

Appendix 1.

Active Travel

Capital Infrastructure and Revenue Development Works

Pages 1669 to 1670.

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

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

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

- | | |
|--------------|---|
| Paragraph 1. | Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority. |
| Paragraph 8. | The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services. |

Appendix 2.

UK Government Long-Term Pride in Place Programme

The Orkney Fund Board – Regeneration Plan

Draft 10-year Vision

Pages 1671 to 1705.

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

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

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

- | | |
|--------------|---|
| Paragraph 1. | Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority. |
| Paragraph 4. | Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority. |
| Paragraph 6. | Information relating to the financial or business affairs of any particular person (other than the authority). |

Appendix 3.

UK Government Long-Term Pride in Place Programme

The Orkney Fund Board – Regeneration Plan

4-year Investment Plan

Pages 1706 to 1723.

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

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

Local Government (Scotland) Act 1973 – Schedule 7A

Access to Information: Descriptions of Exempt Information

- | | |
|--------------|---|
| Paragraph 1. | Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority. |
| Paragraph 4. | Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority. |
| Paragraph 6. | Information relating to the financial or business affairs of any particular person (other than the authority). |



Flag Flying Protocol

1. Purpose

- 1.1. The purpose of this protocol is to establish a clear and consistent framework for the flying of flags at Council-owned buildings, specifically the Council Offices at School Place and Kirkwall Town Hall.
- 1.2. This protocol ensures that flag flying practices are respectful, appropriate, and aligned with both local priorities and national guidance, including the most recent Scottish Government Flag Flying Guidance. It provides a mechanism for considering requests to fly flags for events or causes not currently included in the Council's standard flag flying schedule, while maintaining flexibility and discretion in decision-making.

2. Standard Flag Flying Arrangements

- 2.1 As a symbol of local identity and civic pride, the Orkney Flag shall be flown continuously at the following locations:
 - Council Offices, School Place.
 - Kirkwall Town Hall.
- 2.2 The Orkney Flag will remain in place at all times except when it is temporarily replaced by another flag being flown to mark a specific occasion or event, as outlined in the Council's annual flag flying schedule.
- 2.3 Where another flag is to be flown it shall be flown from 08:00 to 20:00 on the designated day. In instances where the designated flag flying occasion falls on a weekend, the relevant flag shall be raised on Friday at 20:00 and remain in place until Monday at 08:00, ensuring appropriate recognition of the event across non-working days.

3. Requests to Fly Additional Flags

- 3.1 From time to time, the Council may receive requests from external organisations or individuals to fly flags from the Council Offices and / or Kirkwall Town Hall, in recognition of events, campaigns, or causes not currently included in the Council's flag flying schedule. In order to ensure that such requests are considered fairly and consistently, the following criteria must be met:
 - There is no political element to the activity
 - There is no commercial element to the activity
 - There is no significant cost to the Council

- Flying the flag does not conflict with another event already included in the schedule
- 3.2 Where requests satisfy these criteria, the final decision is delegated to the Chief Executive, in consultation with the Convener, Leader and Depute Leader.
- 3.3 Approved flags may be flown at:
- Council Offices, School Place, Kirkwall.
 - Kirkwall Town Hall.
- 3.4 This approach ensures that decisions are made in a timely and informed manner, while maintaining appropriate oversight and accountability.

4. Half-mast protocol

- 4.1 Flags shall be flown at half-mast, defined as two-thirds of the way up the flagpole, on the following occasions:
- Death of a former Elected Member: The Orkney Flag shall be flown at half-mast from the time of public announcement of the death until the date of the funeral. This shall be at the discretion of the Chief Executive, in consultation with the Convener, Leader and Depute Leader.
 - Royal funeral: The funeral of members of the Royal Family, subject to official instructions in each case issued by the Palace.
 - International Workers Memorial Day: flags shall be flown at half-mast to honour those who have lost their lives in the workplace.
- 4.2 These occasions reflect solemn and respectful observance of significant events and individuals.

5. Management and operational responsibility

- 5.1 The responsibility for the physical management of flags, including raising, lowering, and maintenance, rests with Council Officers. Flags owned by the Council shall be stored, cared for, and flown in accordance with this protocol and any relevant operational procedures.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 24 September 2025, 11:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask and Mellissa-Louise Thomson.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, David Dawson and Owen Tierney, Orkney Islands Council.
Karen Ritch, Orkney Ferries Limited.

Trade Union Representatives:

Karen Kent (Unison) and Eileen Swanney (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Director of Enterprise and Resources.
- Erik Knight, Head of Finance.
- Robert Adamson, Service Manager (Payroll and Pensions).
- Paul Maxton, Solicitor.
- Katie Gibson, Team Manager (Corporate Finance).
- Karen Rorie, Senior Accounting Officer (Treasury).

In Attendance via remote link (Microsoft Teams)

- Julie Radcliffe, Audit Director, KPMG (for Items 1 to 4).
- Kunal Malhotra, Audit Director, KPMG (for Items 1 to 4).

Apology

Pension Fund Sub-committee:

- Councillor Heather N Woodbridge.

Not Present

Pension Board, Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Orkney Islands Council Pension Fund

Audit Report to those Charged with Governance

Due to the lateness of the papers being issued and members having insufficient time to adequately scrutinise the report, consideration of this item was deferred to a future meeting, the date and time of which would be intimated in due course.

The Chair requested that it be noted no fault was attached to Council officers who appeared to have done their level best to get the papers to members timeously.

2. Pension Fund – Annual Accounts

For the reasons detailed above, and as the Annual Accounts could not be approved until the Annual Audit Report had been scrutinised and the Letter of Representation approved, consideration of the Annual Accounts was also deferred to the meeting referred to at paragraph 1 above.

3. Revenue Expenditure Outturn

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

Noted:

3.1. The revenue financial summary statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for financial year 2024/25, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £29,846,300.

3.2. The revenue financial detail by service area statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for financial year 2024/25, attached as Annex 2 to the report by the Head of Finance.

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.

4. Revenue Expenditure Monitoring

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

Noted:

4.1. The revenue financial summary statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £10,418,800.

4.2. The revenue financial detail by service area statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2025, attached as Annex 2 to the report by the Head of Finance.

4.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

5. Statement of Managed Funds

On the motion of Councillor Alexander G Cowie, seconded by Councillor Mellissa-Louise Thomson, 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 Team Manager (Corporate Finance), the Sub-committee:

Noted:

5.1. 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 June 2025.

5.2. The Legal and General Quarterly Engagement report for the quarter ending 30 June 2025, attached as Appendix 2 to the report by the Head of Finance.

5.3. The Legal and General Climate Impact Pledge 2025, attached as Appendix 3 to the report by the Head of Finance.

6. Conclusion of Meeting

At 11:16 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

Minute

Investments Sub-committee

Wednesday, 24 September 2025, 09:15.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask and Mellissa-Louise Thomson.

Clerk

- Sandra Cragie, Committees Officer.

In Attendance

- Gareth Waterson, Director of Enterprise and Resources.
- Erik Knight, Head of Finance.
- Katie Gibson, Team Manager (Corporate Finance).
- Michael Scott, Solicitor.

Observing

- Susan Taylor, Committees Officer.

Apology

- Councillor Heather N Woodbridge.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Revenue Expenditure Outturn

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 financial year 2024/25, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £2,662,400.

1.2. The revenue financial detail by service area statement in respect of service areas for which the Investments Sub-committee was responsible, for financial year 2024/25, attached as Annex 2 to the report by the Head of Finance.

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.

2. Revenue Expenditure Monitoring

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

Noted:

2.1. The revenue financial summary statement in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 June 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £2,100,200.

2.2. The revenue financial detail by service area statement in respect of service areas for which the Investments Sub-committee was responsible, for the period 1 April to 30 June 2025, attached as Annex 2 to the report by the Head of Finance.

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.

3. Treasury Management – Annual Report

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Noted the Treasury Management Review for financial year 2024/25, attached as Appendix 1 to the report by the Head of Finance.

4. 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 Team Manager (Corporate Finance), the Sub-committee:

Noted:

4.1. The quarterly report, attached as Appendix 1 to the report by the Head of Finance, prepared by Link Treasury Services, the Council's Treasury Adviser, which covered the following elements of treasury management:

- An economic update for the quarter ended 30 June 2025.
- Interest rate forecasts.

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- A review of prudential and treasury indicators for 2025/26, as at 30 June 2025.

4.2. The status of the temporary loans portfolio as at 30 June 2025, as detailed in section 3 of the report by the Head of Finance.

5. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Mellissa-Louise Thomson, the Sub-committee resolved that the public be excluded from the meeting for consideration of Items 6 and 7, 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.

6. Strategic Reserve Fund – Multi-factor Equity Options

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:

Noted what action would be taken with regard to potential investment in multi-factor equities.

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. 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 Team Manager (Corporate Finance), the Sub-committee:

Noted:

7.1. 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 June 2025.

7.2. The Barings Global High Yield Credit Strategies Fund ESG report for the quarter ending 30 June 2025, attached as Appendix 2 to the report by the Head of Finance.

7.3. The Baillie Gifford report for the quarter ending 30 June 2025, attached as Appendix 3 to the report by the Head of Finance.

8. Conclusion of Meeting

At 09:50 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

Minute

Pension Fund Sub-committee, together with Pension Board

Tuesday, 28 October 2025, 11:15.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Kristopher D Leask, Mellissa-Louise Thomson and Heather N Woodbridge.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, David Dawson and Owen Tierney, Orkney Islands Council.
Karen Ritch, Orkney Ferries Limited.

Trade Union Representatives:

Eileen Swanney (Unison) and Mark Vincent (GMB).

Present via remote link (Microsoft Teams)

Pension Fund Sub-committee:

Councillor Rachael A King.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Gareth Waterson, Director of Enterprise and Resources.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Paul Maxton, Solicitor.
- Karen Rorie, Senior Accounting Officer (Treasury).

Observing

- Susan Taylor, Committees Officer.

In Attendance via remote link (Microsoft Teams)

- Julie Radcliffe, Audit Director, KPMG.
- Kunal Malhotra, Audit Director, KPMG.

Not Present

Pension Board, Trade Union Representative:

- Karen Kent (Unison).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Orkney Islands Council Pension Fund

Audit Report to those Charged with Governance.

After consideration of a report by the Director of Enterprise and Resources, copies of which had been circulated, and after hearing report from the Head of Finance and the Audit Directors, KPMG, the Sub-committee:

Scrutinised:

1.1. The Annual Audit Report to members of the Pension Fund Sub-committee and the Controller of Audit, in respect of the Orkney Islands Council Pension Fund, attached as Appendix 2 to the report by the Director of Enterprise and Resources, and obtained assurance.

The Sub-committee resolved, in terms of delegated powers:

1.2. That Orkney Islands Council's Letter of Representation to KPMG in connection with their audit of the annual accounts of Orkney Islands Council Pension Fund for the year ended 31 March 2025, attached as Appendix 1 to this Minute, be approved.

2. Orkney Islands Council Pension Fund – Annual Accounts.

After consideration of a report by the Director of Enterprise and Resources, copies of which had been circulated, and after hearing a report from the Head of Finance, the Sub-committee:

Resolved, in terms of delegated powers, that the Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year 2024/25, incorporating the Annual Governance Statement at pages 18 to 25, attached as Appendix 2 to this Minute, be approved.

3. Conclusion of Meeting

At 11:35 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

ENTERPRISE & RESOURCES

Director: Gareth O Waterson BAcc CA
Council Offices, Kirkwall, Orkney, KW15 1NY

Tel: (01856) 873535

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KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

28 October 2025

Dear Julie,

This representation letter is provided in connection with your audit of the annual accounts of Orkney Islands Council Pension Fund ("the Fund"), for the year ended 31 March 2025, for the purpose of expressing an opinion:

- i. as to whether these annual accounts give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- ii. whether the annual accounts have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the 2024/25 Code; and
- iii. whether the annual accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

These annual accounts comprise the Pension Fund Account, the Net Assets Statement, and notes to the accounts, including a summary of significant accounting policies.

I confirm that the representations I make in this letter are in accordance with the definitions set out in the Appendix to this letter.

I confirm that, to the best of my knowledge and belief, having made such inquiries as it is considered necessary for the purpose of appropriately informing myself:

Annual Accounts

1. I have fulfilled my responsibilities, as set out in the terms of the audit engagement letter dated 18 May 2022, for the preparation of annual accounts that:
 - i. give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
 - ii. have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the 2024/25 Code; and
 - iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

The annual accounts have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the annual accounts and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. I have provided you with:

- access to all information of which I am aware, that is relevant to the preparation of the annual accounts, such as records, documentation and other matters;
- additional information that you have requested from myself for the purpose of the audit; and
- unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the annual accounts.

6. I confirm the following:

- i. I have disclosed to you the results of its assessment of the risk that the annual accounts may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii. I have disclosed to you all information in relation to:

- a) Fraud or suspected fraud that I am aware of and that affects the Fund and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the annual accounts; and

- b) allegations of fraud, or suspected fraud, affecting the Fund's annual accounts communicated by employees, former employees, analysts, regulators or others.

In respect of the above, I acknowledge my responsibility for such internal control as I determine necessary for the preparation of annual accounts that are free from material misstatement, whether due to fraud or error. In particular, I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and I believe, I have appropriately fulfilled those responsibilities.

7. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the annual accounts.
8. I have disclosed to you and have appropriately accounted for and/or disclosed in the annual accounts, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the annual accounts.
9. I have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which I am aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as I understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

10. I confirm that:

- a) The annual accounts disclose all of the matters that are relevant to the Fund's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Fund's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Annual accounts*.
- b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Fund to continue as a going concern.

11. On the basis of the process established by the Fund and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with my knowledge of the business and are in accordance with the requirements of IAS 26 *Accounting and Reporting by Retirement Benefit Plans*.

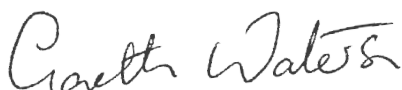
I further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

Yours faithfully,



Gareth Waterson, BAcc, CA
Section 95 Officer

28 October 2025

Appendix to the Pension sub-committee Representation Letter of Orkney Islands Council Pension Fund: Definitions

Annual accounts

A complete set of annual accounts comprises:

- Net Assets Statement as at the end of the period;
- Pension Fund Account for the period
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those annual accounts, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its annual accounts taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of annual accounts to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the annual accounts but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the annual accounts;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the annual accounts is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose annual accounts requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose annual accounts are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in annual accounts to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in annual accounts, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when annual accounts for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those annual accounts.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).

- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

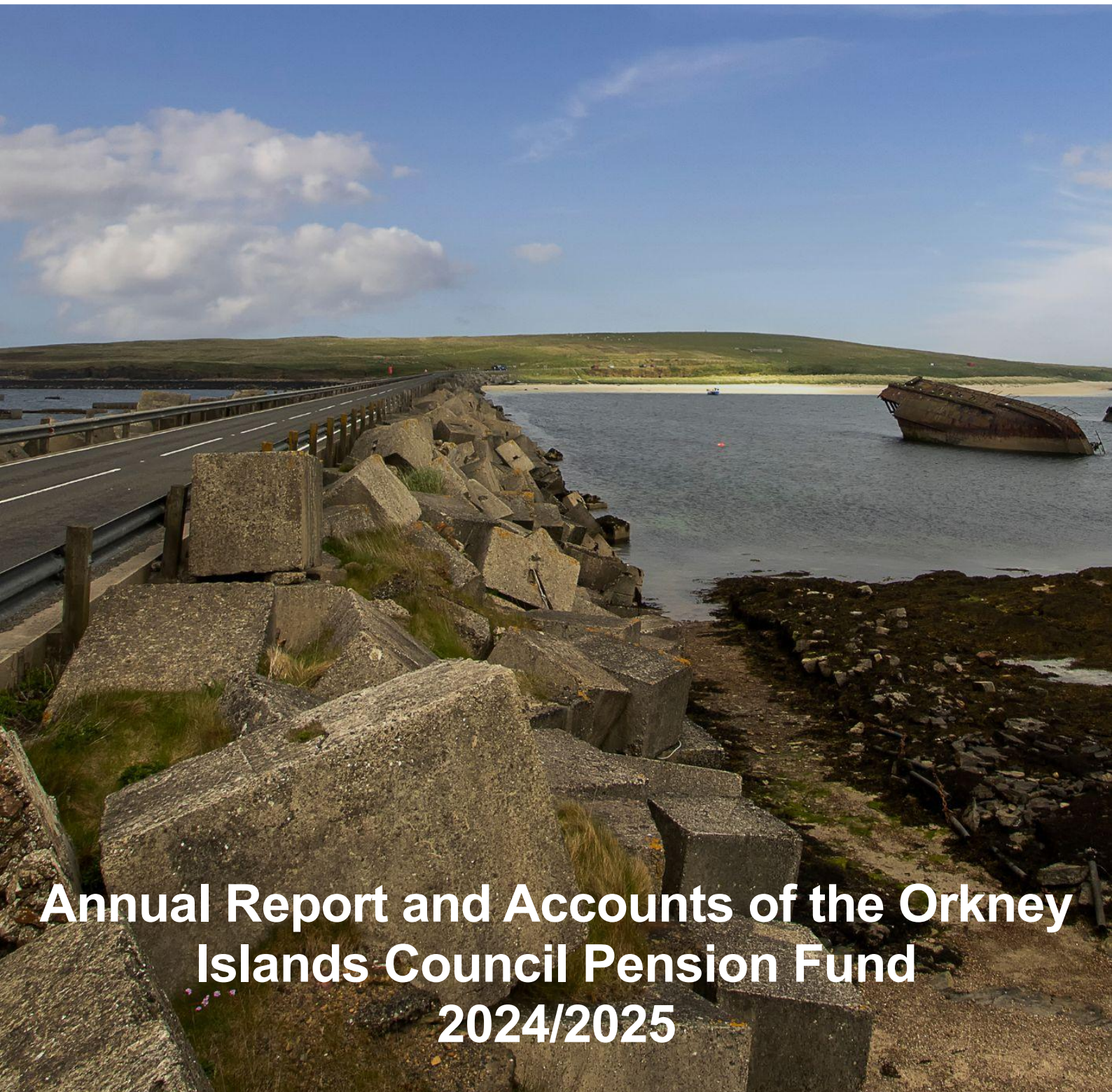
Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



Annual Report and Accounts of the Orkney Islands Council Pension Fund 2024/2025

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Management Commentary

Introduction

Welcome to the Annual Report and Accounts for the Orkney Islands Council Pension Fund for the year ended 31 March 2025.

The Local Government Pension Scheme (Scotland) Regulations 2018 require the Council, as administering authority for the Fund, to produce a separate statement of accounts for the Pension Fund and incorporate it into an Annual Report.

This Annual Report has been produced to provide Elected Members, employers, scheme members and other interested parties with information concerning the administration and performance of the fund for financial year 2024/2025 and we hope you find its content useful.

To assist in the understanding of the Annual Report and Accounts we would encourage you to make reference to the Management Commentary in the first instance.

We realise that pensions are a highly complicated subject. It is, however, important that fund members take the time to try and understand the scale of benefits that they will receive when they retire - whether this is from the Local Government Pension Scheme itself or through other pension arrangements, such as the State Pension.

Overview of Fund Business

Under the statutory provisions of the Local Government Pension Scheme, Orkney Islands Council is designated as an “Administering Authority” and is required to operate and maintain a pension fund – the Orkney Islands Council Pension Fund (“the Fund”).

The Fund is used to pay pensions, lump sum benefits and other entitlements to scheme members and their dependants. Contributions to the Fund are made by employee members and by participating employers. The Fund also receives income from its investments, which include equities and pooled investment vehicles.

The Fund operates under the terms of the Local Government Pension Scheme, which is a public sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the scheme, a person must be employed by a relevant employer and not eligible to join another public sector pension scheme. Teachers are not included as they have a separate national pension scheme.

Review of the Year

Key Facts and Figures:
Value of the Fund at 31 March 2025 was £532.1 million (£535.8m at 31 March 2024).
An Operational and Investment Income Loss of £3.6 million was incurred on the activities of the fund (compared to a gain of £55.9m for the year ended 31 March 2024).
The decrease in fund value over the year was largely the result of an decrease in the market value of investments of £10.0m. Outflows, including benefits payable (£13.1m) and management expenses (£3.2m) were offset by investment income of £9.7m and contributions receivable of £13.3m. Overall, this represents a year-on-year decrease of -0.7% in the value of the fund.
Performance of the Fund on a three-year rolling average basis has been 1.0% p.a., giving a relative return below benchmark by 3.4%.
Fund membership increased by 129 to 4,793.
Employers contributed £9.6 million to the Fund (£9.9m to 31 March 2024).
Employees contributed £3.7 million (£3.6m to 31 March 2024).
Pension and other benefits paid out were £13.1 million (£11.2m to 31 March 2024).
Transfer values paid into the Fund because staff changed employers was £1.5 million (£2.4m to 31 March 2024).
Transfer values out of the Fund because staff changed employers was £1.9 million (£1.0m to 31 March 2024).

Over the 2024/2025 financial year, the Pension Fund returned -0.7% as markets saw increased volatility towards the end of the year due to uncertainties surrounding import tariffs and global trade policies introduced by the US administration.

The Fund's managers delivered mixed performance over the past 12 months. The Pension Fund's holdings in the Baillie Gifford UK Equity Fund, Barings Global Private Loan Fund ("GPLF") 3 and 4 mandates and the IFM Global Infrastructure Fund had positive returns this year in absolute terms, while the Baillie Gifford Global Alpha Fund, IFM Net Zero Infrastructure Fund and L&G gilts funds produced negative returns.

Amongst the growth assets, the Baillie Gifford UK Equity Fund was the best performing mandate over the year, returning 6.8%, in absolute terms. Nevertheless, the manager underperformed its benchmark by 4.6% over the past 12 months. Conversely, the Baillie Gifford Global Alpha Fund returned -3.3% (in absolute terms) over the 12-month period and underperformed its benchmark by 8.2% (net of fees). At the start of the 12 months, global equities outperformed on the back of strong performance by a limited number of US-listed Technology and Technology-adjacent megacap names i.e. the "Magnificent 7". These are Apple, Nvidia, Microsoft, Amazon, Tesla, Meta/Facebook and Alphabet/Google. However, global equities weighed on performance in the latter part of the year, amid rising investor uncertainty surrounding U.S. markets and broader geopolitical tensions.

The Pension Fund's protection assets with L&G, (gilts and index-linked gilts funds) detracted from the overall performance, returning -1.2% and -10.5% respectively. Fixed income assets continued to suffer throughout the year as high inflation and rising interest rate expectations resulted in the rise of yields and the fall in prices (bond prices fall as their yields rise). UK bonds in particular dropped in value as rates rose throughout the year as the Bank of England attempted to tame inflation. During the past 12 months, the Pension Fund invested into the L&G Future World Net Zero Buy and Maintain Fund, which has delivered negative absolute returns of -1.8% since inception against its benchmark return of -1.7%.

Within the Pension Fund's income assets, the GPLF 3 and 4 posted positive returns over the 12-month period, outperforming their benchmark, by 2.5% and 1.5% respectively.

Similarly, IFM Global Infrastructure Fund had a positive return over a 12-month period in absolute terms, returning 8.3%, albeit falling behind its benchmark by 1.5%. However, the IFM Net Zero Infrastructure Fund delivered a negative absolute return of -0.5%, underperforming its benchmark of 2.5%. We note it is too early to meaningfully evaluate the manager's performance, given this is a relatively newly appointed manager.

The overall benchmark return of 3.1% generally reflects variable market conditions for investors over the 12 months to 31 March 2025.

The table shown within the investment strategy section, page 6, details the allocation of the fund within asset class or pooled investment vehicle.

The value of the fund decreased by £3.7m or 0.7% in the financial year and totalled £532.1m at 31 March 2025.

The change in value of the fund over any given period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of its investments. During the year, a loss on member contributions receivable and transfers in over pension payments and management expenses of £3.4m (2024: £0.4m gain) was decreased by income from dividends and interest of £9.7m (2024: £11.9m). The loss on the Fund was further increased by a net capital loss of £10.0m (2024: £43.7m gain).

The Accounts are based on the market value of investments at 31 March 2025. This means that they include the profit or loss that has been made, due to the change in the value of investments, over the period from the date of their purchase to 31 March 2025 even though no actual sale has taken place. This notional value is defined as "unrealised" profit or loss. By contrast "realised" profits and losses are those that have arisen from actual sales throughout the year. Of the net capital loss of £10.0m in the year, £50.0m was an unrealised loss (2024: £31.8m gain) and £40.0m realised gain (2024: £11.8m realised gain).

After allowing for projected liabilities on the fund, the funding level has increased to 188% at 31 March 2025 from its value of 174% last financial year end, calculated on an ongoing funding basis. This improved investment outlook has been partially offset by an increase to future inflation expectations.

We are pleased to report that the Fund maintains a position above its 100% funding target, being in surplus by £246m at the financial year end (2023/2024: £221m) according to the actuary's most recent funding update.

Economic and Market Background

The US economy grew strongly in 2024, supported by consumer demand and government spending, but more recent survey data point to slowing growth in Q1 2025. The UK economy grew modestly, after a strong first half. The eurozone also experienced growth, but manufacturing weakness weighed on the region. Ostensibly solid growth in China masks divergence within the economy: export-led growth and inventory building has offset weak domestic demand.

Year-on-year headline inflation fell to 2.6%, 2.4% and 2.2% in the UK, US and eurozone, respectively in March 2025. Core inflation, which excludes volatile food and energy prices, also fell but remains above the headline measure across regions, at 3.4%, 2.8% and 2.4% in the UK, US and eurozone.

In the 12 months to the end of March 2025 the US Federal Reserve and European Central Bank lowered rates 1% pa and 1.5% pa, to 4.25-4.5% pa and 2.5% pa, respectively. Given underlying inflation pressures, the Bank of England lowered rates more slowly, but still cut by 0.75% pa, to 4.5% pa. The Bank of Japan raised rates 0.4% pa, to 0.5% pa.

US 10-year yields were volatile but ended the period where they started, at 4.2% pa as of 31 March 2025. Meanwhile, German yields climbed 0.4 % pa as investors anticipated heavier issuance and stronger growth after government spending pledges on defence and infrastructure. UK yields rose 0.7% pa, to 4.7% pa, as the Autumn Budget implied higher gilt issuance. Japanese yields increased 0.8% pa on persistent inflation and monetary policy normalisation.

European investment-grade credit spreads narrowed over the past 12 months, driven by optimism around fiscal support, with sterling investment-grade spreads falling 0.1% pa, to 1.1% pa. US speculative-grade spreads rose 0.4% pa, to 3.5% pa, while equivalent European spreads fell 0.3% pa, to 3.3% pa.

Despite falling in March as sentiment towards US assets faltered, the trade-weighted US dollar rose 4%. The Japanese trade-weighted yen gained 2.2% on narrowing interest-rate differentials, while equivalent sterling and euro measures rose 2.6% and 0.4% over the past 12 months. Oil prices fell 14.5% as slowing growth affected the demand outlook, while gold surged 41.4% to all-time highs in March 2025 amid rising economic uncertainty.

Global equities rose 8.0% over the past 12 months in local currency terms, with falls in Q1 2025. Emerging and Asian markets outperformed, supported by policies announced by Chinese authorities in mid-2024 and renewed optimism towards Chinese technology stocks. The UK outperformed thanks to its above-average exposure to financials, while strong consumer spending supported modest US outperformance. European stocks underperformed on a more cautious outlook for luxury consumer discretionary companies. Japan was the worst-performing region over the past 12 months as yen strength and trade headwinds affected the export-oriented market.

Consensus forecasts for global growth have slipped since the start of the year due to the significant chains rise in the US average effective tariff rate. The US and those economies with a large share of exports to the US will be the most affected, but the impact will extend beyond US imports as global supply are disrupted. Uncertainty will also weigh on consumer spending and business investment. This presents downside risks to corporate earnings forecasts, which have also been slipping in recent weeks.

The US is being hit with both supply and demand shocks. For other economies, US tariffs mainly represent an external demand shock, though the impact on inflation is uncertain. We would anticipate that falls in commodity prices and currency appreciation against the dollar will lower headline inflation, while some imported goods could become cheaper as exports previously destined for the US enter non-US markets. On the other hand, the scale of US tariffs could damage global supply chains, raising inflation.

