



**Item: 6**

**Policy and Resources Committee: 25 February 2025**

**Budget and Council Tax Level for 2025/26**

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

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## **1. Overview**

- 1.1. The Scottish Government has issued grant settlement figures for local government and individual councils for financial year 2025/26, with the provisional revenue grant funding to the Council amounting to £107,109,000, which includes a provisional specific grant allocation of £20,804,000 for provision of ferry services.
- 1.2. The Council's funding has been reduced by a contribution to the Local Government financial settlement floor mechanism (designed to ensure a consistent minimum increase or maximum decrease in funding across all councils) of £267,000, down by £702,000 from £969,000 in 2024/25.
- 1.3. Local Government Finance Circular 10/2024, which provides details of the provisional total Local Government revenue and capital funding for 2025/26, refers to a funding package worth over £15.0 billion and includes multiple measures that make up the settlement. The settlement does not include any requirement for a Council Tax freeze for financial year 2025/26.
- 1.4. On 25 February 2024, the Policy and Resources Committee recommended a budget strategy to reduce the overall net draw on reserves over a 3-year period from £20,000,000 to £18,000,000 to £15,000,000. Indicative budget savings targets were recommended in this strategy which was subsequently approved by Council. The strategy aims to ensure the Council budget remains sustainable in the short to medium term. The indicative savings target for 2025/26 required to deliver the reduction in draw on reserves was £2,000,000. Section 5 of this report considers saving proposals of £730,700 being considered for inclusion in the budget. The results of the budget consultation exercise in relation to these proposals, and others required to reduce areas of overspend that currently exist in services, is summarised in section 12.

- 1.5. Whilst recognising the need to balance the budget and bring spending into line with available funding, known unavoidable service pressures amounting to £2,599,000, and summarised in section 6 of this report, are proposed for inclusion in the revenue budget for 2025/26.
- 1.6. On 8 October 2024, the Corporate Charging Working Group proposed a general increase in Council charges of 10%. Charging for services is covered in section 7 of this report.
- 1.7. Band D Council Tax was set at £1,369.21 for the financial year 2024/25. A 10% increase would be the equivalent of a £2.63 per week increase for Band D Council Tax Payers, and would provide additional receipts for the Council of approximately £1,150,000. A 1% +/- on the Band D Council Tax at current levels is ~ £115,000. Council Tax considerations are included in sections 5 and 8 of this report.
- 1.8. The Council agreed in February 2023, that the Policy and Resources Committee should consider a strategy to bring Council Tax up to the national average within the term of this Council. The initial Council Tax increase required to deliver this objective, as set out in the Medium Term Financial Strategy, was 10%. Indications are that Council Tax increases in other Council areas will now be higher than has historically been the case with rises of between 5% and 10% with an average increase of around 8% expected this year - compared with historic rises of between 3% and 5%. With the Scottish Parliamentary election in 2026/27, Councils may also face a cap or even a freeze on Council Tax increases in 2026/27 as potential manifesto commitments so that after the 2025/26 increase there may not be another opportunity to increase Council Tax until 2027.
- 1.9. On 25 February 2024, the Policy and Resources Committee recommended future net draws on the Strategic Reserve Fund which included £18,000,000 for financial year 2025/26. Section 9 covers the proposed budget draw on reserves.
- 1.10. Note, subject to approval of report recommendations within the General Fund Reserves Strategy report to this meeting, a minimum of non-earmarked General Fund balances of 2% of 2025/26 revenue budget is recommended to be retained as contingency for in-year pressures.
- 1.11. Note, subject to approval of the report recommendations within the Strategic Reserve Fund Review and Forecast report to this meeting, that the draw on the Strategic Reserve Fund for 2025/26 will be set at up to a maximum of £20,000,000: £18,000,000 from the existing Strategic Reserve Fund plus £2,000,000 of income that would previously have been transferred to the Miscellaneous Piers Reserve Fund.

1.12. In setting the Council Tax level for financial year 2025/26, the Council is required by law to set a balanced revenue budget before 11 March 2025 whereby the level of budgeted expenditure cannot be set at a level greater than the known or realistically anticipated total income for that year.

## 2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Consider the four savings options, as set out in section 5.7 of this report, for inclusion in the 2025/26 budget.
- ii. Agree that service budget savings and/or income targets be reviewed for 2026/27 and 2027/28.
- iii. Agree that the unavoidable service pressures and uprating assumptions, as set out in section 6 and Appendix 4 to this report, be included in the 2025/26 budget.
- iv. Approve Option 2, an 11% increase in Council Tax for 2025/26, increasing Band D liability to £1,519.82.
- v. Agree that the budget for 2025/26 will be set at £119,205,000, as detailed in Appendix 5, should Council Tax be agreed at 10% and that the budget should be adjusted from this by officers to reflect members decisions in relation to recommendations i to iv.
- vi. Agree that the policy of presumption against new commitments should continue to remain in force across General Fund services, with the following conditions:
  - Exceptions might be considered for new commitments which are 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
  - The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.
  - The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.
- vii. Instruct Corporate Directors to review and increase existing charges by a minimum of 10%, from 1 April 2025, if possible, to do so, or as early as possible thereafter, apart from the exceptions listed at section 7.5 of this report, where alternative arrangements are required.

- viii. Delegate powers to the Head of Finance, in consultation with the Corporate Director for Enterprise and Sustainable Regeneration and the Chief Executive:
- To determine further variations in charges during 2025/26 where it is deemed expedient to do so.
  - To allocate any General Fund underspend from 2024/25 to the setting of the General Fund revenue budget for 2025/26.
  - To determine where any General Fund overspends from 2024/25 will be funded from General Fund earmarked reserves balances, while ensuring that the non-earmarked General Fund reserves balance, amounting to 2% of the overall revenue budget for 2025/26 is in place.
  - To prepare and distribute a detailed budget incorporating all the budget adjustments agreed by the Council, and any settlement updates and/or clarifications unknown at the date of this meeting.

### **3. Developing the Budget Strategy**

- 3.1. Scottish Government and Local Government are both facing unprecedented financial pressures where it has become necessary to prioritise finite resources. Over the past decade, Local Government has experienced substantial pressure to core budgets and the consequences of this are now becoming apparent. As reported by the Accounts Commission, Scotland's 32 Councils are facing a £585 million funding gap in 2024/25, with Councils facing an estimated cumulative budget gap of £780 million by 2026/27, which represents 5% of councils' revenue budget.
- 3.2. The 2024/25 Local Government Settlement did not provide sufficient funding to address the increased demand for services, increased operational costs due to inflation, nor any funding to support pay awards in 2024/25. Lack of funding for pay deals has exacerbated budget pressures for local government.
- 3.3. Councils have a legal duty to set balanced budgets therefore have had to make challenging decisions on what services they can afford to deliver as well as re-evaluating how services can be provided.
- 3.4. The new Westminster government had its first budget of this parliament in November 2024 with some of the decisions impacting the Barnett formula favourably - £3.4bn for 2025/26, of which £2.8bn was revenue spending, and £0.6bn capital.
- 3.5. The budget strategy has considered economic conditions, for example the level of inflation, and political decisions, like the changes to National Insurance contribution

(NIC) rate and thresholds. In terms of NIC compensation, funding for 60% of the cost has been announced, but is likely to come in through in year end redetermination.

