

Item: 11

Policy and Resources Committee: 16 June 2026.

Community Development Fund.

Report by Director of Enterprise and Resources.

1. Overview

- 1.1. This report seeks members' approval for a single year budget of £300,000 for 2026-2027, to be drawn from the Council's uncommitted Crown Estate Fund, to replenish the Community Development Fund (CDF).
- 1.2. The current tranche of CDF was approved in December 2022 with a budget profile over 2023 to 2026 and now has just £49,372 remaining in the Fund. Officers have sight of a pipeline of over 60 forthcoming community projects with anticipated project costs, where estimates have been provided, of over £17.5 million. Due to the timing of this report the current year's draw on the Strategic Reserve Fund (SRF) has already been approved by the Council leading to the recommendation for a one-year budget to be considered from the Council's Crown Estate fund.
- 1.3. Recognising the expectations of significant community-led project applications for future CDF, officers will seek to submit a report to consider a 3-year CDF request from SRF in November 2026.
- 1.4. Included in this report is an overview of the 2022 tranche, an update on the community funding review proposed to the Policy and Resources Committee on 17 February 2026 as part of the Crown Estate Fund review, and consideration of options for continuation of the CDF.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Agree that the Community Development Fund be renewed with an allocation of £300,000 being made from the Council's Crown Estate Scotland Fund.
 - ii. Agree that the Community Development Fund be included in the revenue budget under the Development area at £300,000 for 2026/27.

- iii. Request the Director of Enterprise and Resources to submit a report, to the meeting of this Committee to be held in November 2026, regarding funding for the Community Development Fund for the following three years.

3. Background

- 3.1. The Community Development Fund for the New Millennium (CDFNM) was established with £2 million in 1998-1999 to enable works to be carried out in Orkney which would not otherwise have taken place. In April 2005, the Policy and Resources Committee noted the success of the CDFNM in achieving community development and leveraging substantial funding into Orkney. A working group was subsequently established to review the CDFNM, and on 6 December 2005, the Council approved the allocation of £1 million from the Strategic Reserve Fund to the CDF, the successor to the CDFNM. Tranches of £1 million have since been approved in July 2009, April 2012, July 2016, and December 2022.
- 3.2. The latest tranche of CDF was recommended for approval by Policy and Resources Committee in December 2022, specifically allocating £1 million from the Strategic Reserve Fund, and including an award of £5,000 for each of the 20 Community Councils, totalling £100,000.
- 3.3. The 2022 recommendation also introduced amendments to the CDF Guidance, introducing delegated powers, increasing the award maximum for feasibility studies, removing the minimum applicant contribution, and disallowing “work in kind” as eligible project costs. These are reflected in the current Guidance Notes for the CDF, which are attached as Appendix 1.

4. Overview of the 2022 Tranche

CDF Awards

- 4.1. Between 2023 and 2026, the 2022 approved tranche of CDF has so far awarded £1,005,269 across 51 projects, with total project costs of £3,835,602. It is noted that total awards exceed the available £900,000 funding because awards for underspent or cancelled projects are reallocated upon project completion.
- 4.2. Of the £3,835,602 total project costs, OIC awarded and administered funds accounted for £1,440,953, leveraging in a further £2,294,648 in wider match funding.

- 4.3. Some of the highest value projects have included Trebb Community Resource Hub in North Ronaldsay and the Pickaquoy Centre's mountain bike and BMX cycling facility, while the biggest individual CDF awards have included restoration of Burnmouth Bothy in Hoy, Stromness Sailing Club's clubhouse, and Orkney Gymnastics Club for the purchase of competition-grade equipment.
- 4.4. The 2025 Island Games was a major opportunity for Orkney's sports facilities and clubs and stimulated significant external funding investment in Orkney's sports assets. Through CDF funding of £384,675 toward sailing, gymnastics, climbing, archery and athletics capital projects, £691,040 of funding was leveraged into Orkney.
- 4.5. As a result of the Island Games, CDF awards were highest in the year 2024-2025, totalling £412,789. This compared to 2023-2024 awards of £301,490, and 2025-2026 awards of £178,136.
- 4.6. The lower awards figures in 2025-2026 are partly attributed to the availability of the Orkney Fund this year. It is understood that a number of groups have delayed their CDF applications until they receive the outcome of their Orkney Fund applications, in order to determine their outstanding funding requirements.
- 4.7. It should be noted that the Orkney Fund's priorities are more specific than the CDF, and therefore while there is scope for the Orkney Fund to reduce the demand on the CDF, it is unlikely to displace it entirely. The Orkney Fund will also be funding significant capital projects over the course of its programme, which will require coordination of multiple capital funding sources, of which the CDF is currently considered one.
- 4.8. The following table shows the geographic spread of awards over the 2022 tranche to demonstrate the extent to which groups across Orkney have accessed and benefitted from the CDF.