There is attractive value in UK gilts, given high forward yields relative to economic fundamentals. Index-linked gilts are becoming more attractive, given the downgrades to real UK growth forecasts and upgrades to inflation forecasts. The proportion of issuance of long-dated bonds and linkers is also set to fall, potentially improving the technical backdrop at the margin for index-linked gilts, however, yield volatility is expected to persist in the near term.

Credit spreads have risen since the start of the year, amid trade uncertainty and growth concerns. That said, credit spreads began their ascent from historically low levels and remain low relative to history. However, some long-term investors who had been underweight because of low spreads could find themselves considering a less underweight position.

Global equities are less expensive than at the start of the year, but they're still not cheap. Meanwhile, earnings look elevated relative to trend, and the likelihood of earnings reversion has increased, with global earnings forecasts continuing to slip. Valuations don't feel like they've fallen enough to offset this risk to medium-term returns, meaning we retain a degree of caution. Despite US underperformance in the year to date, US equity market concentration is high, and the US continues to trade at a premium to both its own history and global benchmarks.

Sterling remains slightly cheap versus the US dollar based on the real effective \$/£ exchange rate relative to its long-term trend. Having risen year-to-date, the dollar is now less obviously expensive relative to sterling.

Investment Strategy

The investment strategy of the Fund is to invest monies in a prudent and diversified manner, in accordance with the Scheme regulations and in recognition of the inherent risks that accompany any investment in the respective asset classes. The strategy is set out in the Statement of Investment Principles which can be viewed on request.

A revised investment strategy was approved in February 2019. Following a fund manager selection process during 2019, the revised asset allocation and range guidelines were applied with effect from December 2019. Significant steps have been taken towards the Fund's interim-target allocation during the year and have been regularly reviewed with the most recent review in February 2024.

The agreed interim and long-term target allocations are shown in the Asset Allocation table below together with the actual asset allocation at 31 March 2025.

Asset Class	Asset Allocation at 31/03/2025	Interim Target	Range	Revised Long-term Target
	%	%	%	%
Growth				
UK Equities	8.1	8.0	46-56	7.0
Overseas Equities	47.6	43.0		43.0
Diversified and Multi Asset Growth	0.0	21.5	16.5-26.5	0.0
Total Growth	55.7	72.5		50.0
Income				
Infrastructure Credit	8.8	5.0	5-15	10.0
Private Debt	9.0	7.5	5-15	10.0
Total Income	17.8	12.5		20.0
Protection				
UK Gilts	9.5	7.5	2.5-12.5	10.0
UK Index-Linked Gilts	8.8	7.5	2.5-12.5	10.0
Corporate Bonds	7.1	0.0	-	10.0
Cash	1.1	0.0	-	0.0
Total Protection	26.5	15.0		30.0
Total	100.00	100.0		100.0

In time the strategy will transition towards the relevant target allocations. The Fund has acted to reduce its holdings in growth-seeking assets in favour of funding a new allocation to income generating assets as part of a strategy to further diversify the Fund's investments. Nevertheless, holdings in equities still account for 55.7% of the Fund's portfolio as at 31 March 2025. The remaining 44.3% is held in Infrastructure Credit, Private Debt, Bonds and Cash at 8.8%, 9.0%, 25.4% and 1.1% respectively.

Along with new allocations to global infrastructure credit and private debt, other changes included an increase in the bonds allocation which is now managed on a passive basis. In 2022 it was agreed to increase the Fund's infrastructure allocation through a commitment to a net zero infrastructure fund. The most recent review in 2024 agreed a full disinvestment from the multi-asset mandates and subsequent investment of those proceeds into protection assets. These changes have been progressed during the year and are intended to reduce the risk profile of the fund and have been matched by a proportionate reduction in growth assets.

As a result of its exposure to equities, the relative performance of the Fund against its benchmark can be volatile over the short term. However, the Fund continues to have a strong funding position together with a net contribution from its dealings with members which allows it to take a long-term view across successive investment cycles.

A Responsible Investment Policy was approved in February 2024 which sets out the underlying objectives and beliefs of the Sub-committee on behalf of the Fund and what the Sub-committee expects to achieve from having this policy in place. It details the actions that the Sub-committee will take to achieve those actions and the means by which the actions will be assessed in order to judge whether the expected outcomes have or have not been achieved.

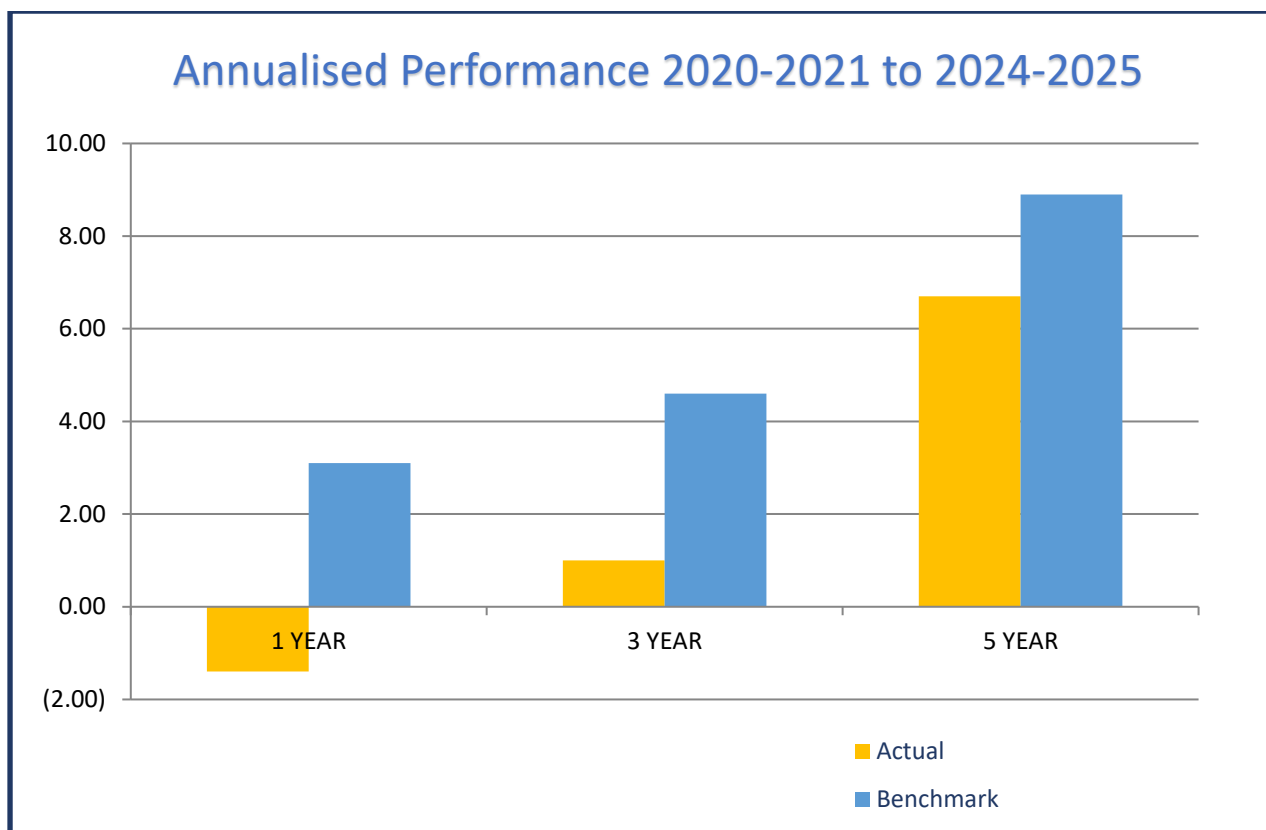
The top 10 direct equity holdings within the Fund at 31 March 2025 were:

Company	Market Value of Holding £m
Meta Platforms Inc	11.0
Amazon.com	10.5
Microsoft	10.2
Prosus N.V.	9.3
NVIDIA	9.0
TSMC ADR	7.7
Doordash Inc	7.6
Elevance Health Inc	7.6
Mastercard	6.4
Service Corp.Intl.	6.2

Investment Performance

The performance of the Pension Fund managed investments has been measured against a bespoke or fund specific benchmark since the 1 April 2018, following the closure of the previous peer group benchmark, and reflects the weighting or concentration of individual asset classes within the approved investment strategy. The benchmark is maintained by Hymans Robertson. The revised investment strategy approved in February 2019 included principally new allocations to infrastructure equity and private debt, funded by a further reduction in the Fund's exposure to equities. The weightings of the fund specific benchmark were subsequently amended in December 2019 to reflect the revised investment strategy and signalled the start of the process to transition the Fund's investments to the new strategy. The Fund's performance target for this accounting period is to outperform the fund specific benchmark measured over a rolling 5-year period. The average performance over the last 5 years of 6.7% is behind the benchmark of 8.9%.

The following graph summarises investment performance on an annualised basis over 1, 3 and 5-year periods.



Structure of Administration

Staffing

Administration of the Fund is carried out in-house and undertaken by the Payroll and Pensions section within Orkney Islands Council's Enterprise & Resources Service.

The Pensions team within the Payroll and Pensions section has 3.7 full time equivalents, consisting of a Service Manager, one full time Team Manager, two part time Senior Assistants and an Administrative Assistant. In addition to maintaining Fund members' records using data supplied by all Fund employers, the Pensions team also provides frontline services to scheme members. As well as answering telephone calls and responding to electronic and written correspondence, meetings are provided where requested.

The staff resources detailed above are supplemented by shared staff resources within the Enterprise & Resources Service, providing additional governance, payments, investment, and accounting expertise. In addition, the Human Resources and Organisational Development section, within Orkney Islands Council's Infrastructure & Organisational Development Service also supports the work of the Pension section by arranging pre-retirement workshops for scheme members who are within two years of retirement.

Systems

Fund members' records are maintained on Aquila Heywood's pensions administration system known as Altair. Every current and former employee of Fund employers, including Orkney Islands Council, who has a pension entitlement in the Fund is included in the Altair system.

The Council's ResourceLink Payroll system is used to pay pensioner benefits. The Pensions team is restricted to read only access of the payroll system, with amendments being made to pensioner records via a formal request process to the Payroll team.

Administration Performance

Orkney Islands Council as administering authority is committed to providing a high-quality pension service to both members and employers and ensuring members receive their correct pension benefits entitlement.

Administration performance figures are monitored by the Pension Fund for financial year 2024/2025, against the key service standards set by the Pension Fund Sub-committee, as follows:

Category	Performance Standard – No of Working Days	Number of records processed within standard	Number of records processed Outwith standard	Percentage of records processed within standard	Prior Year Performance
New Entrant Information	10	227	1	99.6%	100.0%
Leaver Information	10	175	4	97.8%	98.4%
Pension Estimates	10	149	3	98.0%	84.8%
Retirements	5	104	0	100.0%	97.6%
Transfers In	10	59	1	98.3%	94.0%
Transfers Out	10	19	1	95.0%	85.7%
Refunds	5	25	1	96.2%	97.0%

Scheme Arrangements

Career Average Revalued Earnings Scheme (CARE) – LGPS 2015

A number of important changes have been made to the LGPS from 1 April 2015. The changes, which have been agreed between the Trade Unions, COSLA and the Scottish Government, ensure that the scheme complies with the terms of the Public Pensions Act 2013.

From 1 April 2015 the pension scheme moved away from a final salary to a career average revalued earnings scheme (CARE).

The main changes of this scheme were:

- A move towards benefits being worked out using career average revalued earnings (CARE) rather than final salary.
- Pensions being built up at a rate of 1/49th of annual pensionable pay.
- Member's normal retirement age being linked to their own State Pension Age. Members may still be able to retire from age 60 but a reduction for early payment may apply.
- Protection of benefits for members aged 55 and over at 1 April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced, and
- Benefits built up before April 2015 will continue to be calculated using actual final pensionable pay at date of leaving.

Fund Update

Membership details are shown below along with a short description for each membership status:

Membership	2023/2024	2024/2025
Contributing members	2,224	2,247
Pensioners	1,295	1,375
Deferred members	1,145	1,171
Total	4,664	4,793

Contributing Member	Someone who is currently employed by a scheduled or admitted body and is making contributions from their pay to the Pension Fund. Such a person is referred to as an “active” member.
Deferred Member	Someone who was once a contributing member and who has chosen to leave his or her accumulated contributions in the Fund to benefit from a pension in due course.
Pensioner/Dependent Member	Someone who is receiving benefits from the Fund either as a former contributor or as a dependant of a former contributor who has deceased.

Employer Bodies

The Fund invested and administered pensions on behalf of 4 current and former employers during financial year 2024/2025. These include scheduled bodies, brought into the Fund by legislation, and admitted bodies, which chose to join the Fund. The detailed listing of employers and their membership numbers is contained in Note 1 of the Annual Report and Accounts for the Fund.

Pension Increases

Pensions which are in payment and deferment are increased each April in accordance with the Pension (Increase) Act 1971. Since April 2011, this increase has been linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

Actuarial Valuation

Annex 2 contains the formal Actuarial Statement for financial year 2024/2025 which is prepared in line with International Accounting Standard (IAS) 26 and supports the preparation of the Accounts for the Pension Fund.

The last triennial valuation, as at the 31 March 2023, calculated that the Fund's assets were valued at £480m, and were sufficient to meet 164.0% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. This compared with 118% at the previous March 2020 valuation. The resulting surplus at the 2023 valuation was £188m.

For the purpose of reporting a funding level and an associated surplus/deficit for the 2023 valuation a prudent future investment return of 5.2% p.a with a 75% likelihood of success has been used, this compared to 2.9% p.a for the 2020 valuation.

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- Decrease due to future investment returns being anticipated to be higher than at 2020.
- Increase due to the significant increase in short-term future inflation expectations.
- Decrease due to a slight reduction in life expectancy (not allowing for Covid-related excess deaths).
- Decrease due to updated model of future improvements to the most recent model available, including allowance for some recent mortality experience related to the excess deaths from the Covid 19 pandemic.

This overall decrease in liabilities has been offset by an increase in the Fund's assets resulting from a positive investment return and a net cash inflow over the period since the last full valuation at 31 March 2023.

As recommended by the Fund's Actuary (Hymans Robertson) the employers contribution rate has been reduced to 15.0% for the period 1 April 2024 to 31 March 2027 with reference to the future costs and also taking account of the current funding position, which is based on past service benefits.

The LGPS regulations state that a Primary Contribution Rate should also be set, which is the cost of active members accruing benefits in the scheme. The overall contribution rate, expressed as a percentage of pay, has reduced due to both an improvement in the past service funding position and higher assumed future investment returns at 2023 compared to 2020.

The most recent funding update produced at 31 March 2025 indicates that the funding surplus has increased from 174% to 188% since 31 March 2024. The improvement has been driven by gains in asset returns and decreases in past service liabilities during the year. A summary of these results is shown below:

	31 March 2024	31 March 2025
Assumed Future Investment Return (Based on a 75% Likelihood of Success)	5.7% p.a.	6.3% p.a.
Salary Increase Assumption	2.9% p.a.	2.8% p.a.
Pension Increase Assumption	2.4% p.a.	2.3% p.a.
Assets	£519m	£523m
Past Service Liabilities	£298m	£278m
Surplus/ (Deficit)	£221m	£246m
Funding Level	174%	188%
Future Investment Return Required to be 100% Funded	2.4% p.a.	2.7% p.a.
Likelihood of Achieving This Return	95%	95%

The assessed Primary contribution rate for 1 April 2024 – 31 March 2027 at March 2023 was 22.1%. On applying a Secondary contribution rate of -7.1% to give a required minimum contribution, against the background of increased uncertainty over the future impacting on actuarial assumptions the employer contribution rate will be reduced to 15.0% for the three-year period 2024 to 2027.

Main Risks and Uncertainties facing the Fund

Awareness of risk and risk mitigation is a key facet of the Fund's strategic and operational activities. Whilst it is not possible to eliminate risk entirely, the Fund has taken steps to evaluate risk and put strategies and controls in place to minimise its adverse effects.

The Fund has its own risk register, which details some 24 risks faced by the Fund and can be viewed at the related downloads section [here](#). The risk register is reviewed annually by the Pension Fund Sub-committee and Pension Board.

Principal risks, and the way in which they are managed, are as follows:

Financial Mismatch, the risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities. The Pension Fund Sub-committee measures and manages financial mismatch in several ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns. It also assesses risk relative to liabilities by monitoring benchmark returns relative to liabilities. The Pension Fund Sub-committee keeps under review demographic assumptions which could impact on the cost of benefits. These assumptions are considered formally in the triennial valuation and reviewed annually within funding update reports (Navigator) produced by the Fund's Actuary, Hymans Robertson.

Systemic Risk, the risk of an interlinked and simultaneous failure of several asset classes and/or investment managers. The Pension Fund Sub-committee seeks to manage systemic risk by the appointment of investment managers. The Pension Fund Sub-committee regularly reviews total asset values within asset class.

Liquidity Risk, the risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. This is controlled by the regular estimation of cash flow to ensure that sufficient cash balances are available. By holding the majority of its assets in liquid assets such as equities and bonds, unexpected cash flow requirements can be met by the realisation of assets. Liquidity risk is also moderated by the Fund continuing to have a surplus of contributions receivable over pensions payable.

Transition Risk, the risk of incurring unexpected costs or losses when assets are transferred between asset classes. When carrying out significant transitions the Pensions Sub-committee will take professional advice and consider the appointment of specialist transition managers.

Pension Fund Sub-committee and Pensions Board

In line with scheme regulations, and the respective terms of reference for the Pension Fund Sub-committee and Pensions Board, the group met concurrently on four occasions during 2024/2025.

Training activity for the members of the Pension Fund Sub-committee and Pension Board was undertaken during the financial year 2024/2025, in accordance with the agreed training plan, to enable Councillors charged with the governance of the Fund to execute their role as quasi-trustees effectively. In recognition of the complex and ever-changing environment of Local Government Pension Scheme finance, and specifically to address the governance requirements, the Chartered Institute of Public Finance and Accountancy Code of Practice on Public Sector Pensions Finance Knowledge and Skills has been adopted.

Acknowledgement

We would like to take this opportunity to thank our colleagues in the Enterprise & Resources Service and the members of the Pension Fund Sub-committee and the Pensions Board for their help and co-operation in managing the financial affairs of the Pension Fund.

Gareth Waterson, BAcc, CA
Section 95 Officer

Councillor Heather Woodbridge
Leader

Oliver D Reid
Chief Executive

Statement of Responsibilities for the Annual Accounts

Responsibilities of the Orkney Islands Council as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Orkney Islands Council Pension Fund (the Fund) and to secure that one of its officers has the responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Director of Enterprise & Resources.
- Manage the affairs of the Fund to secure economic, efficient, and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021, and so far, as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

Signed on behalf of Orkney Islands Council

Councillor Heather Woodbridge
Leader

The Director of Enterprise & Resources Service responsibilities

The Director of Enterprise & Resources is responsible for the preparation of the Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Annual Accounts, the Director of Enterprise & Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Code (in so far as it is compatible with legislation).

The Director of Enterprise & Resources Service has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the annual accounts give a true and fair view of the financial position of the Orkney Islands Council Pension Fund as at 31 March 2025, and of its transactions for the year ended 31 March 2025.

Gareth Waterson, BAcc, CA
Section 95 Officer

Remuneration Report

The Pension Fund does not directly employ any staff. We have therefore not included a remuneration report within the Annual Report.

All staff are employed by Orkney Islands Council, and their costs reimbursed by the Pension Fund.

The Councillors, who are members of the Pension Fund Sub-committee and Pension Board are also remunerated by Orkney Islands Council.

Details of Councillor and Senior Employee remuneration can be found in the statement of accounts of Orkney Islands Council on the Council's website:

<https://www.orkney.gov.uk/your-council/finances/budgets-and-accounting/statement-of-accounts/>.

The Statement of Accounts of Orkney Islands Council do not form part of the Pension Fund's Annual Report and Accounts.

Annual Governance Statement

Scope of Responsibility

The Orkney Islands Council acts as Administering Authority for the Orkney Islands Council Pension Fund. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework 'Delivering Good Governance in Local Government'. The Code is available on the Council's website. The authority's financial and management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in local government.

The Local Code of Corporate Governance evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The document is regularly reviewed and updated.

Purpose of the Governance Framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised, and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The governance framework has been in place for the year ended 31 March 2025 and up to the date of approval of the Annual Accounts.

Governance Framework

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.

The Pension Fund is governed by the Local Government Pension Scheme (Scotland) Regulations. These include requirements for the preparation and production of a number of key policy documents including a Valuation Report, a Funding Strategy Statement and Statement of Investment Principles. These documents set out the Fund's objectives together with the main risks facing the Fund and the key controls to mitigate those risks.

Review of Effectiveness

Orkney Islands Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. This includes ensuring appropriate advice is available to the Pension Fund on all governance matters, providing training to all members of the Pension Fund Sub-committee and Pension Board, keeping proper administrative and financial records and accounts, and maintaining effective procedures and arrangements for the control of governance.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Council's independent internal audit section. The Pension Fund Sub-committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Administering Authority

Orkney Islands Council is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Orkney Islands geographic area.

The Council has delegated the management of the investments of the Pension Fund to the Pension Fund Sub-committee who fulfils the role of Fund Manager and has established a Pension Board which is the body responsible for assisting the Fund Manager in relation to compliance with scheme regulations, and the requirements of the Pension Regulator.

Regulatory Framework

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

The Scottish Public Pensions Agency (SPPA) is responsible for regulating the LGPS in Scotland and the Council administers the pension scheme in accordance with guidance and regulations issued by the SPPA.

The Orkney Islands Council Pension Fund is open to all employees of scheduled bodies except those whose employment entitles them to belong to another statutory pension scheme (e.g. Teachers). Employees of admitted bodies can join the scheme subject to those bodies meeting the statutory requirements and, on such terms and conditions as the Council (as Administering Authority) may require. A list of scheduled and admitted bodies is attached as Annex 1.

The Pension Fund Sub-committee is a formal sub-committee of Orkney Islands Council's Policy and Resources Committee. The Scheme of Administration for the Council refers the responsibility to discharge all functions and responsibilities relating to the Council's role as administering authority for the Orkney Islands Council Pension Fund in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.

Financial affairs are conducted in compliance with the Council's Financial Regulations which are reviewed and updated on a regular basis.

Funds are invested in compliance with the Fund's Statement of Investment Principles.

Pension Fund Sub-committee and Pension Board

The members of the Pension Fund Sub-committee together with the Pension Board act as quasi-trustees and oversee the management of the Orkney Islands Council Pension Fund.

Their overriding duty is to ensure the best possible outcomes for the Fund, its participating employers and scheme members.

The members' knowledge is supplemented by professional advice from officers of the Council, professional advisers, and other external providers.

The Pension Fund Sub-committee is comprised of seven members of the Council:

- Leader (Chair of Policy and Resources Committee).
- Deputy Leader (Vice Chair of Policy and Resources Committee), and
- Five other elected members of the Council appointed by Policy and Resources Committee.

The Fund Actuary, the Independent Investment Consultant, Director of Enterprise and Resources, Pensions Manager and the Head of Corporate Governance or their nominated representatives also attend the Pension Fund Sub-committee meetings as advisers.

The Pension Fund Sub-committee meets at least quarterly. Additional meetings are called as appropriate and papers and minutes are publicly available on the Council's website, unless they have been considered as exempt business in terms of Schedule 7A to the Local Government (Scotland) Act 1973. Minutes of the Pension Fund Sub-committee are also presented to the Policy and Resources Committee of the Council.

Membership of the Pension Board consists of equal numbers made up of 4 trade union representatives and employer representatives, drawn from Orkney Islands Council and scheduled or admitted bodies who are members of the Pension Fund. Pension Board representatives may not participate in or act as members of the Pension Fund Sub-committee or the Monitoring and Audit Committee. Local Authority employer representatives will normally be Elected Members of the Council.

The Pension Board meets at least quarterly. A majority of either side, trade union or employer representatives, may requisition a special meeting of the Pension Board in exceptional circumstances.

While the statutory roles and function of the Pension Fund Sub-committee and Pension Board are separate, the normal practice is that both bodies meet at the same time to consider the same agenda, with the Chair of the Pension Fund Sub-committee chairing the concurrent meeting. The Council's Standing Orders apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

During the year 2024/2025 there was no disagreement. However, if the Pension Fund Sub-committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies is as follows:

- In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can defer a decision of the Pension Fund Sub-committee for further consideration if any of the defined grounds are met. Whilst this process is undertaken the decision of the Pension Fund Sub-committee is still competent.
- If there is no agreement after the matter has been referred back to the Pension Fund Sub-committee, the decision of the Pension Fund Sub-committee stands and the difference in view between the Pension Board and the Pension Fund Sub-committee will be published in the form of a joint secretarial report on the Pension Fund website, included in the Pension Fund annual report and notified to the Scottish LGPS Advisory Board, and
- The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

Administration and Financial Management of the Fund

The Council's Director of Enterprise & Resources is the Officer with responsibility to ensure proper administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.

The Director of Enterprise & Resources is responsible for:

- The financial accounting of the Fund.
- The preparation of the Pension Fund Annual Report and Accounts.
- Being the principal advisor on management of investments to the Council in its capacity as Trustee to the Fund and as the Fund's Administering Authority.

The day-to-day management of the investment activities of the Fund is administered by the Corporate Finance Team within the Enterprise & Resources Service.

The pension benefits policy oversight and day-to-day administration for the Fund is administered by the Pensions Team within the Enterprise & Resources Service.

The annual accounts of the Fund are subject to external audit. The auditor is appointed by Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.

Professional Advisers and External Service Providers

Hymans Robertson is appointed to act as Actuary and Investment Consultants to the Fund. The services provided include advice on investment strategy, funding level and actuarial valuations. Hymans Robertson also provides independent performance measurement services for the Fund and has responsibility for measuring and reporting on the performance of the Fund during the year.

The implementation of the revised investment strategy approved in February 2019 involved Fund Manager appointments to new Infrastructure Equity, Private Debt and Bonds mandates. The Bonds mandate was fully funded in May 2020, while the Infrastructure Equity was fully drawn down in December 2021. The drawdowns to the Private Debt funds continued throughout 2024/2025 financial year.

In February 2022, when considering a review of the investment strategy, the Pension Fund Sub-committee agreed to allocate up to 4% to a new renewable focussed infrastructure mandate, to be managed by a renewable focussed manager. Following interviews in September 2022 fund managers were successfully appointed for the new renewable focussed infrastructure mandate. The onboarding process was completed in March 2023; the fund was fully drawn down in March 2024.

The investment strategy was most recently reviewed in February 2024 where the Pension Fund Sub-committee agreed to changes to the size of the strategic allocation to growth assets, reducing or removing the allocation to multi asset funds, increasing allocations to protection assets and introducing an allocation to corporate bonds as an increase in protection assets. These changes were implemented in 2024/2025 financial year.

The Fund's appointed investment managers have responsibility for the selection, retention, and disposal of individual investments. Where appropriate, they also implement the Pension Fund Sub-committee's policy in relation to socially responsible investment and corporate governance. All fund managers are required to be signatories of the United Nations' Principles for Responsible Investment.

The Bank of New York Mellon is the Fund's appointed global custodian and is responsible for the safekeeping of the assets including the processing of transactions and submission of tax claims.

Internal and External Control and Review

The system of internal financial controls is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, committees, and sub-committees. It is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular this includes:

- Comprehensive accounting systems that record income and expenditure for both member and investment activities.
- Regular reviews of investment reports that measure investment returns against agreed benchmarks.
- Regular reviews of investment manager reports that measure performance against agreed targets.
- Independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Pension Fund responds to findings and recommendations of external audit, scrutiny and inspection bodies and the Orkney Islands Council's independent internal audit section. The Monitoring and Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

The Pensions team within the Payroll and Pension section consists of 3.7 full time equivalents.

The Director of Enterprise & Resources (Section 95 officer) for the Council as Administering Authority is responsible for ensuring the proper administration of the financial affairs of the

Pension Fund. This includes ensuring appropriate advice is made available to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

The Chief Internal Auditor (CIA) reports to the Monitoring and Audit Committee and functionally to the Head of Corporate Governance who is also the Council's Monitoring Officer. He is in regular contact with the Head of Finance and Monitoring Officer. The CIA provides an independent and objective internal audit annual report and assurance statement on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.

Given the structural size of the Council, there are common controls over Council systems and pension systems. Internal audit's work on Council systems also contributes to providing management assurance that Pension Fund operations and transactions are appropriately controlled.