- 3.6. The Scottish Government announced a £15bn local government funding package, which included specific funding in the pursuit of its political priorities. The Fraser of Allander Institute review of the Scottish Budget Report 2024 can be found at [Scotland's Budget Report 2024 | FAI](#).
- 3.7. The settlement figures received in [Finance Circular 10/2024](#), and the accompanying tables have all been taken into account when building up the budget.
- 3.8. The Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 was considered and recommended for approval by the Policy and Resources Committee on 20 June 2023. The Strategy remains the cornerstone for this year's budget strategy. The options open to the Council to bridge the funding gap and ensure that the draw on reserves is sustainable, remain:
  - To increase Council Tax to the national average during the term of this Council.
  - To maximise fee income generation.
  - To maximise external funding streams.
  - To continue lobbying for a fairer settlement from the Scottish Government.
  - To continue to search for efficiencies.
  - To continue to look at the way we deliver our services, including innovative service redesign.
  - To continue to build capacity through effective partnership working.
  - To limit any service growth to cases where very exceptional circumstances arise.
- 3.9. The Council Tax and budget setting report presented to the Policy and Resources Committee on 27 February 2024 augmented the MTFS by setting indicative savings targets for directorates, to limit the draw on the Strategic Reserve Fund for the three years 2025/26 to 2027/28. In addition, the previous Council decision to achieve the Scottish average for Council Tax has been considered.
- 3.10. The Accountancy Team working with HR colleagues has taken further steps to improve the staff cost estimates when preparing the Council budget. Again, this year staff budgets reflect the actual establishment cost, and steps continue to be taken to refine the establishment and eliminate erroneous entries.
- 3.11. The budget uprating assumptions reflect a prudent approach, with minimal uplifts across all budget expense categories, due to the constrained financial position. This approach is likely to add additional budgetary pressures in all Directorates, with

services having to find additional efficiency savings within their approved budgets to cover the impact of cost increases.

## 4. Budget Summary

- 4.1. Appendix 5 provides an analysis of the financial settlement and shows a net cash increase for 2025/26 of £10,748,000.
- 4.2. The Council remains a contributor to the Floor mechanism for 2025/26 by £267,000, representing a decrease of £702,000 on the 2024/25 level of £976,000.
- 4.3. The following table summarises the net movement between 2024/25 and 2025/26:

	<b>2025/26</b>
<b>Overall Budget Increase</b>	<b>£000s</b>
Movement 2024/25 to 2025/26	6,902
<b>Represented By:</b>	
Movement in Gross Revenue Grant	6,425
Non-Domestic Rates	(417)
Council Tax.	877
General Fund Reserve contribution movement	17
Other Reserves contribution movement	nil
	<b>6,902</b>

- 4.4. It is proposed that should Council Tax be set at 10% the budget for 2025/26 would be set at £119,205,000 as detailed in Appendix 5, along with the calculation of the Council Tax for 2025/26, as detailed in Appendix 2. These figures will be updated to reflect the position should Council Tax be set in line with an alternative option.

## 5. Savings targets

- 5.1. On 25 February 2024, the Policy and Resources Committee recommended indicative savings targets, calculated as a pro-rata basis against gross budgets for 2023/24 (less ring-fenced grant funding), as follows:

<b>Directorate</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>

Enterprise and Sustainable Regeneration	126	189	252	567
Education, Leisure and Housing	768	1,152	1,535	3,455
Neighbourhood Services and Infrastructure	458	687	916	2,061
Strategy, Performance and Business Solutions	179	268	358	805
Orkney Health and Care	469	704	938	2,112
<b>Totals</b>	<b>2,000</b>	<b>3,000</b>	<b>4,000</b>	<b>9,000</b>

- 5.2. In addition, in-year spending was required to be brought in line with approved budgets. A number of areas of service change have been delivered or are being implemented that will assist in bringing budgets in line and reducing current areas of budget overspend. These savings are significant but have not been included in the proposed savings that are being recommended to be removed from budgets as to do so would simply increase future budget pressures. The impact of these changes will only be evidenced over time.
- 5.3. The proposals put forward by respective Directorates for budget savings that can be removed from budgets are detailed in Appendix 3. The total of these proposed savings is £730,700, split as follows:

<b>Directorate</b>	<b>2025/26 £000s</b>
Enterprise and Sustainable Regeneration	121.0
Education, Leisure and Housing	246.6
Neighbourhood Services and Infrastructure	72.7
Strategy, Performance and Business Solutions	120.4
Orkney Health and Care	170.0
<b>Totals</b>	<b>730.7</b>

- 5.4. Not achieving savings adds pressure to the Council's budgets, both for upcoming year, 2025/26 and future years. Significant current year overspends against approved budgets also persist. These pressures will require to be met either through

further savings in future years, or additional income generation, if the Council is to continue to reduce its net draw on reserves.

- 5.5. Even with the actions and savings made this year, the overall pressures on the Council's finances have not diminished, and the requirement to seek further efficiencies, maximise revenues, minimise costs and welcome the transformation agenda remains acute. Directorates must act corporately, remove protectionism, and grasp collaboration. Likewise, Members must be able to make tough decisions in order to get the Council on a more secure financial footing. The challenge is real, as for many of the services the Council provides there is no alternative available to the community either through the voluntary or third sector or through the private sector – so removing Council provision means removing services for the whole community.
- 5.6. Budget setting consultation feedback is therefore critical as it clearly presents the views of the community on the difficult decisions being considered by Members. A summary of the consultation exercise can be found at section 12.
- 5.7. The consultation, however, did highlight several areas where the public response showed significant opposition to the specific changes being proposed – either across the board, or from the specific communities affected. The consultation also demonstrated significant willingness to pay higher Council Tax increases to protect services. The following options provide an opportunity for members to consider the views of the community.
  - **Option 1** – Increase Council Tax by 10% in line with the Council's medium term financial strategy and approve all proposed savings totalling £730,700, as detailed in appendix 3.

