

Item: 4

Policy and Resources Committee: 21 December 2021.

COVID-19 Funding – Proposed Allocations.

Joint Report by Chief Executive and Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

1. Purpose of Report

To consider the allocation of one-off funding towards a series of projects considered to provide excellent recovery prospects from the COVID-19 pandemic.

2. Recommendations

The Committee is invited to note:

2.1.

That, over financial year 2020/21, the Council received significant levels of additional government funding to meet the additional costs of operation and to compensate for income lost during the year.

2.2.

That, as at 31 March 2021, the Council held accumulated additional cash balances amounting to £8,250,000, which can be allocated to items of spending pressure or asset replacement on a one-off basis.

2.3.

The proposed allocation of funding to various recovery projects, summarised in section 3.4 of this report and detailed in Appendix 1.

It is recommended:

2.4.

That the allocation of funding to a series of recovery projects, as set out in Appendix 1 to this report, be approved.

2.5.

That a contribution of £33,500 towards the cost of survey work, ground investigation, design and architectural services required to develop the Kirkwall Regeneration project to a stage to submit a planning application and apply for building warrant, be approved.

3. Application of Accumulated Balances

3.1.

Financial year 2020/21 was unique in many ways with a national lockdown and many Council services required to rearrange their method of service delivery, office-based staff largely working from home and additional government funding provided to support additional Council costs and on an agency basis to support the local community.

3.2.

The Council received significant sums of government assistance to meet the additional costs of operation and to compensate for income lost during the year. The majority of the additional funding was paid to the Council in mid to late March 2021 as “redeterminations” of general revenue grant.

3.3.

Additional funding was applied where necessary to balance service budget overspends with the balance carried forward, either through the Renewable, Redevelopment and Regeneration Fund (£8.25M) for sums that were free from restrictions or in a newly established Redeterminations Flexibility Fund (£2.105M) for sums that are effectively ring fenced for specific service pressures, largely in Education, and for business support schemes that remained open in 2021/22.

3.4.

The outcome of the limited application in 2020/21 of the additional funding received is that the Council has an unallocated balance of £8.25M that it may apply to support additional spend on a one-off basis which can address a number of recovery objectives and pressure points that will alleviate service delivery constraints, improve future efficiency, cut emissions and stimulate recovery. It is possible to allocate these sums on a one-off basis but for the expenditure to be spread over more than one financial year. The following uses are suggested to allocate the available funding:

Proposed Project	£
Cultural Fund Recovery Funding	300,000
Housing Grants	300,000
Local Works and Services Fund	240,000
Schools Furniture and Fittings	400,000
Windows 11	400,000
Schools IT Equipment	500,000
Corporate IT Equipment	500,000
Play Park Equipment Renewal Fund	500,000
Cursiter Quarry Salt Barn	500,000

Proposed Project	£
Footpath, Core Path and Cycleway Improvements	500,000
Islands and Rural Housing Fund	500,000
Roads Surface Water – ditching and offlets	500,000
Orkney Library Ground Source Heat Pump	500,000
Tourism Infrastructure Fund	500,000
Plant and Vehicles	500,000
Boiler and Plant Replacement Programme	600,000
Kirkwall Town Centre Regeneration	1,000,000
Total	8,240,000

3.5.

Further high-level details of each of the proposed allocations is provided in Appendix 1, together with the intended outcomes to be achieved. Appendices 2 and 3 provide further detail in respect of two of the proposed projects (Cursiter Quarry Salt Barn and Kirkwall Town Centre Regeneration) and contain exempt information relating to commercially sensitive matters.

3.6.

It is appreciated that services may have capacity issues in delivery of the projects for which additional funding allocations are proposed. The funding allocations will not have to be spent immediately but can be planned for and any unused funding at the financial year end will be carried forward into the new financial year and be available for the approved purpose.

4. Human Resource Implications

There will be minimal human resources implications with the majority of the additional funding proposed to be expended on activities that do not involve significant input of Council labour.

