

Minute

Policy and Resources Committee

Tuesday, 12 February 2019, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors James W Stockan, W Leslie Manson, Stephen G Clackson, Alexander G Cowie, Norman R Craigie, Robin W Crichton, David Dawson, Andrew Drever, Barbara Foulkes, Steven B Heddle, J Harvey Johnston, Rachael A King, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Graham L Sinclair, Magnus O Thomson, Owen Tierney, Duncan A Tullock and Kevin F Woodbridge.

Clerk

- Alistair Buchan, Chief Executive.

In Attendance

- Gavin Barr, Executive Director of Development and Infrastructure.
- Gillian Morrison, Executive Director of Corporate Services.
- Sally Shaw, Chief Officer/Executive Director, Orkney Health and Care.
- Wilfred Weir, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Karen Greaves, Head of Executive Support.
- Gavin Mitchell, Head of Legal Services.
- Leslie Rendall, Revenues Manager (for Items 1 and 2).
- Hazel Flett, Senior Committees Officer.

Observing

- Colin Kemp, Corporate Finance Senior Manager.
- Paul Kemp, Strategic Finance Manager.
- David Hartley, Communications Team Leader.

Declarations of Interest

- Councillor Stephen G Clackson – Item 6.
- Councillor Steven B Heddle – Item 2.
- Councillor Andrew Drever – Item 2.
- Councillor Rachael A King – Item 2.
- Councillor W Leslie Manson – Item 2.
- Councillor Graham L Sinclair – Item 2.

- Councillor Kevin F Woodbridge – Item 2.
- Councillor James W Stockan – 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 Annex 9 of Item 6, 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.

Signed: James W Stockan.

2. Council Tax – Charging on Second Homes

Councillors Andrew Drever, Steven B Heddle, Rachael A King, W Leslie Manson, Graham L Sinclair, James W Stockan and Kevin F Woodbridge declared financial interests in this item, in that they or family members owned second homes, and were not present during discussion thereof.

As both the Leader and Depute Leader, being Chair and Vice Chair respectively of the Committee, had declared their interests and left the meeting, the Chief Executive called for nominations for Chair.

The Committee resolved:

2.1. That Councillor J Harvey Johnston be appointed Chair for this item.

Councillor J Harvey Johnston then took the Chair for this item.

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Revenues Manager, the Committee:

Noted:

2.2. That the Council had discretion to vary the level of Council Tax on second homes from 50% to 0%.

2.3. That the Council's current policy was to reduce the discount on second homes to 10%, which raised revenue of £141,000 per annum, calculated at 2017 to 2018 levels, that was ring-fenced for affordable housing.

2.4. That removal of the 10% discount on second homes, once the property had been unoccupied for a period exceeding 12 months, would raise revenues of up to £25,000 per annum, calculated at 2017 to 2018 levels, that were not ring-fenced.

2.5. That applying a discount variation on Second Homes to 50% where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, would result in an estimated reduction in the revenues ring-fenced for affordable housing of £6,000 per annum, calculated at 2017 to 2018 levels.

Councillor Stephen G Clackson, seconded by Councillor John T Richards, moved that, from 1 April 2019, a second home discount of 50% should apply where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment; and that, from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

Councillor Duncan A Tullock, seconded by Councillor Norman R Craigie, moved an amendment that, from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Norman R Craigie, Robin W Crichton and Duncan A Tullock (3).

For the Motion:

Councillors Stephen G Clackson, Alexander G Cowie, David Dawson, Barbara Foulkes, J Harvey Johnston, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Magnus O Thomson and Owen Tierney (11).

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

2.6. That, from 1 April 2019, a second home discount of 50% should apply where a person's sole or main residence in Orkney was separated from their place of work by a body of water, the transport provision over which did not permit daily commuting between their sole or main residence and their place of work, and they occupied a second home in Orkney to enable them to maintain that employment.

2.7. That, from 1 October 2019, the maximum period that a second home discount of 10% could be awarded should be set at 12 months, following which the discount would end.

Signed: Harvey Johnston.

3. Long-Term Financial Plan

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

Noted:

3.1. That the Long-Term Financial Plan served as a planning document for the use of resources over the period 2018 to 2030.

3.2. The key elements of the Long-Term Financial Plan, as outlined in section 5 to the joint report by the Chief Executive and the Head of Finance.

3.3. The range of cumulative funding gaps identified in the Long-Term Financial Plan over a ten-year period, as follows:

- Best Case – £23.6 million.
- Likely Case – £65.7 million.
- Worst Case – £145.6 million.

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

3.4. That the Long-Term Financial Plan 2018 to 2030, attached as Appendix 1 to this Minute, be approved.

4. Strategic Reserve Fund – Review

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

Noted:

4.1. That the Strategic Reserve Fund's investment activities were predicted to under-perform the approved budget for financial year 2018 to 2019, as indicated in the probable outturn column of Annex 1 to the report by the Head of Finance.

4.2. That, after allowing for distributions of £5,110,000 during financial year 2018 to 2019, the value of the Strategic Reserve Fund was estimated to decrease by £1,505,000 to £230,412,000 as at 31 March 2019.

4.3. That, overall, the value of the Strategic Reserve Fund still compared favourably with the minimum balance or "Floor", calculated at £202,166,000 as at 1 April 2018.

4.4. That, by applying inflation based on the Retail Prices Index, the real value of the Floor was estimated as £208,231,000 as at 1 April 2019.

4.5. That, based on existing distribution commitments of £10,301,000, £13,181,000 and £8,350,000 for financial years 2019 to 2020, 2020 to 2021 and 2021 to 2022 respectively, the available headroom within the Strategic Reserve Fund relative to the minimum balance or "Floor" was estimated to decline from £19,805,000 to £11,514,000, or from approximately 9% to 5% of usable reserves, over the next three years.

4.6. That much uncertainty remained within the global economy and therefore considerable volatility could still be anticipated from investment returns over the short to medium term.

4.7. That a prudent approach was recommended when giving consideration to requests for additional disbursements from the Strategic Reserve Fund over the next three financial years.

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

4.8. That the contribution from the Strategic Reserve Fund to the General Fund for financial year 2019 to 2020 be increased by £1,366,000, from £4,684,000 to £6,050,000.

4.9. That a minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall, be set at £208,231,000 as at 1 April 2019.

4.10. That the draft Strategic Reserve Fund budget for financial year 2019 to 2020, attached as Annex 1 to the report by the Head of Finance, be approved.

5. Strategic Reserve Fund – Contribution to General Fund Services

Proposed Notional Allocations

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

Noted:

5.1. That, for many years, the Strategic Reserve Fund allocation to the General Fund had been used as one of the funding sources for all General Fund services rather than making a direct financial contribution towards specific service functions or items of expenditure.

5.2. The proposal that the Strategic Reserve Fund contribution be attached to specific areas of General Fund expenditure so that the Orkney public could see more readily the benefit of the Strategic Reserve Fund and the additionality of service provision that it allowed the Council to deliver.

5.3. That, although accounting for the contribution from the Strategic Reserve Fund as a direct contribution to specific services would have negative future consequences on expenditure based budget distributions, notional allocations would avoid those negative consequences.

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

5.4. That the Strategic Reserve Fund allocation to General Fund services for financial year 2019 to 2020 of £4,350,000 be notionally allocated as a direct funding contribution towards the service functions set out in Appendix 2 to this Minute.

5.5. That, should a higher contribution than £4,350,000 be required from the Strategic Reserve Fund to balance the General Fund budget for financial year 2019 to 2020, this be treated as a source of funding for General Fund services and notionally allocated to Loan Charges.

6. Budget and Council Tax Level for 2019 to 2020

Councillor Stephen G Clackson declared a financial interest in this item, in that a family member attended Papdale Halls of Residence. However, as the consultation exercise on the proposal to introduce charges for residing at Papdale Halls of Residence was not yet complete, the risk category applied to saving EDELH02 had been reassessed from medium to high and removed from the budget saving proposals. Accordingly, Councillor Clackson did not leave the meeting.

After consideration of a joint report by the Chief Executive and the Head of Finance, together with Equality Impact Assessments, copies of which had been circulated, the Committee:

Noted:

6.1. The Council's strategic approach to budgeting as detailed in section 3 of the joint report by the Chief Executive and the Head of Finance.

6.2. That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2019 to 2020, with the provisional revenue grant funding to the Council amounting to £74,992,000, which included a provisional specific grant allocation for ferry services of £5,500,000.

6.3. That, taking account of the full specific grant allocation for ferry services, amounting to £5,500,000, the draft Orkney Ferries budget would result in a shortfall of £700,000.

6.4. That, during the Parliamentary debate on the Budget Bill held on 31 January 2019, the following announcements were made:

- Additional General Revenue grant for local government amounting to £90,000,000, of which the share for Orkney Islands Council was £637,000.
- Additional flexibility to increase Council Tax.
- Flexibility to offset the allocation for adult social care allocations to Integration Authorities, estimated for Orkney to be up to £354,000.
- A three-year funding settlement for local government from financial year 2020 to 2021.

6.5. That the additional flexibility to increase Council Tax for financial year 2019 to 2020 was a 4.79% cap on any increase in the level of Council Tax which was equivalent to an increase in real terms of 3%.

6.6. That no specific sanctions had been indicated by the Scottish Government in respect of the settlement offer for financial year 2019 to 2020.

6.7. That, on 18 January 2019, the Leader wrote to the Cabinet Secretary for Finance, Economy and Fair Work seeking a meeting to discuss the settlement.

6.8. That the proposed General Fund budget figure of £83,884,900 for financial year 2019 to 2020 took account of the grant settlement referred to at paragraph 6.2 above.

6.9. Identified efficiency savings for financial year 2019 to 2020, totalling £885,900, covering risk levels assessed as low to very high, as detailed in Annex 9 to the joint report by the Chief Executive and the Head of Finance, which, if approved, would result in a reduction of 1.16 full-time equivalent posts which were occupied.

6.10. That restricting efficiency savings to risk levels assessed as low and medium only would result in total savings of £352,300 with no reduction of posts, redeployments, early retirements or voluntary redundancies.

6.11. The Equality Impact Assessments, attached as Annex 8 to the joint report by the Chief Executive and the Head of Finance, relating to service pressures and savings assessed as low and medium risk.

6.12. That, should savings assessed as high and very high risk be proposed for implementation, Equality Impact Assessments should be submitted, for consideration by the Council, prior to implementation.

6.13. The advice, outlined in section 15 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 its responsibilities and the expectations placed upon it.

6.14. That, as a consequence of paragraph 6.13 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.

6.15. That, although the Council had resolved to introduce charging for telecare and day care services within the last 12 months, the consultation exercise had not been undertaken and, in August 2018, the Council became aware of the implications of the legal case of "The Queen on the application of KE, IE and CH -v- Bristol City Council", which amounted to a material change of circumstances in terms of Standing Order 132, and, accordingly, the suspension of Standing Orders was not necessary.

6.16. That, as the consultation exercise on the proposal to introduce charges for residing at Papdale Halls of Residence was not yet complete, the risk category applied to saving EDELH02 had been reassessed from medium to high and removed from the budget saving proposals.

Councillor Steven B Heddle, seconded by Councillor James W Stockan, moved that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved.

Councillor Stephen G Clackson, seconded by Councillor Stephen Sankey, moved an amendment that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved, with the following exceptions, with the resultant cost to be met from the corporate contingency:

- A charge for new and replacement refuse bins should not be introduced.
- The charge for special collections and disposal of bulky household waste should not be increased.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Barbara Foulkes, Stephen Sankey, Magnus O Thomson and Owen Tierney (5).

For the Motion:

Councillors Alexander G Cowie, Norman R Craigie, Robin W Crichton, David Dawson, Andrew Drever, Steven B Heddle, J Harvey Johnston, Rachael A King, W Leslie Manson, John T Richards, John A R Scott, Gwenda M Shearer, Graham L Sinclair, James W Stockan, Duncan A Tullock and Kevin F Woodbridge (16).

The motion was therefore carried.

Councillor Kevin F Woodbridge, seconded by Councillor Magnus O Thomson, moved a further amendment, notice of which had been given, that the revenue budget and Council Tax level for 2019 to 2020, as proposed by officers, be approved, with the following exception, with the resultant cost to be met from the corporate contingency:

- The charge for special collections and disposal of bulky household waste should not be increased for residents on the North and South Isles.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Robin W Crichton, David Dawson, Barbara Foulkes, J Harvey Johnston, Rachael A King, John T Richards, Stephen Sankey, Magnus O Thomson, Owen Tierney and Kevin F Woodbridge (12).

For the Motion:

Councillors Norman R Craigie, Andrew Drever, Steven B Heddle, W Leslie Manson, John A R Scott, Gwenda M Shearer, Graham L Sinclair, James W Stockan and Duncan A Tullock (9).

The amendment was therefore carried.

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

6.17. That the General Fund revenue budget for financial year 2019 to 2020 be set at £83,884,900.

6.18. That powers be delegated to the Head of Finance to revise the General Fund revenue budget for financial year 2019 to 2020 in respect of any increase to the provisional funding level referred to at paragraph 6.2 above.

6.19. That any reduction in the specific grant allocation for ferry services, referred to at paragraph 6.2 above, be subject to further consideration in due course, if required.

