



Shetland

Islands Council

MINUTE

A & B

Executive Committee
Council Chamber, Town Hall, Lerwick
Tuesday 1 February 2005 at 10.30 a.m.

Present:

A J Cluness	L Angus
F B Grains	J A Inkster
J C Irvine	W H Manson
W A Ratter	W N Stove

Also:

I J Hawkins	J Henry
J Simpson	

In attendance:

M H Goodlad, Chief Executive
G Spall, Executive Director – Infrastructure Services
J Watt, Executive Director – Community Services
W E Shannon, Economic Development Manager
I Millar, Projects Manager
J Smith, Head of Organisational Development
D Fiedler, Chief Accountant
A Cogle, Service Manager Administration

Also:

P Dryburgh, Director, North Atlantic Fisheries College

Chairperson

Mr A J Cluness, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Minutes

The minute of meeting held on 26 October 2004, previously circulated, was confirmed.

1/05

Shetland Flag

Mr A J Cluness advised that Lord Lyon had recently accepted the Council's request to acknowledge the Shetland flag. Mr Cluness said that the flag had been in common use for around 10 years, and was now officially recognised and could be used in any capacity. Mr Cluness said this was particularly welcome in view of the Inter Island Games in July this year, where Shetland would have been the only participant without its own flag. All Members expressed their pleasure at this news.

2/05

North Atlantic Fisheries College Budget Proposals 2005/06

The Committee considered a report by the Economic Development Manager (Appendix 1).

Mr P Dryburgh, gave a PowerPoint presentation to Members, which gave a summary of the organisation's structure and various services provided. Mr Dryburgh also outlined the proposals relating to the voluntary redundancies and re-structuring, and explained the budget proposals for 2005/06, as outlined in the report.

During the discussion which followed, Mr A J Cluness, whilst declaring a non-pecuniary interest as Chairman of the Trust, said that the measures taken by the Trust had been necessary in order to balance the books. He said that the decisions taken in relation to the MSc and the Marine Hatchery had been done with reluctance, but the Trust had to face up to a non-growth budget. Mr Cluness went on to say that, unfortunately, those decisions may result in redundancies, but it was hoped that this would put the College on a better footing for the future, along with greater partnership with industry and funding agencies. Mr Cluness expressed his thanks to Mr Dryburgh and his staff for their work.

Mr W A Ratter said he echoed the sentiments expressed by Mr Cluness, adding that none of the decisions required were easy. Mr Ratter also declared a non-pecuniary interest as a member of the Board, and said that the Board had been unanimous in backing the Director's recommendations. He went on to refer to the possible change in name of the College to Centre, and said that he had previously suggested a name change to the North Atlantic Marine Centre. He said that whilst fisheries remained an important aspect of the College's services, a change in name as he suggested would broaden the scope and vision for the future.

(Mr W H Manson attended the meeting.)

Mr Ratter went on to ask if there was any issue regarding the funding of an MSc student by Shetland Catch. Mr Dryburgh said that the MSc was in pelagic fishing, not marine aquaculture, and whilst based at the college, the course was being provided through another University.

Mr W N Stove asked if there were any details regarding funding input from the fishing industry. Mr A J Cluness said that the fishing industry was always being encouraged to give funding, and they provided funding towards individual projects. However, he said that the industry was in dire straits and any additional 'across the board' funding was unlikely. Mr Dryburgh pointed out that the College did have students also from the fishing industry.

Mr A Inkster said he shared many of the concerns about funding, and whilst he accepted that the fisheries industries had been going through a difficult period, he nevertheless believed that there were areas that were doing very well, and overall contributed towards a large percentage of the local economy, and that they could have supported the College more than they had, as certain sectors would have the capacity to do so. Mr Inkster said that the College also had to look outwith the industry, and that the Director and Board had a difficult job. He said the College was large within a small area, and it needed to look outside the area for additional funding to reduce the deficit. Mr Inkster concluded by saying that he commended the College for the work done so far and wished it well for the future.

Mr L Angus said that the fishing industry did support the College, through their cadets and payment of student fees. Mr Angus went on to say that the College had resurrected engineering training and apprenticeships, which had been absent for about 5 years, and this was now of very high quality. He referred also to the introduction of the Merchant Navy training, and whilst this had so far been successful, the College would have to work hard to sustain it.