Ward	Projects awarded	Total awards (£)	Total project costs (£)
East Mainland, South Ronaldsay & Burray	9	£195,975	£561,070
Kirkwall East	5	£86,190	£315,301
Kirkwall West & Orphir	9	£265,317	£819,139
North Isles	11	£169,821	£1,452,243
Stromness & South Isles	10	£213,315	£463,795
West Mainland	7	£74,651	£224,054
Totals	51	£1,005,269	£3,835,602

5. Community Funding Review

- 5.1. As part of a review of the Crown Estate Funds, presented to Policy and Resources Committee on 17 February 2026, a recommendation was made to review and rationalise the various community funds administered under Enterprise and Economic Growth.
- 5.2. It has so far been determined that the rationalisation would seek to achieve the following outcomes:
- i. Improved public recognition of Council community funding.
 - ii. Reduced complexity for applicants.
 - iii. Reduced duplication of Officer tasks.
 - iv. Retained capability for the Council to support Orkney’s communities.
- 5.3. Objectives i., ii. and iii. can be addressed in the near term through streamlined processes. It is intended that revision of internal structures and external communications could address these issues ahead of the completion of a funding review.
- 5.4. Changes to the design of the funds themselves present a potential risk to objective iv. and therefore requires more detailed work and consultation before revisions that would represent an improvement can be confidently proposed.
- 5.5. This is relevant to the current Council approved treatment of Crown Estate funds as “external”, allowing it to be matched against CDF. The benefits and disbenefits of this approach are currently anecdotal and require more robust data before a recommendation can be made to Committee.

- 5.6. For illustration, with regards to the CDF, feasibility studies accounted for 22 of the 49 awarded projects in the 2022 tranche, with an average cost of just under £20,000. Of those 22, nine were match-funded with CLLD or CECLDF, in which instances the total funding awarded through the Council was above 50%. These nine projects account for £69,133 of CDF awards, and £150,363 of the total awards across the three funds.
- 5.7. Following Brexit and the introduction of Subsidy Control regulations, the Council can now award community funding under its Community Empowerment Subsidy Scheme. This permits awards of up to 100% to eligible community organisations where considered appropriate, and so there is the opportunity to review intervention rates of the current 50% maximum CDF award, if preferable to match-funding across schemes.
- 5.8. While it is intended that the CDF Guidance would be refreshed in parallel with a new funding tranche, material changes to the Guidance have not been proposed as part of this report, as it is anticipated that the community funding review will result in recommendations that lead to amendments. It is also anticipated that the Community Wealth Building (Scotland) Act 2026 will inform new policy in the autumn. In addition, the Orkney Local Action Group that manages CLLD and CECLDF funds is planning to formulate a new strategic 5-year community-led vision that will be submitted to the Scottish Government. This will include community consultation and so it would therefore be prudent to align any further review to these timescales.

6. CDF Options

- 6.1. Recognising timing issues, funding complexity and current budgetary pressures that need to be carefully balanced with the high expectation of local community-led investment project funding applications, options are summarised below.
- 6.2. **Option 1. Do nothing-** the remaining CDF is awarded until depleted and not renewed for a further tranche. Community projects could continue to apply to CECLDF and CLLD funding for smaller amounts, while larger capital projects may be considered by the Orkney Fund. It is important to note that the Orkney Fund Board is an external decision maker, and their themes will exclude projects that the CDF would otherwise consider. It is also important to note that to date, the CDF has been considered a match funder for the Orkney Fund.