Counter Fraud and Anti-Corruption

Effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. This includes, but is not limited to, ensuring established systems of internal controls and security are in place, segregation of duties and supervisory checking of all calculations, and internal audit and monitoring arrangements.

The increased risk of fraud and scams is also being managed on an ongoing basis, focusing on staff support, communication of potential scams and close monitoring of checks prior to any transfers out being completed. These steps are further enhanced by the development of an on-line training course which is mandatory for all Finance staff.

Risk Management

The Fund's Risk Register was last reviewed and updated at the concurrent meetings of the Pension Fund Sub-committee together with the Pensions Board on 26 February 2025. The risk register incorporates a risk matrix to clearly demonstrate the Pension Funds current threats relative to the individual risks anticipated, and a summary and prioritisation of risks to indicate the descriptive risks ranking.

Risk awareness is embedded into the investment performance management process.

The main changes identified in the last review of the risk register were as follows:

- The impact of the risk regarding financial risks arising from UK and geopolitical uncertainty which could impact the Fund's Assets and Liabilities has been increased to 3, with the likelihood maintained at 4. This increase in risk is to reflect the fact that there is ongoing uncertainty due to the new UK government and their political decisions, as well as the recent change in president in the USA.
- The risk regarding the outcome of the consultation into the creation of a National Care Service, may impact adversely on the Fund in terms of funding levels and governance structures has been removed as the Scottish Government is not proceeding with its plan to create a National Care Service and this has removed the risk of a bulk transfer out of the pension fund in respect of staff moving across to a new employer and pension scheme.

- A new risk has been added in relation to failure of fund advisor leading to replacement. This risk has been given a risk rating of 4 as while the risk exists there are measures in place to mitigate the risk, including a contract with the current fund advisor and a long-standing relationship, as well as scrutiny of data provided and annual performance monitoring. A procurement process would be followed if the replacement of fund advisor was required.

The full risk register is available under the related download section via the following link to the Council's website:

<https://www.orkney.gov.uk/your-council/finances/pensions/pension-fund-sub-committeepension-board/>.

Significant Governance Issues

The system of governance aims to provide reasonable, but not absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded, material errors or irregularities are either prevented or detected within a timely period and significant risks impacting on the achievement of our objectives have been mitigated to an acceptable level. A review of effectiveness of the governance framework has not identified any significant governance issues or control weaknesses in the Pension Fund's governance arrangements.

There were no issues highlighted in the Audit Report for financial year 2023/2024.

Access to Information

Pension Fund Sub-committee papers, minutes and the Funds Annual Audit Report and Accounts are available via the Council's website <https://www.orkney.gov.uk/>.

Opinion

Our review of the effectiveness of the system of internal financial control is informed by:

- The work of Internal Audit and the professional pensions and accountancy staff within the Council.
- The External Auditor's reports.
- The Director of Enterprise & Resources (Section 95 Officer), whose duties include putting in place the arrangements for the proper administration of financial affairs of the Pension Fund.

The internal financial control environment was enhanced through the adoption in 2015 of a Risk Register, Procedural Standing Orders, and the establishment of a scheme of delegation for the Pension Fund Sub-committee and supported by the Pension Board.

The control environment has been further enhanced during financial year 2024/2025 by the adoption of a self-assessment of the Fund's compliance against the updated General Code of Practice issued by the Pensions Regulator in March 2024. The updated code of Practice is designed to help trustees comply with their duty to establish and operate an effective system of governance, including internal controls. The Code recommends that self-assessment of compliance against the Code requirements should take place and following the initial self-assessment this will be completed annually to ensure continuous improvement and to identify the key areas that need further work or processes to be put in place.

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems during the year ended 31 March 2025.

Councillor Heather Woodbridge
Leader

Oliver D Reid
Chief Executive

Governance Compliance Statement

The Regulations that govern the management of LGPS funds in Scotland require that a Governance Compliance Statement is published. The following compliance statement sets out the extent to which the Orkney Islands Council Pension Fund governance arrangements comply with best practice.

Principle	Compliance and Comments
1. Structure	
a) The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	<p>Compliance in Full: Yes</p> <p>On 17 February 2015, the Policy and Resources Committee (PRC) established a Pension Fund Sub-committee (PSC) and delegated to it the power to discharge all functions and responsibilities relating to the Council's role as administering authority for Orkney Islands Council Pension Fund (the Fund). The PSC is the main committee in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972, and the Public Services Act 2013. The PRC further agreed to establish a Pension Board (PB) as a secondary committee to underpin the work of the main committee.</p>
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	<p>Compliance in Full: Yes</p> <p>There are no admitted bodies or deferred members represented on the PSC.</p> <p>Orkney Ferries Limited, an admitted body, currently has a representative on the PB.</p> <p>The existing membership of the PSC includes both active and pensioner members of the Orkney Island Council Pension Fund.</p>
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<p>Compliance in Full: Yes</p> <p>The agreed terms of reference for operation of the PSC include the requirement to produce a formal minute of all meetings. The PSC sit at the same time as the PB allowing them to communicate with each other on the day they sit.</p>

d) That where a secondary committee or panel has been established; at least one seat of the main committee is allocated for a member from the secondary committee or panel.	<p>Compliance in Full: Yes</p> <p>The PSC and PB sit at the same place and time to assist with the formation of a consensus. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.</p>
2. Representation	
<p>a) That all key stakeholders are afforded the opportunity to be represented within the Pensions Board. These include:</p> <ul style="list-style-type: none"> • Employing authorities including non-scheme employers, e.g., admitted bodies. • Scheme members including deferred and pensioner scheme members • Where appropriate, independent professional observers, and • Expert advisors (on an ad-hoc basis). 	<p>Compliance in Full: Yes</p> <p>In accordance with the terms of reference for the operation of the PB, membership comprises 8 members: four trade union representatives and four employer representatives.</p> <p>Input from Hymans Robertson as expert advisors to the Pension Fund is routinely sought on policy matters.</p>
b) That where lay members sit on a main or secondary committee, they are treated the same as elected Members in terms of access to papers, meetings and training, and are given full opportunity to contribute to the decision-making process, with or without voting rights.	<p>Compliance in Full: Yes</p> <p>In accordance with the terms of reference, all members of the PB and PSC are treated equally. The two bodies sit at the same time to facilitate equal opportunity.</p>
3. Selection and Role of Lay Members	
a) That committee or panel members are made fully aware of the status, role, and function that they are required to perform on either a main or secondary committee.	<p>Compliance in Full: Yes</p> <p>At the inaugural meeting of the PSC and PB, held concurrently on 24 April 2015, respective Terms of Reference were duly approved for each body. In addition, an induction programme has been provided to members. Induction training was provided in June 2022 to new members following the local elections in May 2022.</p> <p>During 2024, 1 officer participated in a training seminar provided by the Local Government Chronicle.</p>
b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<p>Compliance in Full: Yes</p> <p>The declaration of Member's interests is a standard item on the agenda of the PSC and PB.</p>

4. Voting	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliance in Full: Yes
	Full voting rights are given to all members of the PSC.
5. Training/ Facility Time/ Expenses	
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliance in Full: Yes
	<p>The CIPFA Code of Practice for Public Sector Pensions Finance Knowledge and Skills, together with a Knowledge and Skills Framework to support the Code has been adopted as the basis for training and development of members and officers involved in Pension Fund financial matters. CIPFA Framework Members' training is funded from the Council's Pension Fund.</p> <p>The training policy was approved in 2015/16 and is aligned to CIPFA's Knowledge and Skills Framework.</p>
b) That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels, or any other form of secondary forum.	Compliance in Full: Yes
	All elected and lay members are treated equally under the training policy.
c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training.	Compliance in Full: Yes
	<p>The Administering Authority of the PSC and PB has to date considered the training requirements of committee members collectively and provided training on that basis. A log has been established of all training provided to members and this is monitored and reported as appropriate.</p> <p>The annual training plan for 2024/2025 was approved by the PSC at its meeting of 28 February 2024.</p>
6. Meeting Frequency	
a) That an administering authority's main committee or committees meet at least quarterly.	Compliance in Full: Yes
	The PSC and PB are scheduled to meet at least four times a year.
	Compliance in Full: Yes

b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committees sit.	The PSC and PB are scheduled to meet at least four times a year.
c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliance in Full: Yes
	On 17 February 2015, the PSC agreed to establish a PB, with representatives from Trade Unions and admitted bodies.
7. Access	
That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliance in Full: Yes
	All members are treated equally.
8. Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliance in Full: Yes.
	The PSC deal with all matters relating to both the administration and investment of the Pension Fund. The PSC is formed from members of the Policy and Resources Committee of the Council.
9. Publicity	
That administering authorities have published details of their governance arrangements in such a way that stakeholders, can express an interest in wanting to be part of those arrangements.	Compliance in Full: Yes.
	<p>The Orkney Islands Council Pension Fund governance documents are available on the Council website using the following link: Pension Board Terms of Reference (orkney.gov.uk)</p> <p>The Council as administering authority communicates regularly with employers and scheme members.</p>

Gareth Waterson, BAcc, CA
Section 95 Officer

Councillor Heather Woodbridge
Leader

Oliver D Reid
Chief Executive

Annual Accounts 2024/2025

Pension Fund Account

The Pension Fund Account sets out all income and expenditure of the Pension Fund.

2023/2024 £'000		2024/2025 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme		
13,530	Contributions Receivable	13,301	4
2,449	Transfers In	1,571	5
15,979		14,872	
(11,158)	Benefits Payable	(13,071)	6
(1,024)	Payments to and on account of leavers	(1,936)	7
(12,182)		(15,007)	
3,797	Net additions/(withdrawals) from dealings with members	(135)	
(3,354)	Management expenses	(3,245)	8
443	Net withdrawals including management expenses	(3,380)	
	Return on Investments		
11,921	Investment Income	9,668	9
43,702	Gain/(loss) on disposal of investments and changes in the market value of investments	(10,014)	10
(131)	Taxes on Income	65	
55,492	Net Gain/(loss) on Investments	(281)	
55,935	Net increase/(decrease) in the net assets available for benefits during the year	(3,661)	
479,867	Opening Net Assets of the Scheme	535,802	
535,802	Closing Net Assets of the Scheme	532,141	13

Net Assets Statement as at 31 March 2025

The Net Assets Statement sets out the value, as at the statement date, of all assets and current liabilities of the Fund. The net assets of the Fund (assets less current liabilities) represent the funds available to provide for pension benefits as at 31 March 2025.

31 March 2024 £'000		31 March 2025 £'000	Notes
	Managed Funds		
306,735	Equities	294,543	
218,747	Pooled Investment Vehicles	228,265	
9,923	Cash Equivalents	6,048	
535,405		528,856	11
	Current Assets		
6	Cash Balances	2,570	
113	Contributions due	121	
1,168	Current Debtors	948	
1,287		3,639	20
	Current Liabilities		
(890)	Current Creditors	(354)	21
397	Net Current Assets/(Liabilities)	3,285	
535,802	Net Assets of the Scheme available to fund benefits at the year end	532,141	

The Fund Account and Net Assets Statement do not show any liability to pay pensions or other benefits in the future. The liability to pay pensions is detailed in Note 19 Actuarial Present Value of Promised Retirement Benefits.

The unaudited accounts were issued on 30 June 2025.

Gareth Waterson, BAcc, CA
Section 95 Officer

Notes to the Annual Accounts

1. Description of Fund

a) The Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme, established under the Superannuation Act 1972, with pensioners receiving index-linked pensions. It is administered by Orkney Islands Council in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018 (as amended) and was contracted out of the State Second Pension until the 6 April 2016 when the new State Pension was introduced. The Pension Fund is subject to a triennial valuation by an independent, qualified actuary, whose report indicates the required future employer's contributions.

b) Membership Details

Under the Local Government Pension Scheme (LGPS), member contributions are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier.

Eligibility to join the scheme

Orkney Islands Council employees with a contract for 3 months duration or more are automatically entered into the LGPS. Employees with a contract of less than 3 months duration will be automatically enrolled into the LGPS if they satisfy the automatic enrolment criteria, however they can opt in if they do not meet the automatic enrolment criteria.

A person employed by a community admission body, or a person employed by a transferee admission body is eligible to be a member if the person, or class of employees to which the person belongs, is designated in the admission agreement by the body as being eligible for membership of the Scheme.

If they satisfy the above statement, they should be automatically entered into the LGPS if they have a contract for 3 months or more otherwise, they can opt in if they have a contract for less than 3 months.

Employees of community admission bodies and transferee admission bodies are also enrolled into the Local Government Pension Scheme if they satisfy the auto enrolment criteria.

The following table gives details of the various bodies' membership.

Membership Details at 31/03/2025	Active	Deferred	Pensioner	Dependant	Total
Orkney Islands Council	2,055	1,061	1,141	169	4,426
Orkney Islands Property Development	3	2	7	0	12
Pickaquooy Centre Trust	59	58	11	0	128
Orkney Ferries Limited	130	50	43	4	227
Summary of Members					
OIC	2,055	1,061	1,141	169	4,426
Admitted Bodies	192	110	61	4	367
Totals	2,247	1,171	1,202	173	4,793

Membership Details at 31/03/2024	Active	Deferred	Pensioner	Dependant	Total
Orkney Islands Council	2,041	1,043	1,073	162	4,319
Orkney Islands Property Development	3	3	5	0	11
Pickaquooy Centre Trust	52	50	11	0	113
Orkney Ferries Limited	128	49	39	5	221
Summary of Members					
OIC	2,041	1,043	1,073	162	4,319
Admitted Bodies	183	102	55	5	345
Totals	2,224	1,145	1,128	167	4,664

c) Benefits

Prior to 1 April 2015, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2015, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see <https://www.scotlgpsmember.org/>.

2. Basis of Preparation of the Accounts

The Accounts summarises the Pension Fund's transactions for the 2024/2025 financial year and its position at year-end as at 31 March 2025.

The accounts for the Fund have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/2025, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on an accruals basis and do not take account of liabilities to pay pensions and other benefits after the year end. However, the actuarial position does account for such obligations. This is disclosed in Note 4 of the accounts and should be read in conjunction with the Actuarial Statement (Annex 2). The accounts have been prepared on a going concern basis. The going concern concept assumes that the Pension Fund has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least twelve months from the date of approval of these Accounts.

3. Statement of Accounting Policies

A summary of the more important accounting policies has been set out below:

3.1. Contributions Income

Normal contributions, both from the members and employers, are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the Fund Actuary for the period to which they relate.

Employers' augmentation contributions and pension strain costs are accounted for in the period in which the liability arises. Any amounts due in the year but unpaid will be classed as current financial assets.

Augmentation contributions are contributions paid to the Fund by an employer where that employer awards compensatory added years to a scheme member at retirement. Strain costs are contributions paid to the Fund by an employer where a scheme member, aged 55 or over, chooses to retire prior to normal pension age and the employer elects to waive any reductions normally applied to the member's pension benefits. Strain costs are also paid to the Fund by an employer where a scheme member, aged 55 or over, retires prior to normal pension age and the grounds for retirement are redundancy or efficiency.

3.2. Transfers to and from Other Schemes

Transfer values represent the amounts receivable and payable during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out are accounted for when receivable/payable, which is normally when the member liability is accepted or discharged.

Transfers to the Fund from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receivables basis and are included in Transfers in.

Bulk (group) transfers are accounted for on an accrual's basis in accordance with the terms of the transfer agreement.

3.3. Investment Income

i) Income from fixed interest, index linked securities and other interest receivable is taken into account on an accruals basis.

ii) Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend.

iii) Distributions from pooled funds are recognised at the date of issue. Where income generated by the pooled investment vehicles is not distributed but is retained within the funds this is reflected in the change in market value of the units.

iv) Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

3.4. Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

3.5. Management Expenses

The Fund discloses its management expenses in line with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the fund.
Investment management expenses	<p>Investment fees are charged directly to the fund as part of the management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.</p> <p>Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.</p> <p>The costs of the council's in-house fund management team are also charged to the fund as well as a proportion of the time spent by officers on investment management activity.</p>

Management expenses include direct management fees from external fund managers appointed to manage a segregated portfolio(s) of investments, indirect management charges levied on pool funds, transactions costs and expenses associated with the administration and governance of the Fund.

3.6 Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

3.7 Financial Instruments

Investments

Investment assets are included in the accounts on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at a fair value in accordance with the requirements of the Code and IFRS 13 (see note 14). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures. Market values, are assessed as follows:

- 3.7.1 Market quoted securities are valued at bid market prices on the final day of the accounting period.
- 3.7.2 Fixed interest securities are valued at a market value based on current yields at 31 March 2025.
- 3.7.3 Pooled investments, which comprise the fund manager's unit trusts and open-ended investment companies, are valued at closing bid prices where bid and offer prices are published or closing single price where single price is published, as provided by the investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
- 3.7.4 Unquoted equity/debt and infrastructure asset valuations are provided by fund managers following independent validation.

Since investments are all held for trading, disclosure in the accounts is at fair value through profit and loss. Fair values are derived from unadjusted quoted prices in active markets.

3.8 Foreign Currency

Income and expenditure arising from transactions denominated in a foreign currency are translated into pound sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used.

3.9 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.10 Recognition of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- 3.10.1 Expenses in relation to services received (including services provided by Orkney Islands Council) are recorded as expenditure when the services are received rather than when payments are made.
- 3.10.2 Dividend income is recognised when the right to receive payment is established.
- 3.10.3 Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement.

3.11 Administrative Overheads

The Payroll and Pensions section of Orkney Islands Council is responsible for administering the Pension Fund. The Section receives an allocation of the overheads of the Council which is based on its direct cost and the amount of central services consumed.

3.12 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3.13 Acquisition Cost

Any acquisition costs of investments are included in the book cost of the investment.

3.14 Critical Judgements in Applying Accounting Policies Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with International Accounting Standard IAS 26. The judgements which have the greatest impact on pension fund liabilities are those around the discount rate, the inflation rate, and the life expectancy of members.

3.15 Assumptions made about the future and other major sources of estimation and uncertainty

The Accounts contain estimated figures that are based on assumptions made by the Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because such factors cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the accounts at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties and Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. The sensitivities are listed in a table below.
Unquoted Private Debt	Unquoted private debt investments are valued by the underlying administrators of the specialist pooled fund, appointed by the fund manager, using various valuation techniques that require significant judgement in determining appropriate assumptions. In recognition that these investments are relatively illiquid and to ensure objectivity in the valuation process the results are then validated by independent administrators. Nevertheless, as these investments are not publicly listed there is a greater degree of subjectivity and estimation involved in the valuation process. Pooled Investment – Private Debt £47.851m – there is a risk that this investment may be under or overstated in the accounts by up to 15% i.e. an increase or decrease of £7.178m.
Unlisted Infrastructure	For infrastructure preferred equity or infrastructure debt investments held within an infrastructure equity fund, the method of valuation of assets is market value provided by an underlying approved data provider appointed by the fund manager, unless there is no market, or it does not represent fair value in which case another method will be determined. As these investments are also not publicly listed there is a greater degree of subjectivity and estimation involved in the valuation process. Pooled Investment – Infrastructure Equity £46.313m – there is a risk that this investment may be under or overstated in the accounts by up to 15% i.e. an increase or decrease of £6.947m.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2025	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.1% decrease in Real Discount Rate	2%	5,627
1 year increase in member life expectancy	4%	12,389
0.1% increase in the Salary Increase Rate	0%	322
0.1% increase in the Pension Increase Rate	2%	5,457

3.16 Accounting Standards that were issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards have been published but not yet adopted:

- IAS 21 Amendments – The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability).
- IFRS 17 – Insurance Contracts.
- IAS 16 – Property, Plant and Equipment.
- IAS 38 – Intangible Assets.

These amendments help give clarification or are generally minor in nature, and as such are not expected to have a significant impact on the Pension Fund.

3.17 Events after the Balance Sheet

Events after the net assets statement date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 3.16.1. those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- 3.16.2. those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

The annual accounts were signed by the Director of Enterprise & Resources on 30 June 2025. Events taking place after the date of authorisation for issue have not been reflected in the accounts. Material events between the balance sheet date and the date of signing have been considered and where necessary reflected in the accounts.

4. Analysis of Contributions Receivable

	2023/2024			2024/2025		
	Orkney Islands Council £000	Admitted Bodies £000	Total	Orkney Islands Council £000	Admitted Bodies £000	Total
Employee Contributions	3,231	355	3,586	3,349	401	3,750
Employer Contributions	8,985	959	9,944	8,330	953	9,283
Strain Costs	0	0	0	268	0	268
Total	12,216	1,314	13,530	11,947	1,354	13,301

5. Transfers In

Transfers into the Fund during 2024/2025 were £1.571m (2023/2024: £2.449m). This represents the total of transfer values in respect of individual members joining the scheme.

6. Analysis of Benefits Payable

	2023/2024			2024/2025		
	Orkney Islands Council £000	Admitted Bodies £000	Total	Orkney Islands Council £000	Admitted Bodies £000	Total
Pensions Paid	7,989	348	8,337	8,939	460	9,399
Dependants Pensions	567	27	594	625	22	647
Lump Sums Paid	1,693	189	1,882	2,271	334	2,605
Death Grants Paid	345	0	345	420	0	420
Total	10,594	564	11,158	12,255	816	13,071

7. Payments to and on Account of Leavers

2023/2024		2024/2025
£'000		£'000
(23)	Contributions Returned	(24)
(1,001)	Individual Transfers to other Schemes	(1,912)
(1,024)		(1,936)

8. Management Expenses

	2023/2024 £'000	2024/2025 £'000
Investment Management Expenses		
Investment managers fees	2,257	2,058
Custodian fees	120	42
Other Investment management expenses	213	298
Other Transaction Taxes and Levies	36	52
Broker Commission	42	61
Total Investment Management Expenses	2,668	2,511
Administration Costs		
Staff time and Support allocations	449	564
Total Administration Costs	449	564
Governance		
Audit costs	26	26
Professional fees	211	144
Total Governance Costs	237	170
Total	3,354	3,245

9. Investment Income

	2023/2024 £'000	2024/2025 £'000
Equities		
Equities UK	1,398	1,324
Equities Global	2,421	2,137
Total Equities	3,819	3,461
Pooled Investment Vehicle - Multi-Asset Growth	1,141	0
Pooled Investment Vehicle - Diversified Growth	1,371	0
Pooled Investment Vehicle - Private Debt	4,982	4,940
Pooled Investment Vehicle – Infrastructure	543	1,161
Interest on Cash and Deposits	65	106
Totals	11,921	9,668

10. Change in the Market Value of Investments

	2023/2024 £'000	2024/2025 £'000
Realised	11,843	40,007
Unrealised	31,859	(50,021)
Total	43,702	(10,014)

11. Analysis of Investments

As at 31 March 2025 the market value of the assets under management is as follows:

	31 March 2024 £'000	31 March 2025 £'000
Equities		
UK		
Quoted	40,088	42,968
Overseas		
Quoted	266,647	251,575
Total Equities	306,735	294,543
Pooled Fund - Multi-Asset Growth	41,595	0
Pooled Fund - Diversified Growth	47,726	0
Pooled Fund – Infrastructure	44,380	46,313
Pooled Fund - Private Debt	52,656	47,851
Pooled Fund - Fixed Income	32,390	134,101
Total Pooled Fund	218,747	228,265
Cash and Deposits	9,923	6,048
Totals	535,405	528,856

The following table provides an analysis of investments by fund manager:

	31 March 2024 £'000	%	31 March 2025 £'000	%
Baillie Gifford	405,979	75.8	300,591	56.8
Barings	52,656	9.8	47,851	9.0
IFM	44,380	8.3	46,313	8.8
LGIM	32,390	6.1	134,101	25.4
Totals	535,405	100.0	528,856	100.0

12. Concentration of Investments

Investments increased in value to £528.9m as at 31 March 2025 (2024: £535.4m) a movement of £6.5m.

During 2024/2025, sales of investments totalled £205.7m and purchases totalled £212.8m, including £101.8m and £106.2m respectively relating to the transitioning to the revised investment strategy. Transaction costs are included in the cost of purchases and sales proceeds.

The following individual investments exceed 5% of the total value of the net assets of the Pension Fund at 31 March 2025.

	31 March 2024 £'000	31 March 2025 £'000
LGIM All Stocks Gilts Index	17,695	50,440
LGIM Over 5y Index-Link Gilts	14,424	46,306
LGIM Future World Net Zero	38,091	37,355
Barings – Global Private Loan Fund 4	34,867	34,643

13. Reconciliation of Movements in Investments

2024/2025	Opening Market Value £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Closing Market Value £'000
Investment Assets – Managed Funds					
Equities	306,735	100,481	(107,197)	(5,476)	294,543
Pooled Investment - Private Debt	52,656	4,939	(9,898)	154	47,851
Pooled Investment – Infrastructure	44,380	1,191	(628)	1,370	46,313
Pooled Investment – Fixed Income	32,390	106,200	(13)	(4,476)	134,101
Pooled Investment – Multi-Asset Growth	41,595	0	(40,967)	(628)	0
Pooled Investment – Diversified Growth	47,726	0	(47,013)	(713)	0
Total Transactions	525,482	212,811	(205,716)	(9,769)	522,808
Cash Deposits	9,923	0	0	(245)	6,048
	535,405				528,856
Internal Net Current Assets / (Liabilities)	397				3,285
Total	535,802			(10,014)	532,141

2023/2024	Opening Market Value £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Closing Market Value £'000
Investment Assets – Managed Fund					
Equities	284,853	51,037	(72,161)	43,006	306,735
Pooled Investment – British Small Companies	1,205	0	(1,192)	(13)	0
Pooled Investment - Private Debt	42,076	16,181	(5,809)	208	52,656
Pooled Investment - Infrastructure	22,992	20,572	(465)	1,281	44,380
Pooled Investment – Fixed Income	33,472	0	(1)	(1,081)	32,390
Pooled Investment – Multi-Asset Growth	44,908	1,141	(4,400)	(54)	41,595
Pooled Investment – Diversified Growth	46,000	1,371	0	355	47,726
Total Transactions	475,506	90,302	(84,028)	43,702	525,482
Cash Deposits	3,901	0		6,022	9,923
	479,407				535,405
Internal Net Current Assets / (Liabilities)	460				397
Total	479,867				535,802

14. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair value.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. The products classified as Level 1 are comprised of quoted equities.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value based on observable data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instruments' valuation is not based on observable market data.

The fund manager uses various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets of the Fund, grouped into Levels 1, 2 and 3, based on the level at which the fair value is observable.

Fair Value Through Fund Account	31 March 2024 £'000	31 March 2025 £'000
Level 1: Quoted Market Price	316,658	300,591
Level 2: Using Observable Inputs	121,711	134,101
Level 3: With Significant Unobservable Inputs	97,036	94,164
Net Investment Assets	535,405	528,856

Transfers Between Levels 1 and 2

There have been no transfers between Levels 1 and 2 during 2024/2025.

Reconciliation of Fair Value Measurements Within Level 3

The following table provides a reconciliation of fair value measurements within level 3.

	Market Value 31 March 2024 £'000	Transfers Into Level 3 £'000	Transfers Out Of Level 3 £'000	Purchases During the Year £'000	Sales During the Year £'000	Unrealised Gains/ (Losses) £'000	Realised Gains/ (Losses) £'000	Market Value 31 March 2025 £'000
Private Debt	52,656	0	0	4,940	(9,898)	154	0	47,851
Infrastructure	44,380	0	0	1,191	(628)	1,370	0	46,313

Basis of Valuation

The basis of valuation of each class is set out below. There have been no changes in the valuation techniques used during the year. All assets have been valued using fair value techniques which represents the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market Quoted Investments	Level 1	Published bid market prices ruling on the final day of the accounting period.	Not required.	Not required.
Pooled Funds – Multi Assets, Equity and Bond Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis.	Not required.
Pooled Funds – Private Debts and Infrastructure Equity	Level 3	Valuation provided by investment managers on fair value basis each year using PRAG guidance.	NAV based pricing set on a forward pricing basis.	Valuations are affected by changes to expected cashflows or by differences between audited and unaudited accounts.

Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends and consulted with independent advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out the consequent potential impact on the closing value of investments held at 31 March 2025.

Asset Type	Assessed Valuation Range (+/-)	Value at 31 March 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Private Debt	7.6%	47,851	51,488	44,214
Infrastructure Equity	14.5%	46,313	53,028	39,598

The underlying assets in the private debt fund are a series of privately originated loans. The underlying assets in the infrastructure fund are high quality, essential and long-duration infrastructure. As such the valuations of these loans could move due to changes in a number of factors and assumptions including short term interest rates, inflation, the outlook for the profitability of the component companies and the likelihood of these companies to repay the loans. The potential movements of +/- 7.6% and +/- 14.5% reflects the extent to which this value could vary based on each of these factors and assumptions.