Figures and appendices included throughout the report are based on Option 1 budget assumptions, previously presented to members during the budget setting process. These will be updated to reflect the options and decisions taken by elected members following this meeting.

- **Option 2** – Increase Council Tax by 11%, and approve all proposed savings with the exception of the savings related to service changes that the budget consultation feedback indicated a greater degree of public opposition to:



<b>Proposal</b>	<b>2025/26 £</b>
Papdale Halls – charging for extra curricular trips	1,700
Papdale Halls – charging for placing requests	600
Dounby recycling centre*	12,000
Skip emptying on Saturday*	12,000
Black Bags in isles^	6,000
<b>Totals</b>	<b>32,300</b>

\* Note – these are not included in budget papers as these are not generating budget savings, but are required to reduce the current budget overspend in these service areas

^Removal of provision brings isles into line with mainland

- **Option 3** – Increase Council Tax by 15% and approve the proposed savings apart from the above, related to service changes that the budget consultation feedback indicated a greater degree of public opposition to. An increase above 11%, will aim to position the Council towards the Scottish average level of Council Tax.
- **Option 4** – Increase Council Tax by 20%, with no proposed savings implemented in 2025/26.

5.8. Day Care / Telecare consultation responses were generally supportive (see section 12) of the introduction of fees in these areas. The introduction of charges will also allow families and service users more opportunity to opt in and pay for a service for which they might not currently meet the service provision eligibility criteria. It should also be noted that within Orkney Health and Care, Care and Support Charging Policy there is a section that will protect vulnerable users that might have difficulty in paying for a Day service.

“Where the supported person has difficulty in meeting the approved charge for the service due to their financial circumstances, the Council can use its powers to abate or waive charges on a case-by-case basis. The final decision will be made by the Chief Social Work Officer in agreement with the Head of Finance.”

**5.9.** Where Directorates have not achieved their 2025/26 savings targets, service budget savings and/or income targets require to be reviewed for 2026/27 and 2027/28.

## **6. Unavoidable Service Pressures**

- 6.1. Real terms reductions in the settlement awarded to Local Authorities over recent years has resulted in all Council services having to find additional efficiency savings within their approved budgets to cover the impact of price increases or, where this has not been delivered, an additional draw on Council reserves.
- 6.2. The budget uprating assumptions are set out in Appendix 1 to this report, detailing the recommended budgetary adjustments across the main cost and income subjective groupings. The assumptions continue to reflect a prudent approach, with the budget increases remaining below reported inflation levels (2.6% at December 2024). The Finance Minister, in her December budget announcement, included 9% for staff increases over 3 years. The Council, along with a majority of other Councils, has included 3% as its uprating assumption for 2025/26. Union pay claims are higher than this, therefore there is a degree of risk that pay settlements will exceed the budget provision.
- 6.3. As part of the budget process for 2025/26 service pressure bids were invited for “known unavoidable service pressures”. These fall into three general groupings:
  - Contractual obligations, where, for example, contracts include terms which apply inflationary increases.
  - Historical funding deficiencies, in recent years this has included funding nursery provision, Braeburn and Out of Orkney Placements.
  - Budgets becoming detached from actual performance, i.e. school meals – where it is unrealistic to maintain school meals income targets when government policy is to provide more free school meals.
- 6.4. Incorporating these known unavoidable service pressures into budgets for 2025/26 will reduce their ‘uncontrollable’ impact on outputs and/or performance. The total cost of known unavoidable service pressures presented by Services is £2,599,000. A full breakdown of the unavoidable service pressures is attached at Appendix 4.

## **7. Charging for Services**

- 7.1. On 9 December 2014, the Council approved a Corporate Charging and Concessions Policy.
- 7.2. The importance of charging has increased with the reduction in grant funding and the knowledge that increasing existing charges and introducing new charges are required in order to maintain services or prevent certain services being removed altogether. Inflation, as measured by the Consumer Price Index (CPI) was 2.2% at September 2024.

- 7.3. The Corporate Charging Working Group met on 8 October 2024 and proposed that general charges should increase by 10%.
- 7.4. There are exceptions to this where, for commercial or other reasons, application of the charge would result in a reduction in income or where the charges collected by the Council are set by statute; a committee to which the Council has delegated responsibility, or a national body. Nationally determined charges will continue to be adjusted according to the national changes.
- 7.5. The proposed exceptions where the general increase of at least 10% will not apply are as follows:
- Building Warrant and Planning fees – set nationally.
  - Harbour Charges – annual increase considered separately by the Harbour Authority Sub-committee.
  - Ferry fares – policy is to match Caledonian MacBrayne increase.
  - Car Park and Electric Vehicle charges – annual increases should be considered separately by the Development and Infrastructure Committee.
  - Residential Care and Home Care – based on cost of service.
  - Very Sheltered Housing – based on cost of service.
  - Supported Accommodation – based on cost of service.
  - Meals At Home Service – full cost recovery.
  - Licensing fees – annual increase considered separately by the Licensing Committee.
  - Ship Sanitation Certification – set nationally.
  - Marriage / Civil Partnership – set nationally.
  - Roads Inspection Fees – set nationally.
  - Trade Waste charges – based on cost of service.
  - Homelessness rents – set in accordance with the Rapid Rehousing Transition Plan.
  - Selected quarry product sales – based on cost plus.
- 7.6. When calculating increases for the Council charges register, for ease of collection the increased charges will be rounded in accordance with the following charging guidance:

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

7.7. With reference to section 5.5 above, Services have to seek to maximise revenues. This is not always just looking at price increases but could be increasing take up. Services should seek to understand each service cost structure and market and set prices accordingly.

## 8. Council Tax

- 8.1. The Council Tax is based upon the capital value of domestic properties (as at 1 April 1991) which is determined by the Assessor. Once the capital value of properties is assessed, properties are allocated to one of eight bands.
- 8.2. Some Councils generate relatively high levels of income from Council Tax with, at the higher end, 19% of general income raised from Council Tax. In comparison, Orkney generates less than 11% of general income from Council Tax. This is partially historical, with Councils having been tied to their 2008/09 Council Tax rates by the freeze and thereafter, with the exceptions of 2022/23 where a capped increase was permitted and 2023/24 where the Council was once more allowed to democratically determine the level of Council Tax. The mix of house property bands is a further factor with fewer high banded properties in the islands meaning the Council Tax base is a lot lower.
- 8.3. The budget announcement by the Deputy First Minister on 4 December 2024, confirmed that the Scottish Government will not seek to impose a freeze to Council Tax for 2025/26.
- 8.4. The Council currently has set the ambition to achieve the Scottish average for Council Tax. The options before Members would increase Council Tax by a minimum of 10% as set out in Appendix 2. A 10% increase would increase the Band D rate from £1,369.21 to £1,506.13 and provide estimated total revenues of £12,663,000. An increase of 11% would increase the Band D rate from £1,369.21 to £1,519.82 and provide estimated total revenues of £12,778,000. An increase of 10% or 11% is in line with the level of increase that was first included in the Council's agreed strategy to achieve Scottish average Council Tax by the end of this political term.