6.20. That the Band D Council Tax level for financial year 2019 to 2020 be set at £1,153, being a real terms increase of 3% on the Band D Council Tax level for financial year 2018 to 2019 of £1,100.

6.21. That the Council's budget uprating assumptions, as set out in Appendix 3 to this Minute, at an estimated cost across the General Fund of £2,719,600, be approved.

6.22. That the baseline service pressures, totalling £3,725,400, as detailed in Appendix 4 to this Minute, be approved and included in the revenue budget for financial year 2019 to 2020.

6.23. That efficiency savings totalling £350,000, covering risk levels assessed as low and medium, as detailed in Appendix 5 to this Minute, be approved and applied for financial year 2019 to 2020, summarised by service as follows:

- Chief Executive's Service – £160,000.
- Corporate Services – £112,300.
- Development and Infrastructure – £63,500.
- Education, Leisure and Housing – £14,200.
- Orkney Health and Care – £0.

6.24. That powers be delegated to the Head of Finance to allocate any General Fund underspend from financial year 2018 to 2019 to the following provisions:

- Outwith Orkney Placements Fund for no less than the service pressure item set against self-financing as detailed in Appendix 4 to this Minute.
- Any remaining underspends to the repayment of capital debt.

6.25. That a General Fund contingency be established within the revenue budget for financial year 2019 to 2020, into which the additional funding and locally raised income, estimated to be worth £869,000, secured for local government in political negotiations over support for the Scottish Government's budget, be contributed.

6.26. That any further efficiency savings realised through new charges or otherwise, or additional funding secured that was not specific to government initiatives that must be funded, be retained in a General Fund contingency.

6.27. That Executive Directors should review and increase existing charges by a minimum of 3%, from 1 April 2019, 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 charges.
- Residential care and home care.
- Very sheltered housing.
- Supported accommodation.
- Licensing fees.

- Ship sanitation certification.
- Marriage / civil partnership.
- Roads inspection fees.
- Trade waste charge.
- Homelessness rents.

6.28. That the following savings approved as part of the budget setting process for 2018 to 2019 be reinstated from 1 April 2019:

- SCOHC08 Introduce charging for Telecare services – £97,800.
- SCOHC10 Introduce charging for Day Care services – £54,400.

6.29. That the funding to reinstate the budget shortfall of £152,200, arising from charges not being levied for Telecare and Day Care services, be sourced from the General Fund contingency, referred to at paragraph 6.25 above, leaving an uncommitted General Fund contingency balance of £706,500.

6.30. That, for financial year 2019 to 2020, subject to any increase in the provisional funding level from Scottish Government, referred to at paragraph 6.2 above, the contribution from the Strategic Reserve Fund used as a funding source be set at a level of up to £6,050,000.

6.31. That, for financial year 2019 to 2020, the non-earmarked General Fund Balance should be retained at a minimum target level of 5% of the Council's net budgeted expenditure.

6.32. That the policies of presumption against new commitments and the moratorium on staff establishment increases should continue to remain in force, 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.

6.33. That powers be delegated to the Head of Finance, as Section 95 Officer, in consultation with the Chief Executive, to prepare and distribute a detailed budget incorporating all of the budget adjustments agreed by the Council.

7. Conclusion of Meeting

At 12:55 the Chair declared the meeting concluded.

Signed: James W Stockan.

Appendix 1.

Orkney Islands Council
Long Term Financial Plan
2018/19 to 2029/30

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1. Executive Summary

1.1. Orkney Islands Council operates in a challenging environment of increasing costs; high public expectations and responsibility to deliver many demand led services whilst public sector funding is continuing to reduce in real terms. In this climate it is essential that Councils consider the long-term financial outlook, an essential component of the overall financial framework, that sets the context for annual and medium-term financial planning and ensures resources are targeted to Council priorities.

1.2. Taking a long-term financial outlook will enable the Council to plan its response to these challenges and support future decision making. The long-term plan identifies an estimated funding shortfall of £65.7m over the next ten years which the Council requires to address. £20.6m of this gap occurs over the next five years. This is based on best estimates with sensitivity analysis highlighting the implications of changes to the underlying assumptions.

1.3. The continuing requirement and scale of budget savings, coming on top of the £13.2m already delivered since 2011, presents an increasing challenge for the Council. It is also the case that there is greater financial uncertainty over the short term. The latest local government financial settlement is for financial year 2019/20 only.

1.4. Funding beyond 2019/20 is not clear and the Council has to rely on forecast estimates of Government Department Expenditure Limits (DEL) which represent spending estimates for the whole public sector, not just local government. Overall it is now estimated that the Council may need to close a funding gap of £65.7m over the years 2019/20 to 2029/30. It must be emphasised that this is an estimate, and this could clearly change over time. Measures to bridge this funding gap would be over and above budget savings already identified and delivered.

1.5. The Council will endeavour to provide support to priority front-line services, and it will seek to prioritise those services that are most needed. The Council recognises that the better-informed people are about their Council and the services provided, the more satisfied they are likely to be about the organisation and its activities. The Council undertook a series of community engagement exercises over the early summer of 2018 and will incorporate the learning from that exercise in its future plans.

1.6. The Council's approach to financial planning over the long term will include investment in economic growth and income generation. The Council recognises that economic growth benefits the residents and businesses in Orkney and also the finances of the Council.

1.7. The long-term financial plan considers the assets that support service delivery and the longer-term liabilities which the Council may be required to meet. Financing an ambitious capital programme will be very challenging over the life of the long-term plan.

1.8. A clear strategy is required to ensure the Council remains financially sustainable over the longer term. This will require the Council to continually review the services which will be delivered, how they will be delivered and who will deliver them. There are limitations on the resources available such that it will be necessary to transfer funding to priority areas from those that are deemed to no longer be such a high priority. Spending more, on more of the same is not sustainable.

2. The Challenge of Financial Sustainability

2.1. The Council has ownership and stewardship of significant community assets in the form of roads, footpaths, schools, care establishments and other buildings, piers and harbours and recreational facilities. The built infrastructure over which the Council has stewardship is long term by nature, but will still in general have a limited lifespan and will inevitably need to adapt to changing needs, require ongoing maintenance and eventually need to be replaced. The Council therefore has to plan for the future costs of improvement, replacement or renewal of community assets in addition to meeting the costs of day to day operations to give assurance to stakeholders that it has a sustainable financial position.

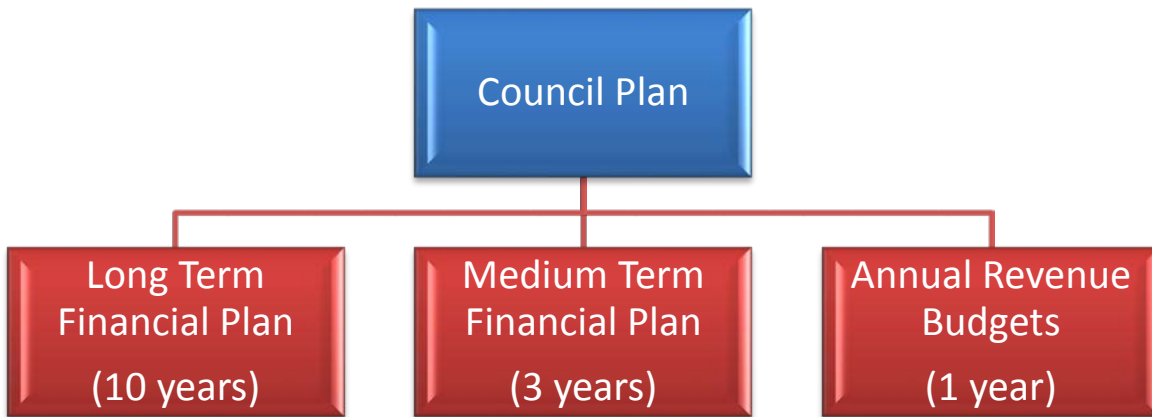
2.2. The principle of financial sustainability is that each generation 'pays their way' for the services that they consume. This is also known as intergenerational equity and occurs where the Council records a breakeven operating result. Where the Council records an operating deficit, this means that future generations will be subsidising the current costs of services and will be responsible for addressing a funding gap for the replacement of worn out assets.

3. A Longer-Term View

3.1. It is good practice to develop a long-term financial strategy, so that resources may be aligned with Council priorities over the longer term.

3.2. The purpose of developing a Long-Term Financial Plan is to develop an overarching statement of how the Council intends to manage its financial affairs, and to approach the substantial financial challenges facing it over the next ten years. It recognises the difficult financial climate in local government and the wider economy, but also serves to assist the Council in achieving its corporate objectives and political aspirations through its key strategic initiatives.

3.3. The Long-Term Financial Plan outlines the forecast financial position of the Council over the next 10 years and considers what level of spending is sustainable over this period of time. It identifies the financial challenges which the Council will face and the approach which will be required to deliver financial sustainability over the longer term.



3.4. The Long-Term Financial Plan serves as a planning document for the use of resources over the period 2018/19 to 2029/30. It is a useful tool for planning purposes rather than a definitive statement of resourcing for the next ten years.

3.5. Whilst the principal financial focus is on maintaining General Fund services and their associated revenue budgets, there are clear connections to the Council's 5 Year Capital Programme and Non-General Fund Services such as the Harbour Accounts.

3.6. Improved financial planning and financial management of the Council's revenue and capital resources means that services have a longer timescale to plan for future changes in budget levels, as they can see what is likely to happen to budgets over the next ten years.

3.7. It allows for the clear alignment of resources to the Council's spending priorities. The priorities of the Council will feed into the allocation of revenue and capital resources for each service over the period of the plan.

3.8. The Long-Term Financial Plan will observe the following principles:

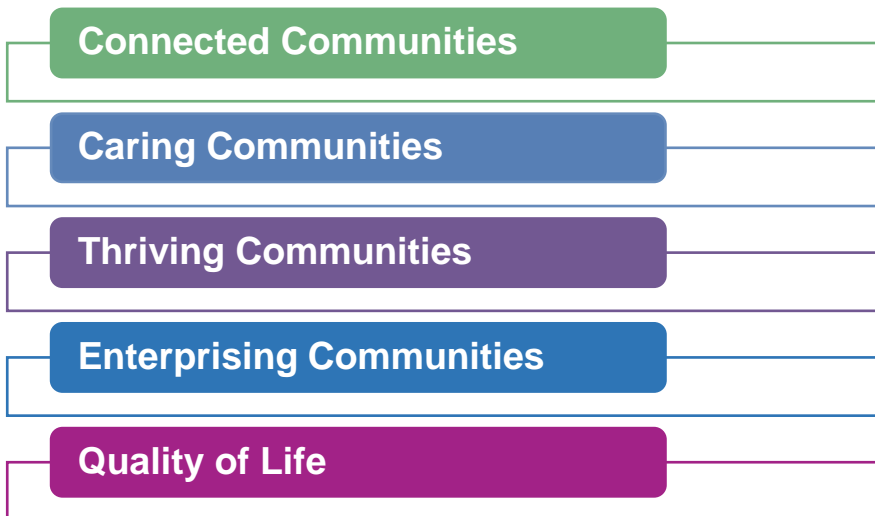
- Resources will be redirected within the Council in accordance with Risk, Council Priorities, Funding and Performance levels.
- Ongoing reassessment and reconfiguration will determine the sustainable level of expenditure that can be incurred on services over the next ten years.
- A sustainable use of General Fund balances and strategic reserves to manage the timing of baseline savings.
- Use of strategic reserves in order to invest in income generating opportunities which will help bridge the identified funding gap over the next ten years.
- A phased introduction of Change Programme savings in order to help bridge the identified funding gap.

- A maximum level of capital expenditure that can be incurred each year, recognising that any expenditure over and above what can be funded from General Capital Grant, designated reserves or capital receipts will need to be financed through borrowing, which will in turn create an ongoing revenue cost pressure.

4. Council Priorities

4.1. The Council approved the Council Plan 2018 / 2023 “Working together for a better Orkney” on 6 March 2018.

4.2. The Council Plan sets out what the Council considers to be the main areas of work, or theme priorities, to support Orkney and its people up to 2022 / 2023, these are:



4.3. With an overall mission statement of “Working together for a better Orkney”, the Council plan sets out an ambitious vision and lists the top priorities that are planned to be delivered across the agreed priority areas.

4.4. This long-term financial plan seeks to complement the Council Plan, setting out a framework to ensure the Council lives within its means and targets available resources to priority areas.

5. National Context

5.1. Performance of the global economy is key to UK and Scottish trade with funding for public services inextricably linked to the performance of global and national economies. Whilst the pace of growth in the world economy has slowed slightly, particularly in emerging economies, the outlook remains reasonably robust due to the continued strength of advanced economies. Brexit and the lack of clarity on the UK’s future relationship with its largest external market however continues to cast a shadow over the UK economic outlook.

5.2. Whilst continued growth in UK GDP is positive the key challenges for the Chancellor are debt which despite borrowing continuing to fall is still above 80% of GDP, the rising pressures on health and social care and low consumer and household confidence which is a key driver of the economy.

Scottish Government Medium Term Financial Strategy

5.3. The Scottish Government published its Medium-Term Financial Strategy in May 2018. The Strategy describes the Fiscal Framework and the various strategies available to meet the financial challenges, the policy environment and spending pressures that the public sector faces over the next 5 years. It does not however set out new policy commitments nor any detail of proposed allocation of funding.

