

Minute

Policy and Resources Committee

Tuesday, 23 February 2023, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

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

Present via remote link (Microsoft Teams)

Councillor Steven B Heddle.

Clerk

- Hazel Flett, Service Manager (Governance).

In Attendance

- Oliver D Reid, Chief Executive.
- Karen Greaves, Corporate Director for Strategy, Performance and Business Solutions.
- Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure.
- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- James Wylie, Corporate Director for Education, Leisure and Housing.
- Gavin Mitchell, Head of Legal and Governance.
- Andrew Groundwater, Head of Human Resources and Organisational Development.
- Erik Knight, Head of Finance.
- Lorna Richardson, Head of Neighbourhood Services.
- Shonagh Merriman, Service Manager (Corporate Finance).
- Pat Robinson, Service Manager (Accounting).

In Attendance via remote link (Microsoft Teams)

- Stephen Brown, Chief Officer, Orkney Health and Social Care Partnership.

Observing

- Peter Diamond, Head of Education.
- Alex Rodwell, Head of Improvement and Performance.
- Kirsty Groundwater, Communications Team Leader.

Apology

- Councillor Jean E Stevenson.

Declarations of Interest

- Councillor Rachael A King – Item 2.
- Councillor Gwenda M Shearer – Item 2.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Committee noted the proposal that the public be excluded from the meeting for consideration of Appendix 3 of Item 2, as the business to be discussed involved the potential 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.

2. General Fund Reserves Strategy

Councillor Rachael A King declared an interest in this item, her connection being that a close family member was directing a project which had been a recipient of funding as detailed in Appendix 3 to the report by the Head of Finance, and was therefore not present during discussion of any of the matters contained in Appendix 3 to the report.

Councillor Gwenda M Shearer declared an interest in this item, her connection being that a close family member was an officer in an organisation which had been a recipient of funding as detailed in Appendix 3 to the report by the Head of Finance, and was therefore not present during discussion of any of the matters contained in Appendix 3 to the report.

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

Noted:

2.1. That the Council should be clear on the purpose for holding any reserves and the protocols for their use.

2.2. The broad range of reserve levels within which local authorities might reasonably operate depending on their particular circumstances.

2.3. That, as at 31 March 2022, the Council held reserves balances, totalling £44,273,000, as detailed in section 4 of the report by the Head of Finance.

2.4. That, during the budget setting process for financial year 2022/23, it was recognised that an allocation from General Fund balances, totalling £4,120,900, would be required to fund specific purposes, as follows:

- £255,000 towards the running costs of Willow Tree Nursery.
- £2,621,100 to cover the budgeted deficit for financial year 2022/23.
- £500,000 to cover the cost of the site transfer for the new Integrated Waste Facility.
- £626,400 towards the funding gap for Islands Deal projects, specifically the Creative Islands Wellbeing and Orkney Research and Innovation Campus projects (subject to mid-year review of budget pressures in 2022/23).
- £93,500 for staffing backfill.
- £25,000 for COP26 advertising.

2.5. The effect of recognising the commitments detailed at paragraph 2.4 above, namely to further reduce the non-earmarked General Fund balance from £10,043,700 to £5,922,800.

2.6. That, although the Council's Reserves Strategy set a target for the non-earmarked General Fund balances at 3% of net budgeted expenditure, in financial year 2021/22 it was felt prudent to carry forward a higher percentage to provide the additional flexibility required to manage economic pressures going forward.

2.7. The purpose for holding each of the Council's earmarked reserves and the non-earmarked General Fund Balances, as set out in Appendix 1 to the report by the Head of Finance.

2.8. That, where the link between the purpose and use of earmarked reserves was no longer considered appropriate, especially within the current financial climate, the residual fund balance should be returned to non-earmarked balances.

2.9. That the Head of Finance, in consultation with Services, had undertaken a review of all known earmarked services, in order to maximise non-earmarked balances with a view to balancing the General Fund revenue budget for 2023/24, with the outcome detailed in Appendix 3 to the report by the Head of Finance.