- 8.5. Council Tax increases being proposed in other Council areas are largely between 5% and 10% with an average increase expected of around 8%. With the Scottish Parliamentary election in 2026/27 councils may face a cap or even a freeze on Council Tax increases for 2026/27 so that after agreeing the 2025/26 increase the Council may not get another opportunity to increase Council Tax until 2027. In the current year it is likely that the average Council Tax increase across Scotland will be higher than was anticipated when the strategy to achieve a Council Tax in line with the Scottish average was agreed. These higher increases in other council areas would require the Council to increase the Council Tax by even more, if it is to achieve the Scottish average rate during this Council term.
- 8.6. With current Council Tax calculation numbers, each further 1% increase in Council Tax would, subject to collection rates, generate ~ £115,000 of additional revenue for the Council. In the budget consultation 26% of respondents indicated support for a Council tax increase of 20% and 21% of respondents indicated support for an increase of 15% to protect services.

## **9. Reserves and Balances**

- 9.1. Section 93 of the Local Government Finance Act 1992 requires Scottish authorities, in calculating the Council Tax, to take into account any means by which Council expenses may otherwise be met or provided for. This includes General Fund reserves and earmarked portions of the General Fund balance but not other reserves the Council is specifically allowed to hold.
- 9.2. A paper entitled “General Fund Reserves Strategy” is considered as a separate item on the agenda for this meeting. In summary, that report recommends that a minimum non-earmarked General Fund balance of 2% of 2025/26 revenue budget is retained as contingency for in-year pressures.
- 9.3. The Council also has available a source of funding from its Strategic Reserve Fund.
- 9.4. A separate report is presented to this Committee on the Strategic Reserve Fund forecast and budget for 2025/26. In summary, that report recommends that a financial contribution to General Fund Services of £20,000,000 from the Strategic Reserve Fund be used as a planning assumption as part of the Council’s budget setting process for financial year 2025/26. This includes use of income not previously included in the Strategic Reserve fund of £2,000,000.

## 10. Risk

- 10.1. The financial circumstances facing councils as a result of real term cuts in Government grant allocations, coupled with increased demand for services, heightened regulatory requirements and high levels of ring-fenced funding all place correspondingly high levels of risk upon councils. For the forthcoming financial year, the risk remains high.
- 10.2. While those services which have been “protected” by the Government through ring-fenced funding carry high levels of risk, there are also risks associated with many “non-protected” services and in relation to the corporate responsibilities and compliance duties which apply to all Council Services.
- 10.3. Due to diseconomies of scale, the capacity of the Council to meet such responsibilities is limited by comparison with larger councils and, as a consequence, the level of exposure to risk is greater in the local context.
- 10.4. Inclusion of the specific grant of £20,804,000 for internal ferry services at the first stage of the budget reduces the financial risk to the Council for provision of ferry services in 2025/26. There is however a very high risk to service provision through breakdowns in the fleet. It is expected that £8,000,000 of the £10,000,000 inter-island connectivity capital grant shown in the draft Settlement will be switched to revenue funding and added to the revenue specific grant for internal ferry services.
- 10.5. There remains significant other ring-fenced and earmarked sums within the settlement which, together with pressures on pay and prices, means that there is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision however builds upon a gap from previous years and may result in service budget overspends.
- 10.6. It is likely, with regard to many areas of the Council’s activities, that it will be very difficult to assure Elected Members with confidence that sufficient resources, in terms of service infrastructure, including a motivated and skilled workforce and associated support systems, are in place to meet all legal and compliance obligations let alone the many standards of good practice which apply to services. This leads to an increased likelihood of failure or perceived failure within services and clear challenges in terms of meeting performance expectations of the Council and its many stakeholders.
- 10.7. It is difficult to provide Elected Members with an assessment of the impact of any cuts to preventative services which contribute to positive health and wellbeing.

Current Public Health statistics indicate that investment in these areas reduce demand on health and social care services. Orkney is outperforming other council areas in the healthy life expectancy and rate of health loss and within the aging population, probably in part attributable to the historic investment in these service areas by the Strategic Reserve Fund.

- 10.8. The requirement to make efficiencies, maximise revenues and reduce costs, and look for strategic savings will create challenges for the Council's stakeholders.
- 10.9. The Council's Medium Term Financial Strategy 2023/24 to 2027/28 identifies a range of cumulative funding gaps over a five-year period from the best case at £25,783,900 to a worst case of £28,497,900. However, these figures are already historical, and the projections only serve to illustrate that the Council faces a significant challenge over the next five years in matching the level of expenditure to the available resources. The Council's Medium-Term Financial Strategy and the Long-Term Financial Plan require updating to reflect recent performance, current assumptions, efficiency targets, and Strategic Reserve Fund draws.
- 10.10. As Head of the Paid Service, the Chief Executive has a statutory responsibility in terms of section 4 of the Local Government and Housing Act 1989 to report to the Council on the adequacy of the staff resources necessary to carry out the functions of the Council.

## **11. Human Resource Implications**

- 11.1. The efficiency savings for 2025/26 (section 5 above) and the proposed savings for 2026/27 and 2027/28 will impact staffing. Any such impacts should be suitably managed in accordance with Council procedures.
- 11.2. The proposed savings for 2025/26 include a reduction of an identified 6.8FTE from the staffing establishment of which 5.6 FTE is currently vacant or will be vacant in the near future. In addition, some of the proposals involve reductions in contracted hours spread across staff teams. Currently it is anticipated that all the staffing reductions can be achieved without the need for compulsory redundancies.
- 11.3. The staffing establishment as at 31 January 2025 shows a total of 1,707 FTE staff employed on permanent or temporary contracts, which is an increase from 1,700 FTE at the same point in 2024.
- 11.4. The changing financial context within which the Council is now operating needs to be factored into its workforce planning, with service re-design and transformation a key focus. A revision to the Council's senior management structure will be brought

forward for Members consideration during 2025/26 that will take account of vacancies and the opportunities for redesign presented by impending changes in personnel. The revision will aim to match the structure to the priorities of the Council whilst linking to the financial outlook and resource strategy, ensuring that no cost pressures result from the new structure.