5.4. Key priorities within the (Scottish Government) Medium Term Financial Strategy are for increased wellbeing and sustainable and inclusive growth, built on the principle of equality for all, with access to essential public services free at the point of delivery supporting the Scottish Government's "social contract". This includes:

- Reform and investment in Health with the publication in October 2018 of the "Medium Term Health and Social Care Financial Framework", considering the health and social care landscape, looking at current expenditure, future needs, current policy initiatives and transformation of health and social care to ensure financial sustainability (£2bn).
- Police (£100m).
- Early Learning Child Care (£470m).
- Attainment Gap including Pupil Equity Fund (£750m).
- Continuing to prioritise free tuition.
- New Scottish social security system administering new devolved benefits (£3.5bn).

5.5. The key Scottish Government policy commitments will result in their share of the Scottish Government budget growing from 56% to 64% by 2022/23 with health spending making up between 68% and 82% of this across the 5 year period, with all other funding requiring to be met from the remainder of the budget, including local government. This gives a clear signal of a challenging financial settlement for local government; this message is consistent with the 1 June 2018 SPICe briefing on the Scottish Government's Five Year Financial Strategy which was issued on 31 May 2018.

5.6. In addition to the priorities noted above further challenges and uncertainty, creating pressure on public sector budgets, include:

- Ageing population including the working population.
- Increasing prevalence of chronic health conditions.
- Impact of technological change on jobs of the future including economic performance, employment and tax revenue.

5.7. The (Scottish Government) Medium Term Financial Strategy suggests that financial constraints are aligned to the UK Government's austerity approach with significant reference to the potential impact of Brexit in terms of the EU Single Market and Customs Union, immigration, a key driver for population growth and GDP, and access to EU funding.

5.8. The Strategy highlights the requirement for efficiency savings and notes that "even if the most optimistic scenario plays out, if there is no reprioritisation or reform and no additional revenue generated, then efficiency savings of 5% per annum could be required". The Scottish Government's view is that efficiencies of between 3% and 6% per annum are deliverable; for Orkney Islands Council this equates to between £2.5m and £5m.

The Scottish Fiscal Commission

5.9. The Scottish Fiscal Commission, the independent fiscal institution for Scotland, has a statutory duty to provide independent and official forecasts of Scottish GDP, devolved tax receipts and devolved social security expenditure to inform the Scottish Budget. The Commission published its third set of forecasts, covering the years 2019-20 to 2023-24 in December 2018.

5.10. The Scottish Fiscal Commission's economic and fiscal forecasts have marginally improved over the past six months and are now much closer to predictions issued by the UK Office for Budget Responsibility.

Scottish Fiscal Commission GDP growth forecast, calendar year basis							
	2017	2018	2019	2020	2021	2022	2023
GDP growth (December 2018)	1.4%	1.4%	1.2%	1.0%	1.0%	1.1%	1.2%
GDP growth (May 2018)	0.8%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%
UK (OBR)							
GDP growth	1.7%	1.5%	1.3%	1.3%	1.4%	1.5%	

5.11. The Chancellor announced his Budget on 29 October 2018. This outlined the Treasury allocations for Scotland. The final distribution of resources for Scottish public services are set out in the Scottish Government's Draft Budget. Total Scottish Government Funding is increasing in both cash and real terms over the period 2017-18 to 2019-20. This is mainly due to rising capital spend whilst resource (day-to-day) spend is actually falling in real terms.

5.12. The total allocation to local government in the 2019-20 Budget set out in the Finance Circular 08/2018 issued in December 2018 is £10,779.9 million. This is mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (or ring-fenced) Revenue and Capital grants. This represents a 2.5% increase in cash terms, or a 0.7% increase in real terms.

5.13. However, when looking specifically at the non-ringfenced Revenue funding available for councils to deliver services (GRG+NDRI) this falls by 1.7% (-£157.2 million) in cash terms, or 3.4% (-£319.1 million) in real terms between 2018-19 and 2019-20.

Local Government	2018-19	2019-20 (cash)	Cash Change	Cash Change	2019-20 (real)	Real Change	Real Change
	£m	£m	£m	%	£m	£m	%
General Revenue Grant (GRG)	6,733.5	6,359.3	374.2	-5.6%	6,247.5	486.0	-7.2%
Non-Domestic Rates (NDR)	2,636.0	2,853.0	217.0	8.2%	2,802.8	166.8	6.3%
Support for Capital	598.4	703.8	105.4	17.6%	691.4	93.0	15.5%
Specific Resource Grants	273.7	483.6	209.9	76.6%	475.1	201.4	73.6%
Specific Capital Grants	278.0	380.2	102.2	36.8%	373.5	95.5	34.4%
LG Advice and Policy	0	3.9	3.0	0	0	0	0
	10,519.6	10,782.9	263.3	2.5%	10,590.3	70.7	0.7%
GRG + NDR	9,369.5	9,212.3	157.2	-1.7%	9,050.3	319.2	-3.4%
GRG + NDR + SRG	9,643.2	9,695.9	52.7	0.5%	9,525.4	117.8	-1.2%
Total Capital	876.4	1,084.0	207.6	23.7%	1,064.9	188.5	21.5%
Total Settlement	10,519.6	10,799.9	260.3	2.5%	10,590.3	70.7	0.7%

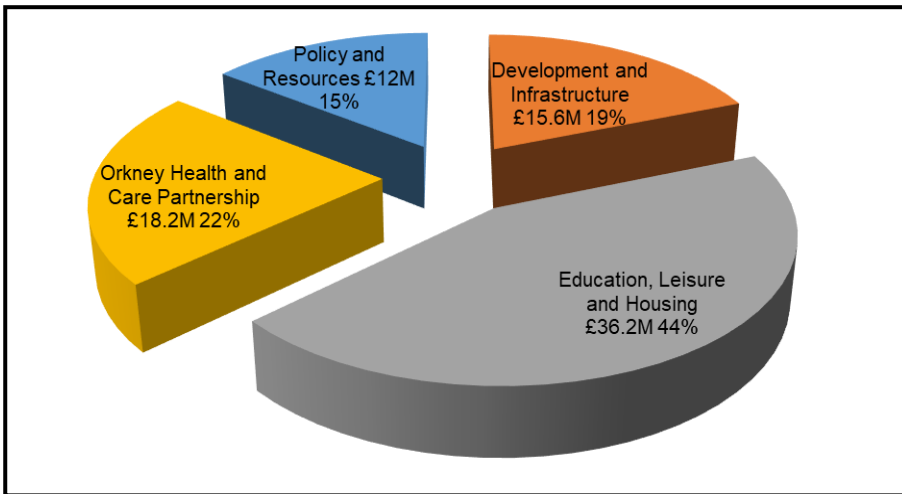
6. Orkney Context

6.1. Within Orkney, the funding reduction, together with the need to accommodate service pressures, has seen the delivery of efficiency savings totalling £13.153m over the last eight years across the Council's General Fund (GF) services as follows:

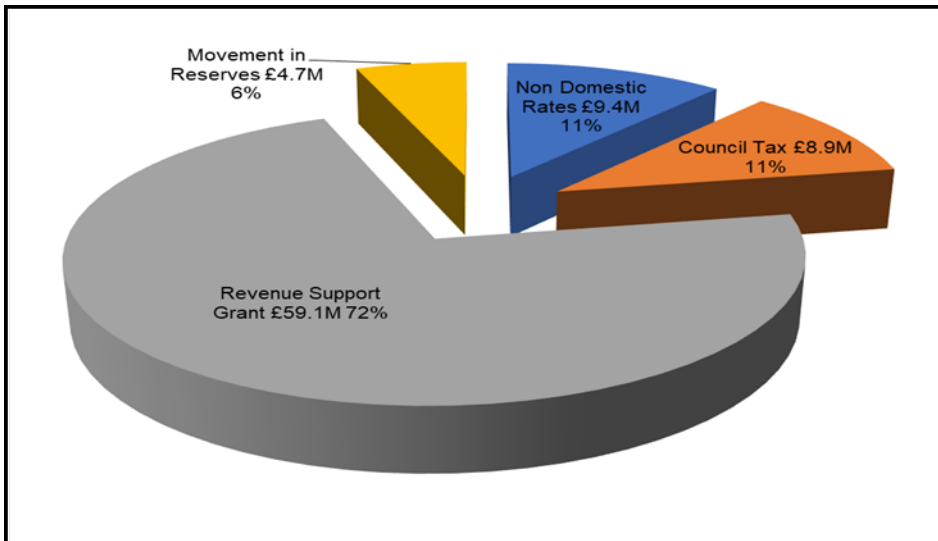
Year.	Savings.
2011 to 2012.	£4,272,000.
2012 to 2013.	£1,976,000.
2013 to 2014.	£1,135,000.
2014 to 2015	£1,336,000.
2015 to 2016.	£540,000.
2016 to 2017	£1,360,000.
2017 to 2018.	£842,000.
2018 to 2019.	£1,692,000.
Total.	£13,153,000.

The delivery of efficiency savings is an integral part of the Council's annual revenue budget setting process. Planned over a rolling three-year timeframe, the implications and associated impact of each proposal are evaluated against a risk criteria. Throughout this process, additional support is provided to Council Services in the form of professional advice and support from the Change Programme team. Additional funding contributions have also been available from the Innovation Fund to enable Services to develop spend to save initiatives and new technology solutions.

6.2. The 2018 / 2019 GF budget of £82.022m was allocated across the following services:



6.3. This 2018 / 2019 budget was funded from the following sources:



6.4. Scottish Government use a number of methodologies to distribute the Local Government finance settlement across local authority areas including Grant Aided Expenditure (GAE) and Special Islands Needs Allowance (SINA), with population demographics being the main driver. At £68.432m our share of the Scottish Government grant represents 83.4% of total funding for General Fund services and comes in the form of two distinct elements:

- Non-Domestic Rates Income (NDRI) = £9.376m (14.6%).
- General Revenue Grant (GRG) = £59.056m (85.4%).

6.5. General Revenue Grant (GRG) is the block grant paid by the Scottish Government to support their assessment of spending need across local authority areas and represents the balancing figure between this assessed need and the income raised locally through NDRI and Council Tax. In Orkney these funding sources are supplemented by a baseline contribution from the Strategic Reserve Fund of £4.3m, as part of an agreed medium-term strategy to maintain service levels while making the case for additional government funding and smoothing out the requirement to deliver efficiency savings over the short term.

6.6. General Revenue Grant is paid out to Councils on a weekly basis, with NDRI collected locally from local businesses. Any shortfall in NDRI income collected during the year is supplemented by an additional contribution from the national rates pool up to the distributable amount originally specified in the financial settlement. Similarly, any surplus NDRI collected locally is paid back to the Scottish Government at the end of the year.

6.7. The total of NDRI plus GRG is guaranteed by the Scottish Government.

7. Community Engagement

7.1. The Council's Communications Strategy recognises that the better-informed people are about their Council and the services it provides, the more satisfied they are likely to be about the organisation and its activities.

7.2. The Orkney Partnership's Strategy for Communication and Community Engagement sets out who our stakeholders are, what we want to say and how this will be done. The Community Empowerment (Scotland) Act 2015 places specific consultation and engagement duties on public sector bodies, including consultation on the Local Outcomes Improvement Plan.

7.3. Orkney Islands Council has an ongoing commitment to continue to raise awareness of the financial pressures we face, how these are being addressed, the likely impact on services, jobs and the Orkney community – and the proactive steps being taken to find additional sources of income.

7.4. A communications plan was developed around this commitment and central to this were a series of 'Community Conversations', events designed to update the public on the financial pressures and how these are being addressed, as well as giving the public the opportunity to actively engage with this process by identifying areas where communities could take more ownership of services or where income could be generated.

7.5. In June 2018, as part of Orkney Islands Council's ongoing public communications on the budget challenge, five Community Conversation public events were held across the mainland of Orkney (Stromness, Kirkwall, Dounby, East Mainland and St Margaret's Hope). The event was also re-run in an amended workshop format as part of the Community Council conference in order to gather views from our isles communities. The 12 main issues or budget saving/income generation ideas raised were as follows:

- Community Councils would need a link officer if they were going to take on services and staff management, help with funding applications and other jobs on the isles. They could then organise income generation projects for their individual community – reuse and recycle projects were very common. It was suggested that funding for these posts could come from the reserve fund.
- Introduce a tourist tax.
- Enable communities to volunteer to do services by clarifying insurance provision and health and safety issues. If communities can step in and help then they will.
- There was support for Council-run income generation projects for community benefit - including a wind farm and tidal generation at the Churchill Barriers.
- There was support for some ‘council services’ to be taken care of locally either by volunteers or the community councils, roadside maintenance like verge cutting, weeding and ditch clearing were key examples of this.
- All communities wanted to see improvements to Orkney’s campsites by not allowing wild-camping, introducing more paid for sites/on-site services and ensuring there was more marketing of the sites that are available – therefore increasing income.
- People wished to see Council staff empowered to be more creative in their jobs by reducing bureaucracy. Many suggested expansion of the Council’s internal Grand Idea Scheme.
- The public wished to see consideration given to community justice workers carrying out some manual work on behalf of the Council, like grass cutting.
- It was suggested that the Council should do more to get rid of empty properties or streamline the process for renting them.
- The public thought it would be better if there were smaller buses on some of the bus routes (many perceived that the buses were too big for actual demand) and more bundling of contracts to aid efficiency.
- People asked that the Council made it easier to recycle by introducing more community recycling points and incentivising people to recycle by publishing league tables of where the most recycling was done. It was also felt that more support was needed for businesses to help them recycle more.
- Attendees said that they felt the Council’s Capital Programme was beneficial in providing local jobs but needed to be done in a staggered way that didn’t overheat the sector and allows local firms to benefit. There was also a view that more of the work needed to be done in partnership with the community by letting folk know about upcoming projects earlier and help them to become more involved - this view was expressed particularly in respect of the Stromness Research Campus project.