- 6.3. **Option 2. Renew the CDF per previous tranches** – this would mean assigning £1 million from the Strategic Reserve Fund for 2026-2029 inclusive of £100,000 for Community Councils. However, in March 2026, the Council agreed the current year’s allocation of SRF and it is not considered prudent to seek a significant additional draw on these funds at this time.
- 6.4. **Option 3. Amend the CDF**- The option to fundamentally review the CDF, along with other sources of Community funding that Council officers manage and administer, will require more time to consult and gain insight from external bodies. That analysis will inform further recommendations proposed to be considered by this Committee in November 2026.
- 6.5. **Option 4. An interim funding arrangement:** A further option is to draw the CDF budget from an alternative source to the SRF, such as the Council’s Crown Estate Funding however, to accommodate a full £1 million 3-year tranche it would significantly deplete the Crown Estate funds being assigned, and would limit the Council’s flexibility to fund anything else that does not fall within the existing categories of funding. An equivalent one-year budget of £300,000 is recommended for the current year in order to cover key significant CDF applications that are expected.
- 6.6. Consideration has been given to the current circumstances impacting on this funding request, including the March decision of the Council to limit further allocation of additional funds from the SRF. While there is considerable funding opportunity on the horizon for Orkney’s community groups, there is still significant complexity and uncertainty across the board on what and when funds will become available, and to which types of organisation. The CDF remains the Council’s most flexible form of community funding, and its retention can provide stability to ongoing community projects which are phasing their projects in order to manage existing financial risk.
- 6.7. Option 4 is therefore on balance considered the prudent recommendation. Whilst there is a risk that the proposed one-year budget could still be oversubscribed the intention would be, following further review work to set out a more considered case for a 3-year funding request from the SRF in November 2026.

For Further Information please contact:

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Implications of Report

1. **Financial:** The substantive report recommendation is that the CDF should be renewed for one year with a £300,000 allocation being made from uncommitted Crown Estate Funds.
2. **Legal:** No direct implications.
3. **Corporate Governance:** No direct implications.
4. **Human Resources:** No direct implications.
5. **Equalities:** An Equality Impact Assessment was completed for the 2022 tranche of the CDF. As no amendments are proposed to the Fund, a further assessment was not required.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
9. **Environmental and Climate Risk:** No direct implications.
10. **Risk:** No direct implications.
11. **Procurement:** No direct implications.
12. **Health and Safety:** No direct implications.
13. **Property and Assets:** No direct implications.
14. **Information Technology:** No direct implications.
15. **Cost of Living:** Financial support of community-led local infrastructure could have a positive impact for affordable access to services.

List of Background Papers

Policy and Resources Committee: 19 December 2022 – Item 7: Community Development Fund.

Appendix

Appendix 1: Current CDF Guidance Notes.

Economic Development



Community Development Fund 2023 Tranche

GUIDANCE NOTES



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ISLANDS COUNCIL

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[Version 2: July 2023]

1. Eligibility criteria for the Community Development Fund (CDF) continue to be flexible with each project being considered by the Council's CDF Sub-committee on its own merits. All projects assisted by the CDF must provide benefit to, or be available to, the community as a whole. Funding is not prioritised to any particular area(s) of Orkney.
2. The following basic principles have been applied:-
 - projects supported by the CDF should have a widespread and long-lasting community benefit.
 - the CDF should attract the maximum amount of external match funding into the County as possible.
 - there should be no ongoing cost to the Council as a result of any of the projects supported by the CDF.
 - no CDF assistance should be given to projects that would normally be carried out by the Council itself; and
 - all CDF assistance is discretionary.

The intention of the CDF is that a project should be sustainable for a minimum of 15 years without any additional assistance from the Council.

3. Social enterprise projects - where the intention is to generate revenue not for commercial profit but for reinvestment in the local community - should access the advisory services provided by Voluntary Action Orkney* with a view to exhausting all other funding possibilities, before applying to the CDF.

[* Voluntary Action Orkney, Anchor Buildings, Bridge St, Kirkwall KW15 1HR
Tel: 01856 872897 <http://www.orkneycommunities.co.uk/VAO/>]

4. Formally constituted community groups can apply: in the past community councils, development trusts, community associations, heritage societies and many other local community groups have successfully applied for funding.
5. Capital projects with a minimum project cost of £5,000 may be eligible for support. Routine maintenance and like-for-like replacement proposals are not eligible.
6. Where appropriate, the applicant must provide evidence of title to any property to be upgraded, prior to approval of any grant assistance. To be eligible for assistance, any property to be improved must be in the total control of the applicant and in the ownership of a locally based organisation. Any lease of a

property to be developed using CDF should be for as long as possible and for a minimum of 15 years.