On the motion of Councillor James W Stockan, seconded by Councillor Heather N Woodbridge, the Committee resolved:

2.10. That the public be excluded from the meeting in respect of discussion of the matters contained in Appendix 3 to the report by the Head of Finance on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1 and 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

Officers responded to questions from elected members on the detail contained within Appendix 3 to the report by the Head of Finance regarding the review of all General Fund earmarked reserves and balances.

Upon conclusion of discussion of the matters contained in Appendix 3 to the report by the Head of Finance and, thereby, the exclusion of the public, the Committee thereafter resolved to **recommend to the Council**:

2.11. That the non-earmarked General Fund Balance for 2023/24 be set at 2% of the net revenue budget for 2023/24, with a minimum balance of approximately £2,000,000 as a contingency for in-year pressures.

2.12. That the proposed re-provisioning of General Fund earmarked reserves, totalling £10,631,250, to General Fund non-earmarked reserves, summarised in Appendix 1 to this Minute, be approved.

2.13. That powers be delegated to the Head of Finance to make the adjustments to balances, identified at paragraph 2.12 above, taking account of the 2022/23 year end position and ongoing budget pressures for 2024/25.

2.14. That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report, to the Development and Infrastructure Committee, regarding the future of the Sustainable and Green Transport Fund.

3. Budget and Council Tax Level for 2023/24

After consideration of a joint report by the Chief Executive and the Head of Finance, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Corporate Director for Enterprise and Sustainable Regeneration, the Committee:

Noted:

3.1. That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2023/24, with the provisional revenue grant funding to the Council amounting to £89,066,000, which included a provisional specific grant allocation of £13,402,000 for provision of ferry services.

3.2. That the Council's funding was partially increased by £2,841,000 in the contribution to the Local Government financial settlement floor mechanism, which was designed to ensure a consistent minimum increase or maximum decrease in funding across all councils.

3.3. That Local Government Finance Circular 11/2022, which provided details of the provisional total Local Government revenue and capital funding for 2022/23, referred to a funding package worth over £13.2 billion and included measures that made up the settlement, as detailed in section 4.3 of the joint report by the Chief Executive and the Head of Finance.

3.4. That the settlement made no pronouncement on a Council Tax freeze for financial year 2023/24, with the Council being free to increase the level of Council Tax with no sanction for 2023/24.

3.5. That services had not been asked to identify any efficiency savings for financial year 2023/24, and no reduction in staffing was proposed.

3.6. That, although the September 2022 headline rate of Consumer Price inflation was 10.1%, up from 3.1% in September 2021, inflation was currently forecast to fall to 4% or 5% by the end of the next financial year, therefore inflationary pressures would have to be met from within existing service budgets.

3.7. That, notwithstanding those pressures, and maintaining the 2023/24 budget in cash terms, there was a requirement for significant and real savings to be made, in order that the Council budget could remain sustainable in the medium term.

3.8. That, to assist in achieving a balanced budget for 2024/25, each Service would require to present, to the relevant committees during 2023/24, service efficiencies, revenue generation opportunities and/or service reductions.

3.9. The Equality Impact Assessment, attached as Annex 5 to the joint report by the Chief Executive and the Head of Finance, relating to the overall budget proposals.

3.10. The advice, outlined in section 16 of the joint report by the Chief Executive and the Head of Finance, regarding risks to the Council's ability to continue to meet, in a secure manner, all of its responsibilities and the expectations placed upon it.

3.11. That, as a consequence of paragraph 3.10 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the recommendations regarding the budget and Council Tax for 2023/24, as proposed by officers, be approved.

Councillor Kristopher D Leask, seconded by Councillor Rachael A King, moved an amendment that:

- The recommendations regarding the budget and Council Tax for 2023/24, as proposed by officers, be approved.
- The Chief Executive should submit a report, to the Policy and Resources Committee prior to setting the budget for 2024/25, outlining a strategy to bring Council Tax up to the national average within the term of this Council.

