



Item: 3

Orkney Towns Board 7 February 2025

Governance and Finance

1. Overview

- 1.1. The purpose of this report is to note the final area for the work of Orkney Towns Board and to approve a draft framework for establishment of a Memorandum of Understanding between Orkney Towns Board and Orkney Islands Council. The report also provides a record of information regarding spending on Orkney Towns Board activity during 2024.

2. Recommendations

- 2.1. It is recommended that Orkney Towns Board:
 - i. Note the financial report, as outlined at section 4 of this report.
 - ii. Delegate authority to authorise the Chair of the Board to conclude a Memorandum of Understanding between the Orkney Towns Board and Orkney Islands Council regarding service arrangements, which will be reviewed on an annual basis.

3. Background

- 3.1. Following the establishment of Orkney Towns Board in spring 2024, work commenced at pace to deliver a programme of engagement to respond to challenging deadlines that had been set by the UK Government at that time. This included the commissioning of consultancy services and executive support to the Board.
- 3.2. Council officials administered these services on behalf of the Board, with direct costs being charged to a project cost centre which was established with £50,000 capacity funding being provided to Orkney Islands Council by the UK Government. Indirect costs were also incurred by the Council, including the cost of officer time from a range of Council services including legal, finance, economic development and committee services. The UK Government subsequently confirmed that a further £400,000 revenue funding will be made available to Orkney Islands Council for the period 2024-2026 to support the Board in undertaking the next phases of

work. Further guidance from the UK Government is imminent regarding delivery of the next phase of work. However, it is to be assumed that this sum should include provision for all costs including an allowance for Orkney Islands Council to cover costs associated with delivery of services to support the work of the Town Board.

- 3.3. In addition to progressing work on consultation and engagement, the Board also sought to confirm the extent of the area of Orkney which the UK Government would permit the Board to operate. This was ultimately confirmed by the UK Government to extend to “all of Orkney”.

4. Finance Statement

- 4.1. To date the £50,000 capacity funding has been allocated as follows:
- i. Up to £45,000 for consultancy services.
 - ii. Up to £2,500 for direct costs associated with public engagement.
 - iii. Up to £2,500 for costs to support OTB meeting and running costs.
- 4.2. There is currently circa £7,000 remaining from the original £50,000 allocation. The UK Government has confirmed that a further £400,000 revenue funding will be made available to the Council for 2024-2026 to support the work of the Board.

5. Memorandum of Understanding

- 5.1. As noted, Orkney Islands Council has provided a wide range of service support to the work of the Board to date. Such support is expected to continue to be required and will in fact increase over the course of 2025 for example with the establishment of a dedicated post of Economic Development Officer which will commence in early 2025. It is therefore necessary for the Board to make provision for the cost of Council services necessary to support the work of the Board.
- 5.2. In order to establish clarity on the extent of services that will be provided, and a means for the Board to measure delivery, it is recommended that a Memorandum of Understanding between the Orkney Towns Board and Orkney Islands Council is established.
- 5.3. Headings for a Memorandum of Understanding could include:
- i. Roles and responsibilities – setting out the services/support from the Council and that of Board Members.
 - ii. Escalation – provision for any disputes/complaints/compliments etc and the means that either party shall notify the other in terms of resolution.

- iii. Terms – including finance and termination arrangements.
- iv. Governing Law and Jurisdiction.

5.4. The report recommendations include that the Board supports the principle of the establishing a Memorandum of Understanding based on the headings above, and that the Board empowers the Chair to finalise Agreement with Orkney Islands Council with respect of the administrative and financial provisions associated with this. It is further recommended that the Memorandum and associated provisions are the subject of annual review by the Board.