15. Financial Instruments

Categories of Financial Instruments.

The following categories of financial instrument are carried in the Net Assets Statement:

31 March 2024				31 March 2025		
	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial Assets						
Equities	306,735			294,543		
Pooled Investment Vehicles	218,747			228,265		
Cash	9,923	6		6,048	2,570	
Contributions Due		113			121	
Debtors		1,168			948	
	535,405	1,287	0	528,856	3,639	0
Financial Liabilities						
Current Creditors			(890)			(354)
	0	0	(890)	0	0	(354)
	535,405	1,287	(890)	528,856	3,639	(354)
	535,802			532,141		

Financial Instruments Balances	31 March 2024 £'000	31 March 2025 £'000
Investments		
Financial Assets at fair value through profit/loss	525,482	522,808
Cash and cash equivalents at fair value through profit/loss	9,923	6,048
Total Investments	535,405	528,856
Current Assets and Liabilities		
Debtors at amortised cost	1,287	3,639
Financial liabilities at amortised cost	(890)	(354)
Total Current Assets and Liabilities	397	3,285

16. Income, Expenses, Gains and Losses

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the annual accounts. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Financial Instruments Gains/Losses	31 March 2024 Financial Assets £'000	31 March 2025 Financial Assets £'000
Net gains/(losses) on financial assets at fair value through profit and loss	43,702	(10,014)
Investment Income	11,921	9,668
Investment management expenses including taxation	(3,485)	(3,180)
Total Investment Gains and Losses	52,138	(3,526)

17. Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Responsibility for managing the Fund's risk rests with the Pension Fund Sub-committee, who approved the revised investment strategy in February 2019 and reviews in February 2022 and again in February 2024 following the actuarial valuation.

17.1 Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Funding Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its Investment Advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Sensitivity analysis

In consultation with the Fund's independent provider of performance and analytical data (Hymans Robertson), the Council has determined that the following movements in market price risk are reasonably possible for the reporting period:

Asset Type	Potential Market Movement +/- (%p.a.)
UK Equities	16.3
Global Equities	18.6
UK Index-Linked Gilts (medium term)	6.7
UK Index-Linked Gilts (long term)	7.8
UK Fixed Interest Gilts (short term)	2.0
UK Fixed Interest Gilts (medium term)	5.5
UK Fixed Interest Gilts (long term)	6.6
Corporate Bonds (medium term)	6.5
Private Debt	7.6
Infrastructure Equity	14.5
Cash	0.3
Total Fund Volatility	11.00

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

			Potential change in year in the net assets available to pay benefits	
Asset Type	Value	Change	Favourable Market Movement	Unfavourable Market Movement
	£'000	%	£'000	£'000
UK Equities	42,968	16.3	49,972	35,964
Global Equities	251,575	18.6	298,367	204,782
UK Index-Linked Gilts (medium term)	22,400	6.7	23,901	20,899
UK Index-Linked Gilts (long term)	23,906	7.8	25,771	22,042
UK Fixed Interest Gilts (short term)	19,100	2.0	19,482	18,718
UK Fixed Interest Gilts (medium term)	17,400	5.5	18,357	16,443
UK Fixed Interest Gilts (long term)	13,940	6.6	14,860	13,020
Corporate Bonds (medium term)	37,355	6.5	39,783	34,927
Private Debt	47,851	7.6	51,488	44,214
Infrastructure Equity	46,313	14.5	53,028	39,598
Cash	6,048	0.3	6,066	6,030
Total Fund Volatility	528,856	11.00	587,030	470,682

17.2 Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its Investment Advisers, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2024 £'000	31 March 2025 £'000
Cash and cash equivalents	9,923	6,048
Pooled Fund – Fixed Income	32,390	134,101
Pooled Fund – Private Debt	52,656	47,851

Sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. The analysis that follows shows the effect in the year on the net assets available to pay benefits of a 1% change in interest rates:

Asset Type	Carrying amount as at 31 March 2025 £'000	Potential change in year in the net assets available to pay benefits	
		1% Interest Movement £'000	-1% Interest Movement £'000
Cash and Cash Equivalents	6,048	60.5	(60.5)
Total Change in Assets Available	6,048	60.5	(60.5)

17.3 Currency Exposure Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund is invested in both private debt and equities overseas that are denominated in currencies other than £UK. The Fund also holds a low level of bonds denominated in overseas currencies.

The following table summarises the Fund's currency exposure at 31 March 2025:

Currency exposure - asset type	Asset value 31 March 2024 £'000	Asset value 31 March 2025 £'000
Overseas Quoted Equities	254,728	245,050
Overseas Pooled Funds	52,656	47,851
Cash	6,423	5,284
Total	313,807	298,185

Sensitivity analysis

Following analysis of historical data in consultation with Hymans Robertson, the council considers the likely volatility associated with foreign exchange movements to be 9.1%.

A 9.1% fluctuation is considered reasonable based on Hyman's analysis of long-term historical movements. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.1% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset Value as at 31 March 2025 £'000	Potential Movement %	Value on Increase £'000	Value on Decrease £'000
Overseas Quoted Equities	245,050	9.1%	267,349	222,750
Total Change in Assets Available to Pay Benefits	245,050	9.1%	267,349	222,750

17.4 Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Indirect credit risk from pooled investment vehicles is mitigated by the underlying assets of the pooled investment vehicles being ring fenced from the pooled managers. Indirect credit risk arises in relation to the underlying investments held in the pooled funds. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The pooled investment vehicles are unrated.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations.

The Council's Annual Treasury Management Strategy Statement sets out the Fund's approach to credit risk for internally managed funds. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Strategy has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2025, including current account cash, was £2,570m. (31 March 2024: 0.006m). The Fund also held cash under its investment management arrangement. This was held with the following institutions:

	Rating (Fitch)	Balance 31 March 2025 £'000
Bank current accounts		
Royal Bank of Scotland	A+	2,570
Cash held in Portfolio		
Bank of New York Mellon (BNY)	AA	6,048

17.5 Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025, the Fund had illiquid assets of £94.164m (2023/2024: £97.036m).

17.6 Refinancing Risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

18. Funding and Valuation Note

In line with the Local Government Pension Scheme (Scotland) Regulations 2018, the Fund's Actuary undertakes a funding valuation every three years. The actuarial valuation assesses the health of the fund and provides a check that the funding strategy and assumptions used are appropriate. It also sets the future rates of contributions payable by employers. The most recent full actuarial valuation by the Fund's actuary Hymans Robertson was to 31 March 2023. The next valuation will take place as at 31 March 2026.

The funding strategy objectives are to:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
- Where appropriate, ensure stable employer contribution rates.
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy.
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The aim is to maintain 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns, and contributions are sufficient to meet expected future pension benefits payable.

At the 2023 actuarial valuation, the Fund was assessed as 164% funded (118% at the March 2020 valuation). This corresponded to a surplus of £188m (2020 valuation: surplus of £58m) at that time.

The assessed Primary contribution rate for 1 April 2024 – 31 March 2027 at March 2023 was 22.1%. On applying a Secondary contribution rate of -7.1% to give a required minimum contribution, against the background of increased uncertainty over the future impacting on actuarial assumptions the employer contribution rate will be reduced to 15% for the three-year period 2024 to 2027.

In accordance with the Funding Strategy Statement the administering authority has adopted employer contributions of 15% for 2024/2025. The valuation of the Fund has been undertaken using a 'risk based' approach which considers how each employer's assets and liabilities may evolve over the future. The principal assumptions were:

	31 March 2020	31 March 2023
Financial Assumptions:		
<i>Salary and Benefit Increases & Investment Return</i>		
Benefit Increases & CARE Revaluation (CPI)	1.70%	2.30%
Salary Increases	2.20%	2.80%
Investment Return ('Discount Rate')	2.90%	5.20%
Demographic Assumptions:		
<i>Longevity</i>		
Baseline Longevity	Club Vita	Club Vita
Future Improvements	CMI 2019, Smoothed, 1.5% p.a. long term	CMI 2022, Smoothed, 1.5% p.a. long term

Mortality assumptions

The mortality assumptions used and applied to all members are based on the Self-Administered Pension Schemes year of birth tables with no further improvements in lifespans estimated from 2020.

19. Actuarial Present Value of Promised Retirement Benefits

The Fund's Actuary undertakes a valuation of the Fund's liabilities to pay future retirement benefits. This is calculated in line with the IAS 19 every year using the same base data as the triennial funding valuation, rolled forward to the current financial year and taking into account changes in membership numbers and updated assumptions.

In order to assess the value of liabilities on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Annex 2).

The actuarial present value of promised retirement benefits at 31 March 2025 was £326m (2024: £373m).

This figure is used for statutory accounting purposes by Orkney Islands Council Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The IAS 26 valuation is not used for calculations undertaken for funding purposes and setting contributions payable to the Fund and has no validity in other circumstances.

Financial Assumptions

Year Ended	31 March 2024 % p.a.	31 March 2025 % p.a.
Inflation/Pensions Increase Rate	2.80%	2.80%
Salary Increase Rate	3.30%	3.30%
Discount Rate	4.80%	5.80%

Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18.

Longevity Assumptions

	31 March 2024		31 March 2025	
	Males	Females	Males	Females
Current Pensioners	21.0 years	23.7 years	20.9 years	23.6 years
Future Pensioners*	22.1 years	25.6 years	22.0 years	25.5 years

*Future pensioners are assumed to be aged 45 as at the last formal valuation.

Commutation assumption

An allowance is included for future retirees to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

20. Current Assets

	31 March 2024 £'000	31 March 2025 £'000
Income Due	372	360
Recoverable Tax	372	236
Cash Balances	6	2,570
Transfer Values Receivable	133	2
Contributions Due - Employers	82	85
Contributions Due - Employees	31	36
Orkney Islands Council	228	349
Sundry Debtors	63	1
Total Current Assets	1,287	3,639

21. Current Liabilities

	31 March 2024 £'000	31 March 2025 £'000
Orkney Islands Council	0	0
Sundry Creditors	423	302
Benefits Payable	467	52
Provision For Liabilities	0	0
Total Current Liabilities	890	354

22. Code of Transparency

The Code of Transparency enables a greater understanding of the investment process and better cost management through the fund managers disclosure of transaction costs.

Total transaction costs for each asset class held with Baillie Gifford are detailed below:

2024/2025	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	52,002	61,171	381,154	0	494,327
Pooled Funds	0	0	0	0	0
Foreign Exchange	0	0	2,535	0	2,535
Total	52,002	61,171	383,689	0	496,862

2023/2024	Transaction Taxes £	Broker Commission £	Implicit Costs £	Indirect Transaction Costs £	Total Transaction Costs £
Equities	36,378	42,413	209,919	0	288,710
Pooled Funds	0	0	8,818	399,378	408,196
Foreign Exchange	0	0	3,434	0	3,434
Total	36,378	42,413	222,171	399,378	700,340

The nature of the transaction costs groups are as follows:

- Transaction Taxes – includes stamp duty and any other financial transaction taxes.
- Broker Commissions – payments for execution services, including exchange fees, settlement fees and clearing fees.
- Implicit Costs – indirect costs associated with buying and selling securities, being an estimate of market impact.
- Indirect Transaction Costs – transaction costs incurred within pooled funds when they buy and sell their underlying investments.

23. Audit Fees

In 2024/2025 the agreed audit fee for the year was £26,800 (2023/2024: £26,350).

24. Agency Arrangements

The Orkney Islands Council Pension Fund pays discretionary pensions to former employees of Orkney Islands Council who were awarded compensatory added years in accordance with the Orkney Islands Council's Early Retirement and Severance Scheme, but subject to limitations set out in the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulation 1998. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the Council. The total amount of these payments was £0.240m in 2024/2025 (2023/2024: £0.234m).

Members of the Fund who elected before 1 April 2008 to purchase added years of membership can continue to do so unless the member elects to cease the contract. Administration of added years' contracts is carried out by the Orkney Islands Council Pension Fund on behalf of Orkney Islands Council. Costs borne by the Fund relating to added years are incorporated into the overall administration cost and are immaterial in value.

25. Statement of Investment Principles and Funding Strategy Statement

The Council as Administering Authority approved its current Statement of Investment Principles in November 2022. The Statement defines the Fund's operational framework insofar as investments are concerned. It is reviewed periodically to ensure that it continues to reflect the needs of the Fund and the views of its stakeholders.

The Funding Strategy Statement defines how the Fund intends to meet its financial obligations and was effective from 22 November 2023.

Both these documents are available on the Council website under the related download section [here](#), and are also available on request from the Council's Head of Finance.

26. Stock Lending

In accordance with the Statement of Investment Principles 2022, stock lending is not permitted within any of its segregated investment mandates. As at 31 March 2025 no stock had been released to a third party under a stock lending arrangement.

27. Related Party Transactions

Orkney Islands Council Pension Fund is administered by Orkney Islands Council. The Council incurred costs of £0.564m (2023/2024: £0.449m) in relation to administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Fund had a balance due from Orkney Islands Council of £0.349m as at 31 March 2025 (£0.228m due to Orkney Islands Council as at 31 March 2024).

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £383,434.48 (£5,999.62 in 2023/24) and interest of £98,191.96 (£1,624.44 in 2023/24) was earned over the year.

The Council is also the single largest employer of members of the Pension Fund and contributed £8.598m to the fund in 2024/2025 (2023/2024: £8.985m).

All the members of the Pensions Sub-committee and the members of the Pensions Board are active members or pensioner members of the pension scheme. Each Councillor is required to declare any financial or pecuniary interest related to specific matters on the agenda at each meeting. There were no declarations of interest intimated at the meetings held during 2024/2025.

27A. Key Management Personnel

Key management personnel are members of the pension fund committee; the remuneration of the Director of Enterprise & Resources in relation to time spent on the Pension Fund is set out below:

	2023/2024 £000	2024/2025 £000
Short-term benefits	2	2

28. Additional Voluntary Contributions

Under Inland Revenue rules, scheme members are permitted to make contributions towards retirement and death in service benefits in addition to those which they are required to make as members of the Local Government Pension Scheme. These contributions are known as Additional Voluntary Contributions and are treated separately from the scheme's assets under arrangement with Prudential Assurance Company Limited.

During the year 2024/2025 member contributions amounted to £0.583m (2023/2024: £0.473m).

Member's contributions are invested in a "with profits" Fund or a "deposit" Fund. The value of AVC investments increased by £1.255m to £2.708m as at 31 March 2025 (2023/2024: £1.453m) excluding the final bonus.

29. Contingent Liabilities and Contractual Commitments

McCloud Judgement

An allowance for the estimated impact of the McCloud judgement is included within the funding valuation position. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement the approximate impact is likely to be minimal, therefore there has been no adjustment applied to the valuation.

The outcome of the 2020 cost cap valuation is currently unknown. It has been assumed that there will be no changes required to the benefit structure due to the cost cap.

Virgin Media Case

No additional allowance has been made for the Virgin Media vs NTL Pension Trustees II Limited ruling as it currently only applies to the named private sector pension scheme, and it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS) and what the impact would be.

Capital Commitments

As at the 31 March 2025, as part of the transitioning arrangements to the revised investment strategy, the Fund had contractual commitments to invest up to £1.9m and £6.1m across two new mandates to Private Debt. No further drawdowns are expected on the first mandate as this fund has reached the end of its investment period and is now in a harvesting stage with capital beginning to be returned. The drawdowns of the commitment on the second mandate is expected to recommence over the next year and will be funded from within the Fund's portfolio of investments.

Independent Auditor's Report to the Members of Orkney Islands Council as administering authority for the Orkney Islands Council Pension Fund and the Accounts Commission

Reporting on the audit of the annual accounts

Opinion on annual accounts

We certify that we have audited the annual accounts in the Annual Report and Accounts of the Orkney Islands Council Pension Fund (the fund) for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The annual accounts comprise the Pension Fund Account, the Net Assets Statement, and notes to the annual accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted, and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In our opinion the accompanying annual accounts:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the 2024/25 Code, and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the annual accounts section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the annual accounts are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the fund's current or future financial sustainability. However, we report on the fund's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Director of Enterprise and Resources and Orkney Islands Council Pension Fund Sub Committee for the annual accounts

As explained more fully in the Statement of Responsibilities, the Director of Enterprise and Resources is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial reporting framework. The Director of Enterprise and Resources is also responsible for such internal control as the Director of Enterprise and Resources determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Director of Enterprise and Resources is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

The Orkney Islands Council Pension Fund Sub Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these annual accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund.
- inquiring of the Director of Enterprise and Resources as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund.
- inquiring of the Director of Enterprise and Resources concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework.
- discussions among our audit team on the susceptibility of the annual accounts to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Other information

The Director of Enterprise and Resource is responsible for the other information in the Annual Report and Accounts. The other information comprises the Management Commentary, Statement of Responsibilities for the Annual Accounts, Remuneration Report, Annual Governance Statement, Governance Compliance Statement, and other reports included in the Annual Report and Accounts other than the annual accounts and our auditor's report thereon.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the annual accounts themselves. If, based on the work we have performed, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary, Annual Governance Statement and Governance Compliance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary, Annual Governance Statement and Governance Compliance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the annual accounts are prepared is consistent with the annual accounts and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the annual accounts are prepared is consistent with the annual accounts and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the annual accounts are prepared is consistent with the annual accounts and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with

paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Julie Radcliffe,
(for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Annex 1 – Pension Fund Sub-committee, Pension Board, Scheduled and Admitted Bodies

Pension Fund Sub-committee

Members

Councillor A Cowie, appointed in February 2024

Councillor L Hall

Councillor S Heddle

Councillor R King

Councillor K Leask

Councillor J Stockan, resigned in February 2024

Councillor M Thomson

Councillor H Woodbridge

Pension Board Members

Membership

Councillor G Bevan

Councillor J Moar

Councillor O Tierney

Union Representatives:

K Kent – Unison

E Millar – Unite

E Swanney – Unison

M Vincent - GMB

Employer Representative:

K Ritch – Orkney Ferries Ltd

Orkney Islands Council Pension Fund

Scheduled Bodies

- Orkney Islands Council

Admitted Bodies - Active

- Orkney Ferries Limited
- Pickaquoy Centre Trust
- Orkney Islands Property Development Limited

Annex 2 – Actuarial Statement for 2024/2025

Orkney Islands Council Pension Fund (“the Fund”) Actuarial Statement for 2024/2025

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy (FSS), dated October 2023. In summary, the key funding principles are as follows:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants.
- Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency.
- Where appropriate, ensure stable employer contribution rates.
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2023. This valuation revealed that the Fund's assets, which at 31 March 2023 were valued at £480 million, were sufficient to meet 164% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £188 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2024 to 31 March 2027 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2023 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2023 valuation were as follows:

Financial assumptions	31-Mar-23
Discount rate	5.2%
Pay increases	2.8%
Price inflation/Pension increases	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.9 years	23.7 years
Future Pensioners*	22.1 years	25.6 years

*Currently aged 45

Copies of the 2023 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2023

Markets reflected wider volatility during 2023, impacting on investment returns achieved by the Fund's assets. However, asset performance improved in 2024 and early 2025. The recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however generally lower than expected asset returns were experienced in the month immediately prior to this.

Continued high levels of inflation in the UK also resulted in a higher-than-expected LGPS benefit increase of 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

Overall, the funding level of the Fund is likely to be slightly higher than reported at the previous formal valuation at 31 March 2023. The next actuarial valuation will be carried out as at 31 March 2026. The FSS will also be reviewed at that time.

Jamie Baxter FFA
For and on behalf of Hymans Robertson LLP
30 May 2025

Annex 3 - Glossary of Terms

Active Management

An investment management style that seeks to outperform by way of self-selected decisions on stock choice, timing of market incursions, or asset allocation. Compare this with Passive Management.

Asset Allocation

The division of the Fund's assets between different classes of assets, for example, UK Equities, Japanese Equities, UK Bonds. In the long run the asset allocation choices should support the Fund's strategic financial objectives. In the short-term tactical changes might be made to achieve short-term advantage.

Balanced Management

An arrangement under which investments are spread over a range of asset classes at the manager's discretion. The manager controls investments over as many classes as are available under the Fund's overall strategy. Compare this with specialist management.

Growth Manager

An investment manager who fundamentally believes in picking stocks that he believes will achieve an above-average growth in profits. This is sometimes caricatured as buying stock irrespective of price because the price will rise. Compare this with value manager.

Mandate

An agreement between an investment manager and his client as to how investments are to be managed, specifying whatever targets and investment limitations are to apply.

Passive Management

A style of investment management that seeks performance equal to market returns or to some appropriate index. Such investment entails a more mechanical approach to asset allocation and stock selection because such decisions are largely dictated by general market shifts rather than individual manager discretion. Compare this with active management.

Pooled Fund

A fund in which a number of investors hold units rather than owning the underlying assets. This is a useful way for smaller funds to diversify investments without exposing them to undue risks. Unit Trusts are pooled funds as are Open-ended Investment Companies. Compare this with segregated fund.

Return

The value of capital enhancement and income received by a fund in a year, expressed as a percentage of the opening value of the fund. If values fall "Return" would be negative.

Risk

The danger or chance that returns will vary against benchmarks or targets. If risks are high the expected return should be higher still (the risk premium).

Segregated Fund

The management of a particular fund's assets independently of those of other funds managed by the same investment house. Compare this with a pooled fund.

Specialist Management

The use of a number of managers, each specialising in a particular asset class. Such managers have no say in asset allocation, being only concerned with stock selection.

Value Manager

A manager who selects stocks that he believes to have potential that is not reflected in the price. This is sometimes caricatured as buying stock because it is cheap. Compare this with growth manager.

Vested/Non-Vested Obligations

Vested obligations refer to employee benefits that are not conditional on future employment. Non-vested obligations refer to employee benefits that are conditional on future employment.

Pension Fund Strain

The cost to employers of the early release of pension benefits.

Operating Surplus/Deficit

The surplus/deficit arising from dealing with members, employers and others directly involved in the scheme.

Additional Information

Key Documents Online

You can find further information on our website:

[Pension Fund Annual Reports \(orkney.gov.uk\)](https://www.orkney.gov.uk/pension-fund-annual-reports), Including the following documents:

- Annual Report and Accounts

Auditor:	KPMG
Fund Actuary:	Hymans Robertson
Banker:	Royal Bank of Scotland
Investment Advisor:	Hymans Robertson
Investment Custodian:	Bank of New York Mellon
Performance Measurement:	Hymans Robertson
Additional Voluntary Contributions (AVC) Manager:	Prudential
Investment Managers:	Baillie Gifford & Co
	Barings
	LGIM
	IFM

Contact Details

For further information and advice on administration, benefits and scheme membership please contact:

Robert Adamson Telephone: 01856 873535. Extension: 2108.
Pensions Manager Email: robert.adamson@orkney.gov.uk

Scheme members should have a copy of the “Employees’ Guide to the Local Government Pension Scheme Administered by the Orkney Islands Council” and can obtain their own copy of an Annual Report on request or visit Orkney Islands Council Pension Fund website at: <https://www.orkney.gov.uk/>.

For further information on the Fund’s Investments, please contact:

Gareth Waterson	Telephone: 01856 873535.	Extension: 2521.
Director of Enterprise & Resources	Email: gareth.waterson@orkney.gov.uk	
Erik Knight	Telephone: 01856 873535.	Extension: 2127.
Head of Finance	Email: erik.knight@orkney.gov.uk	

Minute

Asset Management Sub-committee

Tuesday, 4 November 2025, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors Alexander G Cowie, Steven B Heddle, Kristopher D Leask, Janette A Park and Ivan A Taylor.

Present via remote link (Microsoft Teams)

Councillor Mellissa-Louise Thomson.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Hayley Green, Director of Infrastructure and Organisational Development.
- James Wylie, Director of Education, Communities and Housing.
- Garry Burton, Head of Active Communities.
- Kenny MacPherson, Head of Property and Asset Management.
- Frances Troup, Head of Strategic Housing, Housing Operations and Homelessness.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Glen Thomson, Service Manager (Property and Capital Projects).
- Laura Baillie, Team Manager (Housing Strategy, Development and Data).
- Katell Roche, Team Manager (Sport and Leisure) (for Items 3 to 9).
- Michael Scott, Solicitor.

In attendance via remote link (Microsoft Teams)

- Seonaidh McDonald, Principal, UHI Orkney (for Items 1 to 6).

Observing

- Thomas Aldred, Service Manager (ICT).
- Graeme Christie, Service Manager (Estates).
- Gwyn Evans, Strategic Projects.
- Kirsty Groundwater, Team Leader (Communications).
- Susan Taylor, Committees Officer.

Apology

- Councillor Heather N Woodbridge.

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 30 September 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £128,900.

1.2. The revenue financial service area statement in respect of service areas for which the Asset Management Sub-committee was responsible, the period 1 April to 30 September 2025, attached as Annex 2 to the report by the Head of Finance.

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.

2. 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:

2.1. The summary position of expenditure incurred, as at 30 September 2025, against the approved corporate asset maintenance programmes for 2025/26, as detailed in section 1.4 of the report by the Head of Finance.

2.2. The detailed analysis of expenditure figures and programme updates in respect of the approved corporate asset maintenance programmes for 2025/26, attached as Appendix 1 to the report by the Head of Finance.

3. Corporate Asset Improvement Programmes

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 Sub-committee:

Noted:

3.1. The summary position of expenditure incurred, as at 30 September 2025, against the approved corporate asset improvement programmes for 2025/26, as detailed in section 1.4 of the report by the Head of Finance.

3.2. The detailed analysis of expenditure figures and programme updates in respect of the approved corporate asset improvement programmes for 2025/26, attached as Appendix 1 to the report by the Head of Finance.

4. Corporate Asset Management Plan

After consideration of a report by the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing a report from the Head of Property and Asset Management, the Sub-committee:

Resolved to **recommend to the Council** that the Corporate Asset Management Plan 2026 to 2031, attached as Appendix 1 to this Minute, be approved.

5. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Kristopher D Leask, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

6. Proposed Property Acquisition

UHI Orkney Student Accommodation

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, 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a joint report by the Director of Education, Communities and Housing and the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing a report from the Principal, UHI Orkney, the Sub-committee:

Resolved, in terms of delegated powers, that powers be delegated to the Director of Infrastructure and Organisational Development to purchase properties to provide accommodation for students attending UHI Orkney.

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. Proposed Property Acquisition

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, 8 and 9 of Part 1 of Schedule 7A of the Act.

After consideration of a joint report by the Director of Education, Communities and Housing and the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing a report from the Team Manager (Housing Strategy, Development and Data), the Sub-committee:

Resolved to **recommend to the Council** what action should be taken with regard to a proposed property acquisition.

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.

8. Proposed Lease of Property

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 joint report by the Director of Education, Communities and Housing and the Director of Infrastructure and Organisational Development, copies of which had been circulated, and after hearing a report from the Team Manager (Sport and Leisure), the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to the proposed lease of property.

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.

9. Property Matter

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 Chief Executive, copies of which had been circulated, and after hearing a report from the Solicitor, the Sub-committee:

Resolved to **recommend to the Council** what action should be taken with regard to a property matter.

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

10. Conclusion of Meeting

At 10:22 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.



Corporate Asset Management Plan

2026-2031

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1.Introduction

The Corporate Asset Management Plan (CAMP) 2026–2031 sets out Orkney Islands Council's strategic approach to the stewardship of all assets under its control over the next five years. It provides a single, corporate framework for how the Council will plan, use, maintain, invest in, share, and, where appropriate, dispose of land, buildings, infrastructure, fleet, and other key resources.

The purpose of the CAMP is to ensure that the Council's asset base is aligned with service delivery needs, financial resources, and statutory obligations, delivering Best Value for the people of Orkney. It supports corporate priorities set out in the Council Plan and is written to align with national policy objectives, including Scotland's target of net zero by 2045, climate adaptation, community empowerment, and the delivery of accessible public services.

This plan covers the full lifecycle of assets, from acquisition through maintenance and improvement to eventual disposal or repurposing and provides a structured framework for making decisions based on whole-life cost, social value, and environmental impact. The CAMP covers the scale and categories of the Council's asset base; the governance model and allocation of responsibilities for decision-making and budgets; strategic principles such as applying the investment hierarchy to prioritise managing demand, re-utilisation and refurbishment. It facilitates for building new when essential; condition, suitability, and utilisation assessments conclude there is need - to inform investment; statutory compliance and maintenance regimes; the capital investment and improvement programmes and disposal including asset transfer; the key performance indicators frameworks such as condition, running costs, utilisation, and carbon emissions; and the integration of net zero and climate resilience measures.

