

Item: 17

Development and Infrastructure Committee: 11 September 2018.

Development Trust Core Funding.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

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

2. Recommendations

The Committee is invited to note:

2.1.

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.

2.2.

The review of core funding and income generating capacity of North Ronaldsay Development Trust and Papay Development Trust, attached as Appendix 2 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 2021.

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 to North Ronaldsay Development Trust and Papay Development Trust.

It is recommended:

2.5.

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.

2.6.

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.

3. Introduction

The previous decision of the Council relating to Development Trust Core Funding is detailed in Appendix 1 to this report.

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 2015 to 2018 and asked to project an estimate of financial sustainability to cover their own core costs from revenues that could realistically be achieved.

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 2 to this report, with a financial summary included at section 3 of the Appendix. Both Trusts have requested continued core funding support for the next three years from 2018 to 2021.

6. Options Appraisal

6.1.

The £5,000 core funding provided by the Council has demonstrably supported the Trust's ability to cover core costs. Both Trusts have requested funding for the next three years to continue to cover these projected costs.

6.2.

It has been assessed that continued core funding from the Council is vital 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 the reliance on core grant funding. Accordingly, 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. 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 further core funding assistance for the two small island trusts.

6.4.1.

Ongoing funding approval will address the financial pressures noted above. At a continued rate of £5,000 per island per year the total cost of this option would be £30,000.

6.5.

Option 3 – Provide a reducing grant offer.

6.5.1.

Consider an offer to reduce the dependency on Council funding over future years.

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 on future grant payments potentially delivering on option 3. It would thus be prudent to recommend that powers be delegated 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.

7. Equalities Impact

An Equality Impact Assessment has been carried out and is attached as Appendix 3 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 Local Outcomes Improvement Plan priorities of thriving and 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 Strong Communities.

10. Financial Implications

The recommendations to this report are that a grant towards eligible core costs, up to a maximum sum of £5,000 per annum per Trust over three years, should be awarded. This would represent an additional total commitment of £30,000 on the existing Economic Development grant budget for financial year 2018 to 2019.

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 2. Appendix 2 contains exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

12. Contact Officers

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13. Appendices

Appendix 1: Previous Committee decision.

Appendix 2: North Ronaldsay Development Trust and Papay Development Trust update and analysis.

Appendix 3: Equality Impact Assessment.