

## **Item: 18**

**Development and Infrastructure Committee: 15 February 2022.**

**Development Trust Core Funding.**

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

### **1. Purpose of Report**

To review core funding and income generating capacity in respect of two island developments trusts, namely North Ronaldsay and Papay.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, on 11 September 2018, the Council agreed that core funding support of up to £10,000 for each of financial years 2018/19, 2019/20 and 2020/21, be provided to the following development trusts:

- North Ronaldsay Development Trust – up to £5,000.
- Papay Development Trust – up to £5,000.

#### **2.2.**

The review of core funding and income generating capacity of North Ronaldsay Development Trust and Papay Development Trust, attached as Appendix 1 to this report.

#### **2.3.**

That North Ronaldsay Development Trust and Papay Development Trust have requested Council assistance to cover ongoing core funding costs until 31 March 2024.

#### **2.4.**

The options in respect of continued support to the development trusts, as detailed in section 6 of this report, with the preferred option being Option 2, namely to continue to provide financial assistance at the increased rate to North Ronaldsay Development Trust at £7,000 and Papay Development Trust at £6,500 per annum for the next three years.

**It is recommended:**

## **2.5.**

That core funding support of up to £13,500 for each of financial years 2021/22, 2022/23 and 2023/24, be provided to the following development trusts:

- North Ronaldsay Development Trust – up to £7,000.
- Papay Development Trust – up to £6,500.

## **2.6.**

That powers be delegated to the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services to determine the actual level of funding to be provided to North Ronaldsay Development Trust and Papay Development Trust for the three financial years, based on:

- An annual review of the relevant Island Development Plan to assess progress towards financial sustainability.
- Receipt of a claim form outlining the relevant core costs.

## **3. Introduction**

### **3.1.**

On 11 September 2018, when considering a review of Development Trust core funding, the Development and Infrastructure Committee noted:

- That, on 6 October 2015, the Council agreed that core funding support of up to £10,000 for each of financial years 2015 to 2016, 2016 to 2017 and 2017 to 2018, be provided to the following development trusts:
  - North Ronaldsay Development Trust – up to £5,000.
  - Papay Development Trust – up to £5,000.
- The review of core funding and income generating capacity of North Ronaldsay Development Trust and Papay Development Trust, attached as Appendix 2 to the report by the Executive Director of Development and Infrastructure.
- That North Ronaldsay Development Trust and Papay Development Trust had requested Council assistance to cover ongoing core funding costs until 31 March 2021.
- The options in respect of continued support to the development trusts, as detailed in section 6 of the report by the Executive Director of Development and Infrastructure, with the preferred option being Option 2, namely to continue to provide financial assistance to North Ronaldsay Development Trust and Papay Development Trust.

### **3.2.**

The Committee recommended:

- That core funding support of up to £10,000 for each of financial years 2018 to 2019, 2019 to 2020 and 2020 to 2021, be provided to the following development trusts:
  - North Ronaldsay Development Trust – up to £5,000.
  - Papay Development Trust – up to £5,000.
- That powers be delegated to the Executive Director of Development and Infrastructure to determine the actual level of funding to be provided to North Ronaldsay Development Trust and Papay Development Trust for the three financial years, based on:
  - An annual review of the relevant Island Development Plan to assess progress towards financial sustainability.
  - Receipt of a claim form outlining the relevant core costs.

## **4. Background**

### **4.1.**

Papay Development Trust and North Ronaldsay Development Trust are the remaining Island Trusts still in receipt of core funding support from the Council. This represents the only grant funding source that assists capacity building funding within the trusts as it is not ring-fenced to specific projects. This funding is used for essentials and governance costs, such as insurance, stationery, training and skills development and Annual General Meeting and administration expenses that are not eligible under other project grant conditions.

### **4.2.**

The two trusts have been working towards financial self-sufficiency with various development projects. Both, however, are currently at different stages regarding income generation from these projects such as wind turbine installations, other property projects and contract work. Each Island Trust is operating to a different development plan and under different circumstances, making it difficult to compare the progress of one trust with another. However, both operate within similar peripheral island constraints which makes these trusts comparable in terms of island size, population, demographics and economic fragility and the associated challenges.

### **4.3.**

Both Trusts were requested to provide information on their financial status covering the three-year period, from 2021 to 2024 and asked to project an estimate of financial sustainability to cover their own core costs from revenues that could realistically be achieved.

#### **4.4.**

This report would ordinarily be submitted to the Development and Infrastructure committee early in the committee cycle. However, due to extremely challenging circumstances it was not possible for the trusts to provide the information required.