Mr W A Ratter moved that the Committee approve the recommendations contained in the report. Mr L Angus seconded, and the Committee concurred.

3/05

Quality of Life Initiative

The Committee considered a report by the Head of Finance (Appendix 2).

Mr W N Stove said he was pleased to that this funding was going to be extended again. However, he referred to his previous requests for the pedestrian crossing at Sound to be included within this funding, and despite assurances, he said it was not listed in the report. Mr Stove asked for clarification that the crossing was going ahead. The Executive Director Infrastructure Services confirmed that, although not listed separately in the report, the crossing was going ahead and was included within a general allocation for minor road improvements, included within the funding.

Mr L Angus said he would have liked an early opportunity to discuss the ideas for the allocation of funding. The Executive Director Community Services confirmed that Member involvement would be useful, particularly as recommendations from Community Councils had been over-subscribed. She agreed that discussions with Members would be undertaken in September/October, in time for the 2006/07 allocation.

Mr W N Stove moved that the Committee approve the recommendations in the report. Mr W H Manson seconded, and the Committee concurred.

Mr W H Manson said that future discussions should remember that a lot of funding was directed towards youth activities, and any reduction or withdrawal of this funding would be a major blow to the groups concerned.

Mrs F B Grains asked that Members be provided with some feedback on the projects listed.

4/05 **Community Councils – Financial Position**

The Committee considered a report by the Head of Finance (Appendix 3).

Mr J C Irvine said that he had contacted two Community Council Clerks, who had confirmed that some of the funding was committed, and not yet spent. Mr Irvine moved that the Committee ask the Council for delegated authority to look again at the figures. Mr W H Manson seconded, but questioned those balances of less than £1000. He said that he had been under the impression that balances under £1000 did not have to be returned.

Mr W A Ratter declared an interest, as a recipient of a Community Council grant for unadopted roads.

Mr A Inkster said that he had some sympathy with the Finance Section, as the returns from Community Councils were not being made according to the terms set down. He said that he would agree to a deferral to allow Community Councils to come back with confirmation of the figures.

The Committee noted that it had delegated authority in terms of budget responsibility, and accordingly, with the consent of the mover and seconder, agreed to defer the matter to the next meeting, and that Community Councils confirm their outstanding commitments, or otherwise, and confirmation from Finance to be provided regarding balances of less than £1000.

5/05 **The Capital Programme – CPMT Report – February**

The Committee considered a report by the Head of Finance (Appendix 4).

Mr J C Irvine said he was pleased to see the inclusion of Papa Stour Ferry Terminal within the programme, and despite earlier criticism regarding such expenditure for a small population, he said it would benefit the whole community.

Mr W A Ratter said the Council had previously agreed to draw down elements of funding to spend on the capital programme. He said that this had been done with a specific commitment to complete the marinas programme. Mr Ratter said that the only thing required now was for a report from Community Development to the CPMT. The Executive Director Community Services confirmed that a report was in progress, and agreed to take this forward.

Mr W H Manson referred to Annex A of Appendix 1, and asked that a meeting of the Accommodation Working Group take place at an early stage, in order to inform Members of the current position. Mr A Inkster also asked that definitions be provided for some of the abbreviations being used in that Annex. The Chief Executive agreed to call a meeting of the Group as soon as possible.

The Committee otherwise approved the recommendations in the report, on the motion of Mr A J Cluness, seconded by Mr W A Ratter.

6/05

Capital Programme Capacity Review

The Committee considered a report by the Chief Executive (Appendix 5).

Mr W H Manson said that this was an area that needed to be looked at in terms of producing a efficient and sufficient structure. In this regard, Mr Manson moved that the Committee approve the recommendations in the report but that, in addition, the appointed Head of Service, in conjunction with the Chief Executive, come forward with the structure proposals to the Council for adoption. Mr L Angus seconded, and the Committee concurred.