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

## 12. Consultation

12.1. A budget setting consultation exercise was undertaken over December 2024 and January 2025. 1,077 completed responses were received. Full results of the consultation can be found at [Budget Consultation Results](#). Highlights are summarised below:

- Proposals presented were generally supported by the public.
- Public broadly in favour of Council Tax increases to protect public services. The majority (40.1%) selected the lowest option of 10%, however 47.1% selected the higher 15% and 20% options.
- 72.2% of respondents agreed that they would rather see increased charges than seeing services cut. The largest proportion (33%) suggesting they would be willing to pay a 10% increase in charges to protect local services.
- Some of the individual changes proposed were less popular, in total or within their relevant geographic areas. These responses are considered at section 5.7 above.

12.2. A separate consultation was undertaken by Orkney Health and Care in respect to the specific proposal for the introduction of Telecare charges. Results of the consultation can be found at [Day Care and Telecare Survey Results](#).

- The respondents were services users or those responding on their behalf. There were 392 responses from a population of 880 who were sent letters (a 44% response rate).
- In terms of daily day care charges, 29% were opposed to the proposed charges being introduced meaning 71% were in favour or, at least neutral to it.
- The figures are similar for telecare charges, with 27% being opposed and 73% being in favour, or neutral in the mainland or 30%/70% on the isles.

12.3. Consultation processes have also been undertaken with the Council's recognised Trade Unions. EIS and Unison submitted formal written responses to the Council.



GMB and Unite chose not to do so but did participate in budget consultation meetings.

12.4. The General feedback from Unison can be summarised as follows:

- Their overall position is they do not wish to see a reduction or cuts to services; they are concerned about the impact of 'austerity' to public services over the past 15 years.
- They believe that the focus on closing the Council's medium term financial gap should be on measures to increase revenue and welcome the work the Council has undertaken on this.
- They support that additional revenue should be derived from those most able to pay; Visitor Levy, further Cruise ship income and Council Tax increases are all supported as areas to increase income.

12.5. Further details on the Trade Union feedback are contained within Appendix 3.

12.6. In addition to consulting with Trade Unions, individual staff groups that could be impacted by the savings proposals have also been made aware of these and provided the opportunity to give feedback on the proposal via their line management.

## **13. Next Steps**

13.1. To complete the 2025/26 budget process, decisions taken on this report will be worked up into detailed budgets. Taking into consideration any changes in the Scottish Government's settlement, a report on final budgets will be presented to this Committee in June 2025.

## **14. Exempt and/or Confidential Information**

14.1. Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Appendices 3 and 4 to this report. Appendices 3 and 4 contain exempt information as defined in paragraphs 1, 4, 6 and 8 of Part 1 of Schedule 7A of the Act.

### **For Further Information please contact:**

Erik Knight, Head of Finance, extension 2127, Email [erik.knight@orkney.gov.uk](mailto:erik.knight@orkney.gov.uk)

## Implications of Report

1. **Financial** – financial implications are considered throughout the report
2. **Legal**
  - 2.1 Section 93 of the Local Government Finance Act 1992 requires the Council to set the Council Tax and a balanced budget before 11 March each year. Failure to do so could result in the Council being declared by the Scottish Ministers to be in default and directed, by virtue of Section 211 of the Local Government (Scotland) Act 1973, to set a Council Tax and a balanced budget within such time as the Scottish Ministers direct.
  - 2.2 The Council is required by law to make arrangements which secure best value.
3. **Corporate Governance** – n/a
4. **Human Resources** – HR implications are covered in section 11.
5. **Equalities** – An over-arching Equality Impact Assessment has been undertaken and is attached as Appendix 6 to this report.
6. **Island Communities Impact**– Where required an Island Communities Impact Assessment has been undertaken and is attached to each savings proposal, where required. at Appendix 3 to this report.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - Growing our economy.
  - Strengthening our Communities.
  - Developing our Infrastructure.
  - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
  - Cost of Living.
  - Sustainable Development.
  - Local Equality.
9. **Environmental and Climate Risk** – n/a
10. **Risk** – risk is covered in section 10
11. **Procurement** – n/a
12. **Health and Safety** – n/a
13. **Property and Assets** – n/a
14. **Information Technology** – n/a
15. **Cost of Living** – n/a

## List of Background Papers

Policy and Resources, 18 June 2024, Detailed Revenue Budget 2024-25

Policy and Resources, 27 February 2024, Council Tax and Budget Setting 2024/25  
Policy and Resources, 20 June 2023, Medium Term Financial Strategy 2023/24 to 2027/28

## **Appendices**

Appendix 1: Budget Uprating Assumptions 2025/26.

Appendix 2: Council Tax Calculation 2025/26.

Appendix 3: Savings.

Appendix 4: Pressures.

Appendix 5: Estimated Financial Settlement 2025/26.

Appendix 6: Equality Impact Assessment – Overall Budget Assessment.

## Budget Uprating Assumptions - Percentages

<b>Budget Element.</b>	<b>2023 to 2024.</b>	<b>2024 to 2025.</b>	<b>2025 to 2026.</b>
Staff Costs Non-Teaching.	7.0%.	2.0%.	3.0%
Pension Costs Non-Teaching.	0.0%.	0.0%.	0.0%
Staff Costs Teaching.	8.0%.	2.0%.	3.0%
Pension Costs Teaching.	0.0%.	0.0%.	0.0%
Property Costs (specifically energy costs).	15.0%.	3.0%.	2.0%
Supplies and Services	0.0%.	3.0%.	2.0%
Transport Costs.	0.0%.	3.0%.	2.0%
Administration Costs	0.0%.	3.0%.	2.0%
Third Party Payments	0.0%.	3.0%.	2.0%
Transfer Payments	0.0%.	3.0%.	2.0%
Third Sector	0.0%.	3.0%.	2.0%
Other Costs	0.0%.	3.0%.	2.0%
Trading Organisations and Orkney Ferries.	0.0%.	3.0%.	2.0%
Internal Transport	0.0%.	3.0%.	2.0%
Sales.	10.0%.	6.7%.	10.0%
Fees and Charges.	10.0%.	6.7%.	10.0%
Other Income.	10.0%.	6.7%.	10.0%

## Budget Movement – Monetary values

<b>Budget Element</b>	<b>£</b>	<b>£</b>
Staff Costs	6,689,500	
Property Costs	299,300	
Supplies and Services	785,800	
Transport Costs	302,000	
Administration Costs	155,400	
Apportioned Costs	323,000	
Third Party Payments	4,788,300	
Transfer Payments	209,900	
Other Costs	927,900	
		14,481,100
Government Grants	(14,200)	
Other Reimbursements	(6,217,000)	
Rents and Lettings	(49,600)	
Sales	(80,000)	
Fees and Charges	(776,500)	
Apportioned Income	(427,900)	
Other Income	(13,900)	
		(7,579,100)
<b>Total Net Uplift</b>		<b>6,902,000</b>