### **5. Development Trust Updates**

Both Trusts presented the information requested, enabling a review and financial analysis. An update of the recent developments, current position and project progress is detailed in Appendix 1 to this report, with a financial summary included. Both Trusts have requested continued core funding support for the next three years from 2021 to 2024 and do not envisage reaching self-funding core costs over this period. Both trusts have emphasised that the pandemic has resulted in significant loss of income as well as additional costs which has increased the vulnerability of the Trusts.

### **6. Options Appraisal**

#### **6.1.**

The core funding provided by the Council has demonstrably supported the Trusts' ability to cover core costs. Both Trusts have requested funding for the next three years to continue to cover these projected costs and requesting an increase in support from £5,000 per annum to £7,000 and £6,500 per annum for North Ronaldsay Development Trust and Papay Development Trust respectively.

#### **6.2.**

The following options are submitted for consideration.

#### **6.3.**

Option 1 – Discontinue assistance towards the core costs of the two isles development trusts.

##### **6.3.1.**

Both Trusts would be compromised in being able to maintain core activity on which other grant funded activity relies. Account also needs to be taken of potential delays and difficulties that either Trust might experience regarding anticipated unrestricted income generation from projects, for example delays in securing full funding packages or indeed changes in Board membership. Details of post-EU funding schemes also remain unclear. This option would not address the financial pressures that these small Trusts are subject to with insufficient income generating projects. Both applicants have demonstrated an ongoing funding gap regarding their core costs.

#### **6.4.**

Option 2 – Provide the commitment of further core funding assistance for the two small island trusts.

#### **6.4.1.**

Ongoing funding approval will address the financial pressures noted above. At the increased rate of £7,000 for North Ronaldsay Development Trust and at £6,500 for Papay Development Trust per year for three years, the total cost of this option would be £40,500.

#### **6.5.**

Option 3 – Provide a reducing grant offer.

#### **6.5.1.**

As a result of the COVID-19 pandemic the income generating capacity of the trusts has been severely curtailed. It is envisaged that it will take several years for the trusts to engage in sufficient business activity to compensate for this loss.

#### **6.6.**

Option 2 is the preferred option, which offers continued support to the two smallest islands, that are arguably the most fragile, while they continue to work towards increased income generation and self-sustainability. Without the ability to build additional capacity the Trusts will remain financially exposed over the next few years of their ongoing development.

#### **6.7.**

It is in reality hard to project the financial success of pipeline projects and, whilst both Trusts aspire to reduce core grant funding to zero, it is not possible from the financial projections to predict this self-sufficiency with accuracy. However, with an ongoing review of project developments and the associated income generated by the Trusts, progress can still be assessed on an annual basis to inform future grant payments potentially delivering on Option 3. It would therefore be prudent to delegate powers to review with each Trust, on an annual basis, their island Development Plans in order to assess progress towards financial sustainability prior to confirming grant funding in writing for each subsequent year.

#### **6.8.**

It has been assessed that continued core funding from the Council is crucial to enable the Trusts to maintain financial stability and to be able to direct funding to sustain and manage their vital development projects which meet the islands' social and economic objectives and support their intention to reduce reliance on core grant funding in the future.

### **7. Equalities Impact**

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

## **8. Links to Council Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Enterprising Communities.

## **9. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Sustainable Recovery.

## **10. Financial Implications**

The recommendations to this report are that a grant towards eligible core costs, up to a maximum sum of £7,000 and £6,500 per annum for North Ronaldsay Development Trust and Papay Development Trust respectively over three years, should be awarded. This would represent an additional total commitment of £40,500 on the existing Economic Development grant budget for financial year 2021/22.

## **11. Legal Aspects**

### **11.1.**

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

### **11.2.**

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to Appendix 1. Appendix 1 contains exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

## **12. Contact Officers**

Roddy Mackay, Head of Planning, Development and Regulatory Services, extension 2530, Email [rodny.mackay@orkney.gov.uk](mailto:rodny.mackay@orkney.gov.uk)

Jackie Thomson, Development and Regeneration Manager, extension 2507, Email [Jackie.thomson@orkney.gov.uk](mailto:Jackie.thomson@orkney.gov.uk)

Stuart Allison, Economic Development Manager, extension 2514, Email [stuart.allison@orkney.gov.uk](mailto:stuart.allison@orkney.gov.uk)

Morag Robertson, Economic Development Officer, extension 2851, Email [morag.robertson@orkney.gov.uk](mailto:morag.robertson@orkney.gov.uk)

## **13. Appendices**

Appendix 1: North Ronaldsay Development Trust and Papay Development Trust update and analysis.