This CAMP is set in a challenging financial climate. Across the public sector, resources are under significant pressure, with rising costs, competing demands, and tightening budgets. These constraints require the Council to take a cautious, evidence-based approach to all asset decisions, ensuring that every investment is justified, every disposal maximises value, and that operational efficiency is continually improved. Difficult choices will be unavoidable, and the emphasis will be on extracting the greatest possible public benefit from a leaner, more sustainable asset base.

Through this CAMP, Orkney Islands Council will ensure that assets are safe, efficient, sustainable, and responsive to the needs of communities, while maximising value from every pound spent. The plan will be reviewed regularly to monitor progress and adapted where necessary to respond to emerging challenges, opportunities, and changes in service delivery requirements.

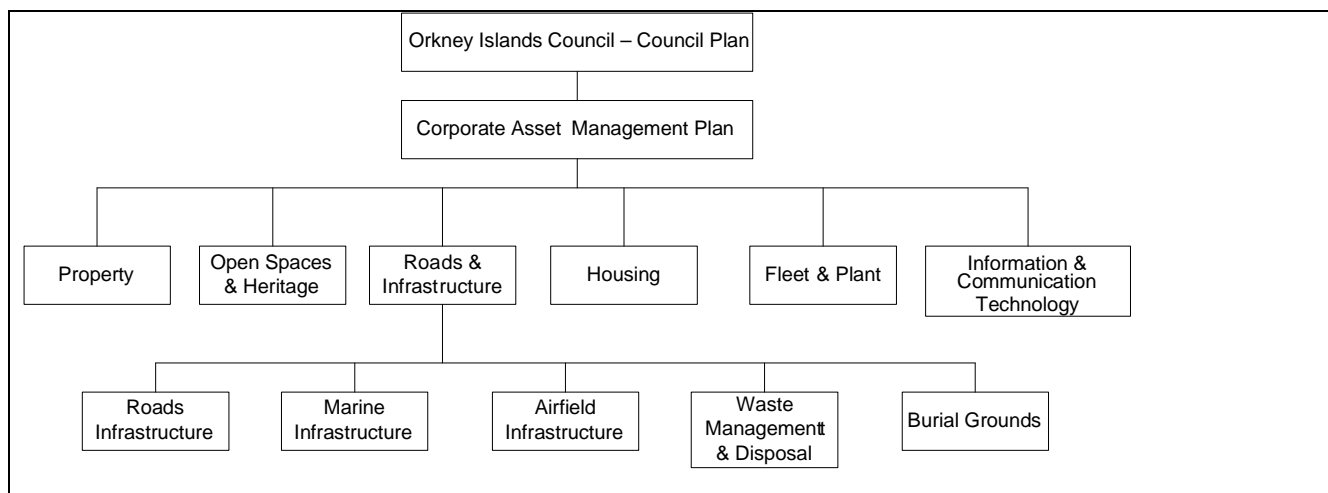
2.Executive Summary

The Corporate Asset Management Plan 2026–2031 defines how Orkney Islands Council will manage, maintain, invest in, and, where appropriate, rationalise its diverse portfolio of assets over the next five years. It continues the integrated corporate approach embedded during the 2013–2018 and 2019–2023 plans, ensuring that all investment decisions are considered within a systematic appraisal process linked to the Council’s updated Capital Project Appraisal framework. The plan supports the delivery of the Council Plan and national objectives, including the statutory duty to secure Best Value, climate change mitigation and adaptation, and the principles of the Community Empowerment (Scotland) Act 2015.

The scope of the plan covers physical asset categories under the Council’s control: property (operational and non-operational), open spaces and heritage, roads infrastructure, waste management and disposal, burial grounds, housing, marine infrastructure, fleet and plant, and information and communications technology.

Within each category, the plan sets out the context, aims, objectives, and strategic direction, with clear links to statutory compliance, condition and suitability standards, maintenance priorities, investment needs, and performance monitoring. It recognises the interdependencies between different asset types, particularly where strategic projects or service changes cut across multiple portfolios.

The plan is underpinned by the “building blocks” of effective asset management established in previous iterations: robust data on condition, suitability, sufficiency, revenue costs, accessibility, asset value, and energy performance. These measures support evidence-based decision-making, enable effective prioritisation, and allow the Council to monitor performance over time.



The Corporate Asset Management Plan is supported by a set of detailed subsidiary plans, each applying the corporate framework to a specific asset category. These set out the context, condition, statutory duties, performance measures, maintenance strategies, and investment priorities for their area, ensuring evidence-based decisions and Best Value. These include:

- Property Asset Management Plan 2024–2029
- Roads Asset Management Plan 2023–2028
- Waste and Resource Management Strategy 2025–2030
- Burial Grounds Management Plan 2021 (with Code of Practice and Customer Charter)
- ICT Asset Management Plan 2021–2026 and ICT & Cybersecurity Strategy 2025–2029

It also aligns with the plans and programmes concerned with Fleet Management, Open Spaces, Play Areas, Airfield Investment and Housing.

The corporate governance structure remains central, aligning with the Corporate Leadership Team and the Capital Programme Board, with political oversight via Asset Management Sub-committee, Policy and Resources Committee, Development and Infrastructure Committee and Member/Officer Working Groups.

Orkney's unique geography and dispersed communities mean that the Council's asset base includes infrastructure exposed to the Islands' environments and climate-related risks.

These factors heighten the importance of targeted investment, resilient design, and proactive maintenance to ensure continuity of essential community services.

The plan also recognises the need to adapt to climate change impacts, decarbonise operations in line with net zero targets, and incorporate renewable energy, low-carbon technologies, and biodiversity considerations into asset planning.

The financial environment for the 2026–2031 period is markedly more challenging than in earlier years. Revenue budgets and capital allocations are under sustained pressure across the public sector, with inflation, rising operational costs, and competing service priorities limiting available resources. This will require disciplined decision-making, careful phasing of capital commitments, and a stronger emphasis on whole-life costing, rationalisation, and partnership working.

The plan sets a cautious tone, acknowledging that not all desirable projects will be affordable, and that difficult choices will be necessary to maintain essential services while preserving long-term asset value. By 2030, the aim is for the Council to hold a leaner, better-performing, and more sustainable asset base that is fit for purpose, compliant with statutory requirements, and aligned with service priorities. Progress will be monitored and reported, and the plan will be reviewed as required to respond to emerging challenges, opportunities, and legislative changes.

3. Background

3.1. The Wider Context

Asset management in local government is shaped by statutory duties under the Local Government in Scotland Act 2003 to secure Best Value, the national commitment to achieve net zero greenhouse gas emissions by 2045, and the need for climate-resilient, adaptable public assets.

Since the last Corporate Asset Management Plan (2019–2023), the operating environment has been influenced by the Infrastructure Investment Plan, evolving building safety and accessibility requirements, and post-pandemic shifts in service delivery, including increased digital access, flexible working, and place-based approaches. Within the education estate, national policy is guided by the Scottish Government's Learning Estate Strategy, which promotes energy-efficient, accessible learning environments.

These frameworks shape how Orkney plans, maintains, and invests in its infrastructure, particularly in rural contexts where accessibility, sustainability, and cost pressures are heightened. All of this must take place against a backdrop of tighter budgets, rising costs, and the need for rigorous investment prioritisation.

The Council's refreshed Capital Strategy introduced an updated Capital Project Appraisal (CPA) process to ensure all proposed capital investments are assessed consistently, transparently, and in line with corporate priorities. Each project must demonstrate strategic fit, affordability, deliverability, and contribution to statutory duties such as Best Value and net zero targets.

The updated process incorporates whole-life costing, risk assessment, and evaluation against the drivers set out, and reviews business cases, monitors capital programme delivery, and ensures alignment with the Council Plan and subsidiary asset management strategies.

3.2. The Building Blocks of Asset Management.

Current best practice emphasises a consistent set of drivers that support transparent, evidence-based decision-making across the portfolio. These are assessed through structured surveys, statutory inspections, and financial monitoring:

Driver	Purpose	Application in Orkney Islands Council
Condition	Measures the physical state of an asset, identifying maintenance needs and risks.	Regular review and reporting using standard grading to prioritise works.
Suitability	Assesses how well the asset meets current and projected service needs.	Service-led reviews, especially in education, care, and operational facilities.
Sufficiency	Evaluates whether the asset has the capacity to meet demand.	Monitored via utilisation data, demographics, and service forecasts.
Revenue Cost	Captures the full running and maintenance costs over the asset's lifecycle.	Integrated into capital and revenue planning to inform decisions via the Capital Strategy and CPA process.
Accessibility	Ensures compliance with the Equality Act 2010 and other accessibility requirements.	Accessibility audits with prioritisation of works in the annual improvement programmes.
Holistic Value and Opportunity	Records current and replacement value for accounting, insurance, and investment purposes. Additionally, to recognise the cultural, historical or heritage value of assets	Regular valuation cycles aligned with financial reporting, considering also the value opportunities assets may have in alternative developments. Recognition of the non-financial value of an asset including its importance from a heritage, cultural or legacy perspective.
Energy Performance	Measures efficiency and carbon impact to support net zero targets.	Energy audits linked to the Carbon Management Plan.

Towards 2030

The 2019–2023 CAMP strengthened governance, improved asset data, and supported investment in infrastructure and facilities. The 2025–2030 CAMP builds on this foundation but recognises the more constrained financial environment. Key shifts include embedding climate resilience and energy performance into all asset decisions, aligning more closely with national policy frameworks, targeting investment where it will have the greatest service and community impact, and pursuing asset rationalisation and partnership models to maximise value from the Council's portfolio.

4. Asset Management Planning

4.1. Financial Climate

The Council manages a diverse portfolio of assets, from schools and care facilities to marine infrastructure, housing, open spaces, and ICT systems.

In the years from the approval of the previous CAMP, capital investment delivered significant improvements in service delivery and facilities provision, including the construction of a new care facility in Stromness and with a second due for completion in Kirkwall in late 2025, significant vessel replacements for Scapa Flow, airfields infrastructure investment across six isles, housing developments, marine infrastructure works to piers and marine infrastructure, continuing upgrades to the education estate including the expansion of St Andrews Primary School, expansion at Glaitness School, the construction of a new Nursery, and a full renewal of the Council's ICT core networking, server, storage and cybersecurity infrastructure including a disaster recovery arrangement and new telephone switchboard.

However, the financial landscape for 2026–2031 is more challenging. Revenue budgets face sustained pressure from inflation, energy prices, and rising service demands. Capital resources are expected to be significantly reduced, with a core programme of improvements likely to average around £5.50 million, which exceeds the annual allocation of General Capital Grant from the Scottish Government.

In this environment, the Council must apply a disciplined approach to prioritising projects, with the updated Capital Strategy and Capital Project Appraisal (CPA) process providing the framework for decision-making. Every proposal is now assessed on its strategic fit, affordability, deliverability, and whole-life value, ensuring that scarce resources are directed to projects with the greatest public benefit.

4.2. Approach to Asset Management

Since the introduction of the first Corporate Asset Management Plan, the Council has embedded a corporate, centrally coordinated approach to asset planning and oversight. Historically, asset management was undertaken within individual service areas, which developed strong knowledge of needs but lacked corporate coordination. The shift to a central model has brought improved strategic oversight, consistent use of asset data, better cross-service collaboration, and more transparent prioritisation of investment.

This corporate approach was strengthened through targeted reviews, which identified surplus or underused assets for disposal, and by consolidating governance arrangements to align asset management with capital planning.

Asset condition, suitability, sufficiency, revenue cost, accessibility, value, and energy performance are monitored corporately, with decisions informed by statutory compliance data, independent condition surveys, and service need analysis and engagement with statutory services including planning and building standards. Asset management processes are subject to internal audit, Best Value review, and regular elected member scrutiny.

4.3. Framework for Asset Management Planning and Governance

Governance now follows the arrangements set out in the Capital Strategy 2024–2029 and CPA Procedure, integrating strategic oversight, operational delivery, and member scrutiny:

- **Capital Programme Board**, chaired by the Chief Executive, exercises executive oversight of the CPA process and capital programme, evaluating project proposals and monitoring delivery.
- **Capital Programme Team** supports services in preparing CPAs, ensures consistency of information, manages the capital pipeline, and monitors programme risk and performance.
- **Capital Programme Advisory Board**, meeting twice yearly, provides an informal forum for senior members, committee chairs, and Project Sponsors to review progress and advise on programme direction.
- **Project Teams**, led by a Project Sponsor at service level, are responsible for delivery throughout the project lifecycle, from strategic outline case to completion.
- **Asset Management Sub-committee** receives reports on the Corporate Asset Improvement Programme, ICT Corporate Replacement Programme, the Property Asset Management Plan, the Plant and Vehicle Replacement programme and revenue expenditure. It scrutinises performance and ensures alignment with corporate priorities and statutory duties.
- **Education, Leisure and Housing Committee** receives reports on the Learning Estate, Leisure assets and Housing Assets including the Housing Revenue Account.
- **Development and Infrastructure Committee** receives reports on the Road Asset Management Plan, waste strategy and fleet management, while the Harbour Authority Sub-committee scrutinises harbours' asset projects and programmes.

This structure replaces the former Capital Planning and Asset Management Sub-group with a more formalised, process-driven arrangement that is integrated directly with the Council's capital programme and financial governance.

4.4. Carbon Management and Emissions

Emissions reduction remains a core asset management driver, with the Council's updated Carbon Management Strategy aligning with Scotland's net zero 2045 target. The Carbon Management Group, comprising officers and external partners such as EMEC and OREF, leads initiatives on renewable energy integration, low-carbon heating, electric and hydrogen vehicle infrastructure, and energy efficiency across the estate.

Energy performance data now feeds directly into CPA assessments to ensure that capital investment supports carbon reduction goals.

4.5. Links to Best Value

Best Value remains a statutory duty and a critical measure of the Council's asset management success. The updated CPA process directly supports this by embedding whole-life costing, robust option appraisal, and transparent decision-making. The Audit

Scotland Best Value Toolkit for Asset Management continues to be used to measure and improve performance, ensuring assets are safe, sustainable, and aligned to service needs.

4.6. Detailed Asset Management Plans for Each Asset Category

The Corporate Asset Management Plan is supported by subsidiary plans covering property, open spaces and heritage, roads, marine infrastructure, airfields, waste facilities, burial grounds, housing, fleet and plant, and ICT. Each plan is prepared in line with the corporate framework and CPA process, providing data-led analysis, investment priorities, and goals for each asset group. These plans are reviewed on their own cycles but must align with the overarching corporate approach to ensure integrated planning and prioritisation across the Council.

4.7. Operational Priorities by Asset Category (2026–2031)

Property – Deliver the 2024–2029 Property Asset Management Plan, rationalising the estate through strategic disposals, joint working with partners, and targeted reinvestment in priority buildings. Maintain a comprehensive programme of independent condition surveys and statutory compliance inspections. Deploy the corporate energy and water monitoring platform to support carbon reduction, integrating results into CPA evaluations. Improve accessibility and suitability across the portfolio to meet service requirements and statutory obligations.

Open Spaces and Heritage – Implement biodiversity-led grounds maintenance specifications in line with policy. Apply place-based planning to play area investment and prioritise upgrades for maximum community benefit. Ensure heritage assets are managed in compliance with statutory conservation requirements and integrated into sustainable tourism plans.

Roads Infrastructure – Deliver the Roads Asset Management Plan (RAMP) and the associated Roads Maintenance Management Plan (RMMP) as the core frameworks for maintaining and improving the road network. Maintain SCOTS-aligned asset management planning, informed by annual high-speed condition surveys, visual inspections, and backlog assessments. Apply a risk-based inspection regime to target investment effectively. Review material specifications and road strengthening options to ensure resilience to climate impacts and integrate prioritisation to ensure best use of limited resources.

Marine Infrastructure – Continue with comprehensive condition inspections and prioritise projects in line with harbour strategies including the Harbours Master Plan Phase 1 and Phase 2 and the Offshore Energy Development Strategy (2025–2027). Integrate CPA into major marine infrastructure projects to ensure alignment with renewables sector growth, climate resilience, and operational efficiency.

Airfield Infrastructure – Maintain compliance with the Civil Aviation Authority inspection regime. Undertake regular condition assessments for runways, lighting, and navigational aids. Assess sustainability and prioritisation, particularly for small airfields serving remote communities.

Waste Management Facilities – Deliver the Waste and Resource Management Strategy approved in July 2025, focusing on waste minimisation, increased recycling, and sustainable disposal. Plan for infrastructure investment to meet regulatory change,

including Circular Economy legislation. Maintain partnership arrangements with Shetland Islands Council for energy recovery and landfill, ensuring long-term capacity and resilience.

Burial Grounds – Implement the 2021 Burial Grounds Management Plan, ensuring efficient and sensitive use of space. Carry out rolling five-year inspections of memorials and infrastructure, with findings feeding into CPA submissions for prioritised investment. Plan future provision in line with demographic trends and community needs.

Housing – Deliver the Strategic Housing Investment Plan 2025–2029 in partnership with partners to meet housing needs. Maintain stock to the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing, with works prioritised via the housing asset database and performance reporting via the Annual Return on the Charter (ARC) to the Scottish Housing Regulator.

Fleet and Plant – Development of a Fleet and Plant Asset Management Plan, will ensure accuracy of the asset register, that investment is balanced between maintenance and replacement, and that procurement favours low-carbon or alternative-fuel vehicles. Using relevant technologies and performance monitoring to inform operational and investment decisions.

ICT – Deliver the ICT Asset Management Plan 2021–2026, which provides a comprehensive inventory of IT hardware and infrastructure, with condition assessment, utilisation data, and lifecycle replacement priorities. Address the identified funding and replacement gap, where current cycles fall short of the required five-year depreciation standard.

The plan aligns ICT investment with the Corporate Asset Management Plan and the Council Delivery Plan. From 2025, all ICT capital programming and performance monitoring operate under the ICT & Cybersecurity Strategy 2025–2029, which replaces the earlier ICT Strategy 2021–2024.

This integrated strategy strengthens governance, resilience, digital skills, and cybersecurity, ensuring ICT supports corporate priorities and is embedded into the Council's governance framework. A revised ICT Asset Management Plan will be prepared for 2026 to reflect technological, service delivery, and security developments.

5. Property

5.1. Context

Property assets are essential to the services delivered by Orkney Islands Council. Managing these assets is a structured process that seeks to ensure best value for money from property holdings and to deliver improved performance in meeting strategic needs.



It is recognised that:

- Managing property assets effectively is a key driver of service transformation.
- Properties are at the centre of the public's perception of a local authority.
- The value of property assets and expenditure on construction and running the estate is significant.

Property is one of six generic categories of corporate asset identified by the Council. Although the property database holds the details of all the Council's properties—including infrastructure and Council housing—only buildings, except for Council housing, associated land, and surplus properties are reported in this section.

Properties are classified by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Royal Institute of Chartered Surveyors (RICS) as being either Operational or Non-Operational. The Council has refined its classification of property assets to improve accuracy and ensure compliance with CIPFA guidance.

CIPFA guidance distinguishes between operational and non-operational property within local authority asset management and accounting frameworks. The CIPFA Code of Practice on Local Authority Accounting, which aligns with International Financial Reporting

Standards, treats operational assets as Property, Plant and Equipment, while non-operational assets are categorised according to their purpose and valuation basis.

5.1.1. Operational properties

Operational properties are those held and used for the direct delivery of services or to support service provision, such as schools, libraries, offices, depots, care homes, and leisure centres.

The Learning Estate forms a vital part of the public sector property portfolio, encompassing all assets used for the delivery of education and lifelong learning. Its management is guided by the Learning Estate Strategy, jointly developed by the Scottish Government and COSLA in 2019, which sets out a long-term vision for schools and learning environments that are well-maintained, digitally enabled, inclusive, and low carbon. The Learning Estate Strategy sets out a clear vision for how the Council will align its educational property assets with national policy, community need, and improved outcomes. It focuses on the school estate and was developed in line with the national strategy *Connecting People, Places and Learning*. It is underpinned by 10 guiding principles that emphasise inclusion, condition, sustainability, digital capability and place.

Beyond the Learning Estate, the Council's operational property portfolio includes a wide range of assets supporting frontline and corporate services — offices, depots, stores, care homes, and community areas.

These properties are fundamental to daily service delivery, providing secure, accessible and efficient bases for operations across the mainland and isles. The Property Asset Management Plan 2024–2029 identifies a need to rationalise and modernise these assets to reduce energy consumption, support hybrid working and improve utilisation.

5.1.2. Non-Operational properties

In contrast, non-operational properties are not currently used in service delivery but remain in the authority's ownership. These may include surplus assets awaiting disposal or redevelopment, investment properties held to generate rental income or capital appreciation, and assets under construction.

5.2. Aim

To make more effective and efficient use of Orkney Islands Council's property assets in support of service delivery, community wellbeing, and long-term financial sustainability.

5.3. Objectives

The Council will deliver on the aims of the PAMP 2024–2029 by:

1. Embedding governance and corporate oversight

- Ensuring property is managed as a corporate resource within the Council's governance framework.
- Aligning property-related decisions with the Capital Project Appraisal (CPA) process and the Council Plan.

2. Basing decisions on measurable data

- Using a centralised property information system to maintain real-time records of condition, utilisation, running costs, and compliance.
- Supporting investment and disposal decisions through robust business cases and option appraisals.

3. Monitoring and improving performance through modern metrics

- Tracking condition score improvements, carbon emission reductions, utility consumption per square metre, planned versus reactive maintenance ratios, estate utilisation rates, and cost per user.
- Benchmarking against other Scottish local authorities via the Local Government Benchmarking Framework.

4. Maximising value from assets

- Reviewing the operational and non-operational estate to ensure assets meet service and community needs.
- Identifying opportunities for co-location, consolidation, or disposal where appropriate including through engagement with planning services.

5. Prioritising energy efficiency and decarbonisation/emissions reduction

- Embedding net-zero emissions targets and carbon reduction requirements into capital projects and maintenance programmes.
- Targeting investment towards energy performance improvements with measurable outcomes.

6. Managing the commercial estate effectively

- Monitoring occupancy, income generation, and cost-to-income ratios.
- Reviewing properties regularly to ensure alignment with economic development objectives.

7. Ensuring assets are safe, compliant, and accessible

- Meeting statutory inspection and servicing requirements.
- Ensuring accessibility standards are maintained and improved where possible.

8. Rationalising surplus property

- Preparing assets for disposal in advance of vacancy.

9. Driving continuous improvement

- Producing performance and intelligence dashboards for management review.
- Integrating findings from property performance monitoring into future investment priorities.

5.4. Strategic Direction and Investment Requirements

The Council's property portfolio represents a significant long-term community asset base, encompassing roads, footpaths, schools, care establishments, operational buildings, piers, harbours, and recreational facilities. These assets are long-life in nature but require ongoing investment to remain fit for purpose.

Future investment requirements will be shaped by:

- The need to adapt to changing service delivery models.
- Rising maintenance costs and the challenge of balancing planned and reactive maintenance.
- Opportunities to reduce the estate's carbon footprint.
- The drive to optimise the use of space and consolidate where appropriate.

The Council's Medium-Term Financial Strategy commits to:

- Allocating resources according to risk, priorities, funding, and performance.
- Reassessing sustainable expenditure levels annually.
- Using reserves strategically to manage timing of savings and invest in income generation.
- Setting a maximum annual capital expenditure limit linked to sustainable funding sources.

A corporate approach to property asset management—integrated with capital planning and supported by the CPA process—will continue to ensure that investment decisions are systematic, evidence-based, and aligned with the Council's long-term vision.

6. Open Spaces and Heritage

6.1. Context

Orkney's open spaces form a critical part of the Council's asset base. They encompass a wide range of provision including play areas, public parks, sports pitches, natural green space, coastal margins, and amenity planting areas. These assets support community wellbeing, recreation, biodiversity, and climate resilience, and they shape the lived environment of towns, villages, and isles.

The Council's Physical Activity and Wellbeing Strategy (2025) provides the most recent framework for leveraging active places for learning and active travel. Aligned to the Scottish Government's Physical Activity for Health – Scotland's National Framework, the strategy applies a systems-based approach to physical activity across multiple sectors and settings.

Orkney's Play Area Strategy (2021) sought investment and rationalisation in play facilities and introduced a categorisation of provision into local, neighbourhood, and destination play areas, setting standards for accessibility, quality, and long-term sustainability. The Strategy recognises challenges around an ageing asset base, varying levels of accessibility, and the need to balance community expectations with available funding.

Open spaces are also central to delivery of the Active Travel Strategy, the Climate Action Plan, and biodiversity duties under the Nature Conservation (Scotland) Act 2004. These wider drivers require that the Council's approach to open spaces goes beyond amenity value to include carbon sequestration, habitat connectivity, sustainable drainage, and equitable access to safe outdoor environments.

Heritage stewardship includes museums such as Orkney Museum, and notably the award-winning Scapa Flow Museum on Hoy. The Council also maintains the Orkney Archives, which hold local government records, photographs, audio-visual materials, and local publications—now under increasing pressure for additional, secure storage.

Heritage Assets most obviously includes some of Orkney's flagship cultural assets, including St Magnus Cathedral, whose iconic role is integral to Orkney's history and identity. As well as the cathedral, the Council also has many listed buildings within its portfolio.

6.2. Aim

To provide inclusive, sustainable, and high-quality open space and heritage provision that preserves Orkney's cultural and natural heritage, supports community well-being, biodiversity, and Orkney's distinctive sense of place.

6.3. Objectives

6.3.1. Corporate alignment

- Manage open spaces as a corporate asset integrated with other land and property portfolios.
- Align with strategic policies including the Play Area Strategy, Active Travel Strategy, Local Development Plan, and Climate Action Plan.

6.3.2. Investment and appraisal

- Ensure that capital investment in Council assets is subject to appraisal under the Capital Project Appraisal (CPA) process.
- Prioritise funding for assets that best meet community need, safety standards, and long-term sustainability.

6.3.3. Performance monitoring and data management

- Maintain an up-to-date inventory of play areas, pitches, cemeteries, and other open space assets.
- Use condition, suitability and sufficiency assessments to guide maintenance and rationalisation decisions.
- Benchmark quality of provision against national standards, including Play Scotland guidance and the Scottish Household Survey indicators on access to greenspace.

6.3.4. Best Value and continuous improvement

- Seek efficiencies by standardising equipment specifications and maintenance regimes.
- Benchmark service delivery with comparable authorities through APSE Performance Networks.
- Use the Climate Action Plan metrics (carbon sequestration, biodiversity enhancement) to evidence added value from open space investment.

6.3.5. Community engagement and equity

- Ensure community councils, schools, and local groups are engaged in shaping priorities for play and open spaces.
- Consider equality and inclusion in all provision, with an emphasis on accessible play equipment and barrier-free green routes.
- Support community-led initiatives, including transfer or co-management of certain facilities where appropriate.

6.3.6. Sustainability and climate resilience

- Enhance biodiversity value of open spaces through planting schemes, wildflower areas, and sustainable drainage features.
- Plan for long-term resilience to climate change, including coastal erosion and extreme weather impacts.
- Expand provision of active travel corridors linking open spaces with settlements.
- Integrate planning and provision of parks, open spaces, and heritage assets under corporate governance, with decisions grounded in strategies like the Play Area Strategy.
- Ensure asset condition, suitability, and accessibility through regular maintenance, inspections, and prioritised investment.
- Achieve Best Value in service delivery through benchmarking, efficient maintenance, and alignment with capital investment processes.
- Enhance community connection and use of heritage assets through programming, exhibitions, and volunteering partnerships.
- Safeguard and expand archives capacity while improving access to collections.

6.4. Strategic Direction and Investment Requirements

The Council holds stewardship of a significant number of play areas, parks, cemeteries, and landscaped grounds. The Play Area Strategy confirmed that rationalisation and reinvestment are required to maintain quality and safety across this portfolio. The priority is to focus resources on sites that deliver the greatest community benefit and meet defined standards of accessibility and inclusion.

Investment will continue to target high-value, sustainable heritage assets. Priorities include maintaining safe and accessible facilities in line with strategic plans, ongoing stewardship of the award-winning Scapa Flow Museum, addressing archives storage capacity.