## Budget Uprating Assumptions – Additional information

<b>Budget Element.</b>	<b>+/-</b>	<b>£</b>
Staff Costs	1.0%	875,200
Property Costs	1.0%	111,300
Supplies and Services	1.0%	72,700
Transport Costs.	1.0%	83,700
Administration Costs	1.0%	17,600
Apportioned Costs	1.0%	94,200
Third Party Payments	1.0%	309,300
Transfer Payments	1.0%	77,600
Other Costs	1.0%	81,500

## Appendix 2.

### Council Tax Calculation for 2025 to 2026

	£
Non-Domestic Rates.	11,759,000
Revenue Support Grant.	74,296,000
Council Tax.	13,105,000
Use of Reserves.	20,487,000
<b>Total Receipts.</b>	<b>119,647,000</b>
Less Use of Reserves.	(20,487,000)
	<b>99,160,000</b>
Less Financial Settlement.	(86,055,000)
Less Empty/2 <sup>nd</sup> Properties Income.	(600,000)
<b>Expenditure to be met by Council Tax.</b>	<b>12,505,000</b>
Band D Properties Forecast.	8,516
Assumed Collection Rate.	97.5%
Number of Band D Equivalent Taxpayers.	8,303
<b>Band D Council Tax for 2025 to 2026.</b>	<b>£1,506.13</b>
Council Tax receipts	13,105,000
Less Island and Rural Housing Fund	(200,000)
Less HRA contribution	(242,000)
<b>Net Amount for General Fund Services</b>	<b>12,663,000</b>

# Council Tax Comparison 2024 to 2025

**Scotland Average Band D Council Tax (based on total Band D Equivalents) £1,417**

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

Excludes Water and Sewerage

Source: As reported by the Local Authorities on the statistical return Council Tax Assumptions 2023



## Appendix 5.

### Financial Settlement 2025 to 2026

<b>Financial Settlement Details.</b>	<b>2024 to 2025</b>	<b>2025 to 2026</b>
	£	£
Total Estimated Expenditure.	<b>104,054,000</b>	<b>115,571,000</b>
Funded by:		
Assumed Council Tax.	8,458,000	8,462,000
Ring-fenced Grants.	16,314,000	21,054,000
Non-Domestic Rates.	12,176,000	11,759,000
General Revenue Funding.	67,871,000	74,296,000
Totals.	<b>104,819,000</b>	<b>115,571,000</b>
Government Grants:		
Ring-fenced Grants.	16,314,000	21,054,000
Non-Domestic Rates.	12,176,000	11,759,000
General Revenue Funding.	67,871,000	74,296,000
Totals.	<b>96,361,000</b>	<b>107,109,000</b>
<b>Grant Movement.</b>	6,425,000	10,748,000
Grant Movement.	7.1%	11.1%
Council Budget Calculation:		
Non-Domestic Rates.	12,176,000	11,759,000
Revenue Support Grant.	67,871,000	74,296,000
Council Tax.	11,786,000	12,663,000
Use of Strategic Reserve Fund.	20,000,000	20,000,000
Use of Other Reserves	470,000	487,000
Use of General Fund Reserve	0	0
Totals.	<b>112,303,000</b>	<b>119,205,000</b>
<b>Budget Movement.</b>	11,525,400	6,902,000
Budget Movement.	11.4%	6.1%

## Settlement Increase Breakdown

Description	Total.
	£.
2024/25 GAE (Grant Aided Expenditure) plus SINA (Special Islands Needs Allowance)	9,851,000
2008-25 Change	3,716,000
Loans and leasing charges	(1,985,000)
Former ring-fenced grants	(21,000)
Baselined Redeterminations and in year funding	(5,444,000)
The Floor	702,000
New Money*	3,934,000
Other Minor Adjustments	(5,000)
	<b>10,748,000</b>

## New Money Breakdown

New Money 2025/26	£.
Early Learning and Childcare	99,000
Teachers Pay	208,000
Teachers Pension	510,000
Teacher Support	803,000
School Meals	35,000
Casework and Related Admin: Children	97,000
Children & Young People Community Mental Health	68,000
Nursing Care	21,000
Real Living Wage	577,000
Island Cost of Living	855,000
Local Authority Pay	552,000
Additional Support Needs	109,000
	<b>3,934,000</b>



## Equality Impact Assessment

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

<b>1. Identification of Function, Policy or Plan</b>	
Name of function / policy / plan to be assessed.	Setting the budget and Council Tax levels for 2025 to 2026.
Service / service area responsible.	Enterprise and Sustainable Regeneration.
Name of person carrying out the assessment and contact details.	Erik Knight, Head of Finance.
Date of assessment.	20 February 2025
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	New following the grant settlement from the Scottish Government and setting of the Council budget from 2025 to 2026.

<b>2. Initial Screening</b>	
What are the intended outcomes of the function / policy / plan?	<p>To set the budget and Council Tax levels for financial year 2025 to 2026 and consider budget uprating assumptions, unavoidable service pressures and efficiency savings.</p> <p>In this assessment, we have tried to consider the emerging cumulative impacts of the budget proposals to ensure that the decisions making process is informed by an understanding of the likely impacts on people and communities.</p> <p>Recognising that the Council faces a very difficult task in bringing its revenue budget into line with available resources and a sustainable draw on Reserves, services are encouraged to find efficiency savings or undertake service redesign</p>

	<p>within their own service areas.</p> <p>As a consequence, there is a recognition that due to the scope of some of the proposals, this assessment process will need to continue to form part of any development and implementation plans of the way in which we provide our services.</p>
Is the function / policy / plan strategically important?	Yes.
State who is, or may be affected by this function / policy / plan, and how.	Users of Council services will be affected by changes in service provision or charges and employees will be affected if implementation of efficiencies or service redesign results in a reconfiguring of staffing numbers or posts as a result of these proposals.
How have stakeholders been involved in the development of this function / policy / plan?	<p>It remains vital to ensure that our limited resources are prioritised in ways that are fair and that any inevitable negative impacts of some of the proposals are properly assessed and mitigated as far as possible. All proposed efficiencies, services redesign, charges and unavoidable pressure bids have been subject to debate, review and challenge by the Corporate Leadership Team and further challenge by elected members at a series of budget seminars held as part of the 2025 to 2026 budget setting process.</p> <p>These processes have had due regard to how these proposals relate to the Council's priorities and its meeting of the Council's statutory duties.</p> <p>Public consultation on our Budget Challenge was launched in December 2024 to gather local views on potential changes to Council services and charges. These views have helped inform the Council's budget setting process in February 2025. The results of the consultation can be found <a href="#">here</a>.</p>
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	<p>Conducting a cumulative impact assessment is a critical step in ensuring that Orkney Islands Council meets its obligations under the Public Sector Equality Duties and Fairer Scotland Duties. By systematically assessing the collective impact of budgetary proposals on equality groups, the Council can promote fairness, eliminate discrimination, foster good relations and reduce socio-economic inequalities within the community.</p> <p>The primary purpose of this assessment is to ensure that Orkney Islands Council meets its obligations under the PSED and Fairer Scotland Duty by:</p> <ul style="list-style-type: none"> <li>• <b>Eliminating unlawful discrimination,</b></li> </ul>

