



ISLANDS COST CRISIS EMERGENCY FUND

Joint Report by Chief Executive and Chief Financial Officer

PURPOSE

- 1.1 The purpose of the Report is to discuss options for distribution of the Comhairle's share of the Islands Cost Crisis Emergency Fund (ICCEF).

EXECUTIVE SUMMARY

- 2.1 Scottish Government has made available an additional £4m of funding to support island authorities with the cost of living and service delivery in remote island communities, through the Islands Cost Crisis Emergency Fund (ICCEF). The Comhairle's share of that funding amounts to £1.028m, allocated using a formula based on population. The Fund is shared among Orkney and Shetland Islands Councils, Highland Council, Argyll and Bute Council, North Ayrshire Council and the Comhairle.
- 2.2 The Comhairle has warmly welcomed this additional funding and its policy intent, which recognises that island authorities experience significantly higher costs of delivery of statutory services (around 20%-65% higher than the UK average in accordance with some estimates), exacerbated by a harsher climate, lack of consumer choice and a very restrictive market for commercial out-sourcing of services. These are points which the Comhairle has made to all Governments and agencies over many years, and it is welcome indeed to see Scottish Government recognise these points.
- 2.3 The Comhairle is also engaging, through the Convention of Scottish Local Authorities (COSLA) and with Scottish Government on future levels of Special Islands Needs Allowance (SINA). Members will recall that the subject of the distribution of SINA was discussed around preparation of the financial settlement for 2024/25, and it was agreed that there would be a review of both the quantum and distribution of SINA, to be led by COSLA, and to be concluded before preparation of the financial settlement for 2025/26.

RECOMMENDATIONS

3.1 It is recommended that the Comhairle:

- (a) notes the additional funding provided by Scottish Government in the sum of £1.028m, through the Islands Cost Crisis Emergency Fund:
- (b) agrees that the fund be allocated for the purposes identified in Paragraph 6.3 below, with any necessary and subsequent adjustments to that allocation being referred to Policy and Resources Committee, following consideration by the Budget and Strategy Board.

Contact Officer: Malcolm Burr, Chief Executive, and Norman MacDonald, Chief Financial Officer

Background Papers:

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	This report is entirely concerned with financial matters. The funding is not recurring and requires to be spent or at least committed in this financial year.
Legal	All expenditure will be consistent with the Comhairle's legal obligations
Staffing	Any employee implications, which will be minimal, will be reported through the Human Resources Sub Committee
Assets and Property	The recommendations, if approved, would support enhancement of the Comhairle's property.
Strategic Implications	Implications/None
Risk	There are no specific risk implications
Equalities	The additional funding will improve quality of life and amenity for all residents, with specific reference, if the recommendations are approved, to those affected by poverty and low income
Corporate Strategy	The recommendations are consistent with Corporate Strategy
Environmental Impact	None at this stage
Consultation	Not required

BACKGROUND

- 5.1 Scottish Government has made available an additional £4m of funding to support island authorities with the cost of living and service delivery in remote island communities, through increased funding of the Islands Cost Crisis Emergency Fund (ICCEF). The Comhairle's share of that funding amounts to £1.028m, allocated using a formula based on population. The Fund is shared among Orkney and Shetland Islands Councils, Highland Council, Argyll and Bute Council and the Comhairle.
- 5.2 The Comhairle has warmly welcomed this additional funding and its policy intent, which recognises that island authorities experience significantly higher costs of delivery of statutory services (around 20%-65% higher than the UK average in accordance with some estimates) exacerbated by a harsher climate, lack of consumer choice and a very restrictive market for commercial out-sourcing of services. These are points which Comhairle nan Eilean Siar has made to all Governments and agencies over many years, and it is very welcome indeed to see Scottish Government recognise these points.
- 5.3 The Comhairle is also engaging, through the Convention of Scottish Local Authorities (COSLA) with Scottish Government on future levels of Special Islands Needs Allowance (SINA). Members will recall that the subject of the distribution of SINA was discussed around preparation of the financial settlement for 2024/25, and it was agreed that there would be a review of both the quantum and distribution of SINA, to be led by COSLA, and to be concluded before preparation of the financial settlement for 2025/26.