7. Applicant groups wishing to undertake feasibility studies to determine the need for, and viability and sustainability of, major capital projects, can apply for grants of 50% of costs, up to a maximum grant of £10,000, with powers delegated to the Corporate Director for Enterprise and Sustainable Regeneration to approve such applications. If the request is for more than £10,000, then the application will be presented to the CDF Sub-committee for a decision.
8. Determination of CDF grant requests towards smaller-scale projects, of up to £10,000, will be delegated to the Corporate Director for Enterprise and Sustainable Regeneration to approve such applications. If the request is for more than £10,000, then the application will be presented to the CDF Sub-committee for a decision.
9. Funding of 50% of eligible costs, up to a maximum CDF grant of £100,000 per project, may be available, although funding to play park projects is now restricted to 25% of project costs. The CDF Sub-committee can exceed these limits if it considers that a project represents a considerable community benefit to Orkney, for example by attracting significant sums of external funding into the County.
10. All CDF applications should seek to demonstrate positive attributes in respect of the following factors, each of which will be assessed and evaluated in the report to the CDF Sub-committee on the application:-
 - evidence of need (for example, this could be demonstrated by a local survey)
 - sustainability
 - achievability
 - serving the local public and having lasting benefits
 - opportunities provided or upgraded
 - enriching quality of life
 - value for money
 - partnership funding
11. Applicants should therefore attempt to address the factors detailed at 10. above in a Development Plan, which should accompany any application for CDF support. Applicants are encouraged to provide as much relevant information as possible in their Development Plan to assist the Council in considering the proposals.
12. Applicants are encouraged to seek endorsement of their project proposals from the relevant local community council(s), and to include this within their Development Plan.

13. Evidence of efforts made to secure match funding should be submitted along with the CDF application. CDF Officers will suggest relevant sources of possible match funding at the enquiry stage and applicants are required to demonstrate that they have followed up these recommendations accordingly.
14. However, confirmation of the rest of the funding required to enable the project to proceed is not required at the application stage, although such confirmation will be required before any funding from the CDF is paid out.
15. In order to demonstrate that applicant groups have endeavoured to achieve best value, the following basis for determining project costs has been adopted:-
- for projects with estimated capital costs in excess of £250,000, a budget costing, compiled by a surveyor or other competent person, should be submitted with the CDF application: successful applications will be subject to a requirement to demonstrate that a competitive tendering exercise has been carried out with at least three tender bids being sought.
 - for projects with estimated capital costs of between £100,000 and £249,999, successful applications should be subject to a requirement to demonstrate that at least two competitive quotations have been obtained; and
 - for projects with estimated capital costs of under £100,000, estimates for all project costs should be submitted with the CDF application.
16. If CDF assistance is approved, projects should commence within one year of the date of offer, or the offer may be withdrawn. All claims should be submitted within three years of date of the offer of CDF grant. However, the Corporate Director for Enterprise and Sustainable Regeneration has delegated powers to extend offers / final claim dates by up to twelve months.
17. No legal undertakings will be required in respect of projects undertaken by community councils, or in respect of any project with a total value less than £10,000. In such cases a grant funding agreement will be required.
18. Where a total project cost exceeds £10,000, the CDF Sub-committee will determine whether appropriate security should be taken over any appropriate heritable property improved as a result of the projects. The applicant group's own legal costs in this regard, together with the costs of any necessary statutory consents, should be included in the total project cost for the purpose of calculating grant assistance from the CDF.
19. CDF grants are subject to the following grant obligation periods: five years for grants of up to £20,000 and ten years for grants in excess of £20,000. This

means any assets purchased or improved using CDF funding cannot be sold or otherwise disposed of during this period without the Council's prior permission.

20. Any additional funds awarded to the project, from any other source, following final approval of grant assistance from the CDF, must be reported to the CDF Project Team, following which any grants approved by the CDF Sub-committee will be subject to adjustments. Measures to ensure that projects do not achieve more than 100% funding in total, when all sources of funding have been confirmed, will be applied as required on a project-by-project basis.
21. The applicant will be required to submit audited final accounts to the Council's CDF Project Team within twelve months of the project being completed.
22. Successful applicants will be required to acknowledge assistance provided by the CDF in all press releases and marketing materials, etc. The Council will be entitled to place a plaque, etc. in or on any premises supported by the CDF.