5. Corporate Governance

This report relates to the Council's response to the economic challenges arising from the COVID-19 pandemic. Efforts to support the Orkney economy recovery from the pandemic are considered in line with the Council Plan priorities.

6. Financial Implications

6.1.

The report is principally concerned with the allocation of funding that the Council has carried forward to a series of projects that will bring positive impacts in the county's recovery from the pandemic.

6.2.

The Council has a balance of £8,250,000 of accumulated reserves in the Renewable, Redevelopment and Regeneration Fund that it may apply to support additional spend on a one-off basis.

7. Legal Aspects

7.1.

Section 95 of the Local Government (Scotland) Act 1973, as amended, obliges the Council to make arrangements for the proper administration of its financial affairs.

7.2.

In terms of Section 20 of the Local Government in Scotland Act 2003, the Council has power to do anything which it considers is likely to promote or improve the well-being of its area and persons within it, or either of these. This includes power to give financial assistance.

7.3.

If grant assistance is to be provided by the Council, a legally binding agreement will require to be entered into between the Council and the recipient setting out the terms on which funding is being provided.

7.4.

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Appendices 2 and 3 of this report. Appendices 2 and 3 contain exempt information as defined in paragraphs 4, 6, 8 and 9 of Part 1 of Schedule 7A of the Act.

8. Contact Officers

John W Mundell, Interim Chief Executive, Email john.mundell@orkney.gov.uk

Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, Email gareth.waterson@orkney.gov.uk

9. Appendices

Appendix 1: Allocation of Funding to recovery projects.

Appendix 2: Business case for Salt Barn at Cursiter Quarry.

Appendix 3: Kirkwall Town Centre Regeneration Project.

Proposed Allocation of Funding to Recovery Project

Description of Recovery Project:	Proposed Amount:
<p>Cultural Fund Recovery Funding: The county has a wide variety of festivals, musical events and cultural organisations that have been severely impacted by restrictions on gatherings and performances. It is proposed that the allocation is used to supplement the funding provided to organisations that receive priority funding through the Culture Fund, to increase the Culture Fund open pot and provide wider assistance to community arts and performance groups. A scheme for distributing the funding will require to be developed and reported through the Education, Leisure and Housing Committee.</p>	£300,000
<p>Housing Grants: Disabled adaptations and home improvement grants play an important part in ensuring that essential maintenance and adaptations can be carried out for people of limited means that enable them to stay in their own homes. The current year allocation of funding has been substantially committed and there will be rationing of work without additional funding being made available. It is proposed that the allocation is used to supplement the existing funding provided, with the expenditure reported through the Education, Leisure and Housing Committee and Integration Joint Board, as appropriate.</p>	£300,000
<p>Local Works and Services Fund: This fund has proved extremely useful as a means of resolving those less significant issues that nevertheless take up a great deal on Member time and without a resource to direct towards solving will remain as local ward issues. The fund has paid for the removal of scrap cars, contributed to the Stromness Town House performance area, car parking at the Meadows in Kirkwall and a number of other worthwhile projects. An allocation of £200,000 was made in 2015/16 with £30,000 for each of the six ward areas. This has not been fully expended or committed by all ward areas. The proposal is to top up each ward's allocation with a further £40,000.</p>	£240,000
<p>School Furniture and Fittings: The condition of some of the loose furniture across the school estate is getting rather tired and this has been noted by the Executive Director as an area where improvements are required.</p>	£400,000