7.6. The Community Conversation events built on the previous public engagement exercise, “Balance the OIC Budget”, which attained a very good response rate from the public with 375 individual submissions. This represented 2.1% of the electorate and compared well with other similar exercises carried out across the UK. The choices made by the public were represented by an “Average Change %” to the Original Budget figures. The results showed a willingness to:

- Increase Income Generation levels (Charging, Council Tax and Use of Reserves).
- Protect services where we have a statutory duty, particularly Social Care.

8. Long Term Budget Pressures

8.1. An essential part of the annual budget process is the identification of increases in service demand over and above current service budgets. There are also inflationary pressures which have to be taken into account. For modelling purposes, the value of service pressures to build into future projections is very important. Since 2011 / 2012, a total of £19.512m has been added to the baseline budget across the Council's General Fund services as follows:

Year.	Inflation.	Pressures.	Total.
2011 to 2012.	£842,000.	£779,000.	£1,621,000.
2012 to 2013.	£1,485,000.	£976,000.	£2,461,000.
2013 to 2014.	£621,000.	£117,000.	£738,000.
2014 to 2015.	£635,000.	£1,394,000.	£2,029,000.
2015 to 2016	£1,084,000.	£1,302,000.	£2,386,000.
2016 to 2017.	£154,000.	£1,478,000.	£1,632,000.
2017 to 2018.	£532,000.	£2,907,000.	£3,439,000.
2018 to 2019.	£1,712,000.	£3,494,000.	£5,206,000.

8.2. Inflation rates measured by the Consumer Price Index are at historically low levels, however the devaluation of sterling following the referendum on membership of the European Union has resulted in imported goods and services costing more; the November 2017 headline rate of CPI inflation was 3.5% but had decreased to 2.3% at November 2018.

8.3. In terms of cost pressures, the key financial risk areas facing the Council over the long term are summarised below:

- Scottish Government funding reductions.
- Pay awards.
- Energy Prices.
- Ageing population.
- Increasing levels of need.
- Shifting the Balance of Care.
- Welfare Reform.

8.4. The predicted demographic changes over the next ten or more years will impact on demand for services and the Council's ability to deliver services. In Orkney and across Scotland people are living longer due to improvements in living standards and levels of care and support. The National Records of Scotland (NRS) 2014 reports the population of Orkney as 21,590, of which 84% (18,080) were over 16 years.

8.5. The population of Orkney has a higher than the national average proportion of older people. Between the 2001 and 2011 censuses, the number of people aged 65 and over grew by 32.5% (the highest of all Health Boards). Orkney's overall population is projected to increase by 5.5% in 2037 and the largest increase will be seen in the older population aged 75 and over.

- 0 to 15 will decrease by 3%.
- 16 to 64 will decrease by 10%.
- 65 to 74 will increased by 20%.
- 75+ will increase by 116%.

8.6. People in the older age groups are the ones most often in need of health and social care services, therefore it is predicted that there will be a steady growth in demand for health and social care services. The Board of Orkney Health and Care, in making its commissioning decisions, is mindful of this as well as the Government's policy direction to, achieve the 4hour Accident and Emergency standard, reduce emergency admissions and readmissions in the over 75 age group and continue to meet the delayed discharge standard.

8.7. Although this challenge is not unique to Orkney, our older population is increasing faster than the national average. In addition, significant numbers of our working age population are leaving the Islands, and so fewer people are available to provide the care and support required with the predicted levels of chronic illness and disabilities. This reality is also highlighted in NHS Orkney's Transforming Services Strategy 'if nothing else changes in the way we deliver care, this means that for every 10 people over 85 currently accessing health and social care services, there will be 31 people over 85 accessing it by 2033. Equally, if nothing else changes, for every 10 people providing care to people over 85 we will need 31 people by 2033.'

8.8. However, alongside the challenges, the contribution that older people make to our society also needs to be recognised. For example, people over 65 years of age deliver more care than they receive – acting as unpaid carers, child minders and volunteers.

8.9. The implication for long term financial planning is that we will have increased demand for care services for the older population.

8.10. Given the ongoing financial pressures, a guiding general budget principle would be to assume that Council services will seek fund their own service pressures, wherever possible.

9. Orkney Islands Council Pension Fund

9.1. The Council is the administering authority for the Orkney Islands Council Pension Fund. An actuarial valuation of the assets and liabilities of the Pension Fund is carried out every three years as required by the Administration regulations with annual interim valuations carried out for accounting purposes.

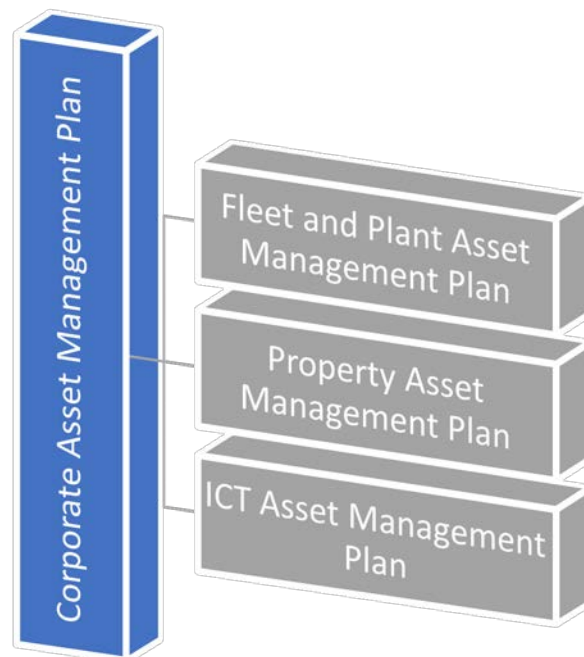
9.2. The value of the fund was £366.4m at 31 March 2018 which was above its 100% funding target, being in surplus by £53m at the financial year end (2017: £38m) according to the actuary's most recent funding update. This surplus position reflects the current and future liabilities linked to the pension scheme for all employees with the exception of teachers who are members of a national teacher pension scheme administered by the Scottish Government which the Council contributes to. There is no requirement for the Council to reflect any assets or liabilities for the Teacher's Scheme through the Council's accounts.

9.3. This pension surplus position is a snapshot valuation by the Pension Fund actuary at 31 March 2018 and reflects prevailing market conditions at that date. The implication of the positive funding position is that we do not have to build in to the Long-Term Financial Plan any increase in employer pension contributions to meet pension shortfalls.

9.4. The ongoing risk to the Council is that if pension assets do not grow fast enough to cover pension liabilities, there will be pressure to increase employer pension contribution rates in order to meet the shortfall. The Pension Fund has been impacted significantly by the market uncertainty over recent months and the surplus position at March 2018 may turn out to have been eroded through a fall in the value of investments at March 2019.

10. Asset Management Strategy

10.1. Governance for Asset Management within the Council is through the Asset Management Sub-committee, a sub-committee of the Policy and Resources Committee. The key strategic document which sets out how we will manage our assets is the Corporate Asset Management Plan, which is itself supported by a subset of plans relating to different categories of assets:



10.2. The development of a corporate approach to asset management planning is aimed at improving the Council's efficiency and effectiveness in the use of fixed assets. This includes the potential for rationalisation of the Council's property estate, and in turn the better use of finite resources going forward

10.3. The plan supports the delivery of the Council's strategic priorities and is based on our shared values. It also provides detail of our future investment strategy and the effect this will have on our assets.

10.4. An integrated asset management/capital planning system is a critical part of the good management of any organisation and a key principle in ensuring that all investment decisions are considered within an overall systematic appraisal system that includes the use of business cases and option appraisal.

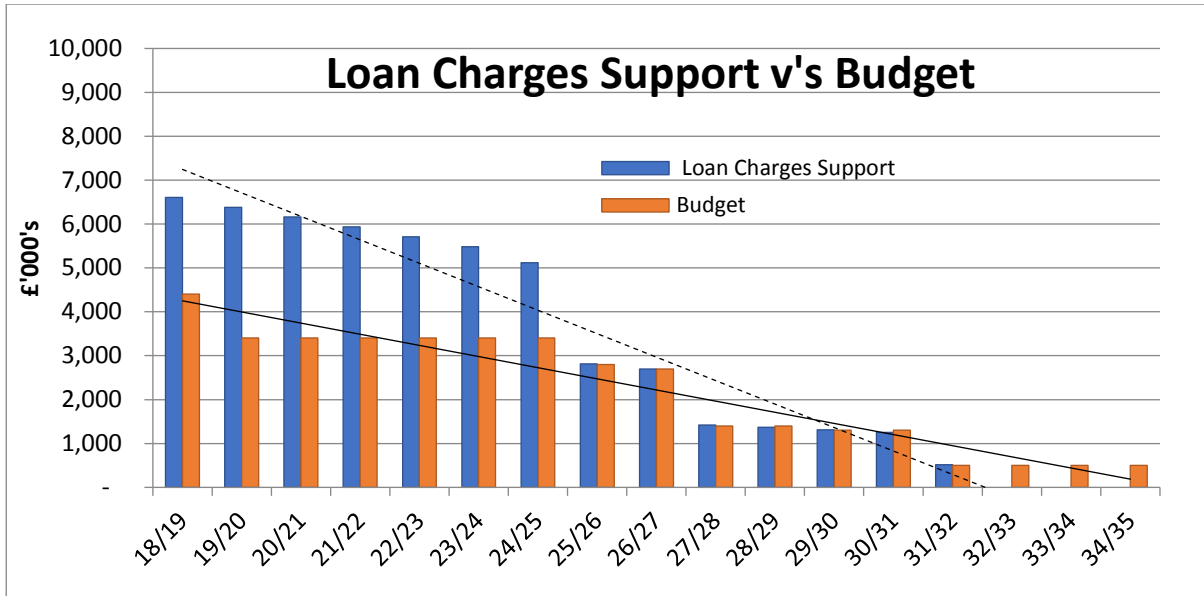
11. Capital Programme

11.1. Capital investment priorities are based upon Corporate Asset Management Planning principles. CIPFA's (Chartered Institute of Public Finance and Accountancy) Prudential Code for Capital Finance sets out a best practice approach for determining a capital investment strategy and aims to ensure that spending plans are affordable, prudent and sustainable. The Code requires Councils to take account of asset management and option appraisal factors in order to comply with Best Value. A long-term capital strategy is also under development in order to improve the forward planning beyond the current timescale of the rolling 5 year capital programme.

11.2. Revenue implications of the Capital Programme should be incorporated into future years' revenue budgets in order to fully integrate the revenue and capital budget processes. This is particularly important when the level of loan charges support the Council receives from Scottish Government is diminishing.

11.3. When the Council takes on additional borrowing to fund capital expenditure it has to be sure that it can afford to meet the principal and interest repayment costs. With no additional loan charges support, this means that after the application of grant funding contributions the cost of new investment in service infrastructure will require to be funded from efficiency savings and/or income generation going forward. Loan charges are not charged direct to individual services but managed as a corporate cost.

11.4. The connection between the General Fund Capital Programme and the loan charges revenue budget will become increasingly important over the next 10 years as the loan charges support the Council receives from the Government diminishes. Slippage on the approved capital programme provides an opportunity to repay debt early and manage the projected loan charges budget requirement and the associated impact on future revenue budgets. There is still a shortfall predicted in 2027/28, however, if the Council is able to limit additional borrowing over the next few years it should be possible to bring the support and loan charges into line by 2027/28.



11.5. A review of the main funding floor, a mechanism introduced specifically to protect local authorities from levels of extreme volatility or year on year change within the distribution of local government finance settlement, and the positioning of various funding streams as being within or outwith the floor was carried out in 2018 with the final view that loan charges support for capital borrowing should continue to receive protection from the floor. On the basis that the scope of the floor mechanism remains unchanged, this should afford the Council some protection in 2024/25 when the loan charges support will reduce by about 50%.

Strategic Reserve Fund

11.6. Forming part of the Council's Harbour Fund activities, the Strategic Reserve Fund was originally established in terms of the Orkney County Council Act 1974 which requires the Council to keep separate accounts in respect of the harbour undertaking so as to distinguish capital from revenue and income from expenditure. More specifically, the 1974 Act permits the Council to establish a fund of accumulated reserves or surplus balances based around the throughput of the Flotta Oil Terminal in the early years and the ongoing operations of Scapa Flow Oil Port, which can then be applied for any purposes which in the opinion of the Council is solely in the interests of the County or its inhabitants.

11.7. The purpose of the Strategic Reserve Fund is to support projects which provide benefit to the Orkney community as a whole, such as the development of industrial estates, harbour infrastructure and recreational projects, while supporting economic development activity in general across the Council area. The Strategic Reserve Fund is also required to support the longer term objective of managing the implications associated with declining oil related revenues on the economy of the islands.