Appendix 2: Equality Impact Assessment.



# Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

<b>1. Identification of Function, Policy or Plan</b>	
Name of function / policy / plan to be assessed.	Orkney Development Trust – core funding
Service / service area responsible.	Economic Development
Name of person carrying out the assessment and contact details.	Morag Robertson, Development Officer Ext: 2852, e-mail: morag.robertson@orkney.gov.uk
Date of assessment.	06 January 2022
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Proposed approval to continue providing core funding towards two development trusts in Orkney for the financial years 2021/2022, 2022/23 and 2023/24

<b>2. Initial Screening</b>	
What are the intended outcomes of the function / policy / plan?	It is intended that this approval will enable the identified trust to cover the core costs of the trusts for a further three years. It is envisaged that one of the island trusts will achieve sufficient income generation from completed wind turbine projects after the three year period and the other island trust will have significantly progressed towards covering the costs in a sustainable manner by pursuing contract activities which will attract funding.
Is the function / policy / plan strategically important?	It is strategically important in that it supports the communities of the two most fragile inhabited islands of Orkney.
State who is, or may be affected by this function /	The residents and organisations within the communities in which the trusts exist could be affected



policy / plan, and how.	by the success or otherwise of the local development trusts. The survival of the identified trusts themselves would be assisted by the continued provision of core funding for a period of time. The future of businesses and therefore individuals in the trust areas potentially, could be improved by the successful project activities of the trusts.
How have stakeholders been involved in the development of this function / policy / plan?	The two trusts within the previous Council core funding arrangement has been invited to submit a financial review of the trust at present and the envisaged financial position of the trust over a 3 year period, the period which pertains to the report. Both trusts have also been invited to predict when clear income is likely to be available to the trust in particular the trust which as progressed the wind turbine projects.
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	The proposed continuation of the Council providing core funding for the two remaining trusts requiring support for eg 3 year period will have no impact on equality issues.
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low income. See <a href="#">The Fairer Scotland Duty Guidance for Public Bodies</a> for further information.	There is evidence that both North Ronaldsay and Papa Westray have a housing shortage which makes it difficult to encourage new residents to the island as well as few employment opportunities.
Could the function / policy have a differential impact on any of the following equality areas?	N/A
1. Race: this includes ethnic or national groups, colour and nationality.	N/A
2. Sex: a man or a woman.	N/A
3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the	N/A

opposite sex or to both sexes.	
4. Gender Reassignment: the process of transitioning from one gender to another.	N/A
5. Pregnancy and maternity.	N/A
6. Age: people of different ages.	N/A
7. Religion or beliefs or none (atheists).	N/A
8. Caring responsibilities.	N/A
9. Care experienced.	N/A
10. Marriage and Civil Partnerships.	N/A
11. Disability: people with disabilities (whether registered or not).	(Includes physical impairment, sensory impairment, cognitive impairment, mental health)
12. Socio-economic disadvantage.	Due to the location of North Ronaldsay and Papa Westray and the limited access to transport, as well as an aging population results in these islands experiencing socio-economic disadvantage. The work of the Trusts endeavours to mitigate these circumstances by advancing projects which will produce economic activity and employment for island residents.

### 3. Impact Assessment

Does the analysis above identify any differential impacts which need to be addressed?	The only differential impact would be that one trust would reach a position of self-sustainability quicker than the other where the trust achieved income generation resulting in that particular trust no longer receiving support towards core funding.
How could you minimise or remove any potential negative impacts?	Investigation would be made to ensure that income generated was clear income available to the trusts.
Do you have enough information to make a judgement? If no, what information do you require?	The request for financial status reviews from each trust plus a written / oral justification of need has provided sufficient information to make an informed judgement on evidence of need.

### 4. Conclusions and Planned Action

Is further work required?	No.
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What action is to be taken?	None.
Who will undertake it?	Executive Director of Development and Infrastructure via the Development Officer.
When will it be done?	If the new level of support recommended is approved a review on the financial status of the trusts and the trusts ability to cover core cost will be initiated after the 3 year support period.
How will it be monitored? (e.g. through service plans).	This support mechanism will be monitored on an ongoing basis through the application process. Trusts will have to demonstrate need before support will be provided. A record of these application will be kept for reporting purposes.

Signature:

Date: 06.01.22

Name: MORAG ROBERTSON

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at [hrsupport@orkney.gov.uk](mailto:hrsupport@orkney.gov.uk)