Future investment will be considered within the Council's Capital Strategy and assessed through the CPA process. This approach ensures open space projects are judged alongside other asset classes and aligned to wider corporate priorities such as wellbeing, climate adaptation, and economic development.

The Council recognises that open space assets are not static. They require sustained revenue investment in grounds maintenance, equipment renewal, and biodiversity management. Pressures on resources mean that greater emphasis will be placed on partnership approaches, including community participation, external funding, and innovative land use.

7. Roads Infrastructure

7.1. Context

The road network is one of the Council's most visible and valuable assets, essential to the economic vitality, social cohesion, and resilience of Orkney. It comprises adopted roads, footways, cycle routes, street furniture, street lighting, drainage systems, and a range of structures such as culverts, retaining walls, and bridges. The network extends across the mainland and isles, serving as the critical link between homes, businesses, public services, ports, and airfields.

The Roads Asset Management Plan (RAMP) and the Roads Maintenance and Management Plan (RMMP) provide the strategic and operational frameworks for managing this asset. The RAMP sets out the long-term vision, condition targets, and investment priorities for the network, while the RMMP defines inspection regimes, maintenance standards, and operational delivery models. Both documents are aligned to national guidance, including the Code of Practice for Well-Managed Highway Infrastructure and the SCOTS (Society of Chief Officers of Transportation in Scotland) performance framework.

The network consists of:

- Carriageways, highway drainage, and road markings.
- Footways, cycleways, paved verges, footpaths, and bridleways.
- Street lighting columns, lamps, cabling, feeder pillars, illuminated signs, and bollards.
- Traffic signals, pedestrian crossings, and school crossing lights.
- Signs, barriers, street furniture, and pedestrian safety infrastructure.
- Bridges, subways, culverts, retaining walls, sea walls, and other coastal defences.
- Winter maintenance facilities, vehicles, and grit bins.
- Flood prevention schemes and other water-related assets.
- Quarry operations, bus shelters, and electric vehicle charging infrastructure.

Over the last plan period, investment has prioritised surface preservation treatments to protect against water ingress and extend service life. While this has kept the network in relatively good overall condition compared to other Scottish authorities, structural deterioration is an increasing risk.

The coming years will see a continued pressure on the asset, with available funding no longer sufficient to maintain it in its current condition. Therefore it is inevitable that the asset will experience significant decline during the lifetime of this plan, unless additional funding can be identified,

7.2. Aim

To provide and maintain a road network that is safe, reliable, resilient, and supports sustainable economic growth, community wellbeing, and everyday life across Orkney.

7.3. Objectives

The Council will deliver its roads service in line with the RAMP and RMMP, focusing on:

7.3.1. Compliance and safety

- Meeting or exceeding statutory inspection and maintenance requirements.
- Maintaining readiness for adverse weather, coastal events, and climate impacts.
- Ensuring that necessary repairs are undertaken promptly and to a high standard.

7.3.2. Performance monitoring and improvement

- Using SCOTS performance measures and the Scottish Road Maintenance Condition Survey (SRMCS) to track network condition.
- Monitoring reactive versus planned maintenance ratios, cost per lane kilometre, and carbon footprint of operations.
- Reporting regularly to elected members and the public on performance against targets.

7.3.3. Data-driven decision-making

- Maintaining a complete and up-to-date asset inventory covering all roads-related infrastructure.
- Using lifecycle planning models to optimise investment over the long term.
- Integrating asset data with corporate systems to improve prioritisation and transparency.

7.3.4. Best value and efficient delivery

- Applying the CPA process to assess and approve capital investment in roads infrastructure.
- Coordinating works across services to reduce disruption and maximise efficiency.
- Procuring services through compliant frameworks that deliver value for money and innovation.

7.3.5. Sustainability and climate resilience

- Reducing material use through recycling and re-use.
- Introducing low-carbon construction techniques and materials.
- Strengthening assets to withstand extreme weather, flooding, and coastal erosion.

7.3.6. Stakeholder engagement

- Consulting with communities, transport operators, and other stakeholders to inform priorities.
- Supporting active travel initiatives and aligning with the Local Transport Strategy

7.4. Strategic Direction and Investment Requirements

The RAMP sets out the forward view for Orkney's Road network, identifying the scale of maintenance required to sustain its value and functionality. The RMMP translates these

strategic objectives into practical delivery actions, ensuring that resources are directed where they deliver the greatest long-term benefit.

Future investment will be guided by:

- Addressing structural weaknesses in priority sections of the network, particularly high-use and strategic routes.
- Managing the maintenance backlog while mitigating deterioration of currently serviceable assets.

Given ongoing financial pressures, the Council will need to balance essential maintenance with strategic improvements, seeking external funding where available and ensuring that all investment decisions are evidence-based, fully appraised, and aligned to corporate priorities.

8. Marine and Harbour Infrastructure

8.1. Context

Marine and harbour assets are a critical component of Orkney Islands Council's infrastructure portfolio. They include commercial and community harbours, piers, linkspans, mooring infrastructure, navigation aids, harbour buildings, and related operational facilities. The network plays a dual role: sustaining lifeline ferry services for island communities and supporting commercial, tourism, and energy-related activities centred around Scapa Flow and Orkney's wider maritime environment.

The Harbours Masterplan, for which Phase 1 was approved in 2020, and Phase 2 in May 2021 provides a framework for modernising facilities, improving operational efficiency, meeting compliance obligations, and planning for growth. It identifies a sequence of priority projects across the harbour estate and sets out appraisal criteria, integrating with the Council's Capital Strategy.

The Offshore Energy Development Strategy (2025–2027) builds on this by aligning marine asset development with the growth of offshore renewable energy, hydrogen production, and associated supply chain opportunities. It includes committed investment in enabling infrastructure, notably £2.2 million towards pre-construction work for the Scapa Deep Water Quay, which is positioned as a key asset for offshore wind deployment and marine energy expansion.

8.2. Aim

To ensure Orkney's harbour and marine infrastructure is managed, maintained, and developed in a way that safeguards lifeline services, supports sustainable economic growth, and enhances the islands' position as a strategic maritime hub.

8.3. Objectives

We will:

- Maintain marine assets in a safe, compliant, and operationally effective condition through planned inspection and maintenance regimes.
- Implement capital projects in line with the Harbours Masterplan Phase 1 & Phase 2, prioritising those that deliver greatest operational, economic, and community benefit.
- Align investment in marine infrastructure with the Offshore Energy Development Strategy to maximise economic return from renewables and offshore energy markets.
- Integrate harbour and marine asset planning into the Council's Capital Project Appraisal process to ensure all proposals are supported by robust business cases.
- Build resilience to climate change and extreme weather by incorporating adaptation measures into asset renewal and upgrade projects.
- Engage with stakeholders, including community representatives, industry partners, and national agencies, to ensure marine infrastructure continues to meet evolving needs.

8.4. Strategic Direction and Investment Requirements

The combined application of the Harbours Masterplan Phase 1 & Phase 2 and the Offshore Energy Development Strategy ensures that both operational and development priorities are addressed within a coherent investment framework. This approach enables the Council to plan for lifeline ferry terminal renewals alongside major commercial port projects, ensuring that decisions are staged, affordable, and based on sound appraisal.

Short- to medium-term priorities include targeted reinvestment in existing linkspans and harbour structures to maintain service continuity, and preparatory works for major developments such as the Scapa Deep Water Quay. Investment will continue to be guided by the Capital Strategy and informed by risk-based asset condition assessments, with a focus on protecting revenue streams, enabling economic diversification, and ensuring the long-term sustainability of Orkney's marine estate.

9. Airfield Infrastructure

9.1. Context

The isles aerodrome infrastructure remains a critical part of Orkney's economy, culture, and community life, providing essential transport links and access to education, health, and other lifeline services for the North Isles. The Council owns and maintains six operational isles aerodromes (Eday, North Ronaldsay, Papa Westray, Sanday, Stronsay, and Westray), together with associated terminal buildings, fire facilities, aprons, parking, and communications infrastructure. In addition, the Council owns a hangar at Kirkwall Airport, leased to the Public Service Obligation (PSO) contract holder.

The Council Plan 2023–2028 places strong emphasis on connectivity as critical infrastructure, recognising that Orkney's prosperity, community wellbeing, and net-zero transition depend on reliable air, ferry, and road links. The airfields are therefore not only transport assets, but enablers of the islands' economy, renewable energy development, and wider sustainability agenda.

Being such a critical part of Orkney Islands Council's asset portfolio, the airfields require ongoing and planned maintenance, robust regulatory compliance, and forward investment to ensure their long-term sustainability.

9.2. Aim

"To provide a safe, resilient and sustainable aerodrome infrastructure that supports the economic, social and environmental wellbeing of Orkney's North Isles, whilst enabling growth in business, leisure, education, health, and community connectivity."

9.3. Objectives

9.3.1. Compliance

We will ensure compliance with relevant Civil Aviation Authority (CAA) legislation and regulations by:

- Maintaining trained, competent staff and providing continuous professional development.
- Taking a proactive role in the development of new guidance and safety management practice.
- Conducting regular inspections and condition assessments.
- Working with CAA to undertake annual audit inspections and respond to findings.
- Ensuring all necessary repairs are completed timeously to a high standard.

9.3.2. Performance and Monitoring

We will monitor, report, and improve asset performance by:

- Developing and reporting Key Performance Indicators on asset condition, availability, and compliance.
- Reporting regularly to the Development & Infrastructure Committee

- Implementing affordable planned maintenance schedules and rolling programmes of resurfacing and renewal.

9.3.3. Asset Management and Data

We will enhance asset management information to support effective decision-making by:

- Maintaining the airfield asset register and condition surveys through the relevant asset management system.
- Developing inspection and monitoring methods.
- Recording and reporting lifecycle and cost information to support long-term financial planning.

9.4. Best Value

We will demonstrate best value in the management of airfield assets by:

- Applying the Capital Project Appraisal (CPA) framework for all significant investment.
- Benchmarking with comparator authorities and industry partners.
- Engaging with local communities and stakeholders to ensure assets meet needs.

9.4.1. Climate and Sustainability

We will respond to the challenge of climate change and net-zero by:

- Reducing material consumption through recycling and reuse.
- Encouraging the adoption of sustainable products, processes, and construction methods.
- Exploring opportunities for electric and low-carbon aircraft in future PSO contracts, aligning with Orkney's wider decarbonisation ambitions.

9.5. Strategic Direction and Investment Requirements

The airfields remain a lifeline service but generate very limited income. Public Service Obligation (PSO) flights are subsidised and do not contribute to the airfields budget, meaning that continued maintenance and improvement rely almost entirely on Council funding. Condition surveys confirm recurring pressures, including the need for regular resurfacing of hard runways, replacement of older terminal buildings and the ongoing challenge of meeting CAA compliance standards across all sites.

Looking ahead, investment will need to balance statutory compliance, safe operations, and resilience with the Council's wider connectivity and climate ambitions. Priorities will be determined through the Capital Project Appraisal process and reported to the Development & Infrastructure Committee.

A key factor of this will be undertaking remedial actions under deadlines imposed by the CAA audits to ensure the runway, taxiway and apron surfaces align with UK CAA regulatory compliance standards.

Close alignment with Transport Scotland, industry partners, and the Isles Connectivity Plan will be essential to secure long-term sustainability, while opportunities for innovation such as low-carbon aviation technologies will be actively explored.

10. Waste Management

10.1. Context

Waste management is a core responsibility for Orkney Islands Council, delivering essential services to residents, businesses, and visitors across the islands. The Council oversees refuse collection, recycling, waste transfer sites, and supports broader circular economy objectives.

The newly adopted Waste and Resource Management Strategy (2025) sets out a vision to provide the Orkney Islands with cost-efficient reuse, recycling and waste services that maximises the recovery and recycling/reuse of valuable natural resources and meets the needs and expectations of residents and businesses. This service will be compliant with forthcoming national legislation and compatible with any partnership working arrangements.

10.2. Aim

To deliver waste services that are efficient, sustainable, and responsive to the needs of Orkney communities, enabling the transition toward a circular economy while meeting environmental and legislative requirements.

10.3. Objectives

- Delivery of a more efficient waste service by reducing costs per tonne and increasing the recycling rate performance by implementing an expanded kerbside collection service encompassing a wider range of materials.
- Implement actions that deliver wider benefits to the community, such as employment, low-cost goods or materials for use on Orkney.
- Reduce waste generation by implementing practices to minimise waste at source, for example by supporting and encouraging waste prevention and reuse.
- Developing the Council's Household Waste Recycling Centres (HWRCs) to maximise items and materials for reuse and recycling.
- Promote a sustainable approach to the use of infrastructure by encouraging the reuse of existing vehicles, buildings, etc.
- Ensure compliance in terms of cost recovery from commercial waste management.

10.4. Strategic Direction and Investment Requirements

Building on the Vision of the new Strategy, the Council will focus investment on waste prevention and reuse during 2025–2030, prioritising initiatives that deliver local economic, environmental, and social benefits.

Where infrastructure upgrades or new facilities are required, they will be assessed through robust business cases using the Capital Project Appraisal framework and will require community engagement and environmental oversight.

11. Burial Grounds

11.1. Context

The Council administers 52 burial grounds across Orkney.

A significant programme of investment was approved in 2015 to address long-standing issues of capacity, condition, and safety, and has delivered expansions, major repairs, and a systematic review of memorial stability.

Despite this progress, challenges remain. Many burial grounds are in exposed coastal locations where walls, paths, and drainage deteriorate quickly. More cemeteries are now nearing capacity. The Burial and Cremation (Scotland) Act 2016 places ongoing obligations on the Council to manage burial grounds safely, maintain records, and ensure service provision for the future.

Day-to-day presentation of burial grounds remains a key community concern, with seasonal grass-cutting and grounds maintenance included in the wider green asset delivery programme, albeit with insufficient funding to meet the aspirations of the community.

Buildings associated with burial grounds are limited to small equipment stores, and the main assets remain the land and memorial structures themselves. Accurate lair records are essential both for sensitive management and for efficient use of remaining capacity.

11.2. Aim

“To provide safe, dignified and sustainable burial grounds which support Orkney’s communities through bereavement, while preserving their cultural and heritage value.”

11.3. Objectives

11.3.1. Corporate planning and investment

- Review service requirements annually through the corporate asset management framework.
- Maintain comprehensive asset and capacity records.
- Ensure all investment decisions are supported by a clear business case, using the Capital Project Appraisal process.

11.3.2. Best value and financial sustainability

- Monitor income and expenditure on a quarterly basis.
- Explore alternative or complementary service delivery strategies, including community involvement where appropriate.
- Engage regularly with stakeholders and user groups to understand expectations.

11.3.3. Condition and maintenance

- Maintain burial grounds to an appropriate standard, targeting investment at areas of greatest need.

- Incorporate biodiversity and environmental sustainability into grounds management.
- Continue a rolling programme of memorial safety inspections and remedial works.

11.3.4. Legislative compliance

- Ensure compliance with the Burial and Cremation (Scotland) Act 2016 and related statutory requirements.
- Undertake regular inspections of sites, walls, memorials and paths.
- Improve accessibility where practical, ensuring new works meet equality and accessibility standards.

11.3.5. Stakeholder needs

- Respond to changing community needs and demographic trends through strategic capacity planning.
- Ensure lair allocation policies are transparent and equitable.

11.4. Strategic Direction and Investment Requirements

The Council continues to face capacity pressures in certain locations, requiring either land acquisition or the development of existing reserves of land.

Non-routine maintenance is also required to safeguard the condition of existing assets, including boundary walls, paths, gates, and drainage at several sites, subject to provision of funding...

Future planning will also place greater emphasis on digital records, GIS-based mapping of lairs, and improved customer information. This will enhance transparency, allow more efficient capacity management, and support long-term sustainability.

12.Housing

12.1. Context

Housing is a core element of the Council's asset base, both as landlord and as the strategic housing authority. The Council owns and manages a significant number of dwellings across Orkney, providing affordable rented housing to meet local need. In addition, it has statutory duties to assess housing demand, address homelessness, and plan future investment in line with Scottish Government policy.

The Strategic Housing Investment Plan (SHIP) 2025–2029 sets out the Council's investment programme for new affordable homes, including Council house building, housing association developments, and targeted interventions in specific communities and tenures. This aligns with the national commitment to high-quality, energy efficient, affordable housing.

Challenges specific to Orkney include high construction costs due to remoteness, skills shortages, and weather-related impacts on the build programme. At the same time, affordability pressures, demographic change, and the needs of fragile island communities all shape how the Council plans and manages its housing portfolio.

The Housing Need and Demand Assessment (HNDA) provides the evidence base for all housing planning and investment decisions. It identifies the scale and type of housing required across Orkney, considering population change, affordability pressures, and the distinct challenges faced by the isles.

The Orkney Housing Market Partnership brings together the Council, Registered Social Landlords, developers, and community stakeholders to review the HNDA, shape the Local Housing Strategy, and support coordinated delivery.

12.2. Aim

"To provide and enable access to affordable, good-quality, energy efficient housing that meets the diverse needs of Orkney's communities, supports population sustainability, and contributes to wider social and economic wellbeing."

12.3. Objectives

12.3.1. Compliance and standards

- Ensure compliance with the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH).
- Meet statutory obligations in relation to homelessness and housing allocations.
- Deliver high quality homes and living environments through the planning process.

12.3.2. Investment and appraisal

- Align new build and major refurbishment programmes with the SHIP, the HNDA evidence base, and the Council's Capital Strategy.

- Use the Capital Project Appraisal (CPA) process to ensure all investment decisions deliver best value, are affordable and contribute to corporate priorities.

12.3.3. Asset management and performance monitoring

- Maintain robust stock condition information through regular survey programmes.
- Use data on demand, voids, and repairs to guide future investment and rationalisation decisions.
- Report performance through the Scottish Housing Regulator's Annual Return on the Charter (ARC).

12.3.4. Best Value and efficiency

- Deliver housing projects maximising external grant funding and working with partners.
- Benchmark housing management and repairs performance against national comparators.
- Pursue efficiency in procurement, design, and build methods to reduce costs and deliver more quality homes within constrained budgets.

12.3.5. Sustainability and climate resilience

- Reduce carbon emissions from Council housing stock through energy efficiency upgrades and low-carbon heating systems.
- Design new homes for climate resilience, including insulation standards, drainage solutions, and renewable energy readiness.
- Support community sustainability by ensuring housing is located where it underpins schools, services, and local economies.

12.3.6. Strategic Direction and Investment Requirements

The SHIP 2025–2029 identifies the programme of housing investment aimed at meeting Orkney's projected needs while addressing affordability and sustainability challenges.

Delivery will require partnership working, continued access to Scottish Government grant funding, and a focus on efficiency in both new build and refurbishment. The Council's own housing stock remains a vital asset, with capital investment focused on compliance with national standards, energy efficiency, and modernisation to extend asset life.

Future direction is therefore shaped by the HNDA, the Orkney Housing Market Partnership, the SHIP, and national frameworks. There is also regular engagement across Council services including between the Housing and Planning Services to inform the SHIP and also the Local Development Plan. Together these ensure that Orkney's housing portfolio is well-maintained, affordable, energy efficient, and aligned with the needs of sustainable communities across the mainland and isles.

13. Fleet and Plant

13.1. Context

The Council's fleet and plant assets are essential to the delivery of services across Orkney. They include heavy vehicles, vans, pickups, minibuses, disabled access buses, zero emission vehicles, licensed and unlicensed plant, and fixed equipment such as waste balers. Together, these represent a replacement value of many millions of pounds and remain critical to the Council's ability to meet statutory obligations and community needs.

A budget allowance of £1.4 million per annum has been allocated for financial years 2025/26, 2026/27 and 2027/28 for the replacement of fleet, plant and equipment. This is overseen by the Asset Management Sub-committee as part of the Council's corporate governance. While this level of investment falls short of industry benchmarks for optimum replacement cycles, it provides a basis for sustaining essential assets through careful prioritisation and efficient maintenance.

The Council continues to operate comprehensive in-house garage services from Hatston, maintaining vehicles as they age beyond warranty and meeting safety, MOT and operational requirements. In addition, partnerships with the private sector provide supplementary capacity to respond to peaks in demand. Retention of skilled mechanics remains a challenge within a competitive local labour market.

The fleet profile has shifted gradually in recent years, with modest reductions in overall numbers but a continued increase in the proportion of zero emission vehicles. This reflects both national policy drivers and the Council's own commitments to reducing carbon emissions and supporting sustainable operations.

13.2. Aim

To provide an efficient, safe and sustainable Fleet and Plant service that supports the delivery of Council priorities and maintains the resilience of local services.

13.3. Objectives

- Ensure services have access to appropriate and fit-for-purpose vehicles and plant.
- Maintain all vehicles and plant to legal and operational standards, ensuring compliance with VOSA, Construction and Use Regulations, and operator licence conditions.
- Publish a new Fleet and Plant Asset Management Plan (FPAMP) to replace the 2013–2018 version and provide a refreshed strategic framework.
- Implement a modern fleet management IT system to strengthen asset tracking, utilisation analysis, and replacement planning.
- Demonstrate Best Value through benchmarking, standardisation of fleet specifications, and effective procurement.
- Support the transition to Zero Emission Vehicles by monitoring performance, investing in sustainable technologies, and developing associated infrastructure.

- Provide clear and consistent asset information to inform corporate decision-making and scrutiny.

13.4. Strategic Direction and Investment Requirements

The Council will continue to deliver its statutory and community obligations through careful stewardship of its fleet and plant. The annual replacement programme will prioritise assets most critical to service delivery, safety, and compliance.

Strategic direction will be shaped by three priorities: maintaining resilience and safety through the existing replacement programme, addressing sustainability through phased expansion of the zero-emission fleet, and modernising management systems through the publication of a new FPAMP and the introduction of a fleet management IT system.

The Plant, Equipment and Vehicle Replacement Programme will remain the key mechanism for prioritisation, underpinned by scrutiny from the Asset Management Sub-committee.

The Council's approach will continue to balance the realities of constrained budgets with the need to sustain a reliable, efficient and increasingly sustainable fleet that underpins delivery of essential services across Orkney.

14. ICT Infrastructure

14.1. Context

ICT is one of the Council's most critical asset groups, underpinning almost every aspect of service delivery. It provides the digital backbone that allows education, social care, housing, transport, and other services to function effectively.

Since the last CAMP, the Council has embarked on a programme of complete renewal of its core ICT infrastructure. This has included the replacement of servers, storage, and networks, the introduction of new cybersecurity platforms, and the establishment of a two-site disaster recovery arrangement to provide resilience in the event of system failure, cyber attack, or other disruption.

Other major programmes include the corporate replacement of PCs and laptops, the roll-out of a new corporate phone system, and the migration from microwave to fibre connectivity wherever possible to deliver greater resilience and higher capacity across the isles estate.

ICT is also central to service-led digital transformation. Recent initiatives include the development of a major update to the Health and Social Care case management system, the introduction of a new Fleet Management system, and wider automation of routine business processes. These investments support better data-driven decision-making, enhance customer experience, and reduce service delivery risks.

The Council's ICT & Cybersecurity Strategy and ICT Asset Plan set out the direction of travel, ensuring that systems are secure, resilient, and fit for purpose. The Council must also continuously review and update its systems to remain compliant with legislation, aligned with the national Digital Strategy for Scotland, and capable of meeting future service demands.

14.2. Aim

To provide a secure, resilient and modern ICT infrastructure that enables efficient service delivery, supports digital transformation, and ensures the Council can meet the needs of its communities now and in the future.

14.3. Objectives

14.3.1. Strategic alignment

- Align ICT investment with the Council Plan, the ICT & Cybersecurity Strategy, the ICT Asset Plan, and the Scottish Government Digital Strategy.
- Ensure ICT systems directly support service transformation and customer outcomes.
- Contribute to the Council's connectivity and digital inclusion objectives, particularly for island communities.

14.3.2. Cyber security and resilience

- Deliver a modern cyber security framework including endpoint protection, monitoring, penetration testing, and staff awareness training.

- Operate the dual-site disaster recovery arrangement to protect service continuity.
- Maintain compliance with the Public Sector Cyber Resilience Framework and national standards.

14.3.3. Asset management and lifecycle

- Maintain a comprehensive ICT Asset Register covering servers, storage, networks, devices, and applications.
- Deliver the rolling corporate PC and laptop replacement programme.
- Implement lifecycle replacement for servers, networking, and storage to reduce risks of obsolescence and downtime.

14.3.4. Service delivery and customer experience

- Provide robust network and connectivity services, including migration from microwave to fibre wherever possible.
- Expand modern collaboration tools to support hybrid working and digital customer engagement.
- Enhance online access to services through secure, mobile-enabled platforms.

14.3.5. Innovation and intelligence

- Develop artificial intelligence and automation tools to increase efficiency and reduce manual workloads.
- Expand use of business intelligence dashboards to provide members and officers with live performance and financial data.
- Explore opportunities for shared services and collaboration through the Islands Deal and regional digital partnerships.

14.4. Strategic Direction and Investment Requirements

ICT requires continuous investment to remain secure, resilient, and effective. Renewal of the core ICT infrastructure is one of the largest programmes undertaken by the Council, and this work will continue on a phased basis.

The investment priorities are:

- Ongoing renewal of servers, storage, and network infrastructure.
- Delivery of the corporate PC and laptop replacement programme.
- Implementation of the new phone system and integration with collaboration tools.
- Expansion of cyber security measures and continuous resilience testing.
- Acceleration of fibre connectivity across Council sites.

- Further development of service-led systems, including the Health and Social Care case management system, the Fleet Management system, and other sector-specific applications.
- Development of new capabilities in automation, artificial intelligence, and business intelligence dashboards.

ICT governance and investment decisions are scrutinised corporately through the Asset Management Sub-committee, ensuring transparency, alignment with corporate priorities, and consistency with wider asset management principles.

15. Summary

The new Corporate Asset Management Plan reflects a marked evolution from the 2019–2023 CAMP, with significant changes in both scope and strategic direction. The earlier plan was largely focused on embedding a culture of asset management across the Council, introducing structured approaches to condition, suitability and sufficiency assessments, and bringing forward the first generation of subsidiary asset management plans. Since then, the Council has undertaken substantial renewal of its asset base, advanced its governance arrangements, and adopted a more integrated, digitally enabled approach.

The governance framework has been strengthened, with the adoption of the Capital Strategy 2024–2029 and the revised Capital Project Appraisal process, ensuring that all investment proposals are subject to consistent scrutiny and prioritisation. This replaces earlier processes which were less formalised and ensures tighter alignment to Council Plan priorities, risk management, and affordability considerations.

The subsidiary plans have also been modernised. Updated strategies now exist for Roads (RAMP and RMMP), Property (PAMP), ICT and Cybersecurity. Housing, and Waste. Several areas have seen significant change since 2019: the Scapa Flow Museum redevelopment was completed, the St Magnus Cathedral quinquennial report has set new conservation priorities, and a new ICT & Cybersecurity Strategy has replaced the earlier ICT framework, reflecting rapid digital change. Fleet and Plant management now incorporates a new IT system.

Housing now incorporates the Strategic Housing Investment Plan driven by Housing Needs and Demand Assessment, giving a comprehensive view of demand and investment.

Waste management has been reshaped by the Waste Strategy 2023–2030. Burial Grounds management continues to focus on expansion and safety, with updated priorities for future capacity. Airfields infrastructure has been more explicitly linked to connectivity and resilience objectives in the Council Plan.

A significant shift is the stronger emphasis on resilience and sustainability. Whereas the 2019 CAMP acknowledged environmental responsibilities, the new plan embeds them more directly into objectives across each asset class, consistent with net zero commitments and adaptation requirements. Open Spaces and Heritage have also been reframed, with greater recognition of community use, play area strategy, and cultural conservation following recent capital investment.

ICT has advanced most visibly since 2019, with the complete renewal of core infrastructure, new disaster recovery arrangements, and service-led digital transformation across health and social care, fleet management, and business intelligence. Cybersecurity, automation, and data-led services are now central to asset planning in a way that was not envisaged in 2019.

Financially, the new CAMP places greater emphasis on affordability and whole-life costing, linking asset decisions to long-term service planning. It moves beyond the early focus on establishing a corporate framework, to a more mature model where asset decisions are tightly linked to capital strategy, service delivery, and national policy frameworks.

In summary, the new CAMP builds on the foundation laid in 2019 but reflects a Council and community context that has changed substantially. It is more strategic, integrated, and digitally enabled, with a clearer line of sight between asset management, service transformation, and national priorities.