In terms of Standing Order 16.14, Councillors James W Stockan and W Leslie Manson confirmed that they were willing to accept the additional recommendation, proposed within Councillor Leask's amendment, within their original motion.

Councillor Stephen G Clackson, seconded by Councillor John A R Scott, moved a further amendment, notice of which had been given, that the recommendations regarding the budget and Council Tax for 2023/24, as proposed by officers, be approved, subject to the following amendment:

- Corporate Directors should increase existing charges by a minimum of 10% and a maximum of 15%, from 1 April 2023, if possible, to do so, or as early as possible thereafter, with the itemised exceptions, where alternative arrangements were required or proposed.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson and John A R Scott (2).

For the Motion:

Councillors Graham A Bevan, Alexander G Cowie, David Dawson, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask, W Leslie Manson, James R Moar, Raymond S Peace, Gwenda M Shearer, Gillian Skuse, James W Stockan, Ivan A Taylor, Mellissa-Louise Thomson, Owen Tierney, Duncan A Tullock and Heather N Woodbridge (18).

The Motion was therefore carried.

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

3.12. That the General Fund revenue budget for financial year 2023/24 be set at £101,694,650.

3.13. That powers be delegated to the Head of Finance, in consultation with the Chief Executive and the Section 95 Officer, to revise the General Fund revenue budget for financial year 2023/24 in respect of any change to the estimated funding level referred to at paragraph 3.1 above.

35.14. That the Band D Council Tax level for financial year 2023/24 be set at £1,369.21.

3.15. That the Council's budget uprating assumptions as set out in Appendix 2 to this Minute, be approved.

3.16. That, whilst recognising the need to balance the budget and bring spending into line with available funding, the following baseline non-recurring service pressures amounting to £705,000, be approved for inclusion in the revenue budget:

- Nursery provision – £255,000.
- Braeburn provision – £450,000.

3.17. That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to allocate any General Fund underspend from 2022/23 to the following provisions:

- Outwith Orkney Placements – to top up the fund as provision for unplanned placements outwith Orkney for individuals at risk.
- To the setting of the General Fund revenue budget for 2023/24, with excess amounts, if any, being retained for budget setting pressures in 2024/25.

3.18. That any additional funding secured that was not specific to government initiatives that must be funded, be retained in the non-earmarked General Fund balance.

3.19. That Corporate Directors should increase existing charges by a minimum of 10%, from 1 April 2023, if possible, to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements were required or proposed:

- Building warrant and planning fees.
- Harbour charges.
- Ferry fares.

- Car park and electric vehicle charges.
- Residential care and home care.
- Very sheltered housing.
- Supported accommodation.
- Meals At Home Service
- Licensing fees.
- Ship sanitation certification.
- Marriage / civil partnership.
- Roads inspection fees.
- Trade waste charges.
- Homelessness rents.
- Selected quarry product sales.

3.20. That the draw from the Strategic Reserve Fund for 2023/24 be set at £6,350,000.

3.21. That the draw from the unearmarked General Fund balance for 2023/24 be set at up to £10,631,250.

3.22. That the policies of presumption against new commitments should continue to remain in force across General Fund services, with the following conditions:

- Exceptions might be considered for new commitments which were 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.
- The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.

3.23. That powers be delegated to the Head of Finance, in consultation with the Chief Executive and the Section 95 Officer, to prepare and distribute a detailed budget incorporating all the budget adjustments agreed by the Council, and any settlement updates and/or clarifications unknown at the date of this meeting.

4. Conclusion of Meeting

At 15:30 the Chair declared the meeting concluded.

Signed: (Leader's signature).