	<p><b>harassment, and victimisation.</b></p> <ul style="list-style-type: none"> <li>• <b>Advancing equality of opportunity</b> between people who share a protected characteristic and those who do not.</li> <li>• <b>Fostering good relations</b> between people who share a protected characteristic and those who do not.</li> <li>• <b>Reducing inequalities of outcome caused by socio-economic disadvantage.</b></li> </ul> <p>This assessment aims to assess the collective impact of budgetary proposals on different equality groups, ensuring that no group is disproportionately affected and that positive outcomes are promoted for all.</p> <p>Individual equality impact assessments have been carried out where required and this overarching assessment highlights any cumulative impacts.</p> <p>Many residents in Orkney are geographically disadvantaged by their distance from a major centre of population, except for the more easily accessible parts of the region, as they do not have access to all the services that their counterparts in a town/city centre may have.</p> <p>Combinations of circumstances such as low income, disability, poor quality accommodation and no private transport can exacerbate access deprivation for vulnerable people, making it more difficult for them to access services.</p>
<p>Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise.</p> <p>E.g. For people living in poverty or for people of low income. See <a href="#">The Fairer Scotland Duty Guidance for Public Bodies</a> for further information.</p>	<p>Almost any change to a council service has some socio-economic impact. This is because the nature of our responsibilities and the extent to which the more deprived communities and more vulnerable people in Orkney rely on our services. Poor social and economic circumstances affect people's health and quality of life.</p> <p>Steps such as paying the Scottish Living Wage go some way to help tackle levels of child poverty by making more money available to help families bring up their children. Generally, this benefits lower-paid workers and their families.</p> <p>Women have been identified as being disproportionately vulnerable to socio-economic impacts and elements of welfare reform are likely to have a disproportionate impact on women and lone parents.</p> <p>Reduced services for children, young people and older people can place additional burdens of care</p>

	<p>on women. Women are more likely than men to manage reduced family budgets, have primary caring responsibilities and act as the buffers, going without to protect their children from the worst effects of poverty and also continue to report higher levels of concern about their financial situation.</p> <p>A high percentage of women in Orkney work part time in the public, voluntary and community sectors. The continued reduction in the public and voluntary workforces impact disproportionately on this group.</p> <p>Inevitably, the overall effect of the combination of age, disability and deprivation means that changes to support services are likely to increasingly impact disproportionately on women and lone parent families.</p> <p>Children in out-of-work households are at greater risk of poverty although there are a significant number of children nationally who are classed as living in poverty who live in households where someone is working (in-work poverty). Children of lone parents, children with disabilities and those in large families are at greater risk of living in poverty.</p> <p>There is huge pressure on the unprotected areas of the Council budget with an effective real terms reduction in resources to deliver services for which demand has not reduced. The continuing mismatch between demand and provision builds upon a gap from previous years.</p> <p>By retaining core services focused on supporting the most vulnerable children, including those with specialist needs, and families, councils can continue to address the greatest levels of disadvantage and tackle inequality.</p>
<p>Could the function / policy have a differential impact on any of the following equality areas?</p>	<p>There are proposals that present charges should be reviewed and increased by a minimum of 10.0% from April 2025, if possible, to do so. These charges relate to a very wide range of services with the following exceptions, where alternative arrangements are required or proposed:</p> <ul style="list-style-type: none"> <li>• Building Warrant and Planning fees.</li> <li>• Harbour charges.</li> <li>• Ferry fares.</li> <li>• Car park and electric vehicle charges.</li> <li>• Residential care and Home care.</li> <li>• Very Sheltered Housing.</li> <li>• Supported accommodation.</li> </ul>

	<ul style="list-style-type: none"> <li>• Licensing fees.</li> <li>• Ship sanitation certification.</li> <li>• Marriage / civil partnership.</li> <li>• Roads Inspection Fees.</li> <li>• Trade waste charges.</li> <li>• Homelessness rents.</li> <li>• Selected quarry products.</li> </ul> <p>The summary below provides more information relating to people in Orkney by protected characteristic. It is important to note that intersectionality (the complex and cumulative way in which the effects of multiple protected characteristics have on the experiences of individuals or groups) is of particular relevance when considering inequalities and socio-economic disadvantage. Inevitably any potential changes to way in which services are delivered as a result of the budget, will impact on particular groups. Further work will be required to assess the impacts on a service-by-service basis.</p>
<p>1. Race: this includes ethnic or national groups, colour and nationality.</p>	<p>The majority of the population of Orkney is White Scottish (75.1%) or White Other British (20.5%). Whilst figures for other ethnic groups are low in comparison to the Scotland average, we see that the ethnic make-up of Orkney is becoming more diverse and this is likely to continue.</p> <p>See section 3 below.</p>
<p>2. Sex: a man or a woman.</p>	<p>There is a fairly even gender split for the population of Orkney comprising 49.2% Male and 50.8% female (2022 Census).</p> <p>Research shows that men are more likely to work full time than women, while women are more likely to hold part time positions than men.</p> <p>See section 3 below.</p>
<p>3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.</p>	<p>88.6% of the Orkney population is heterosexual according to the Census 2022. 1.1% identifies as gay or lesbian, 1.5% is bisexual and 0.5% is other sexual orientation. 8.2% did not answer this question. Research shows that one in six LGBT people have been discriminated against when using a public service in the last three years (Stonewall Scotland).</p> <p>See section 3 below.</p>
<p>4. Gender Reassignment: the process of transitioning from one gender to another.</p>	<p>94% of the Orkney population is not trans and has no trans history according to Census 2022. 0.4% are trans or have a trans history and 5.6% did not</p>