16. Conclusion

The Corporate Asset Management Plan sets out how Orkney Islands Council will manage its diverse portfolio of assets in a sustainable and affordable way, ensuring they remain safe, functional and fit for purpose and contribute to the creation of high quality buildings and living environments across Orkney. Good asset management is central to service delivery across the county: it enables schools to operate, housing to be maintained, waste to be managed, transport to function, and heritage to be preserved. By taking a structured and long-term approach, the Council reduces risk, avoids unnecessary costs, and maximises value for the community.

Delivery will be achieved through strong governance, careful investment, working positively with statutory services including planning and building standards and continuous monitoring. Governance is provided through the Capital Strategy, the Asset Management Sub-committee, and a suite of subsidiary asset management plans. Investment decisions are appraised against affordability, risk and alignment with Council Plan priorities, while condition surveys, statutory inspections and regular reporting provide assurance and accountability.

The CAMP also responds to wider drivers of change. It reflects the importance of climate adaptation, digital transformation, and national strategies on housing, transport, energy and heritage. It recognises that in a remote island context, resilient infrastructure and reliable connectivity are not optional extras but essential enablers of daily life, business, and community wellbeing.

As a living framework, the CAMP will evolve over time. Subsidiary plans will continue to be refreshed, technology and service delivery models will change, and new risks and opportunities will emerge. Its strength lies in providing corporate visibility and strategic direction, ensuring that asset management is recognised not as a technical background function, but as a core enabler of service quality, financial sustainability and the wellbeing of Orkney's communities.

17. Bibliography & References

Council Policies, Strategies and Plans

- Council Plan 2023–2028 and Council Delivery Plan 2023-2028
- Capital Strategy 2024–2029 and updated Capital Project Appraisal (CPA) Procedure
- Property Asset Management Plan (PAMP) 2024–2029
- Roads Asset Management Plan (RAMP) 2023–2028 and Roads Management and Maintenance Plan (RMMP) 2023–2028
- Fleet and Plant Asset Management Plan (FPAMP) 2013–2018 (update pending)
- Waste and Resource Management Strategy (2025)
- ICT and Cybersecurity Strategy 2025-2029
- ICT Asset Management Plan 2021–2026
- Strategic Housing Investment Plan (SHIP) 2025-2029
- Harbours Masterplan Phase 1 2020, Harbours Masterplan Phase 2 2021 and Offshore Energy Development Strategy 2025
- Physical Activity and Wellbeing Strategy (2025) Play Area Strategy (2021)
- Local Development Plan

Minute

Human Resources Sub-committee

Tuesday, 4 November 2025, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors Alexander G Cowie, James R Moar, Ivan A Taylor and Duncan A Tullock.

Present via remote link (Microsoft teams)

Councillors Janette A Park and Gwenda M Shearer.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Hayley Green, Director of Infrastructure and Organisational Development.
- Gareth Waterson, Director of Enterprise and Resources.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Gavin Mitchell, Head of Corporate Governance.
- Craig Walker, Service Manager (Human Resources Operations).

Observing

- Susan Taylor, Committees Officer.

Apologies

- Councillor John A R Scott.
- Councillor Heather N Woodbridge.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Employment Status

After consideration of a report by the Director of Infrastructure and Organisational Development, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Human Resources Operations), the Sub-committee:

Resolved to **recommend to the Council:**

1.1. That the policy statement on Transfer to Permanent Employment, attached as Appendix 1 to this Minute, be approved.

1.2. That the policy statement on Flexible Contracts of Employment, attached as Appendix 2 to this Minute, be approved.

2. Conclusion of Meeting

At 14:09 the Chair declared the meeting concluded.

Signed: Alexander G Cowie

Policy Statement: Transfer to Permanent Employment

As the largest employer in Orkney, the Council is committed to fair and equitable treatment of its workforce. This includes promoting job security, fair pay, and consistent conditions of service—key elements in becoming an employer of choice and addressing long-term recruitment and retention challenges.

In line with UK Government legislation effective from 2026, the Council will be legally required to offer guaranteed hours contracts to zero-hours workers. Additionally, the Scottish Government's Fair Work agenda mandates the Council to avoid inappropriate use of zero-hours contracts.

Recognising the complexity of converting temporary contracts to permanent ones—due to varying statutory and policy provisions—the Council has developed a streamlined process for employees on Scottish Joint Council (SJC) Conditions of Service (Grades A to N) and Chief Officers.

Eligibility Criteria for Permanent Appointment

Directors (for SJC employees) and the Chief Executive (for Chief Officers) may approve permanent appointments where all the following criteria are met:

1. Length of Service

One of the following must apply:

- At least 2 years in the same role under one or more continuous temporary contract(s).
- At least 2 years of continuous service in the role as a casual/relief/supply worker.
- Over 2 years of continuous local government service with the Council and no other permanent post.

2. Funding

One of the following must apply:

- The post is funded from an agreed baseline budget.
- Temporary funding has been consistently provided from the same source for at least 2 years and is expected to continue through the current and next budget year.

3. Job Security

- The post is not considered at risk in the current or next budget year.

4. Recruitment

- The post holder was appointed through a process compliant with the Council's Recruitment and Selection or Redeployment Policy.

Approval Process

- Requests are not automatically granted but will not be unreasonably refused.
- If hours have varied, permanent contracts will reflect the minimum known full-time equivalent (FTE), typically based on the average contractual hours over the temporary period.
- If a request is declined, clear justification must be provided, based on one or more unmet criteria.
- Employees may reapply after one additional year of continuous service in the same temporary post.
- A written explanation will be provided for any refusal.

Appeals

- Employees may appeal a refusal by submitting their case to the relevant Director.
- If the original decision was made by that Director, another Director will review the appeal.
- Appeals will typically be reviewed based on submitted documentation, without a face-to-face meeting.
- A written outcome will be provided within four weeks of receipt.

Policy Statement: Flexible Contracts of Employment

As Orkney's largest employer, the Council is committed to fair treatment of its workforce—ensuring job security, fair pay, and consistent terms of employment.

These principles support our goal of becoming an employer of choice and addressing long-term recruitment and retention challenges.

From 2026, UK legislation will require guaranteed hours contracts for zero-hours workers. The Scottish Government's Fair Work agenda also prohibits inappropriate use of zero-hours contracts.

Casual, relief, and supply arrangements are suitable for short-term, ad-hoc needs only. They must not be used to cover regular or recurring work patterns, as these roles offer limited employment rights and are inconsistent with fair working practices.

Policy Guidelines

- This policy position applies to posts established under Scottish Joint Council (SJC) terms and conditions of service (Grades A – N).
- Casual/relief/supply workers must not be scheduled for recurring work lasting more than 12 consecutive weeks.
- Breaks inserted to disrupt continuity of service will be disregarded; such service will be treated as continuous.
- If work is expected to last 12 weeks or more, a flexible or contracted post must be advertised from the outset.
- Any casual/relief/supply worker who completes 12 continuous weeks in the same post and location (excluding peripatetic roles) should be offered a flexible contract—either permanent or temporary (minimum one year).
- Flexible contracts require formal approval but will not be unreasonably refused.
- If a flexible contract cannot be approved, the worker must revert to a genuinely casual pattern of work.
- Requests for flexible contracts may be initiated by managers or individual workers.

Appeals Process

- Employees may appeal a refusal by submitting their case to the relevant Director.
- If the original decision was made by that Director, another Director will review the appeal.
- Appeals are typically reviewed based on submitted documentation, without a face-to-face meeting.
- A written outcome will be provided within four weeks of receipt.

Climate Change Duties - Council's draft response details 2024/25

The following pages set out the draft submission for OIC, for 2024-25. Reports for earlier years are published on the Sustainable Scotland Network (SSN) website <https://sustainableScotlandNetwork.org/reports>. The sections are as follows (for full descriptions, template sections and notes see the link).

- Boundary Info
- Part 1 Profile of reporting body
- Part 2 Governance, Management and Strategy
- Part 3 Emissions
- Part 4 Adaptation
- Part 5 Procurement
- Part 6 Validation
- Part 7 Recommended Reporting – Reporting on wider influence

Emissions source/activity		dropd
Owned estate	Are any buildings owned by the public body?	Yes
Natural gas	Is natural gas used to heat any of the owned estate	No
Other heating & fuels	Are other heating fuels used on any of the owned estate	Yes
Managed services	Are building services managed on behalf of another public body that shares or leases space?	Yes
Leased premises -public	Are building services managed and provided by another public body?	Yes
Leased premises - private	Are building services managed and provided by a private landlord?	No
Purchased heat and steam	Is heat or steam purchased to supply any of the owned estate	No
Fleet and equipment	Are any vehicles or fossil-fueled machinery or equipment owned or leased, excludes short-term or infrequent hires?	Yes
Refrigerants/F-gases	Are there any air conditioning or refrigeration systems that require refrigerant gas top-ups?	Yes
Medical gases	Are medical gases used?	No
Business travel - private	Do staff undertake business travel by private car?	Yes
Business travel - flights	Do staff undertake any business travel by plane?	Yes
Homeworking	Do any staff work from home - including hybrid?	Yes
Supply chain	Are any goods or services purchased?	Yes
Land use	Are more than 10 hectares of land owned or managed for public services provision, including for research or recreation?	?

PART 1 - Profile of Reporting Body

- 1a) Name – Orkney Islands Council
- 1b) Type – Local Authority
- 1c) Highest number of employees (FTE) in the reporting year – 1629
- 1d) Metrics used by the body – Tonnes of Carbon Dioxide equivalent (TCO2e)
- 1e) Overall budget of the body – £112,303,000
- 1f) Reporting type – Financial year

1g CONTEXT

Orkney Islands Council provides the public with a range of services that are statutorily required of Scotland's local authorities, such as housing, social care, education, waste collection, planning and roads. Orkney Islands Council is also a leading partner in the Orkney Community Planning Partnership, with a statutory duty to facilitate collaboration with other public bodies, local communities, and businesses.

The Council provides a range of inter-island ferries and air flights to link the North and South Islands of Orkney with the Orkney Mainland. The authority provides pilotage and towage services for oil and gas at Flotta oil terminal and provides a base within Scapa Flow for ship-to-ship transfers of oil. It also provides a berth for visiting cruise liners. The Council supports the development of several local renewable energy projects including, on and offshore wind, solar, heat, green hydrogen, and tidal innovations. Municipal waste is either recycled or shipped to Shetland for incineration which powers a district heating scheme in the main town of Lerwick.

Priority themes in the Council Plan are built upon 5 core principles, one of which is 'Protecting our Environment and combating Climate Change'. The plan states that these principles will guide future decision making relating to all of the Council's aims. Climate change is therefore embedded as a core consideration into a range of OIC plans and strategies both in relation to mitigation and adaptation (for example the Road Management and Maintenance Plan indicates that the effects of climate change must also be considered in planning for both roads maintenance and for emergency response). The Council is engaged in and supporting developing initiatives for net zero transition, such as the Islands Centre for Net Zero (a significant and emergent collaboration) and other Islands Deal initiatives along with Carbon Neutral Islands.

Orkney College in Kirkwall is both part of Orkney Islands Council and one of the 12 Academic Partners of the University of the Highlands and Islands. The Council collects emissions data for the college which will be included within its overall net zero projections, however, in relation to annual submissions on Climate Change Duties, emissions from Orkney College are separately reported into the Sustainable Scotland Network platform and are therefore not within this submission.

PART 2- Governance, Management and Strategy

2a) How is climate change governed in the body?

Climate Change objectives are established at the Council's Policy and Resources Committee and agreed at full Council. A new Orkney Islands Council Plan 2023-28 was agreed by the Committee on 21 February 2023 along with a delivery plan, including the following reference on Climate Change and the Climate Emergency;

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

The new Orkney Community Plan (LOIP) 2023-30 was agreed at the Orkney Partnership Board meeting of 14 March 2023. The planning horizon includes a commitment to net zero and there is more detail as to how we plan to achieve it under the section on Sustainable Development. . The Orkney Partnership working groups and governance can be seen on these pages - <https://www.orkneycommunities.co.uk/communityplanning/index.asp>

A mid-term review of the Council Plan is to take place during winter 2025-26. This will be an opportunity to update the Climate Change objectives and commitments noted above.

2b) How is climate change action managed and embedded in the body?

Action on Climate change has been managed through the carbon management programme and the strategic environmental impact assessment (SEA) process. Other policies and projects have been developed and delivered as and when opportunities have arisen to introduce these across the Council's range of activities. The Council is also a facilitating member of the Orkney Community Planning Partnership which establishes and maintains Orkney's Community Plan. The Council's Corporate risk register has been updated to include Climate Change and is reviewed regularly.

The Council Plan and Delivery Plan, together set out the key priorities for the Council including milestones for Climate Change and Net Zero (and are supplemented / supported by Directorate plans). Priorities were developed following feedback from the public, as well as reflecting national priorities set by both the Scottish and UK Governments, the core services which the Council provides day to day and new duties arising from recent legislation.
https://www.orkney.gov.uk/media/32oprrbo/council_plan.pdf

Climate change strategy within Orkney Islands Council is led by the Council's Climate Strategy Officer, reporting Directly to the Head of Planning and Regulatory Services, forming part of the Infrastructure and Organisational Services Directorate. An officer working group with representation across services and Directorates has been established and is led by this team.

Both the Council's Corporate Asset Management Plan 2019-2023 and its Fleet and Plant Asset Management Plan 2013-2018 highlight energy performance as one of the key drivers which, when correctly interpreted, offer the 'building blocks' for sound decision making. The Corporate Asset Management Plan establishes an asset management framework to drive the development of service plans and promotes the principles of corporate reporting and investment prioritisation.

A Capital Planning and Asset Management Strategy Group provides co-ordination, direction and operational asset management planning; and the Corporate Leadership Team, acting as an Officers' Capital Working Group, provides an oversight of the management of corporate assets within the Council, as well as a decision-making gateway to ensure that management decisions are undertaken in a corporate manner. Significant work is already underway in several of ten sectoral asset categories, where implementation of the energy database system monitoring and recording energy and water usage as part of the carbon emissions reduction programme are included under the Property category.

The Fleet and Plant Asset Management Plan reports on asset management performance, providing energy performance and environmental impact data for the Council's fleet vehicles and plant equipment.

The Council's Economic Development Service promotes innovation in renewable energy generation and usage to support climate change mitigation throughout Orkney. It also, on behalf of the wider Orkney Community, facilitated the consultation and drafting of the Orkney Sustainable Energy Strategy which was launched in September 2017, and which aspires to lead a transition to a low carbon economy.

The Council's Sustainable Procurement Strategy is separately updated in section 5.

2c) Does the body have specific climate change mitigation and adaptation objectives in its corporate plan or similar document

Wording of objective	Name of document	Document Link
We will work towards becoming net zero	The Council Plan 2023-2028	https://www.orkney.gov.uk/your-council/our-plans/council-plan/
Orkney is on track to become net zero by 2030	The Council Plan 2023-2028	https://www.orkney.gov.uk/your-council/our-plans/council-plan/
We have reduced the carbon used during our direct and indirect activities	The Council Plan 2023-2028	https://www.orkney.gov.uk/your-council/our-plans/council-plan/
We have grown our green and blue economies	The Council Plan 2023-2028	https://www.orkney.gov.uk/your-council/our-plans/council-plan/
Everyone in Orkney has reduced their carbon footprint (the greenhouse gases generated by their actions)	The Council Plan 2023-2028	https://www.orkney.gov.uk/your-council/our-plans/council-plan/
Orkney Islands Council shall be a Net Zero Local Authority, collaborating and innovating for a just transition where Orkney's economy, communities and natural environment all prosper. We will focus on: Action and Ownership, Collaboration and Co-ordination, Transparency and Sustainability (see weblink provided for the full text).	OIC Web Page and Council minutes (Nov 2024) Council Climate Change and Net Zero Vision	https://www.orkney.gov.uk/your-council/our-future/climate-change/

2d) Does the body have a climate change plan or strategy?

Climate Change milestones and commitments are embedded in the Council's Strategic Plan and Delivery Plan (2023-2027). The Council is also to develop a Climate Change Strategy and Action Plan, and work is underway including a consultant study, as summarised in a report to the Council's Policy and Resources Committee (September 2024). This study, due to complete winter 2025-26, will establish a baseline assessment together with climate action scenarios and will provide a foundation for future policy and project activities for the Council.

2e) Does the body have any plans or strategies covering the following areas that include climate change?

Topic area	Name of document	Comments
Adaptation	Local Flood Risk Management Plan	
Business travel	Carbon Management Programme (CMP)	
Staff Travel	CMP	
Energy efficiency	CMP	
Fleet transport	CMP	
ICT	N/A	
Renewable energy	CMP	
Sustainable/renewable heat	CMP	
Waste management	Orkney and Shetland Waste Plan	
Water and sewerage	Kirkwall Surface Water Management Plan	
Land Use	Local Development plan	
Other (please specify in comments)	The Council Plan and the Orkney Local Development Plan	Strategic Plans for the Council including the use of land and buildings
	The Council Delivery Plan	Complements the Council Plan and includes delivery milestones for Climate Change and other strategic aims
	Procurement Strategy 2023-2028	See also section 5 of this submission
	Orkney Flood Risk Management Plan	
Water and sewerage	Orkney Harbours Master Plan	
Other		Ambitious blueprint that provides a framework for the long-term future of the islands, in particular looking at facilities that ensure the decarbonisation of the industry.
Land Use	Verge Maintenance Plan	Inhibit the growth of dangerous weeds (weeds Act 1959), to manage the roadside verges in a manner that promotes biodiversity by conserving, wherever possible, special wildlife habitats and wild flowers.
Transport	Local Transport Strategy	Launched in May 2024
Heat and Energy Efficiency	Local Heat and Energy Efficiency Strategy (LHEES)	August 2024

2f) What are the body's top 5 priorities for climate change governance, management and strategy for the year ahead?

For the year 2024-25 these include the following –

1. Finalise the Orkney Sustainable Energy Strategy Action Plan and establish an Energy and Enterprise Task group
2. Work towards the Council Climate Change Strategy and Action Plan with the completion of independent consultant study on net zero transition.
3. Commence work on the Coastal Change Adaptation Plan
4. Continue to support the Council's energy efficiency and transition. Examples include building and fleet decarbonisation and the development of community wind projects.
5. Supporting the County's decarbonisation, working with Community Planning partners, Carbon Neutral Islands and through Climate Change and net zero elements of the Islands Growth Deal.

2g) Has the body used the Climate Change Assessment Tool (a) or equivalent tool to self-assess its capability / performance?

Not used within the reporting year. In 2023, a seminar session was held on Climate Change, which included presentations by the Sustainable Scotland Network (SSN) and the Improvement Service and elected members were introduced to the Sustainable Scotland Network's Climate Emergency Leaders Checklist (which is understood to have replaced the Resource Efficient Scotland tool for this context).

2h) Supporting information and best practice

In September 2024, the Council's Policy and Resources Committee received a report, updating on the development of the Council's Climate Change Strategy and agreeing a Council vision statement on Climate Change. An independent study has been progressed during 2025 with a final baseline and scenarios report due to be concluded winter 2025-26.

The Council supports the ambition for Orkney as set out by the Orkney Partnership in their Climate Change vision statement.

<https://www.orkney.gov.uk/media/zueasc55/item-13-climate-change-and-net-zero.pdf>

PART 3 - Emissions 3a) and 3b) Tables

Year	Scope 1	Scope 2	Scope 3	Total	Units	Comments
2005/06				-	tCO ₂ e	New Baseline is 2023/24
2006/07	16,202	5,773	549	22,523.90	tCO ₂ e	
2007/08	15,695	5,992	563	22,249.70	tCO ₂ e	
2008/09	15,617	5,606	495	21,717.40	tCO ₂ e	
2009/10	16,251	5,955	550	22,756.80	tCO ₂ e	
2010/11	15,997	5,443	550	21,990.50	tCO ₂ e	
2011/12	15,033	5,507	470	21,010.50	tCO ₂ e	
2012/13	15,853	5,780	428	22,061.50	tCO ₂ e	
2013/14	14,674	6,543	457	21,675.20	tCO ₂ e	
2014/15	16,531	7,030	649	24,209.60	tCO ₂ e	
2015/16	16,293	6,998	692	23,982.50	tCO ₂ e	
2016/17	16,278	5,320	1,049	22,647.30	tCO ₂ e	
2017/18	16,370	4,535	1,128	22,033.10	tCO ₂ e	
2018/19	16,345	3,381	1,023	20,748.30	tCO ₂ e	
2019/20	16,059	2,869	978	19,905.50	tCO ₂ e	
2020/21	14,287	2,743	646	17,676.00	tCO ₂ e	
2021/22	16,267	2,744	723	19,734.00	tCO ₂ e	From this year, additional estimate added for home working
2022/23	15,418	2,584	1,192	19,194.47	tCO ₂ e	Waste and T+D emissions now counted as scope 3
2023/24	13,560.00	2,878.00	5,178.00	21,616.00	tCO ₂ e	New Baseline YEAR - figures now updated / reflect increased scope of GHG inventory
2024/25	14,274.10	2,456.60	4,899.88	21,630.58	tCO ₂ e	

Emission Type	Emission source	Consumption	Units	Emission factor	Units	Emissions (tCO ₂ e)	Comments
Electricity	Electricity: UK	11577298	kWh	0.20705	kg CO ₂ e/kWh	2397.07955	Minus recharge/OIC only
Electricity	Electricity: UK	125,778	kWh	0.20705	kg CO ₂ e/kWh	26.04233	Tenants use
Electricity	Transmission and distribution -	11,703,076	kWh	0.01830	kg CO ₂ e/kWh	214.16629	OIC + Tenants
Fuels	Burning oil (Kerosene)	864,007	litres	2.54015	kg CO ₂ e/litres	2194.70738	
Fuels	LPG	129,086	litres	1.55713	kg CO ₂ e/litres	201.00368	
Transport - car	Average car - Unknown	2,417,776	km	0.16691	kg CO ₂ e/km	403.55099	Commute estimate
Transport - car	Average car - Unknown	971,145	km	0.16691	kg CO ₂ e/km	162.09378	Business
Transport - public	Flights - Domestic, to/from UK -	883,300	passenger.km	0.27257	kg CO ₂ e/passenge	240.76100	
Transport - public	Flights - Long-haul, to/from UK -	127,650	passenger.km	0.20011	kg CO ₂ e/passenge	25.54398	
Transport - public	Ferry - Foot passenger	8417	passenger.km	0.01871	kg CO ₂ e/passenge	0.15748	
Please select from dr	Electricity: UK	9,393,842	kWh	0.20705	kg CO ₂ e/kWh	1944.99499	Social Housing estimate
Fuels	Marine gas oil	3067723	litres	2.77139	kg CO ₂ e/litres	8501.85684	Ferries
Please select from dr	Marine gas oil	525,985	litres	2.77139	kg CO ₂ e/litres	1457.70957	Tugs
Fuels	Marine gas oil	187333	litres	2.77139	kg CO ₂ e/litres	519.17280	H. Craft
Electricity	Electricity: UK	244,048	kWh	0.20705	kg CO ₂ e/kWh	50.53014	Ferries
Electricity	Transmission and distribution -	244,048	kWh	0.01830	kg CO ₂ e/kWh	4.46608	Ferries
Fuels	Aviation spirit	123,500	litres	2.33116	kg CO ₂ e/litres	287.89826	Inter isle
Fuels	Diesel (average biofuel blend)	491,248	litres	2.51279	kg CO ₂ e/litres	1234.40306	Buses
Electricity	Electricity: UK	43,441	kWh	0.20705	kg CO ₂ e/kWh	8.99446	vehicles
Fuels	Diesel (average biofuel blend)	116,598	litres	2.51279	kg CO ₂ e/litres	292.98629	Constn
Fuels	Burning oil (Kerosene)	100,209	litres	2.54015	kg CO ₂ e/litres	254.54589	Kero
Fuels	Gas oil	3,601	litres	2.75541	kg CO ₂ e/litres	9.92223	Constn
Fuels	Diesel (average biofuel blend)	333,174	litres	2.51279	kg CO ₂ e/litres	837.19630	Fleet
Waste	Household/Municipal/Domestic	8,976	tonnes	6.41061	kg CO ₂ e/tonnes	57.54164	EFW
Waste	Glass - Landfill	1,341	tonnes	8.88386	kg CO ₂ e/tonnes	11.90997	landfill largely inert
Waste	Paper and board: mixed - Recyc	2,587	tonnes	6.41061	kg CO ₂ e/tonnes	16.58425	
Water	Water supply	209,390	cubic metres	0.08000	kg CO ₂ e/cubic me	16.75120	
Water	Water treatment	57,596	cubic metres	0.17000	kg CO ₂ e/cubic me	9.79135	
Homeworking	Homeworking (office equipmen	375,760	FTE Working Hour	0.33378	kg CO ₂ e/FTE Work	125.42117	Estimate
Other	Other (please specify in comments)					69.800	Waste by Sea estimate
Other	Other (please specify in comments)					5.000	F Gas estimate
Other	Other (please specify in comments)					48.000	Isles buses estimate

3c) Generation Consumption and export of renewable energy

Technology	Renewable Electricity		Renewable Heat		
	Total consumed by the body (kWh)	Total exported (kWh)	Total consumed by the body (kWh)	Total exported (kWh)	Comments
There are 11 categories including ASHP					
Wind	212,093				
Ground Source Heat Pump			2,973,714		10No GSHP installations
Solar PV	238,031				
Water Source Heat Pump			57,628		1No SSHP installations
Air Source Heat Pumps					OIC do not have monitoring equipment on ASHP's
Any others ? Solar Thermal?					

3d) Targets

Name of target	Type of target	Target	Units	Boundary/ scope of target	Year used as baseline	Baseline figure	Units of baseline	Target year
Carbon Managt. Programme	Percentage	42 percent reduction	annual % reduction	Other (please specify in comments)	2005/06	26,136	tonnes	2025/ 26
OIC Council Plan Net Zero		On Course for Net Zero by 2030	Other (please specify in comments)	Other (please specify in comments)	Please select from drop down box		Other (please specify in comments)	2030 /31
Percentage of Council dwellings that are energy efficient	Percentage	90% by 2027/2028	Other (please specify in comments)	Energy use in buildings	2020/21		Please select from drop down box	2027/ 28
CO2 emissions area wide per capita	Other (please specify in comments)	9	Other (please specify in comments)	All emissions	2020/21	11	tonnes	2027 /28
CO2 emissions area wide emissions within scope of Local Authority per capita (in tonnes)	Other (please specify in comments)	4	Other (please specify in comments)	Please select from drop down box	2020/21	5	tonnes	2027 / 28
Percentage of dwellings in Orkney in fuel poverty	Percentage	19	total % reduction	Other (please specify in comments)	2020/21	31	Other (please specify in comments)	2027 /28

3da	How will the body align its spending plans and use of resources to contribute to reducing emissions and delivering its emission reduction targets?
	<p>Spending on climate related projects is undertaken by service areas within the local authority. Significant spend on climate related projects relates to the Local Authority's development of the 'strategic projects' – onshore wind projects at Hoy, Quanterness and Faray. In addition, a further capital spend relates to a replacement energy efficient 40 bed Care home and a new nursery building.</p> <p>Otherwise, the budgets are set and each service has discretion on how they spend their budgets and achieve reductions in emissions. This can be seen, for example, through the purchase of electric vehicles, or the installation of insulation and photovoltaic panels at Council houses.</p> <p>The Repairs and Maintenance outturn budget monitoring reports will give evidence of repairs and remedial works undertaken. The Capital Expenditure outturn details the Council's capital projects and progress. Progress and spending in relation to Energy Efficiency Standards for Social Housing is reported via the Council chamber on an annual basis</p>

3db	How will the body publish, or otherwise make available, it's progress towards achieving its emissions reduction targets?
	<p>publication of annual carbon emissions through Scottish Government reporting and also report to elected representatives Policy and Resources Committee (currently every November) - https://www.orkney.gov.uk/Council/C/policy-and-resources.htm</p> <p>Also, use of branding and Council webspace to communicate Climate Change</p>

3e) Estimated total annual carbon savings from all projects implemented by the body in the report year.

Emissions source	Total estimated annual carbon savings (tCO ₂ e)	Comments
Electricity		
Natural gas		
Other heating fuels		
Waste		
Water and sewerage		
Travel		A 50kW vessel charger has been installed in Kirkwall harbour, which is being used to recharge an experimental passenger hydrofoil which it is hoped will be able to add to the Orkney Ferries provision, on completion of the sea trials.
Fleet transport		
Other (please specify in comments)		Street Lighting - Average annual electricity consumption per lantern has reduced from 344kwh in 2014 to 157kwh in 2024. LED now upgraded = 95% of lighting
Any others ?		