Description of Recovery Project:	Proposed Amount:
<p>It is proposed that the allocation is used to supplement existing budgets and the expenditure should be reported through the Education, Leisure and Housing Committee.</p>	
<p>Windows 11: The next version of the Windows operating system is now available and, at some point in the not-too-distant future, it will be deemed necessary to make the move to upgrade from Windows 10 as software applications move over to the new operating system. Maintaining the current operating system reduces vulnerability to cyber-attack.</p> <p>It is proposed that the allocation is used for the acquisition of the necessary investment in licences for Windows 11 and that the impact of the additional spending reported through the Asset Management Sub-committee, as part of regular monitoring of the Corporate IT replacement programme.</p>	£400,000
<p>Schools' IT Equipment: The age profile of the IT equipment deployed across the education service is such that many young learners are working on computer equipment that is older than they are with consequent reliability and capability constraints.</p> <p>It is proposed that the allocation is used to supplement the regular replacement of schools' IT equipment delivered through the Corporate IT replacement programme and the impact of the additional spending reported through the Asset Management Sub-committee. with input from the Education Service.</p>	£500,000
<p>Corporate IT Equipment: Like the schools' IT estate the Council has a corporate IT estate where a proportion of the equipment in use is of an age where it would be preferable to have it replaced. There has been an expansion of the IT equipment in use to allow home working and connection to office G drives which has meant that some equipment that would otherwise have been "retired" is still in use.</p> <p>It is proposed that the allocation is used to supplement the regular replacement of corporate IT equipment and the impact of the additional spending reported through the Asset Management Sub-committee.</p>	£500,000
<p>Play Park Equipment Renewal Fund: The Council has responsibility for many play parks across the county but, as budgets have been squeezed, there has been a progressive withdrawal of play equipment as it has become unsafe and required replacement. Community groups have however, in some areas, been very successful in raising funds for new equipment.</p>	£500,000

Description of Recovery Project:	Proposed Amount:
<p>It is proposed to establish a Play Park Equipment Renewal Fund which could be used as seed corn funding to incentivise community organisations in their fundraising or match funding for Council delivered investment that can attract additional external funding. A scheme will require to be developed and reported through the Education, Leisure and Housing Committee.</p>	
<p>Cursiter Quarry Salt Barn:</p> <p>The benefits from storage of road salt under cover are many, including:</p> <ul style="list-style-type: none"> • A financial saving through reduction in leaching in wet weather. • The environmental benefit through stopping the runoff. • Prevention of caking which allows reduced and more even spreading. • Ceasing to use covers which are dangerous in high wind and need replaced at regular intervals. <p>A brief business case is presented in Appendix 2.</p> <p>It is proposed that a Stage 1 Capital Project Appraisal be developed and presented to an early meeting of the Development and Infrastructure Committee with the intention of seeking approval to submit a Stage 2 Capital Project Appraisal to the Policy and Resources Committee and adding the project to the capital programme.</p>	£500,000
<p>Footpath, Core Path and Cycleway Improvements:</p> <p>The value and health benefits that have been derived from footpaths and the core path and cycle path network in the county have never been more apparent than through the enforced COVID lockdown when use of the networks was greatly increased.</p> <p>With an embedded Sustrans Officer in the Council, it is anticipated that this allocation will be utilised to lever in significant additional sums of funding (with a target of a minimum of 50%) to invest further in the core path and cycle path network, with reporting through the Development and Infrastructure Committee and the Policy and Resources Committee for any projects that require to be developed as capital project appraisals.</p>	£500,000
<p>Island and Rural Housing Fund:</p> <p>Development Trusts in the isles have aspirations to develop housing in their islands to both attract new people to move to the isles but also to retain young people in the isles by providing good quality living accommodation.</p> <p>The Development Trusts will have access to the Scottish Government's Rural and Islands Housing Fund which can provide a significant proportion of the funding package for a development but,</p>	£500,000

