce and promote the use of cloud technologies to enhance our IT offerings to customers and staff on an enhanced expanded local to cloud-based network infrastructure.

Future work towards this objective will be done as part of Governance Objective 3.2 and Objective 3.3.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.3.8.1. Develop appropriate cloud technologies.	Thomas Aldred	Ray Groundwater	Microsoft Azure Virtual Desktop in place as is MS Teams.	Continue to develop new technology as it becomes available.

**Objective 3.3.9:** We will work with staff and partners in meeting their expectations and needs through identifying what systems and equipment are required, and we will improve efficiencies by identifying and removing redundant systems on our infrastructure.

Work towards this objective will be done as part of Governance Objectives (technology standards) and Customer Focus Objectives (account management), as well as within projects under the Digital Strategy Delivery Plan.

**Objective 3.3.10:** We will ensure our IT infrastructure represents value for money and supports the Council's business objectives, including the objectives in the Digital Strategy.

Work towards this objective will be done as part of Governance Objective 3.2 above.

**Objective 3.3.11:** We will improve our publicising of our forward schedule of change to keep staff and customers informed.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.3.11.1. Establish a process for keeping colleagues informed.	Thomas Aldred	Ray Groundwater	Alerts via email and SharePoint portal are in place.	Develop a robust process. This is a continuous process when new systems become available.
3.3.11.2. Implement a change management system for core corporate, and other sensitive and major systems.	Tony Whenman	System Owners	IT are working closely with stakeholders to ensure major/ sensitive systems are upgraded in a controlled manner using recognised change and project management methodologies. At present systems are upgraded without change management in place.	Cement robust processes with stakeholders. Review during 2025 and implement changes from 2026 onwards.

**Objective 3.3.12:** We will ensure that our data holdings are secure, accurate and available to services to derive maximum value from the data we hold.

Work towards this objective will be done as part of Customer Focus Objective 3.6 and above.

### 3.4. Internal and External Customer Communication

We will communicate effectively with our customers, partners and staff, and where appropriate with citizens of Orkney and visitors; we will find way continuously to improve our services, especially when resources are limited to the benefit of the Orkney Community.

**Objective 3.4.1:** We will continuously improve the Council’s digital communications infrastructure and encourage its use, through providing facilities to support Council employees and customers to work and interact in a more flexible and mobile way, supporting sustainable communities.



Work towards this objective will be done as part of other objectives above, especially Governance Objective 3.2 and Customer Focus Objectives 3.6.

**Objective 3.4.2:** We will actively participate in national initiatives for sharing intelligence.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.4.2.1. Identify and implement measures to participate in national intelligence sharing initiatives.	Kenny MacPherson	Tony Whenman.	The Information Security Officer is a member of the UK-wide CiSP (Cyber-security Information Sharing Partnership), ensuring that the Council shares and receives intelligence on current cyber threats.  SciNET (Scottish Cyber Information Network) is a sub-group for Scotland of CiSp. The Scottish Local Authority Information Security Group is a sub-group of SciNET.	While action complete IT will continue to work with our partners and develop more as we develop our Cyber robustness.

**Objective 3.4.2:** We will introduce and promote digital document and record management to support secure document creation and storage.

Work towards this objective will be done as part of Digital Objective 3.5.

**Objective 3.4.3:** We will ensure easy access for staff and customers to information and meet our legislative data management requirements.

Work towards this objective will be done as part of Cyber Security Objectives and Customer Focus Objectives.

**Objective 3.4.4:** We will roll out enhanced desktop communications tools in keeping with our Microsoft 365 digital and governance strategies, as and when available, e.g., video, email, instant messaging, telecommunications, document and records management.

Work towards this objective will be done as part of Customer Focus Objective 3.6.

**Objective 3.4.5:** We will review our use of technology and work towards using systems that are used by others, where possible

Work towards this objective will be done as part of Governance Objective 3.2 above.

**Objective 3.4.6:** We will work proactively with partner organisations and other councils to achieve the best fit technologies for our customers, and so that we do not re-invent the wheel; this will include support for the 'Empowering Communities' programme.

Work towards this objective will be done as part of other objectives above, especially Governance Objective 3.2.

**Objective 3.4.7:** We will improve fault reporting, IT status information and staff communications through the IT Helpdesk, Customer Services announcements, and creation of staff self-help. Work towards this objective will be done as part of Customer Focus Objective 3.6.

### 3.5. Digital Objectives

We will embrace emerging technology and deliver a service that meets our customer expectations, also supporting our workforce to develop their own digital skills and implementing hardware that supports a more digital approach.

**Objective 3.5.1:** We will support the introduction of new streamlined electronic processes and collaborative communications through the use of available interactive technologies.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.5.1.1. Provide IT support to the Electronic Document and Records Management (EDRMS) project.	Vince Buchan	Ray Groundwater	Technical input to the EDRMS project continues to be provided.	Work to be completed as required in the EDRMS Project Plan.
3.5.1.2. Upgrade of systems.	Thomas Aldred	Ross Sutherland	Some systems procured and used by Services have been identified in the latest IT Health Check as requiring immediate upgrade.	IT will work with System Owners to identify new replacement systems that meet NCSC security guidelines. Once replacement systems have been identified by System Owners on an ongoing basis.