11.8. The main activities of the SRF revolve around the management of a sizable portfolio of investments, including investments held in the financial stock markets, investment properties such as the Council's industrial estates together with a number of strategic properties, as well as other local investments including historic loans to business.

11.9. The Strategic Reserve Fund is currently applied to supplement General Fund services on a restricted basis as part of an agreed strategy, whereby the Council has pressed Scottish Government for equality of treatment in the finance settlement across the Island unitary authorities. More recently this approach has been widened to include the need to smooth out timing differences between managing real-term reductions in funding from Scottish Government and the delivery of efficiency savings and income generation.

11.10. Over-reliance on the Strategic Reserve Fund as a means of balancing the General Fund budget as part of a long term financial strategy is not considered best practice.

11.11. With income from investments being the main contributor to the value of the Strategic Reserve Fund, due consideration needs to be given to the sustainability of the Fund, particularly given the levels of volatility that continue to impact adversely on investments. In recognition of this, all requests for disbursements from the Strategic Reserve Fund are routinely supported by a full business case appraisal and accompanied by an impact assessment prepared by the Head of Finance. This position is measured against a minimum balance or “floor”, originally established in April 2012 at £175m, with the value recalculated year on year using RPI, and thus ensures that going forward a clear link is maintained between the level of distributions being made by the Strategic Reserve Fund and the value of the Strategic Reserve Fund in real terms.

11.12. The Council aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low in order to give priority to security of its investments. This is in keeping with the nature of the Strategic Reserve Fund, which is to provide for the benefit of Orkney and its inhabitants, whilst having regard to the Fund’s long-term commitments in terms of the terminal decline and decommissioning of the Flotta Oil Terminal in the future.

11.13. Harbour Reserves which at 31 March 2018 had a value of £238.4m, consisting of the Strategic Reserve Fund and Miscellaneous Piers and Harbour Funds. The Council considered the SRF revenue budget at the time the Council Tax and the overall General Fund budget were debated in February 2018. An approved contribution from the SRF to General Fund Services in 2018/19 was set at £4.684m.

11.14. In light of the expected budget surplus for the Scapa Flow Oil Port, as set out in Section 12 below, the SRF assumes a budgeted financial contribution from the Scapa Flow Oil Port of £1.257m for financial year 2018 / 2019.

11.15. The contribution to the General Fund from the SRF is treated as a funding source and allows the Council to supplement the funding received from the Scottish Government and the taxes raised locally from Non Domestic Rates and Council Tax.

12. Scapa Flow Oil Port

12.1. The Council maintains a separate trading account for Scapa Flow Oil Port in terms of Section 67 of the Orkney County Council Act 1974 which requires the Council to keep separate accounts in respect of the harbour undertaking so as to distinguish capital from revenue and income from expenditure.

12.2. The current Flotta Oil Terminal operator requires a 24 hour, seven day per week Harbour operation to facilitate tanker movements. From the point of view of the Council, this means that there is a requirement to continue to resource this activity accordingly to maintain an appropriate level of service. Current projections assume the service level will continue at 2018 / 2019 levels adjusted for the Council's budget strategy and a forecast decrease in Flotta tanker traffic largely offset by an increase in Ship to Ship transfer activity.

12.3. The income levels for the Scapa Flow Oil Port account are dependent on the number of oil tankers that will load at the Flotta Terminal during the year. The current terminal operator has provided estimates of tanker numbers, which indicate a decrease in the number of tankers over the calendar years 2019 to 2028 as oil from the Golden Eagle field which has boosted production from February 2015 decreases in volume again. The income projections for 2018 were based on tanker predictions of 41 tankers for the year. The projected number of tankers for 2019 is 32 and for 2020, 29 tankers are projected.

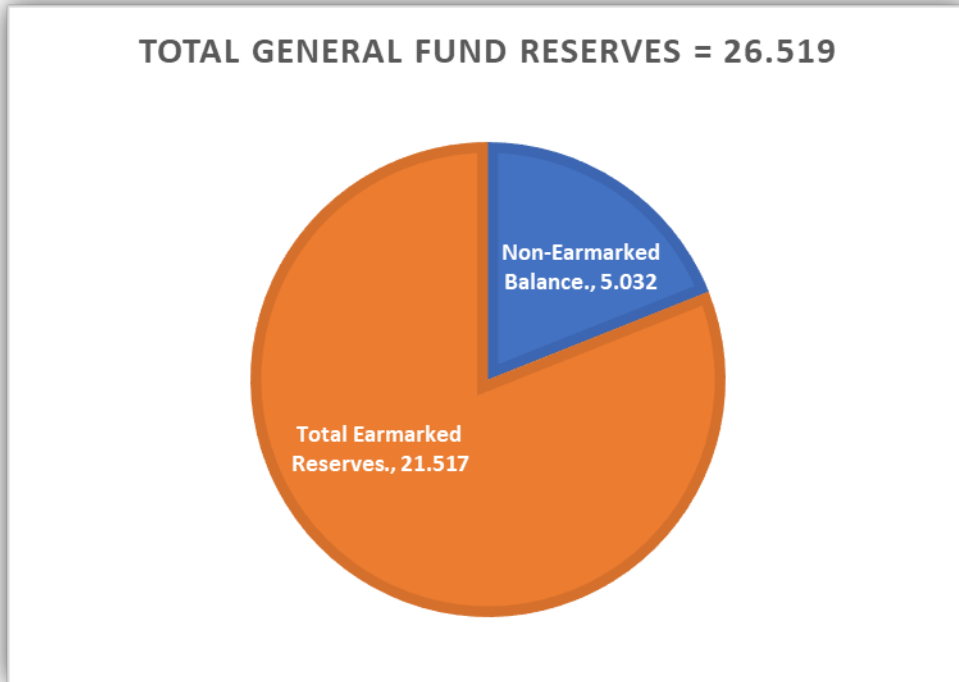
12.4. On 3 March 2015, the Council determined charges for tanker operations within the Scapa Flow Oil Port should recover the full cost of delivering both marine and towage services along with a reasonable profit for the next five years to 31 March 2020 reflecting the requirement for the Oil Port to invest in infrastructure over the longer term. The oil port returned to profitability in 2015/16 and a budget surplus of £1.257m is anticipated for Scapa Flow Oil Port for financial year 2018 / 2019.

13. Reserves

13.1. In determining long term financial plans and preparing budgets, the Council needs to consider the establishment and maintenance of reserves in accordance with its statutory powers. Reserves can be held for three main purposes:

- Working balances to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of General Reserves.
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.
- A means of building up funds often referred to as Earmarked Reserves, to meet known or predicted liabilities.

13.2. The General Fund usable revenue reserves position as at 31 March 2018 includes earmarked and unearmarked balances. The Non-Earmarked Balance includes £0.245m paid by Government in financial year 2017/18 but forming part of the financial settlement for 2018/19 and therefore overstates the opening balance which is summarised below:



13.5. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option; however, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that local authorities should be particularly wary about using one-off reserves to deal with shortfalls in current funding.

13.6. There is no generally recommended target level of uncommitted General Fund Reserves although a number of local authorities do have a target range of between 2% to 4% of their net revenue expenditure. With the smallest budget of any Scottish local authority it is considered prudent to hold reserves to a higher % of the net budget than larger authorities because the possibility exists that a catastrophic event could occur that is larger in scale than the size of the Council and cost the Council in excess of the reserves held.

13.7. Due to the continuing uncertainties and risks beyond 2018 / 2019 it is considered prudent to maintain non-earmarked General Fund reserve of 5% of the revenue budget. The current £4.787m balance (excluding the £0.245m) is approximately 5.8% of the net revenue budget.

13.8. In determining a Reserves Strategy, it is recognised that there may be constraints on the Council's capacity to raise balances in future. These constraints arise firstly from the generally tight budgetary environment anticipated over the medium term, which means that there will be limited opportunities to raise balances through local taxation. Secondly, the savings that have already been made to the revenue budget and the pressures on the social care budget in particular means that there is a limited prospect of uncommitted balances being built up through service underspends.

13.9. The Council also faces significant challenges, with continued reductions in funding and increasing demand for many of its services. Although the financial projections presented in section 15 are not confirmed they give an indication that the impact on local government will be significant. It will therefore be necessary to maintain balances at a level that reflects the difficulty likely to be experienced in reinstating them if and when they are applied.

13.10. In addition to the prospect of reduced government funding, the Council continues to face increasing demand for many of its services and faces financial risks across a number of service areas. It is for these unanticipated eventualities that the Council holds a General Fund reserve.

14. Workforce Strategy

14.1. Staffing costs account for 48% of the Council's gross revenue expenditure and more than 73% of the Council's net revenue expenditure and therefore with predicted cuts in funding a reduction in staffing numbers will need to be planned for and managed. The previous sanctions tied to the maintenance of teacher: pupil ratios appear to have been somewhat relaxed from 2019/20 meaning that staffing reductions will no longer have to focus solely on non-teaching posts. If future saving proposals impact on staff proportionately to their share of the budget, a gross reduction of 128 FTE would be forecast by 2023/24.

14.2. A Workforce Management Fund has been established as a corporate provision to assist with costs associated with redundancy and early retirements should the Council be required to make budget savings that will involve reductions in the workforce. As part of the Change Review on Staff and Workforce Planning, updates to the redundancy and early retirement policies were approved by the Council in October 2016.

14.3. An ageing workforce is also a significant issue which we are considering as part of our wider workforce planning. From the tables below, based on 2018 data, 45% of our workforce is over 50 years of age. With recent changes that enable employees to access their pension benefits from age 55 without employer consent (albeit with a reduction in those benefits) it is uncertain if this will lead to more people retiring before their normal retirement age.

Age.	Male.	%.	Female.	%.	Total (FTE).	%.
>70	2.2	0.4%	3.7	0.3%	5.9	0.4%
>60<70	74	13.6%	80.9	7.6%	154.9	9.6%
>50<60	220.8	40.5%	340.1	32.0%	560.9	34.9%
>40<50	128.2	23.5%	282.9	26.7%	411.1	25.6%
>30<40	78.6	14.4%	199.7	18.8%	278.3	17.3%
>20<30	38.9	7.1%	149.5	14.1%	188.4	11.7%
<20	2.3	0.4%	4.5	0.4%	6.8	0.4%
	545	100.0%	1061.3	100.0%	1606.3	100.0%

14.4. The Council has put in place Workforce Plans across each of its services, as well as an overarching Council Workforce Plan. These include looking at workforce related service pressures, learning and development needs, and scenario planning.

Permanent.		Temporary.		Total.
Full-time.	Part-time.	Full-time.	Part-time.	FTE.
829.0	551.3	114.0	112.1	1606.4

14.5. The scenario planning uses the Worst, Best and Likely case financial scenarios outlined in the workforce planning documents for the Council over the next 5 years, thereby providing a clear link between workforce planning and the financial planning assumptions.

14.6. The Workforce Plans therefore provide a roadmap for future choices on the deployment of Council staffing and what impact this may have on its services.

14.7. In addition to the Workforce Plans, the Council has developed a Human Resources Strategy 2014 to 2018 which sets out our approach to ensuring we have the right people in the right place with the right skills to deliver the Council's priorities. In doing so it identifies three key areas to meet this aim:

- Reshaping the workforce through:
 - Developing entry-level jobs, career paths and succession planning.
 - Equipping managers to deal with change and support employees through it.
 - More flexible working, career breaks, early retirement, voluntary redundancy.
 - Redeployment and transition training.
 - Work with schools and Orkney College to promote careers in priority areas.

- Flexibility and exploring new ways of working including:
 - Home, remote and mobile working.
 - Streamlining HR processes, and improved ICT systems.
 - Flexibility and adaptability in job descriptions and person specification.
- Enhancing capacity and improving performance by:
 - Developing leadership at all levels through the Leadership and Management Development Framework.
 - Effective communication and engagement in the process of change and improvement.
 - Building capacity through learning, coaching and knowledge transfer.
 - Focusing on maximising employee attendance.
 - Embedding a high-performance culture through effective ERD scheme and associated development plans.

15. Indicative Budget Forecasts 2019/20 to 2029/30

15.1. With much political and economic uncertainty surrounding both the scale and timing of any funding reductions, it is not possible to provide a definitive budget gap over the long term. Drawing on economic commentaries and the Governments Medium Term Budget plans together with known increases in demand and changes in demographics it is however possible to set out projections of the Worst Case, Best Case and Likely Case scenario positions up to 2029/30. The detailed results of these three scenarios are shown in Appendix 1, with a summary of the results as follows:

Scenario.	Funding Gap.	Compared to Annual Budget.
Worst Case.	£145,600,000.	175%.
Likely Case.	£65,700,000.	79%.
Best Case.	£23,600,000.	28%.

15.2. The results show that a likely funding gap of £70.5m or 79% of the 2018/19 General Fund budget could be experienced over the 10-year period to 2029/30.