Description of Recovery Project:	Proposed Amount:
<p>with higher building costs on the isles and an element of uncertainty that tenancies will be taken up if new housing is built, the intention would be to provide additional grant assistance to Development Trusts. This would supplement the Scottish Government grant funding and give the Development Trusts the confidence to undertake new housing developments.</p> <p>The details of the scheme require to be further developed and reported to the Education, Leisure and Housing Committee.</p>	
<p>Roads Surface Water – ditching and offlets:</p> <p>There is a backlog of road surface water maintenance work with ditches and offlets requiring clearing to allow water to drain more rapidly from the road surface. This is a problem across the county and, in recent periods of wet weather, has been highlighted as a particular problem in the isles. The intent would be to package up areas and put much of the work out to tender with smaller packages across the isles and the mainland, thereby allowing the Council's own workforce to concentrate on other areas of service delivery.</p> <p>This work would be reported through the Development and Infrastructure Committee as an enhancement to the existing roads maintenance programme of works.</p>	£500,000
<p>Orkney Library – Ground Source Heat Pump:</p> <p>The heating system at the Orkney Library is due for renewal and a preliminary design for replacement of the oil based system with a ground source heat pump has been developed. There has been work undertaken on the thermal efficiency of the building so that a heat pump replacement of the heating system would provide a greener and more efficient heating source for the future.</p> <p>It is proposed that a Stage 2 Capital Project Appraisal be developed and presented to an early meeting of the Policy and Resources Committee with the intention of seeking approval to add the project to the capital programme.</p>	£500,000
<p>Tourism Infrastructure Fund:</p> <p>The Council has commissioned a Strategic Tourism Infrastructure Development Plan which aims to guide the long-term sustainable development of tourism in the Islands. The Plan has been part-funded by VisitScotland as part of the Rural Tourism Infrastructure Fund (RTIF). The Plan is intended to provide a strategic approach to supporting the post-Covid recovery of Orkney's tourism industry, taking the opportunity afforded by the pandemic to reset and re-balance tourism on Orkney. Visitor numbers are predicted to gradually return to previous levels and there is a clear need for the responsible management and sustainable development of tourism.</p>	£500,000

Description of Recovery Project:	Proposed Amount:
<p>The funding allocation would serve as match funding for applications to the Rural Tourism Infrastructure Fund for project/s that emerge in the Development Plan as creating the greatest recovery opportunities. It is anticipated that the Development Plan will require significantly greater sums to achieve all of the ambition.</p> <p>This work would be reported through the Development and Infrastructure Committee and possibly the Policy and Resources Committee if the Development Plan ambitions are for capital projects to be undertaken.</p>	
<p>Plant and Vehicles:</p> <p>The Council has a regular replacement programme for plant and vehicles but tends to hold onto vehicles for longer on account of relatively low mileages covered and capital constraints. An injection of additional funding would allow planned replacements to be brought forward which will help reduce maintenance expenditure, improve reliability and assist with reduction in carbon emissions as new vehicles will be more efficient than those being replaced.</p> <p>It is proposed that the allocation is used to supplement the regular replacement of plant and vehicles and the impact of the additional spending reported through the Asset Management Sub-committee.</p>	£500,000
<p>Boiler Replacement Programme:</p> <p>The Council has a planned boiler replacement programme with several of the plants installed in Council buildings being overdue for replacement. With an injection of additional funding, it should be possible to bring this programme forward and also consider greener heating systems like ground source or air source heating to replace the predominantly oil heating systems currently installed.</p> <p>It is proposed that the allocation is used to supplement the existing Corporate Asset Improvement Programme and the impact of the additional spending reported through the Asset Management Sub-committee.</p>	£600,000
<p>Kirkwall Town Centre Regeneration:</p> <p>This project relates to the regeneration of Kirkwall Town Centre in a similar concept to the Stromness Pierhead Redevelopment project that was undertaken a number of years ago.</p> <p>Further details of the proposals are provided in Appendix 3.</p> <p>A potential bid to the UK Government's Levelling Up Fund for the regeneration of Kirkwall Town Centre that will encompass the redevelopment area that could be supported by this assistance is under consideration and will be brought forward in the first cycle of committee meetings in 2022. The application to the Levelling Up Fund would be for stage 2 of the redevelopment of the area.</p>	£1,000,000

Description of Recovery Project:	Proposed Amount:
<p>The full detail of the proposed scheme would be worked up and reported through the Development and Infrastructure Committee, with funding committed on the achievement of a series of project milestones.</p> <p>There is an initial funding ask towards costs of the development work to get the project to a stage to submit for planning application and building warrant. An initial contribution of £33,500 to the surveys and architectural work required to progress to this stage is recommended.</p>	
	£8,240,000