**Objective 3.5.2:** We will demonstrate leadership behaviour that supports and fuels a digital culture among staff and customers.

Work towards this objective is being done as part of the Digital Strategy Delivery Plan objectives, under the theme of Digital.

**Objective 3.5.3:** We will listen to and support staff on how to get the best from digital systems.

Work towards this objective is being done as part of Customer Focus Objectives, at Objective 3.6, and within implementation projects described elsewhere in this plan, and in the Digital Strategy Delivery Plan.

**Objective 3.5.4:** We will improve and develop our staff’s digital competency.

Work towards this objective is being done as part of the Digital Strategy Delivery Plan objectives, under the theme of Digital.

**Objective 3.5.5:** We will continue to identify Account Managers for digital technologies, to encourage our stakeholders to work with these Account Managers to discuss their issues and any planned IT developments; we will ensure that account managers are visible, knowledgeable, proactive in communicating with stakeholders, and effective in receiving and acting on feedback.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.5.5.1. Identify IT technology specialism teams.	Thomas Aldred	Ray Groundwater	IT specialism team leader roles are clearly visible within IT however work to defined specialisms within other departments is ongoing to enable proactive communication with stakeholders enabling effective action being taken on feedback received.	Create a stronger working relationship with System Owner specialists. On an ongoing basis.

**Objective 3.5.6:** We will use technology (where available and appropriate) and user workshops to train and inform staff on our service technologies.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.5.6.1. Creation of video files within MS Teams for training purposes	Thomas Aldred	Ray Groundwater	Work is underway to trial the recording of Teams sessions as a resource to be used in specific application areas.	Will continue to develop further training videos as required.

**Objective 3.5.7:** We will concentrate on developing and updating user guidance with the aim to make our staff more technically skilled and independent with the systems they use.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.5.7.1. Develop and update user guidance.	Thomas Aldred	Ray Groundwater	Guidance is issued to staff as and when needed, generally when a project moves into the delivery phase.	SharePoint site to house all guidance in a user-friendly way. This is a moving and ongoing project.

### 3.6. Customer Focus Objectives

We will use our experience to work with all Council services to introduce IT systems with a stronger citizen/customer focus: any new system will meet the needs of users within the Council, and also those outside the Council who use it in any way; system design will take the needs of all these users into account at as early a stage as possible.

**Objective 3.6.1:** We will continue to implement collaborative technologies.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.6.1.1. Enhance the use of Microsoft technologies.	Thomas Aldred	Ray Groundwater	IT has continued to develop further the adoption and use of Microsoft 365. However, a roadmap should be defined to ensure the Council is making best use of its investment in Microsoft technologies. This along with Artificial Intelligence (AI) should include licensing options, partnership access, Schools, and field workers.	Create a Microsoft roadmap and include new Microsoft releases as they become available.
3.6.1.3. Enhance technology use between corporate	Tony Whenman /Paul Kesterton	Schools	Many school staff now have access to corporate email and Microsoft teams. There is however a need to increase its use to ensure sensitive data is not held in GLOW systems.	Continue to develop, support and promote use of M365 in schools.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
and School staff				

**Objective 3.6.2:** We will review our Service Charter and introduce new targets as appropriate to support our changing business needs.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.6.2.1. Review IT Service Charter.	Kenny MacPherson	Thomas Aldred	The IT Service Charter was last reviewed in June 2019. Individual Service Charter highlighting Service Level Agreement for the Orkney and Shetland Valuation Joint Board has been developed and shared.	Review IT Service Charter during 2025.

**Objective 3.6.3:** We will work to improve internal fault reporting and service delivery through the use of various software tools to ensure that important information is communicated effectively and clearly.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.6.3.1. Power BI for clear reporting.	Thomas Aldred	Ray Groundwater	Microsoft Power BI software enables reporting business intelligence (BI) data to be visualised. Reporting utilisation needs enhancement.	Enhance processes on an ongoing basis.
3.6.3.2. We will encourage our stakeholders to work with us to discuss their issues	Kenny MacPherson	Thomas Aldred	IT meet with key stakeholders find way for recording portfolio.	Enhance meeting schedules on an ongoing basis.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
and any planned IT development.				

**Objective 3.6.4:** We will use opportunities within the IT team to train staff to cover across more than one system, thus moving away from the risk inherent in specialised, singleton posts.

Action.	Owner.	Lead.	Current position, January 2025	Next Steps.
3.6.4.1. Ensure more than one member of IT staff is trained and allocated to provide support for each supported system.	Thomas Aldred	Ray Groundwater	Work is underway to ensure that sufficient staff have the skills and experience to cover the support of all main systems and infrastructure. Training courses, including by external providers, have been delivered to IT staff, with more planned.	Continue to review training needs for IT staff. Also include system owners.

2232