	provide an answer to this question.
5. Pregnancy and maternity.	See section 3 below.
6. Age: people of different ages.	<p>Orkney's demographic is changing and in line with the rest of Scotland the shift is towards an older average age.</p> <p>Census 2022 results show that 16% of people in Orkney are aged 0 to15, 7.4% are aged 16 to 24, 10.9% are aged 25 to 34, 16.7% are aged 35 to 49, 24.2% are aged 50 to 64 and 24.9% are aged 65 and over.</p> <p>As people get older, they are more likely to acquire a disability or to need higher levels of support, therefore proposals impacting older people are also likely to have impacts for those with disabilities and those with caring responsibilities. Similarly, proposals impacting children and young people may also have impacts for those with caring responsibilities.</p> <p>Some proposals are potentially more likely to affect specific age groups (e.g. Older people and Children and Young people) as they are heavier users of services, rather than because the council's savings have disproportionately targeted these groups.</p> <p>See section 3 below.</p>
7. Religion or beliefs or none (atheists).	<p>According to the Census 2022, 56.3% of people in Orkney have no religion. 26.7% are Church of Scotland, 2.7% are Roman Catholic, 6.9% are other Christian. Other religions represented in the data include Buddhist, Jewish, Muslim, Pagan and Other.</p> <p>See section 3 below.</p>
8. Caring responsibilities.	<p>The Census 2022 has provided updated figures for unpaid carers aged 3 and over in Orkney. 7.6% of people provide between 1-19 hours of care per week, 1% provide 20 to 34 hours per week, 0.9% provide 35 to 49 hours per week and 2.5% provide 50+ hours of care per week.</p> <p>See also section 3 below.</p>
9. Care experienced.	<p>Young people can be treated differently because of their care identity - that they have experience of care. In an effort to address the disadvantages faced by people with care experience, OIC is now assessing the impact of any proposals for those with care experience as part of the equality impact assessment process. These steps aim to provide care experienced young people with protection from discrimination and harassment because of</p>



	<p>their care identity. See section 3 below.</p>
10. Marriage and Civil Partnerships.	See section 3 below.
11. Disability: people with disabilities (whether registered or not).	<p>People with a disability are more likely to experience poorer outcomes in terms of employment, income and education. They are more likely to face discrimination and negative attitudes and often experience greater difficulties in accessing housing and transport. The 2022 Census figures show that 9.5% of the population in Orkney reported a disability; and 22.8% of the population reported a long-term illness, disease or condition. 9.9% of the Orkney population have a mental health condition and 9.7% have a physical disability.</p> <p>See section 3 below.</p>
12. Socio-economic disadvantage.	<p>Tackling deprivation and reducing inequalities remains a priority and as such it is recognised that fuel poverty is a significant issue across Orkney. In addition, evidence suggests that child poverty in Orkney is variable and the Isles locality has the greatest level of housing deprivation. Whilst Orkney does not have data zones within the greatest areas of deprivation across Scotland within the SIMD analysis, it is acknowledged that in remote and rural settings SIMD may be a less useful marker of deprivation.</p> <p>See section 3 below.</p>

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	<p>This document covers the totality of the overall proposals in general terms. This assessment has identified some cumulative differential impacts in relation to Sex, Age, Disability, those with Caring responsibilities, with care experience and those experiencing socio-economic disadvantage. At this stage, it is difficult to assess whether these differential impacts are likely to result in cumulative negative impacts.</p> <p>Discrete equality impact assessments for individual proposals have been carried out where required which has afforded an opportunity to consider differential impacts in more detail.</p> <p>Impacts identified for budget reduction proposals are listed below. Further information on each impact is available from the individual equality</p>
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impact assessment.

**ELH-CLLH-002** – Differential impact for younger people.

**ELH-CLLH-003** – Potential negative impact for race, adults, disability and those from socio-economically disadvantaged groups.

**ELH-CLLH-004** – Differential impact for younger people Potential negative impact relating to socio-economic disadvantage.

**ELH-CLLH-006** – Differential impact Age (younger people) and potential negative impact for care experienced people and socio-economic disadvantage.

**ELH-CLLH-013** – Negative impact relating to all age.

**ELH-EDU-002** – Potential differential impacts relating to age and caring responsibilities.

**ELH-EDU-003** – Differential impact relating to age.

**ELH-EDU-007** – Differential impact for women and negative impact for younger age.

**NSI-NS-005b** – Possible negative impact for disability.

**NSI-NS-007b** – Possible negative impact relating to socio-economic disadvantage.

**SPBS-IP-004** – Likely negative impact for age and socio-economic disadvantage.

**SPBS-LG-002** – Differential impacts relating to pregnancy and maternity, older age, marriage and civil partnership and disability.

The proposed budget reductions may inevitably have an impact on staffing in some cases. Some directorates and associated roles have a high percentage of female staff and therefore reviews could have a disproportionate impact on women. However, the overall gender balance of the workforce is weighted towards female and therefore there is unlikely to have a negative impact on the overall workforce profile. There may, however, be an impact on the Gender Pay Gap although at this stage, there is not enough detail to assess this fully. As part of our commitment to tackling inequalities and providing services that are fit for purpose, we continue to analyse the composition of our workforce by protected characteristic. Work is also identified as part of the Equality Outcomes to support gender balance within the workforce.

The reality is that in times of financial constraints

	public authorities have to make difficult decisions regarding service provision and the Council has a legal duty to continue to provide its core statutory services.
How could you minimise or remove any potential negative impacts?	<p>Individual equality impact assessments have been carried out for savings proposals where:</p> <ul style="list-style-type: none"> <li>• The proposal would result in a change to service.</li> <li>• The proposal could result in a change noticeable to service users.</li> <li>• The proposal could affect employees.</li> </ul> <p>Some proposals are potentially more likely to affect specific protected groups as they are heavier users of services, rather than because the council's savings have disproportionately targeted these groups. Indeed, this is the case in most of the equality analysis undertaken as part of this report.</p> <p>As stated above, differential and negative impacts have been identified for budget reduction proposals for Sex, Age (older people, young people and children), People with Caring Responsibilities, Disability, Care Experienced, and those experiencing Socio-economic disadvantage.</p> <p>Where negative impacts have been identified the individual assessments will detail any mitigation that can be taken, and members will consider these when making a decision.</p> <p>Potential negative impacts will have to be considered by elected members as well as taking cognisance of any cumulative effects on any of the protected characteristics resulting from a range of proposals.</p> <p>It is also important to consider wider socio-economic issues affecting Orkney when making informed decisions.</p>
Do you have enough information to make a judgement? If no, what information do you require?	Yes.

#### **4. Conclusions and Planned Action**

Is further work required?	No, although this is dependent on elected members decisions relating to all budget proposals.
What action is to be taken?	N/A

Who will undertake it?	N/A
When will it be done?	N/A
How will it be monitored? (e.g. through service plans).	N/A

Signature: 

Date: 20 February 2025

Name: Erik Knight

(BLOCK CAPITALS).

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