OPTIONS FOR CONSIDERATION

- 6.1 The cost pressures on the Comhairle are well known, and the Comhairle has a long and effective history of making representations in support of island-proofing, at both funding and policy levels. Both the review of Special Islands Needs Allowance (SINA) and the establishment of the ICCEF are the results of such effective representations, and it is very beneficial for the Comhairle to be awarded this level of funding. Once again, it has to be noted that the funding is non-recurring and therefore has to be spent or at least committed in financial year 2024/25, and the sum cannot accordingly be relied on for future

budget planning. It is therefore necessary to consider how best the sum can be allocated, recognising that it is likely to be primarily consumed in mitigating reductions elsewhere in revenue budgets.

6.2 This sum is separate from funding allocated for assisting with cost-of-living pressures. The allocation of this funding is still to be confirmed, but the Comhairle share of the £1m is once again expected to be around £257k and will be the subject of a report to this Committee, in all likelihood at the September 2024 series of meetings. The Comhairle is again supporting the provision of measures to mitigate directly cost of living pressures.

6.3 The cost pressures known at present remain:

- winter maintenance;
- mainland placements;
- increases in costs of fuel/energy, goods, services and materials;
- the thus far unfunded wish to support the Comhairle's anti-poverty and other policy initiatives.
- School meals food supplies.

The Comhairle, on 1 May 2024, agreed that £120k of the funding be used to maintain the Community Transport budget during 2024/25, leaving £908k still to be allocated. It is suggested that a reasonable allocation of the sum would therefore be as follows:

- winter maintenance: £250k;
- mainland placements: £230k;
- building maintenance: £168k;
- anti-poverty support and related policy work: £120k;
- school meals: £140k.

6.4 The reasons for these suggestions are as follows:

- **Winter Maintenance:** while a recurring sum of £400k has already been allocated to the Winter Maintenance budget, the deficit for Winter 2023/24 was considerably in excess of that sum, and a further one-off allocation of funding would reduce the call on already diminished reserves;
- **Mainland Placements:** it is well known that the Mainland Placements budget is volatile and sometimes results in either over or underspends. A placement which was due to end shortly will not now be ending, and it would be prudent to allocate the suggested sum, again in order to mitigate any call on reserves;
- **Building Maintenance:** it is suggested that an additional sum be made available for building maintenance, in recognition that cost increases has meant that an increasing amount of the budget is restricted to statutory compliance works, and noting that £1.3million of additional capital was allocated to Roads Maintenance at the April/May 2024 series of meetings;
- **Anti-Poverty Support and related policy work:** It is clear that there is unlikely to be any funding support made available by other Community Planning Partners, despite previous hopeful indications of some funding support from NHS Western Isles. Support for the Comhairle's Anti-Poverty strategies, which the Comhairle leads on behalf of the entire Western Isles community, and related policy work on Corporate Strategy priorities, and Community Planning, has been evident for some time. It is suggested that an additional sum, to a maximum of £120k be awarded to secure recruitment to a currently vacant part-time post within the Policy Unit, for a period of three years, in order to give some stability to the Comhairle's leading work on anti-poverty support, and cost of living mitigation; and
- **School Meals:** the contracts for provision of food supplies for school meals have recently ended, and costs have increased significantly, as suppliers are reluctant to enter into new contracts. Again, it would be prudent to reflect this financial reality at this stage in the financial year, instead of calling on reserves at the end of the financial year.

CONCLUSION

- 7.1 The additional sum of £1.028m of ICCEF funding provides the Comhairle with an opportunity to mitigate the additional costs which, while affecting all Councils in Scotland, are particularly felt within the Western Isles, for the reasons set out in paragraph 2.2 above. Mitigation of cost pressures, albeit on a 1-year non-recurring basis, will prevent or at least mitigate overspends and provide the Comhairle with maximum flexibility to assist with Budget Strategy for 2025/26 and beyond. The suggested distribution of the funding, set out in paragraph 6.3 above, represents analysis of cost pressures and corporate priorities and, it is submitted, represent a reasonable balance of distribution across these areas.