15.3. With savings in excess of £13m already delivered since 2011/2012, it is accepted that the majority of the most palatable and easily achievable savings have been taken and that achievement of a balanced budget with a reducing level of resource is going to require an increase in the scale and pace of service transformation. Options available to bridge the funding gap are as follows:

- Better Ways of Working:
 - Service redesign.
 - Partnership working.
 - Capacity building within communities.
 - Maximise digital technology.
 - Process automation.
 - Asset rationalisation.
- Demand Management:
 - Early intervention and prevention.
 - Review eligibility criteria.
 - Develop reablement services.
 - Improve service delivery.
- Review of Costs and Income:
 - Maximise procurement opportunities.
 - Change Programme savings.
 - Service budget reductions.
 - Additional external funding.
 - Additional income generation.
 - Council Tax increases.
 - Increased use of reserves and balances.

16. Service Budget Reductions

16.1. In order to deliver a fair and systematic approach to the allocation of financial resources across the Council, it is necessary to analyse key resource information so as to ensure that future service budgets better reflect the relative importance of such information.

16.2. Four key elements are used to assist in decision-making about the future allocation of resources:



16.3. Risk is seen as a significant element, as some services must be delivered by law. However, significant discretion over the level of service exists across many Council services, with some services having more scope than others to reduce current service levels before a critical level is reached in terms of capacity to deliver even a basic level of service or fail to meet their statutory obligations.

16.4. Council Priorities are very important in shaping local services to local needs. In a climate of significantly reducing resources however, the flexibility to redirect resources away from other statutory requirements and the funding allocated to particular services reduces. Local flexibility is increased by the ability of the Council to draw on an annual Strategic Reserve Fund contribution.

16.5. Budget to Funding is also an important element, as the level of funding provided should be closely linked to how much is spent on a particular service area, however, factors such as demography and other funding pressures also need to be considered. Councils have discretion to reallocate funding based on their local priorities and this is reflected in the current allocation of budget within the Council which has evolved over many years through political choice during the budget setting processes.

16.6. Performance levels should be kept under review. The Council must continue to deliver the best possible services from within the resources made available to it and look for continuous improvement wherever possible. The ability to achieve high performance may reduce, however, as funding levels reduce. The group of external scrutiny bodies (Local Area Network) continues to assess the services provided by the Council as a low risk and this is based on performance levels which are generally “good”.

16.7. With reduced funding levels and a mix of performance levels across Council services, there could be a need to redirect resources from areas of very high performance to areas where performance needs to improve. It is also important not to create a culture in which poor performance is considered the norm and is rewarded.

17. Additional Income

17.1. The Council will continue to make the case for additional external funding wherever possible in order to reduce the net cost of Council services.

17.2. There was a notable success in 2018/19 from the Fair Funding Review of Inter Island Ferry Services undertaken in partnership with Transport Scotland. An additional ring-fenced grant of £5.5m was secured and whilst there would appear to be fair ferry funding in the draft settlement figures for 2019/20 Transport Scotland officials have cast some doubt on whether the provisional allocations will be honoured.

17.3. Longer term, there will be an ongoing dialogue with Scottish Government to ensure fair funding for provision of lifeline transportation services in Orkney to a standard equal to services elsewhere in Scotland. This will however require a further increase in Scottish Government support to the associated revenue and capital budgets.

17.4. The Council has budgeted to achieve income of £1.9m from sales, rents and lettings to external customers in 2018/19. The Council has an approved Charging and Concessions Policy which provides a clear framework to monitor and review service charging, along with a comprehensive Charges Register available to view on the Council website.

17.5. The Corporate Charging Working Group was established to review charging policy and consider changes to existing charges and where appropriate the introduction of new service charges. It has a key role to play as the Council looks to increase the level of income generated through charging to recover a greater proportion of the cost of providing certain services thereby reducing the need for service reductions elsewhere.

17.6. The Council has the ability to utilise its reserves and balances to invest in projects and initiatives to generate ongoing investment income, with such investments being assessed on a rate of return basis.

18. Council Tax Increases

18.1. The Council Tax was frozen for nine years between financial years 2007/08 and 2016/17, with financial sanctions being in place to deter any increases. These sanctions have been lifted since 2017/18, with capped increases of up to 3% being permitted for 2017/18, 2018/19 and 2019/20. The additional annual income from a 3% increase in Council Tax is estimated at £0.242m.

18.2. Additional income is also generated through changes in the upper Council Tax band multipliers. The multiplier changes were originally proposed by Government as a way of raising £100m nationally for an Attainment Fund that would be redistributed towards Early Years education provision. The Government has now stated that they will fund the Attainment Fund from resources available to them at a national level and that Councils can retain fully the additional income raised through the multiplier changes. The additional annual income from the multiplier changes is approximately £0.174m.

18.3. There are also proposals to remove the 10% Council Tax discount on second homes and to apply a surcharge of 100% for long term empty properties. It is estimated that this might raise in the order of £0.228m.

19. Capacity Building within Communities

19.1. The Community Empowerment (Scotland) Act 2015 introduces a range of opportunities for communities to become more engaged and involved in the delivery of local services. For example, communities can request property asset transfers to take direct responsibility for Council properties for community purposes. Communities can also make participation requests where it is felt that the voices of certain communities are not being heard.

19.2. The significant demographic pressures which public bodies face over the next 20 years are particularly acute in Orkney. Increased community, third sector and voluntary participation will be necessary to manage the expected increase in demand for services that will materialise. This will require re-prioritisation of resources to provide more integrated and outcome-focussed services which will ensure that the reducing public resources available will deliver the value the Council seeks through its partnering arrangements.

19.3. The Improvement Service was commissioned to assist the Council with a Change Review on Outsourcing and Partnerships in June 2016. As part of the recommendations approved by the Council in December 2016, was agreement that whilst the Council's Empowering Community pilots have progressed on a relatively low resource base, a more strategic approach in building capacity linked to asset and service transfer should be explored. Any investment in the community should be guided by four principles:

- Capacity should not be developed to simply mirror what the Council already does.
- The whole range of existing community and third sector partners should be partners in development, not recipients of it.
- Investments require returns and these should be about improved outcomes and reduced pressure on the core public budget.
- The approach should embrace voluntary effort as well as “not for profit” service delivery.

20. Increased Use of Reserves and Balances

20.1. The pressure to draw more from reserves to preserve services and jobs is recognised. With positive Strategic Reserve Fund (SRF) investment returns in recent years and headroom above the Council's agreed investment floor valuation, it is possible to adopt a higher risk strategy and increase the draw on reserves. It must be recognised, however, that significant uncertainty remains in the wider economy and that in financial year 2015/16 an investment loss of £8m was made against a budgeted surplus of £10m and that for 2018/19 a similar position may occur.

20.2. Appendix 2 illustrates that an additional average annual contribution of £6.6m over ten years would be required in order to manage the baseline budget reductions required to bridge the likely £65.7m funding gap. This would allow a smoothing of the annual baseline savings targets rising from £3m in 2019/20 to £10m in 2029/30.

20.3. This level of additional contribution sourced from the SRF will clearly exceed the headroom in the SRF floor which is currently estimated at £30m. Investment returns, and oil port surpluses being realised at projected levels will also have a significant bearing on whether the headroom is retained over the next five years. Appendix 2 does, however, show that using an additional £20.6m of reserves over the next five years would be an option to balance the budget but would largely erode the headroom by 2023/24.

20.4. The Council has General Fund reserves of £23.3m consisting of unallocated General Fund reserves of £4.8m, a Repairs and Renewals Fund of £8.1m and earmarked General Fund reserves of £10.4m. As part of the annual budget setting process these reserves are reviewed to assess the appropriateness of maintaining each of these earmarked balances. Balances that lack underpinning plans for deployment should not be maintained without such a plan being put in place for their use. Any residual funds identified through this review process will be redirected before any additional contributions are made from the SRF.

21. Financial Risk Management

21.1. Financial projections set out in Section 15 contain assumptions which in turn bring risks and uncertainties. Changes in these assumptions can have a material effect on the outcome. The projections make assumptions in three broad categories:

- Issues known about or which are reasonably foreseen which create upward cost pressure e.g. pay pressure; indexation; known policy change commitments; etc.
- Issues which can be anticipated as areas of budget risk but where the extent of the risk is uncertain e.g. the cost of the ageing population; waste tonnages; etc.
- Issues which could create cost pressures but are speculative at this stage e.g. national insurance; superannuation; energy prices; etc.

21.2. Some factors have a significant bearing on the end result, and the assumptions made on the most material items are set out below. The Council is working closely with community planning partners to address the following four pillars of public sector reform set out by the Scottish Government in September 2011 in its response to the recommendations of the Commission on Future Public Service Delivery:

- A decisive shift towards prevention.
- Greater integration of public services at local level driven by better partnership collaboration and effective delivery.
- Greater investment in people who deliver services through enhanced workforce development and effective leadership.
- A sharp focus on improving performance through greater transparency, innovation and use of digital technology.

22. Conclusions

22.1. The Long-Term Financial Plan has been prepared against a background of significant reductions and changes in grant funding and increasing costs of service pressures, particularly from the most vulnerable. These factors could jeopardise the Council's sustainable financial position unless baseline budget savings continue to be delivered alongside the delivery of the Council's corporate priorities.

22.2. The Long-Term Financial Plan covers a ten-year period for which Government spending plans have yet to be finalised. Funding beyond 2018/19 is still uncertain although indications are that austerity measures are likely to continue throughout the period of the plan.

22.3. The Long-Term Financial Plan identifies a "Likely" funding gap of £65.7m from 2019/20 to 2029/30. This funding gap is on top of budget savings of £13.2m that have already been delivered by this Council since 2011 / 2012.

22.4. The Long-Term Financial Plan supports the requirement to continue the process of transforming services in order to identify savings which will feed into the budget setting process and help towards bridging the funding gap. There is likely to be a need to use significantly more reserves than the current annual contribution of £4.3m. The ongoing sustainability of the SRF is however fundamentally important to the future delivery of services in Orkney and therefore any contributions must have due regard to the long-term sustainability of the Strategic Reserve Fund.

22.5. Although the financial context is increasingly challenging, the Council has a track record of identifying and delivering significant savings and achieving budget out-turn within the approved budget supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable long-term financial position can be maintained.

22.6. The Senior Management Team will review the strategy in conjunction with the annual revenue budget setting process. The strategy will be reviewed periodically to ensure that the strategy continues to be aligned to overall Council objectives and priorities and that the Council continues to be able to set a balanced budget year on year.

Appendix 1

Page 31 – Worst Case View of Funding and Costs, together with Assumptions for Expenditure and Income.

Page 33 – Likely Case View of Funding and Costs, together with Assumptions for Expenditure and Income.

Page 35 – Best Case View of Funding and Costs, together with Assumptions for Expenditure and Income.

Orkney Islands Council - Long Term Financial Plan - Worst Case View of Funding and Costs												APPENDIX 1	
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Aggregate External Finance		-68,432.0	-67,836.0	-66,479.3	-64,484.9	-65,129.7	-65,781.0	-66,438.8	-67,103.2	-67,774.2	-68,451.9	-69,136.4	
Council Tax		-8,628.2	-9,029.0	-9,299.9	-9,578.9	-9,866.3	-10,162.3	-10,467.2	-10,781.2	-11,104.6	-11,437.7	-11,780.8	
Government Grants		-5,080.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	
Other Grants & Reimbursements		-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	
Rents & Lettings		-669.5	-669.5	-669.5	-703.0	-703.0	-703.0	-738.2	-738.2	-738.2	-775.1	-775.1	
Sales		-1,317.7	-1,357.2	-1,397.9	-1,439.8	-1,483.0	-1,527.5	-1,573.3	-1,620.5	-1,669.1	-1,719.2	-1,770.8	
Interest & Loans		-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	
Fees & Charges		-6,136.0	-6,320.1	-6,509.7	-6,705.0	-6,906.2	-7,113.4	-7,326.8	-7,546.6	-7,773.0	-8,006.2	-8,246.4	
Apportioned Income		-9,269.7	-9,594.1	-9,881.9	-10,277.2	-10,585.5	-10,903.1	-11,230.2	-11,567.1	-11,914.1	-12,271.5	-12,639.6	
Miscellaneous Income		-120.9	-124.5	-128.2	-132.0	-136.0	-140.1	-144.3	-148.6	-153.1	-157.7	-162.4	
Total Income		-121,154.2	-122,710.6	-122,146.6	-121,101.0	-122,589.9	-124,110.6	-125,699.0	-127,285.6	-128,906.5	-130,599.5	-132,291.7	
BY SUBJECTIVE GROUP (Total General Fund)													
Staff Costs		60,291.1	64,201.3	66,127.3	68,772.4	70,835.6	72,960.7	75,149.5	77,404.0	79,726.1	82,117.9	84,581.4	
Property Costs		8,762.0	8,937.2	9,115.9	9,298.2	9,484.2	9,673.9	9,867.4	10,064.7	10,266.0	10,471.3	10,680.7	
Supplies and Services		6,498.8	6,628.8	6,761.4	6,964.2	7,103.5	7,245.6	7,390.5	7,538.3	7,689.1	7,842.9	7,999.8	
Transport Costs		5,607.7	5,719.9	5,834.3	5,951.0	6,070.0	6,191.4	6,315.2	6,441.5	6,570.3	6,701.7	6,835.7	
Administration Costs		1,248.4	1,248.4	1,260.9	1,273.5	1,286.2	1,299.1	1,312.1	1,325.2	1,338.5	1,351.9	1,365.4	
Apportioned Costs		7,086.6	7,334.6	7,554.6	7,856.8	8,092.5	8,335.3	8,585.4	8,843.0	9,108.3	9,381.5	9,662.9	
Third Party Payments		18,576.1	18,245.1	18,427.6	18,611.9	18,798.0	18,986.0	19,175.9	19,367.7	19,561.4	19,757.0	19,954.6	
Transfer Payments		7,455.7	7,455.7	7,530.3	7,605.6	7,681.7	7,758.5	7,836.1	7,914.5	7,993.6	8,073.5	8,154.2	
Loan Charges		4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	
Miscellaneous Expenditure		6,278.0	6,340.8	6,404.2	6,468.2	6,532.9	6,598.2	6,664.2	6,730.8	6,798.1	6,866.1	6,934.8	
Total Expenditure		126,116.2	130,423.6	133,328.3	137,113.6	140,196.4	143,360.5	146,608.1	149,941.5	153,363.2	156,875.6	160,481.3	
Opening Balance		-4,787.1	-4,787.1	-1,457.3	5,341.2	16,970.6	30,193.9	45,060.6	61,586.5	79,859.2	99,932.7	121,825.6	
Contribution from Strategic Reserve Fund		-4,962.0	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	
Deficit on Year		4,962.0	7,713.0	11,181.7	16,012.6	17,606.5	19,249.9	20,909.1	22,655.9	24,456.7	26,276.1	28,189.6	
Closing Balance / Funding Gap	145,632.0	-4,787.1	-1,457.3	5,341.2	16,970.6	30,193.9	45,060.6	61,586.5	79,859.2	99,932.7	121,825.6	145,632.0	

Worst Case Assumptions.