Review of General Fund Earmarked Reserves and Balances Summary

Service	Fund	Sum of Earmarked amount £	Sum of Return to non-earmarked £
ELH	Business Hardship Support Fund	106,600.00	(30,000.00)
	Crown Estates Fund	467,782.00	0.00
	General Fund	255,000.00	0.00
	Recreation & Cultural Projects Fund	65,220.02	59,113.20
	Redeterminations Flexibility Fund	469,410.07	0.00
	Repairs & Renewals Fund	4,548,400.22	0.00
	RRR Fund	1,700,000.00	660,000.00
	Workforce Management Fund	160,000.00	20,000.00
ELH Total		7,772,412.31	709,113.20
ESR	Business Hardship Support Fund	2,688,853.00	1,245,788.00
	CPA Fund	737,379.68	0.00
	Crown Estates Fund	1,236,525.16	0.00
	Economic Development Grants Fund	1,656,130.77	203,944.00
	General Fund	9,170,241.26	4,549,241.26
	Redeterminations Flexibility Fund	1,130,000.00	482,000.00
	Repairs & Renewals Fund	1,057,172.51	600,000.00
	RRR Fund	2,613,129.53	784,398.53
	Sustainable and Green Transport Fund	82,926.00	15,426.00
	Workforce Management Fund	60,000.00	60,000.00
ESR Total		20,432,357.91	7,940,797.79
NSI	Crown Estates Fund	192,888.09	0.00
	General Fund	618,500.00	118,500.00
	Local Works & Services Fund	25,000.00	0.00
	Redeterminations Flexibility Fund	19,000.00	19,000.00
	Repairs & Renewals Fund	3,544,391.20	487,732.59
	RRR Fund	5,084,708.68	608,162.68
	Workforce Management Fund	200,000.00	144,500.00
NSI Total		9,684,487.97	1,377,895.27
OHAC	Redeterminations Flexibility Fund	54,000.00	29,000.00
	RRR Fund	300,000.00	60,000.00
	Workforce Management Fund	65,000.00	65,000.00
OHAC Total		419,000.00	154,000.00
SPBS	Local Works & Services Fund	86,847.12	86,847.12
	Redeterminations Flexibility Fund	258,695.50	166,095.50
	RRR Fund	240,000.00	240,000.00
	Workforce Management Fund	1,105,000.00	(43,500.00)
SPBS Total		1,690,542.62	449,442.62
Grand Total		39,998,800.81	10,631,248.88

Glossary

ELH – Education, Leisure and Housing.

ESR – Enterprise and Sustainable Regeneration.

NSI – Neighbourhood Services and Infrastructure.

OHAC – Orkney Health and Care.

SPBS – Strategy, Performance and Business Solutions.

CPA – Capital Project Appraisal.

RRR Fund – Renewables, Redevelopment and Regeneration Fund.

Budget Uprating Assumptions

Budget Element.	2021 to 2022.	2022 to 2023.	2023 to 2024.
Staff Costs Non-Teaching.	2.0%.	2.0%.	7.0%.
Pension Costs Non-Teaching.	0.0%.	0.0%.	0.0%.
Staff Costs Teaching.	2.0%.	1.0%.	8.0%.
Pension Costs Teaching.	0.0%.	0.0%.	0.0%.
Property Costs (specifically energy costs).	1.0%.	1.0%.	15.0%.
Supplies and Services	2.0%.	0.0%.	0.0%.
Transport Costs.	1.0%.	0.0%.	0.0%.
Administration Costs	1.0%.	0.0%.	0.0%.
Third Party Payments	1.0%.	0.0%.	0.0%.
Transfer Payments	1.0%.	0.0%.	0.0%.
Third Sector	1.0%.	10.0%.	0.0%.
Other Costs	1.0%.	0.0%.	0.0%.
Trading Organisations and Orkney Ferries.	2.0%.	1.0%.	0.0%.
Internal Transport	1.0%.	1.0%.	0.0%.
Sales.	3.0%.	5.0%.	10.0%.
Fees and Charges.	3.0%.	5.0%.	10.0%.
Other Income.	3.0%.	5.0%.	10.0%.
Total Uplift for Inflation.	£1,689,200.	£1,631,200.	£6,740,000.