3f) Detail Top 10 Carbon Reduction Projects (projects estimated to deliver highest carbon savings during the reporting year)

Project name	Fund source	First full year of CO ₂ e savings	Are these savings figures estimated or actual?	Capital cost (£)	Operation cost £/annum	Project lifetime (years)	fuel/ emission source saved	Estimate carbon savings per year (tCO ₂ e /annum)	Comments
Kirkwall Nursery	Capital Project	2024/25	Estimated	£2,650k	£27k	30yr	Heating Oil	20	New build nursery building incorporating zero direct emission heating and on site renewables. Replaces old oil boiler heated nursery building.
Marine Services Garage	Capital Project	2024/25	Estimated	£340k		30yr	Electricity	3	Refurbishment of lab and office space, installation of 15kW PV panels on roof

3g)	Estimated decrease or increase in the body's emissions attributed to factors (not reported elsewhere in this form) in the report year			
	If the emissions increased or decreased due to any such factor in the report year, provide an estimate of the amount and direction			
	Emissions source	Total estimated annual emissions (tCO₂e)	Increase or decrease in emissions	Comments
	Estate changes		Please select from drop down box	
	Service provision		Please select from drop down box	<p>We are currently trialling an electric bin lorry which is adding to the electrical consumption but saving diesel, early stage of trial so data is not available.</p> <p>We are undertaking sea trials of a new passenger hydrofoil ferry again trial is at early stage and data is not available</p>

3h) Anticipated annual carbon savings from all projects implemented by the body in the year ahead

Emissions source	Total estimated annual carbon savings (tCO ₂ e)	Comments
Electricity	34	Smiddybrae Care home DHW immersion heater replaced with Water to water heat pump
Other heating fuels	29 10	Hope primary school replacement of oil heating with ASHP Kirkwall Care home new build with GSHP to replace existing building with Oil Fired heating

3i) Estimated decrease or increase in emissions from other sources in the year ahead - If the body's corporate emissions are likely to increase or decrease for any other reason in the year ahead, provide an estimate of the amount and direction.

Emissions source	Total estimated annual emissions (tCO ₂ e)	Increase or decrease in emissions	Comments
Estate			Potential to reduce OIC emissions - if any OIC properties are sold / rationalised.

3j) – Total carbon reduction project savings since the start of the year which the body used as a baseline for its carbon footprint - if the body has data available, estimate the total emissions savings made from projects since the start of that year ("the baseline year").

Total savings	Total estimated emissions savings (tCO ₂ e)	Comments
Total project savings since baseline year		This will be updated in 2025/26 submission

3k) Further Information -- Supporting information and best practice -- Provide any other relevant supporting information and any examples of best practice by the body in relation to corporate emissions, targets and projects.

Emissions associated with water and wastewater have now been included in our reporting, in addition waste figures include all waste collected from the Orkney area not just those associated with council activities. We have also received data from the operator of the bus service for the first time and this has proven to be significantly higher than the estimate previously used. The Authority has a contracted independent study in progress that will further address net zero scenarios and projections for Orkney Islands Council. Phase 1 of this study has completed, and this has led to a re-baselining of the Council's emissions inventory. As a consequence, additional emission sources are now being quantified and included within the Council's annual emissions.

PART 4 - Adaptation

4a) Has the body assessed current and future climate-related risks?

The Council's Corporate risk register has been updated to include Climate Change. The Council Pension Fund has its own risk register (Risk 19) that includes climate risk and has updated its investment strategy to reflect climate risk modelling.

Orkney Islands Marine Region: State of the Environment Assessment 2020 (<https://www.orkney.gov.uk/our-services/planning-and-building/development-and-marine-planning-policy/marine-planning/state-of-the-environment-assessment/>) provides a snapshot of the physical, environmental, social and economic condition of the Orkney Islands marine region, including a summary of significant pressures and impacts from climate change.

As part of preparation for the review of the Local Development Plan, work is underway to prepare an Evidence Base Report which includes considering climate related baseline information and summarises the risks from climate change and what the potential implication of these risks could be. This has seen the compilation of existing data sources which are highlighted in the topic paper. Consideration is given in the topic paper to the significant pressures and impacts climate change could have on how we plan future development and highlights potential measures and actions for the next Local Development Plan to address.

The Council worked with SEPA and Scottish Water to develop flood risk management actions to be delivered in Orkney between 2022 and 2028. These were published by SEPA in the 2nd Cycle Flood Risk Management Plan for the Orkney Local Plan District in January 2022. The Orkney Local Flood Risk Management Plan (<https://www.orkney.gov.uk/media/4ndl1ko1/orkney-local-flood-risk-management-plan-2022-2028.pdf>) published by Orkney Islands Council in December 2022, identifies what actions are to be undertaken locally and how they are to be funded.

In April 2022, Scottish Flood Forum (SFF) inspected and later provided Property Flood Reports for several houses on the Orkney mainland and linked isles. Following the April visit, the South Ronaldsay and Burray Flood Group (SRBFG) was initiated by this community, assisted by SFF. From the summer of 2022, the SRBFG worked, with regular meetings, toward the development of a community flood plan. The community has, as of 2025, not taken the Flood Group forward. However, the template for working relationships and a locally developed flood plan is in place and could be transferable to other at-risk communities around Orkney.

The Council continues to work with SEPA and Scottish Water to gather data to ensure that the best information on climate and drainage is available as flood risk management actions are undertaken. The Council will continue to raise awareness of flood risk at every opportunity, including school visits and at public events in conjunction with partners such as SEPA, SFF and the Walk Wheel Cycle Trust. The Council will continue to raise awareness of flood risk at every opportunity, including school visits and at public events in conjunction with partners. The Council will continue to promote the SEPA Flood line in all flood related-press releases.

Marine Spatial Planning Addressing Climate Effects (MSPACE) is a UKRI funded project that aims to drive forward the capability of the four UK nations in designing and implementing economically viable and socially acceptable climate-smart marine spatial plans (MSP). The Orkney Islands Regional Marine Plan is a case study within the project. MSPACE utilises state of the art analyses of climate change impact modelling projections to consider how climate change will affect the conservation, fisheries, and aquaculture sectors. The models enable the identification of climate change hotspots for these sectors, where climate pressures drive an ecosystem into a new state beyond its natural variability, and refugia areas that exhibit long term resilience to climate change. When completed in December 2025, the MSPACE programme will include recommendations for climate-smart marine spatial planning which will inform future marine planning in Orkney."

4b) What arrangements does the body have in place to manage climate-related risks?

The Orkney Islands Regional Marine Plan has been prepared in accordance with the Delegation of Functions (Regional Marine Plan for the Scottish Marine Region for the Orkney Islands) Direction 2020. The draft Plan, and supporting assessments, were deposited for formal public consultation from 1 August to 25 October 2024. A detail consultation analysis has been carried out and the final Plan will be considered for adoption by Scottish Minister in early 2026. The plan includes Objective 2 - A rapid and just transition to a low-carbon economy is supported to achieve net-zero commitments and Objective 3 - Mitigation of, and adaptation to, climate change is supported. These objectives will be delivered via the implementation of a suite of relevant policies including General Policy 3: Climate Change which, will require public authorities to give significant weight in decision making to the global climate crisis including measures for mitigation and adaptation, when considering proposals for development and/or activities in the Orkney Islands marine region.

The Council worked with the Scottish Environment Protection Agency (SEPA) on the development of the revised coastal flood warning system for Orkney. This SEPA system has been live since September 2018. The coastal flood warning system drives public alerts and warnings and operational discussions between the Council and SEPA at times of heightened flood risk.

The Kirkwall Harbour Flood Protection Scheme and associated works were completed in 2018. Operation of the scheme is triggered when Kirkwall threshold values are reached in the SEPA coastal Flood Early Warning System. Forecasts of significant flooding can lead to OLECG, the Orkney Local Emergency Co-ordinating Group, being convened. If appropriate then a multi-agency response across multiple locations, using assets from HMCG, Scottish Fire and Rescue Service, Police Scotland and the Council can be initiated. Each event is reviewed with any lessons learnt incorporated in the respective plan.

The Council is working with consultants to develop surface water and flooding guidance to developers in Orkney to ensure that flood risk management requirements are met, and make sure that opportunities for environmental enhancement, promotion of biodiversity and mitigation of the effects of future climate change are not missed.

Once published, the Orkney Coastal Change Adaptation Plan and the Kirkwall Surface Water Management Plans will manage climate risks associated with coastal flooding and erosion and surface water flooding resulting from increased rainfall, respectively. [?](#)

As part of the Planning Act there is a duty for Local Authority to prepare a Trees and Woodland strategy. A draft Strategy was out for public consultation between January and March 2025. The draft Strategy sets out the multiple benefits obtained from trees and woodland and includes consideration of climate change.

4c) What action has the body taken to adapt to climate change?

"Council officers participated in a national steering group led by the Scottish Environment Protection Agency (SEPA) to prepare guidance for local authorities to prepare Coastal Change Adaptation Plans (CCAPs). The resulting Coastal Change Adaptation Guidance was published in February 2023. Consultants were appointed and work commenced on the Orkney CCAP in May 2025, with completion anticipated at the end of 2026. This is being taken forward in accordance with the new Scottish Coastal Change Adaptation Plan Guidance implementing a Dynamic Adaptive Pathways approach that is both flexible and responsive to changes on the ground.

Taking forward a CCAP has been approved by Council as part of the agreed actions under the OLFRRMP (Flood Risk Management Plan). The CCAP will provide a strategic level assessment identifying coastal management policies for Orkney's coastal zone, taking account of natural processes and the risks to people, property, transport, and service infrastructure and how these factors will change over time due to climate change.

A Communications and Engagement Plan is being developed alongside ongoing work on the CCAP to enable public agencies, communities, businesses, landowners, and wider stakeholder to effectively communicate and collaborate to address the impacts of sea level rise driven erosion and flooding in Orkney's coastal areas. Clear communication on how sea level rise is anticipated to impact on coastal property, infrastructure, land, and habitats is required, as is communicating the uncertainty in the timescale of change. The Plan will help to build understanding and sustain collaborative relationships between the key stakeholders. Further to this, communities and other stakeholders have valuable information to contribute on how the coast behaves, how assets will be affected and how the coast can be adapted to accommodate change.

Consultants have been appointed to complete the Kirkwall Surface Water Management Plan (KSWMP). Work commenced in August 2024 with completion anticipated by the end of 2025. The KSWMP is a key action from the Local Flood Risk Management Plan and is to be developed in consultation with flood risk partners. The work to complete the Kirkwall SWMP includes detailed studies of key individual sub-catchments within Kirkwall to inform land use planning. "

4d) Where applicable, what contribution has the body made to helping deliver the Programme?

No further Info added here- See sections 4a-c above also following sections. All sections outline activity that is contributory to the Climate Change Programme.

4e) What arrangements does the body have in place to review current and future climate

Flood risk management actions take place on a 6-year repeating cycle as required by the 2009 Flood Risk Management (Scotland) Act. The national-level Flood Risk Management Plan for the Orkney Local Plan District, produced by the Scottish Environment Protection Agency, is followed within 12 months by the Orkney Local Flood Risk Management Plan, produced by Orkney Islands Council.

A Local Flood Risk Management Plan Interim Report is to be published by the Council 3 years into each Local Flood Risk Management Plan 6-year cycle and at the end of each cycle, a Local Flood Risk Management Plan Final Report is to be published.

Planning and preparatory work for the next Flood Risk Management cycle, informed by new data and outputs from earlier and current cycles, takes place concurrent with the current cycle.

4f) What arrangements does the body have in place to monitor and evaluate the impact of the adaptation actions?

Please provide details of monitoring and evaluation criteria and adaptation indicators used to assess the effectiveness of actions detailed under Question 4(c) and Question 4(d)

In addition to the 6 year do/review cycle under the Flood Risk Management (Scotland) Act, adaptive actions to come from the Orkney Coastal Change Adaptation Adaptive Plan will be based on adaptive pathways and have identified trigger points for following actions. As such, monitoring and review will be central to these adaptive actions.

4g) What are the body's top 5 climate change adaptation priorities for the year ahead?

Provide a summary of the areas and activities of focus for the year ahead.

- 1) Publish the Orkney Islands Regional Marine Plan - Consultation Draft for formal public consultation and progress a monitoring and evaluation framework to keep the plan under review
 - 2) Continue work towards planned completion of the Coastal Change Adaptation Plan for Orkney in 2026/27
 - 3) Publish the Kirkwall Surface Water Management Plan
 - 4) Develop appropriate surface water and flood risk guidance for developers.
 - 5) Continue to engage with key organisations and networks that could support the development of climate change adaptation for the Orkney Islands, pursuing the adaptation ambition in the Council's Climate Change Vision statement.
-

Further information

4h) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to adaption.

The Council's Climate Change vision statement approved in 2024, includes 'building our resilience and adapting to the changing climate' as a key focus. Adaptation is also a central objective within the Orkney Community Planning Partnership's Climate Change Vision (also agreed in 2024). This calls for 'Orkney to play a leading part in achieving a Just Transition where our economy, communities and natural environment all prosper and benefit, building their resilience, and adapting to the changing climate.'

In November 2024, Orkney Islands Council joined the Public Sector Climate Adaptation Network (PSCAN), which is managed by Adaptation Scotland. This network brings together over 60 public bodies to collaborate, share learning, and benchmark progress on climate change adaptation. PSCAN is a key initiative to help Scotland adapt to climate change by fostering collaboration among public sector organizations.

In April 2024, Orkney Islands Council responded to the Scottish National Adaptation Plan (SNAP 3) consultation, highlighting a range of issues and considerations for islands context. The Council's response to the consultation is available on the Scottish Government Consultation page / Citizen Space.

PART 5 - Procurement

5a) – How have procurement policies contributed to compliance with climate change duties?

Provide information relating to how the procurement policies of the body have contributed to its compliance with climate changes duties.

"The Sustainable Procurement Strategy (December) 2024 is now in place following a period of public consultation incorporating updates to climate change and sustainability legislative changes. These included: The Equality Act 2010, the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, The Fairer Scotland Duty, Equality Act (Part 1 of the Equality Act 2010) – commenced 2018, The Climate Change (Emissions Reduction Targets) (Scotland) Order 2015, Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020. The updated Sustainable Procurement Policy has incorporated the Scottish Procurement Policy Note issued by the Scottish Government, taking account of Climate and Circular Economy Considerations (SPPN) 01/2021 and the Implementation of Fair Work First in Scottish Procurement (SPPN) 03/2021.

The Sustainable Procurement Strategy 2024 includes the Orkney Islands Council Sustainable Procurement Impact Assessment (SPiA) screens climate related action in section 2, as follows:

2.Climate Change: Will the procurement minimise contribution to climate change and support goods, services and works that are well-adapted to the consequences of a changing climate. YES/NO.

Following a public consultation which took place over Summer 2023 the Procurement Strategy 2023 -2028 has been approved by the General Council in December 2023. The new Procurement Strategy 2023 – 2028 is aligned with the new Council Plan 2023-2028 and makes reference to the Council's Commitment to Net Zero and also the inclusion of the latest SPPN Public Procurement – taking account of climate and circular economy considerations: SPPN 3/2022 and also referring for the new requirement for bidders to provide details of their climate change action plan in accordance with the new guidance on “relevant” and “priority” contract assessment to consider scope 1, 2 and 3 emissions,

A further review of the Council's Sustainable Procurement Strategy took place in 2024 and a public consultation over summer 2024, to align with the new Procurement Strategy 2023 and 2028, Council Plan 2023 – 2028 and the more recent work of the Council's Climate Change Team and the cross Council Climate Change Working Group action plan and the new SG guidance as referred to in the para above.

21.1. Sustainability, Climate Change and Net Zero Targets.

The Council is conscious that its procurement decisions must take account of the social, economic, and environmental impact it has on the people and communities of Orkney and elsewhere. Within the latest Council 5-year plan, net zero objectives have been added along with the following aspirational statements -

- Orkney is on track to become net zero by 2030.
- We have reduced the carbon used during our direct and indirect activities.
- We have grown our green and blue economies.
- Everyone in Orkney has reduced their carbon footprint (the greenhouse gases generated by their actions).

Council commitment:

- To embed sustainability into the procurement process where it is relevant to the subject matter of the contract and to comply with the Council's Sustainability Duty where this is appropriate.
- Implementation of the Scottish Government 10 steps to Sustainable Procurement to assist sustainability and other responsible procurement themes using the Scottish Government Toolkit at Sustainable Procurement ([sustainableprocurementtools.scot](https://www.scotland.nhs.uk/sustainableprocurementtools.scot))
- To engage with the local supplier base to develop Community Benefit Clauses to maximise the potential of the local economy to compete for Council business for the economic benefit and sustainability of Orkney.
- To implement the use of Community Benefit / Sustainable Procurement Award Criteria in contracts as appropriate.
- Draw on best sustainable procurement practice in Scotland and engage with suppliers to develop and implement carbon management criteria in support of the reduction of direct and indirect emissions (integrating alongside the Council's developing Climate Change strategy).
- To implement any recommendation relevant to procurement from the Council's Climate Change Action Plan when this is developed accompanied by relevant commitments and targets.
- To improve streamlining of reporting by cross referencing the Procurement Annual Report with the Climate Change Duties Report in greater detail.

5b) – How has procurement activity contributed to compliance with climate change duties?

Provide information relating to how procurement activity by the body has contributed to its compliance with climate changes duties.

Procurement activity has contributed to compliance with climate change duties by the implementation of the Sustainable Procurement Policy and the Sustainable Procurement Impact Assessment (SPiA) and the introduction of the sustainable procurement award criteria into relevant contracts. Engagement with service areas at the SPiA stage at the procurement/commodity strategy stage early in the procurement process and at the development of the specification stage of the procurement process are now providing opportunities to address climate change impact to develop suitable award criteria dependent of the subject matter of the contract. The SG guidance re requirement to include expanded 5c Environment question in the SPD has been introduced, to include climate change plans including Scope 1, 2 and 3 emissions as appropriate where a contract has been identified as either “relevant” or a “priority” contract.

Delivery of the commitments made in this policy will be supported through the implementation of the Council’s Procurement Strategy 2023 to 2028 and the Council’s Procurement Annual Report. Progress against the stated objectives is monitored and reported on an annual basis as part of the Procurement Service Improvement Action Plan 2023 to 2028 via the Council’s Performance Management System.

5c) Supporting information and best practice

Provide any other relevant supporting information and any examples of best practice by the body in relation to procurement.

The current Sustainable Procurement Policy 2024 outlines how the Council takes a responsible and sustainable approach to procurement, is referenced in all procurement documentation and is reviewed as necessary to ensure it is supporting continually developing Council approaches on Climate Change and remains in accord with emerging Scottish Government Policy, reflected in the Paris Agreement on Climate Change, COP 26 and beyond, as appropriate.

Examples of good practice in procurement, exist within building refurbishment and in supply side emission calculations associated with transport and recent large scale capital projects.

The detailed risks and opportunities in the sustainable procurement tools align with Scotland’s National Performance Framework (NPF) and Scotland’s National Outcomes and Indicators, achieving a line of sight between procurement activity and local and national strategic priorities:

- Climate Change.
- Materials.

- Waste.
- Hazardous Materials.
- Biosecurity.
- Biodiversity.
- Heritage.
- Water.

Employment, Skills, and Training.

- Communities.
- Equality.
- Fair Work.
- Fairly and Ethically Traded.
- Health and Wellbeing.
- Security and Crime

Part 6 Validation and Declaration

6a) Internal validation process

The validation of data this year has been supported by external consultant study – see below 6C. Narrative contributions are developed and checked, with service leads and relevant officers across the Council.

6b) Peer validation process

N/A see 6C

6c) External validation process

Data validation this year has been assisted through the independent consultancy study, working with Council Officers, to help review the Councils GHG baseline. This has helped in updating some existing data sources (e.g. replacing earlier estimate for buses with fuel data). Some other data sources at this stage are estimates (e.g. commuting). The consultants checked and confirmed some of the Councils calculation methods, such as the approach for calculating an emissions estimate from shipping of waste to Shetland.

6d) No Validation Process

N/A

6e) Declaration

I confirm that the information in this report is accurate and provides a fair representation of the body's performance in relation to climate change.

To be signed – Director of Infrastructure and Organisational Development

PART 7 - Recommended Reporting – Reporting on Wider Influence

Q1 Historic Emissions (Local Authorities Only)

Local Authority:(Please State)	Orkney Islands									
DESNZ Dataset:(full or sub-set)	Full									
Source	Sector	2016	2017	2018	2019	2020	2021	2022	2023	Units
DESNZ Sectors	Total Emissions	104.2	99.7	96.8	91.8	81.6	84.9	78.9	74.2	ktCO ₂ e
	Industry and Commercial	12.7	11.4	12.3	11.2	9.3	10.5	9.9	8.9	ktCO ₂ e
	Domestic	53.3	49.6	47.8	45.2	44.0	43.7	38.0	35.4	ktCO ₂ e
	Transport total	38.2	38.6	36.8	35.5	28.3	30.7	31.0	30.0	ktCO ₂ e
	Per Capita	18.7	18.1	17.3	17.1	16.4	16.6	15.9	15.7	ktCO ₂ e

Q2a) Targets - Please detail any wider influence targets

- Orkney is on track to become net zero by 2030 (Council Plan and Delivery Plan)

Q2b) Does the organisation have an overall mission statement, strategies, plans or policies outlining ambition to influence emissions beyond your corporate boundaries? If so, please detail this in the box below.

- The five year Council Plan and Council delivery Plans (2023) - outline the ambition towards net zero in the Orkney Islands. Also, the Orkney Community Planning Partnership Local Outcomes Improvement Plan (2023-2027).

- In 2024 the Council agreed a new vision statement on climate change available to view on the Council's webpage – <https://www.orkney.gov.uk/your-council/our-future/climate-change/>. This link also includes the Orkney Community Planning Partnership's Climate Change Vision Statement (which was also agreed in 2024).
- Orkney Islands Council continues to facilitate and participate in the development of a number of community strategies that have an impact on climate change action in the region.

Q3) Partnership Working, Communications and Capacity Building - Please detail your Climate Change Partnership, Communication or Capacity Building Initiatives below

Description	Orgs project role	Lead Org (if not reporting organisation)	Private Partners	Public Partners	3rd Sector Partners	Outputs	Comments
Supporting the Orkney Partnership	Participant	All Public sector community planning partners		Orkney Islands Council, NatureScot, NHS Orkney	Voluntary Action Orkney (VAO) / OREF	Local Outcome improvement Plan (LOIP) SDDG	In Orkney LOIP delivery groups include a Sustainable Development Group - SDDG with a focus on climate change.
Orkney Energy Stakeholder Group	Participant		EMEC	OIC departments and HIE (also local Universities)	Community Energy Scotland and the Orkney Renewable Energy Forum		OIC established the Orkney Energy Stakeholder Group, with a remit to a) oversee development and review of the Orkney Energy Strategy and b) to oversee development and delivery of an action plan to progress the Orkney Energy Strategy. In 2024 it extended membership and formed an (action plan) sub-group
Supporting the Carbon Neutral Islands (CNI) Initiative	Supporting	Scottish Government		All island Local Authorities in Scotland	Community Energy Scotland	Carbon neutral islands by 2040	CNI is a programme for government commitment aimed at supporting six islands to become carbon neutral by 2040. Hoy is one of the six pilots' islands.
Supporting the Islands Centre for Net Zero (ICNZ) ICNZ.org	Participant	N/A	EMEC, Aquatera Heriott-Watt University	Orkney Islands Council, Shetland Islands Council and Comhairle nan Eilean Siar	Community Energy Scotland	Net Zero Transition	ICNZ is a pan-island distributed innovation centre, funded through the Islands Deal, that will support Orkney, Shetland and the Outer Hebrides in the energy transition

Description	Orgs project role	Lead Org (if not reporting organisation)	Private Partners	Public Partners	3rd Sector Partners	Outputs	Comments
Net Zero Living / Pathfinder				OIC with partners		Innovate UK funding to run practical demonstrator projects to show how the non-technical barriers to implementing carbon-cutting measures can be overcome.	A joint decarbonisation project between Orkney and Shetland was awarded £4.9 million in funding by Innovate UK. The Net Zero Living programme will run from 1 February 2024 to 31 October 2025.
Active Travel in Orkney	lead			OIC, NHS Orkney, Hitrans,	VAO and Sustrans	We are delivering infrastructure interventions at schools to encourage more children and adults to make every journey through active travel and working to introduce more sustainable travel modes within the Heart of Orkney Neolithic World Heritage Site.	The Council's work in Active travel has continued working with our Transport Partnership HITRANS and the Walk, Wheel and Cycle Trust (formerly known as Sustrans), Historic Environment Scotland and the Community through the activities of the Local Place Plan work.
North Isles Landscape Partnership	Participant	OIC / Historic Environment Scotland		Orkney Islands Council, HIE, RSPB, NatureScot		Various - including North Isles Active Travel, community wildlife recording and educational projects.	https://www.nilps.co.uk/
Orkney Renewable Energy Forum (OREF)		N/A	EMEC / Aquatera		Community Energy Scotland	Various sustainable energy strategies in the area, networking and consultation response.	https://www.oref.co.uk/
Orkney Nature Network and Delivery Group		Lead - OIC Coordinating		OIC as lead, with NHS Orkney, UHI Orkney, Scottish Water, HIAL, NatureScot and Crown Estate Scotland as members.		Nature Networks help support a move away from heavily managed spaces to more diverse multifunctional spaces / contribute to biodiversity and carbon sequestration and space for people.	The Scottish Government Scottish Biodiversity Strategy requires every local authority to have a nature network of locally driven projects. A nature network delivery group for Orkney, commenced preparatory work in 2023.

Description	Orgs project role	Lead Org (if not reporting organisation)	Private Partners	Public Partners	3rd Sector Partners	Outputs	Comments
Arctic including Nordic Atlantic Cooperation and Sisimuit Movement (UNESCO and Government)						Focus on place based sustainable development. Research, Innovation, Community Led Development, its location and experience as 'remote 'islands' and shared cultural heritage are areas that enable opportunities for collaboration and partnership working.	Impact of climate change affects communities globally with the Arctic experiencing some of the biggest changes that will have indirect and significant consequences. The post of Service Manager Sustainable Regeneration and Arctic has focus on ensuring Orkney Islands Council maintains awareness of the conversations and contributes to the international dialogue engaging with a range of organisations internationally and working in partnership with Government.
Orkney Native wildlife project	Supporting			OIC with Partners		Building a biosecure future for the whole of Orkney by preventing stoats from colonising any new islands and preventing their return once the eradication is complete.	The Orkney Native Wildlife Project exists to safeguard Orkney's native wildlife against invasive stoats. - https://www.orkneynativewildlife.org.uk/project .

Other notable reportable activity

Q4) Please detail key actions relating to Food and Drink, Biodiversity, Water, Procurement and Resource Use in the table below

Key Action Type	Key Action Description
Resource Use	Orkney Islands Council is developing Orkney Community Wind Farms to secure a new interconnector for Orkney, to generate significant income and harness Orkney's natural resources. The project consists of three developments – Quanterness, Hoy and Faray. Each wind farm will contain six turbines that are 149 metres in height from base to blade tip. Each of the three sites have up to 30MW consented. Orkney Community Wind Farms
Resource use	In 2024 as part of Net Zero Living Phase 2 Orkney Islands Council received funding to decarbonise transport. This focused on trialling an electric refuse collection vehicle (eRCV) and installation of rapid EV charger infrastructure. Alongside the eRCV funding has also supported the infrastructure install for electric ferry trials which on arrival of the ferries will be minimum three years.
Other	Marine Services are part-funding a PhD student who is analysing historical rocky shore data and collecting current data from set sites in Orkney. The Title of the PhD is: "Rocky shore biodiversity: Separating the effects of anthropogenic impacts from natural variation and climate change impacts" Thomas started the PhD research in October 2024.
Resource Use	Working with Community Planning Partnership, local environment groups and the Highland and Islands Climate Hub, a circular economy initiative commenced in 2024 - initially looking at awareness and local information for promoting reuse and resource efficiency.
Resource Use	The Council works in partnership with Restart who reuse approximately 100 tonnes of material per annum. The Council also works with the Salvation Army who collect textiles for recycling from our Recycling centres.