Expenditure.

1. Pay Awards – 3.5% and 3% for 2018 to 2021 then 4% in 2021/22 for growth in care sector then 3% for remainder of the ten-year plan.
2. Property Costs – 2% per annum for the duration of the ten-year plan.
3. Supplies and Services – 2% per annum for the ten-year plan with 3% in 2021/22 for growth in care sector.
4. Transport – 2% per annum for the duration of the ten-year plan.
5. Administration – 1% per annum for the duration of the ten-year plan.
6. Apportioned Costs – follow pay awards.
7. Third Party Payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
8. Transfer payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
9. Loan Charges – no change to the loan charges budget for the ten-year plan.
10. Miscellaneous Expenditure – % per annum for the duration of the ten-year plan.

Income.

1. Aggregate External Finance – no increase in 2019/20 with 2% reduction in 2020/21 a 3% reduction in 2021/22 and 1% increase thereafter.
2. Council Tax – annual increase capped at 3% for duration.
3. Strategic Reserve Fund – assumed to be no increase to identify what the funding gap is.
4. Government Grants – assume 3% increase per annum.
5. Other Grants and Reimbursements – no increase assumed.
6. Rents and Lettings – 5% increase every three years.
7. Sales – assume 3% increase per annum.
8. Interest and Loans – no increase assumed.
9. Fees and Charges – assume 3% increase per annum.
10. Apportioned Income – matches pay award assumptions.
11. Miscellaneous Income – assume 3% increase per annum.

Orkney Islands Council - Long Term Financial Plan - Likely Case View of Funding and Costs												APPENDIX 1	
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Aggregate External Finance		-68,432.0	-67,836.0	-68,514.4	-69,199.5	-69,891.5	-70,590.4	-71,296.3	-72,009.3	-72,729.4	-73,456.7	-74,191.3	
Council Tax		-8,628.2	-9,029.0	-9,299.9	-9,578.9	-9,866.3	-10,162.3	-10,467.2	-10,781.2	-11,104.6	-11,437.7	-11,780.8	
Government Grants		-5,080.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	
Other Grants & Reimbursements		-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	
Rents & Lettings		-669.5	-669.5	-669.5	-703.0	-703.0	-703.0	-738.2	-738.2	-738.2	-775.1	-775.1	
Sales		-1,317.7	-1,357.2	-1,397.9	-1,439.8	-1,483.0	-1,527.5	-1,573.3	-1,620.5	-1,669.1	-1,719.2	-1,770.8	
Interest & Loans		-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	
Fees & Charges		-6,136.0	-6,320.1	-6,509.7	-6,705.0	-6,906.2	-7,113.4	-7,326.8	-7,546.6	-7,773.0	-8,006.2	-8,246.4	
Apportioned Income		-9,269.7	-9,594.1	-9,881.9	-10,178.4	-10,382.0	-10,589.6	-10,801.4	-11,017.4	-11,237.7	-11,462.5	-11,691.8	
Miscellaneous Income		-120.9	-124.5	-128.2	-132.0	-136.0	-140.1	-144.3	-148.6	-153.1	-157.7	-162.4	
Total Income		-121,154.2	-122,710.6	-124,181.7	-125,716.8	-127,148.2	-128,606.5	-130,127.7	-131,642.0	-133,185.3	-134,795.3	-136,398.8	
BY SUBJECTIVE GROUP (Total General Fund)													
Staff Costs		60,291.1	64,201.3	66,127.3	68,111.1	69,473.3	70,862.8	72,280.1	73,725.7	75,200.2	76,704.2	78,238.3	
Property Costs		8,762.0	8,762.0	8,849.6	8,938.1	9,027.5	9,117.8	9,209.0	9,301.1	9,394.1	9,488.0	9,582.9	
Supplies and Services		6,498.8	6,498.8	6,628.8	6,761.4	6,896.6	7,034.5	7,175.2	7,318.7	7,465.1	7,614.4	7,766.7	
Transport Costs		5,607.7	5,607.7	5,663.8	5,720.4	5,777.6	5,835.4	5,893.8	5,952.7	6,012.2	6,072.3	6,133.0	
Administration Costs		1,248.4	1,248.4	1,260.9	1,273.5	1,286.2	1,299.1	1,312.1	1,325.2	1,338.5	1,351.9	1,365.4	
Apportioned Costs		7,086.6	7,334.6	7,554.6	7,781.2	7,936.8	8,095.5	8,257.4	8,422.5	8,591.0	8,762.8	8,938.1	
Third Party Payments		18,576.1	18,245.1	18,427.6	18,611.9	18,798.0	18,986.0	19,175.9	19,367.7	19,561.4	19,757.0	19,954.6	
Transfer Payments		7,455.7	7,455.7	7,530.3	7,605.6	7,681.7	7,758.5	7,836.1	7,914.5	7,993.6	8,073.5	8,154.2	
Loan Charges		4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	
Miscellaneous Expenditure		6,278.0	6,278.0	6,340.8	6,404.2	6,468.2	6,532.9	6,598.2	6,664.2	6,730.8	6,798.1	6,866.1	
Total Expenditure		126,116.2	129,943.4	132,695.5	135,519.2	137,657.7	139,834.3	142,049.6	144,304.1	146,598.7	148,934.0	151,311.1	
Opening Balance		-4,787.1	-4,787.1	-1,937.5	2,193.1	7,612.3	13,738.6	20,583.2	28,121.9	36,400.8	45,431.0	55,186.5	
Contribution from Strategic Reserve Fund		-4,962.0	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	
Deficit on Year		4,962.0	7,232.8	8,513.8	9,802.4	10,509.5	11,227.8	11,921.9	12,662.1	13,413.4	14,138.7	14,912.3	
Closing Balance / Funding Gap	65,715.6	-4,787.1	-1,937.5	2,193.1	7,612.3	13,738.6	20,583.2	28,121.9	36,400.8	45,431.0	55,186.5	65,715.6	

Likely Case Assumptions.

Expenditure.

1. Pay Awards – 3.5%, 3% and 3% for 2018 to 2021 then annually 2% for remainder of the ten-year plan.
2. Property Costs – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
3. Supplies and Services – no inflation in 2019/20 and 2% per annum for the remainder of the ten-year plan.
4. Transport – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
5. Administration – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
6. Apportioned Costs – follow pay awards.
7. Third Party Payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
8. Transfer payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
9. Loan Charges – no change to the loan charges budget for the ten-year plan.
10. Miscellaneous Expenditure – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.

Income.

1. Aggregate External Finance – no increase in 2019/20 with 1% increase thereafter.
2. Council Tax – annual increase capped at 3% for duration.
3. Strategic Reserve Fund – assumed to be no increase to identify what the funding gap is.
4. Government Grants – assume 3% increase per annum.
5. Other Grants and Reimbursements – no increase assumed.
6. Rents and Lettings – 5% increase every three years.
7. Sales – assume 3% increase per annum.
8. Interest and Loans – no increase assumed.
9. Fees and Charges – assume 3% increase per annum.
10. Apportioned Income – matches pay award assumptions.
11. Miscellaneous Income – assume 3% increase per annum.

Orkney Islands Council - Long Term Financial Plan - Best Case View of Funding and Costs												APPENDIX 1	
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Aggregate External Finance		-68,432.0	-67,836.0	-68,514.4	-69,199.5	-69,891.5	-71,289.3	-72,715.1	-74,169.4	-75,652.8	-77,165.9	-78,709.2	
Council Tax		-8,628.2	-9,029.0	-9,299.9	-9,671.9	-10,058.8	-10,461.2	-10,879.6	-11,314.8	-11,767.4	-12,238.1	-12,727.6	
Government Grants		-5,080.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	-6,280.6	
Other Grants & Reimbursements		-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	-21,127.6	
Rents & Lettings		-669.5	-669.5	-669.5	-703.0	-703.0	-703.0	-738.2	-738.2	-738.2	-775.1	-775.1	
Sales		-1,317.7	-1,357.2	-1,397.9	-1,439.8	-1,483.0	-1,527.5	-1,573.3	-1,620.5	-1,669.1	-1,719.2	-1,770.8	
Interest & Loans		-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	-372.0	
Fees & Charges		-6,136.0	-6,320.1	-6,509.7	-6,705.0	-6,906.2	-7,113.4	-7,326.8	-7,546.6	-7,773.0	-8,006.2	-8,246.4	
Apportioned Income		-9,269.7	-9,594.1	-9,881.9	-10,178.4	-10,280.2	-10,383.0	-10,486.8	-10,591.7	-10,697.6	-10,804.6	-10,912.6	
Miscellaneous Income		-120.9	-124.5	-128.2	-132.0	-136.0	-140.1	-144.3	-148.6	-153.1	-157.7	-162.4	
Total Income		-121,154.2	-122,710.6	-124,181.7	-125,809.8	-127,238.9	-129,397.7	-131,644.3	-133,910.0	-136,231.4	-138,647.0	-141,084.3	
BY SUBJECTIVE GROUP (Total General Fund)													
Staff Costs		60,291.1	64,201.3	66,127.3	68,111.1	68,792.2	69,480.1	70,174.9	70,876.6	71,585.4	72,301.3	73,024.3	
Property Costs		8,762.0	8,762.0	8,849.6	8,938.1	9,027.5	9,117.8	9,209.0	9,301.1	9,394.1	9,488.0	9,582.9	
Supplies and Services		6,498.8	6,498.8	6,563.8	6,629.4	6,695.7	6,762.7	6,830.3	6,898.6	6,967.6	7,037.3	7,107.7	
Transport Costs		5,607.7	5,607.7	5,663.8	5,720.4	5,777.6	5,835.4	5,893.8	5,952.7	6,012.2	6,072.3	6,133.0	
Administration Costs		1,248.4	1,248.4	1,260.9	1,273.5	1,286.2	1,299.1	1,312.1	1,325.2	1,338.5	1,351.9	1,365.4	
Apportioned Costs		7,086.6	7,334.6	7,554.6	7,781.2	7,859.0	7,937.6	8,017.0	8,097.2	8,178.2	8,260.0	8,342.6	
Third Party Payments		18,576.1	18,245.1	18,427.6	18,611.9	18,798.0	18,986.0	19,175.9	19,367.7	19,561.4	19,757.0	19,954.6	
Transfer Payments		7,455.7	7,455.7	7,530.3	7,605.6	7,681.7	7,758.5	7,836.1	7,914.5	7,993.6	8,073.5	8,154.2	
Loan Charges		4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	4,311.8	
Miscellaneous Expenditure		6,278.0	6,278.0	6,340.8	6,404.2	6,468.2	6,532.9	6,598.2	6,664.2	6,730.8	6,798.1	6,866.1	
Total Expenditure		126,116.2	129,943.4	132,630.5	135,387.2	136,697.9	138,021.9	139,359.1	140,709.6	142,073.6	143,451.2	144,842.6	
Opening Balance		-4,787.1	-4,787.1	-1,937.5	2,128.1	7,322.3	12,398.1	16,639.1	19,970.7	22,387.1	23,846.1	24,267.1	
Contribution from Strategic Reserve Fund		-4,962.0	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	-4,383.2	
Deficit on Year		4,962.0	7,232.8	8,448.8	9,577.4	9,459.0	8,624.2	7,714.8	6,799.6	5,842.2	4,804.2	3,758.3	
Closing Balance / Funding Gap	23,642.2	-4,787.1	-1,937.5	2,128.1	7,322.3	12,398.1	16,639.1	19,970.7	22,387.1	23,846.1	24,267.1	23,642.2	

Best Case Assumptions.

Expenditure.

1. Pay Awards – 3.5%, 3% and 3% for 2018 to 2021 then annually 1% for remainder of the ten-year plan.
2. Property Costs – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
3. Supplies and Services – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
4. Transport – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
5. Administration – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
6. Apportioned Costs – follow pay awards.
7. Third Party Payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
8. Transfer payments – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.
9. Loan Charges – no change to the loan charges budget for the ten-year plan.
10. Miscellaneous Expenditure – no inflation in 2019/20 and 1% per annum for the remainder of the ten-year plan.

Income.

1. Aggregate External Finance – no increase in 2019/20 with 1% increase in 2020/21; 2021/22 and 2022/23 and 2% thereafter.
2. Council Tax – increase capped at 3% for 2019/20 and 2020/21 then 4% per annum thereafter.
3. Strategic Reserve Fund – assumed to be no increase to identify what the funding gap is.
4. Government Grants – assume 3% increase per annum.
5. Other Grants and Reimbursements - no increase assumed.
6. Rents and Lettings – 5% increase every three years.
7. Sales – assume 3% increase per annum.
8. Interest and Loans – no increase assumed.
9. Fees and Charges – assume 3% increase per annum.
10. Apportioned Income – matches pay award assumptions.
11. Miscellaneous Income – assume 3% increase per annum.

Appendix 2.

Strategic Reserve Fund – Contribution to General Fund Services.**Proposed Notional Allocations for 2019 to 2020.**

	£'000	£'000
Chief Executive		
Twinning	20	
Loan Charges	600	
	<hr/>	620
Orkney Health and Care		
Voluntary Sector – contracts	80	
Voluntary Sector – grants	350	
Lunch Clubs	65	
Small Repair Grants	45	
Childcare Partnership	70	
Community Care Grants	70	
Summer Playscheme	15	
	<hr/>	695
Education, Leisure and Housing		
Swimming pools	230	
Pickaquoy Centre	700	
Healthy Living	40	
Outdoor Education	75	
Active Schools	75	
Youth Café	25	
Museums	300	
Library Service	200	
Culture Fund	160	
St Magnus Cathedral	160	
Grounds Maintenance	230	
Parks and Play Areas	60	
Music Provision	30	
	<hr/>	2,285
Development and Infrastructure		
Public Conveniences	90	
Development Grants	600	
Fairs and Galas	10	
Access to the Countryside	50	
		<hr/>
		750
		<hr/> <hr/>
		4,350

Appendix 3.**Budget Uprating Assumptions**

Budget Element.	2017 to 2018.	2018 to 2019.	2019 to 2020.
Staff Costs Non-Teaching.	0.9%.	3%	3.5%
Pension Costs Non-Teaching.	0%	(0.8)%	(0.4)%
Staff Costs Teaching.	1%	4%	3.5%
Pension Costs Teaching.	0%	0%	4%
Property Costs.	0%.	0%.	0%.
Transport Costs.	0%.	0%.	0%.
Third Sector.	0%.	0%.	0%.
Trading Organisations and Orkney Ferries.	0.9%.	3%.	3.5%.
Other Costs.	0%.	0%.	0%.
Rent and Lettings.	3%.	0%.	0%.
Sales.	3%.	4%.	3%.
Fees and Charges.	3%.	4%.	3%.
Other Income.	3%.	4%.	3%.
Total Uplift for Inflation.	£520,000.	£1,710,000.	£2,719,600.

Service Pressures 2019 to 2020

	Statute R/RA/	Service Base	FUNDING PROPOSAL			
			One- off	Contingency	Self- Financing	Deferred
	A/G	£000	£000	£000	£000	£000
Summary by Service						
Pay and Prices / 30% Teachers' Pensions	18/19	2,719.6	2,719.6	0.0	0.0	0.0
Chief Executive		140.7	140.7	0.0	0.0	0.0
Corporate Services		90.0	0.0	0.0	0.0	70.0
Development and Infrastructure		1,840.0	480.0	0.0	0.0	167.0
Education, Leisure and Housing		1,599.0	305.0	0.0	0.0	977.0
Orkney Health and Care		2,313.0	80.1	0.0	0.0	847.0
		8,702.3	3,725.4	0.0	0.0	2,061.0
Summary by Statutory Requirement						
Statutory with little discretion	R	6,594.6	2,939.7	0.0	0.0	1,824.0
Statutory with significant discretion	RA	575.0	425.0	0.0	0.0	100.0
Discretionary but essential	A	1,532.7	360.7	0.0	0.0	137.0
Discretionary and not wholly essential	G	0.0	0.0	0.0	0.0	0.0
		8,702.3	3,725.4	0.0	0.0	2,061.0

Ref.	Service Pressure Bids by Service	Risk Category	2019 to 2020 FUNDING PROPOSAL					
			19/20	Service Base £000	One-off £000	Balances Cont'ncy £000	Self- Finance £000	Deferred £000
	Pay Pressures / Change Programme							
ALLCE01	Pay and Prices / 30% Teachers' Pensions	Very High	2,719.6	2,719.6	0.0	0.0	0.0	0.0
			2,719.6	2,719.6	0.0	0.0	0.0	0.0
	Chief Executive							
OSCE01	Payment Services	Very High	30.7	30.7	0.0	0.0	0.0	0.0
OSCE02	Empowering Communities	High	110.0	110.0	0.0	0.0	0.0	0.0
			140.7	140.7	0.0	0.0	0.0	0.0
	Corporate Services							
OSCS01	Orkney and Shetland Valuation Joint Board	High	20.0	0.0	0.0	0.0	0.0	20.0
OSCS02	Orkney and Shetland Valuation Joint Board	High	70.0	0.0	0.0	0.0	70.0	0.0
			90.0	0.0	0.0	0.0	70.0	20.0

Ref.	Service Pressure Bids by Service	Risk Category	19/20	2019 to 2020 FUNDING PROPOSAL				
				Service		Balances	Self-	Deferred
				Base £000	One-off £000	Cont'ncy £000	Finance £000	
Development and Infrastructure								
OEDI01	Increased cost of Waste Disposal	High	200.0	200.0	0.0	0.0	0.0	0.0
CADI02	Building maintenance and inspection	High	300.0	0.0	0.0	0.0	0.0	300.0
RDDI03	EV Infrastructure maintenance and power	High	60.0	0.0	0.0	0.0	25.0	35.0
OEDI04	Revised processes and operational assets (H&S)	High	150.0	0.0	0.0	0.0	0.0	150.0
TRDI05	Concessionary Travel budget deficit	Medium	25.0	0.0	0.0	0.0	0.0	25.0
TRDI06	Air and Bus contract and fuel escalators	High	180.0	180.0	0.0	0.0	0.0	0.0
CADI07	Apportioned Costs - addressing historic gap in baseline staff funding	High	200.0	0.0	0.0	0.0	0.0	200.0
PLDI08	Building Standards Technician	High	28.0	0.0	0.0	0.0	0.0	28.0
OEDI09	Increased pressures on operational budgets associated with housing growth	High	45.0	45.0	0.0	0.0	0.0	0.0
TRDI10	Airfields Assistant Superintendent (Fire Training)	High	50.0	0.0	0.0	0.0	0.0	50.0
DVDI11	Hydrogen Strategy Project Action Plan	Medium	50.0	0.0	0.0	0.0	0.0	50.0
RDDI12	Housing Amenity Footpaths - resurfacing	Medium	50.0	0.0	0.0	0.0	0.0	50.0
RDDI13	Historic Quarry remediation and disposal	High	100.0	0.0	0.0	0.0	100.0	0.0
RDDI14	Speed Limit/TRO review	Low	150.0	0.0	0.0	0.0	0.0	150.0
RDDI15	Volume and Marine Tourism	High	42.0	0.0	0.0	0.0	42.0	0.0
RDDI16	Volume Tourism strategy and programme of small works	High	35.0	0.0	0.0	0.0	0.0	35.0
RDDI17	Grounds Maintenance - levelling out budget availability to match baseline specification for kirkyards, grounds maintenance and verge cutting	High	175.0	55.0	0.0	0.0	0.0	120.0
			1,840.0	480.0	0.0	0.0	167.0	1,193.0

Ref.	Service Pressure Bids by Service	Risk Category	2019 to 2020 FUNDING PROPOSAL					
			19/20	Service Base £000	One-off £000	Balances Cont'ncy £000	Self- Finance £000	Deferred £000
Education, Leisure and Housing								
EDELH01	Early Learning and Childcare	High	977.0	0.0	0.0	0.0	977.0	0.0
EDELH02	School Transport	High	140.0	140.0	0.0	0.0	0.0	0.0
EDELH03	Capacity to Implement Transformational Change	High	75.0	0.0	0.0	0.0	0.0	75.0
EDELH04	Support for Learning	Very High	165.0	165.0	0.0	0.0	0.0	0.0
EDELH05	Schools on Standby	High	70.0	0.0	0.0	0.0	0.0	70.0
EDELH06	Utilities - Devolved School Management	High	100.0	0.0	0.0	0.0	0.0	100.0
EDELH07	Staffing Absence	High	9.0	0.0	0.0	0.0	0.0	9.0
LSELH08	Museum Visitor Services	High	50.0	0.0	0.0	0.0	0.0	50.0
OHELH09	Increase in sleep-in costs - Sheltered Housing	High	13.0	0.0	0.0	0.0	0.0	13.0
			1,599.0	305.0	0.0	0.0	977.0	317.0
Orkney Health and Care								
SCOHC01	Corporate Parenting Statutory Responsibilities	High	120.0	0.0	0.0	0.0	0.0	120.0
SCOHC02	Adoption Allowance Payments	High	54.0	54.0	0.0	0.0	0.0	0.0
SCOHC03	Develop residential childcare capacity in Orkney	Very High	407.7	0.0	0.0	0.0	0.0	407.7
SCOHC04	High Cost Packages - Children Outwith Orkney	High	847.0	0.0	0.0	0.0	847.0	0.0
SCOHC05	Children Outwith Orkney Reviewing Officer	High	30.0	0.0	0.0	0.0	0.0	30.0
SCOHC06	Self-Directed Support	High	254.0	0.0	0.0	0.0	0.0	254.0
SCOHC07	New St Peters House staffing and Old Building Costs	High	297.0	0.0	0.0	0.0	0.0	297.0
SCOHC08	Sleep-in cover for in-house services	Very High	277.2	0.0	0.0	0.0	0.0	277.2
SCOHC09	Free personal care for under 65's	Very High	26.1	26.1	0.0	0.0	0.0	4 0.0
SCOHC10	Carers Act	Very High	0.0	0.0	0.0	0.0	0.0	0.0
			2,313.0	80.1	0.0	0.0	847.0	1,385.9

Appendix 5.

Efficiency Savings 2019 to 2020

	FTE	£000
Chief Executive	0.00	160.0
Corporate Services	0.00	112.3
Development and Infrastructure	0.00	63.5
Education, Leisure and Housing	0.00	14.2
Orkney Health and Care	0.00	0.0
	0.00	350.0

	Chief Executive	FTE	£000	Risk	EqIA
CACE14	Insurance Renewal	0.00	70.0	Low	No
OSCE11	Carbon Reduction Commitment	0.00	65.0	Low	No
OSCE01	Compensatory Pensions	0.00	25.0	Low	No
		0.00	160.0		

	Corporate Services	FTE	£000	Risk	EqIA
CACS37	I.T. Licences	0.00	71.6	Low	No
CACS27	Reduce costs of Supplies and Services - Building cleaning	0.00	24.0	Medium	No
CACS35	Property Deemed Surplus to Operational Requirements	0.00	16.7	Medium	No
		0.00	112.3		

	Development and Infrastructure	FTE	£000	Risk	EqIA
OEDI35	Increased charges for special; (bulky) household waste collection and disposal (MOWG)	0.00	11.7	Medium	Yes
OEDI36	Charge for bin replacement (MOWG)	0.00	10.0	Medium	Yes
RDDI34	Increase to car park excess charge (MOWG)	0.00	10.0	Low	Yes
RDDI37	Increase charges for road closures (MOWG)	0.00	10.0	Low	No
CADI31	Concerto - Key management system	0.00	6.0	Low	No
RDDI22	Charges for car parking, including charge for Electrical chargers	0.00	5.0	Medium	Yes
OEDI04	Burial Grounds Charges - increase cost of lair purchase	0.00	5.0	Medium	Yes
RDDI38	Charge for overnight parking of campervans, tents and caravans (MOWG)	0.00	4.0	Low	Yes
EHDI40	Charge for stray dog uplift (MOWG)	0.00	1.0	Low	Yes
PLDI41	Charge for Planning - non-material variations (MOWG)	0.00	0.8	Low	Yes
		0.00	63.5		

	Education, Leisure and Housing	FTE	£000	Risk	EqIA
LSELH47	Orkney Museum review sales and marketing strategy	0.00	5.0	Low	No
LSELH31	Stromness Pool reduce opening hours	0.00	2.0	Medium	Yes
LSELH48	Earls Bu/Saga Centre Community transfer	0.00	2.0	Low	No
LSELH49	Trumland Community Transfer	0.00	2.0	Low	No
LSELH23	Ness Caravan Site increased pitches - income	0.00	1.0	Low	Yes
LSELH37	Stromness Town Hall increased income	0.00	1.0	Medium	No
LSELH30	Kirkwall Sports Centre/Stromness Academy increased marketing/income	0.00	1.0	Low	No
LSELH36	Dounby Centre increased income	0.00	0.2	Low	Yes
		0.00	14.2		