Mr A Inkster referred to paragraph 2.7 of the report, and to the statement that “any in-house expansion to meet additional demands will only be considered if it can be clearly demonstrated that the need cannot be supplied by the market at reasonable cost.” Mr Inkster said that whilst he did not disagree with that statement, he expressed a note of caution. He explained that the Council had to achieve best value, and if it was the case that the Council was paying a sector at a higher cost than it could itself, that may not be deemed best value. He said that people in his own area were finding it difficult to get contractors to carry out remedial works and repairs, and the Council needed to be extremely careful that if it was introducing new capital works, these should be phased in according to the capacity within Shetland to deal with it.

Mr W H Manson said that these were valid points being made. He said that other related issues were the design and engineering capacity within the capital projects unit, and the inability of local people to get small jobs done. He said that he hoped that the report to come forward from the Chief Executive and new Head of Service would address the issue of the capacity of local industry. The Chief Executive agreed that these issues would be addressed.

Mr L Angus said he was happy with the report, and the recommendation, adding that this would take the Council a step forward in its response to ensuring projects come in nearer to budget, and on time.

7/05

Single Status Project Update Report

The Committee considered a report by the Single Status Project Manager (Appendix 6) and approved the recommendations contained therein, on the motion of Mr L Angus, seconded by Mr J C Irvine.

Mr W N Stove said he was pleased to see the proposals, but referred to the numerous local agreements in place, and asked when these would be negotiated. The Executive Director Infrastructure Services advised that the issue regarding the working week was the biggest issue being concentrated on now by the Single Status Negotiating Forum. He said that 106 local agreements were in place, and Management’s position was that unless any negotiated agreement was written into the new terms and conditions, it would disappear. He said this was understood

by the joint Unions, and they would be coming forward with any such agreements they wished to retain. The Executive Director confirmed that these negotiations would take some time to resolve. Mr Stove said there was potential for some conflict, and was glad to hear these were being negotiated.

Mr J C Irvine commended the efforts of the joint Unions and Management so far. The Committee concurred.

8/05

Shetland College/Train Shetland Board of Management – 29 November 2004

The Committee noted the minutes of the Shetland College/Train Shetland Board of Management, held on 29 November 2004 (Appendix 7).

Mr W A Ratter expressed some concern regarding funding for SIC training. The Head of Organisational Development confirmed that a new set of training plans were being drawn up, and a summary would be brought forward in due course.

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A J Cluness
Chairperson



Shetland Islands

Council

MINUTE

A & B

Special Executive Committee
Council Chamber, Town Hall, Lerwick
Monday 7 February 2005 at 10.30 a.m.

Present:

A J Cluness	L Angus
F B Grains	J A Inkster
J C Irvine	W H Manson
W A Ratter	W N Stove

In attendance:

M H Goodlad, Chief Executive
G Spall, Executive Director – Infrastructure Services
J Watt, Executive Director – Community Services
G Johnston, Head of Finance
C Medley, Head of Housing
H Tait, Management Accountant
A Cogle, Service Manager Administration

Chairperson

Mr A J Cluness, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

9/05

General Fund Revenue Estimates and Council Tax Setting 2005/06

The Committee considered a report by the Head of Finance (Appendix 1).

The Head of Finance began by apologising for the late production of the report. He explained that this exercise was always run to a tight timetable, and with a lot of participants throughout the Council it was always going to be a last minute rush to get the report finalised. The Head of Finance thanked the staff involved for getting the report finalised, despite going beyond deadlines.

The Head of Finance emphasised that the main task for the Committee today was to advise the Council on the setting of the Council Tax for the next financial year.

The Head of Finance referred to Section 3.1 of the report, and to the Support Services ledger, indicating with particular reference to Table 1(a) that additional operating costs had been incurred due to additional

properties and the revenue costs associated with those assets. He said these included the new North Ness building for Development, changing the old Library to office premises, and the Shetland Business Innovation Centre for premises for Train Shetland. The Head of Finance referred to Table 1(b), stating that there were no significant variances on Recharged Services. He then moved on to the General Fund and Table 2. This indicated a 2005/06 ceiling for the deficit for the year of £3.1m. He said that the Council's budget strategy was to ask all budget responsible officers to reduce budgets and thereby reduce that deficit. He said the reality was, however, that with budget pressures and all the things that have been submitted, the situation had worsened, rather than improved. He said that the outturn as of now was a £5.7m deficit, even after doing a number of things to limit it. For example, he said that all economic development spending had been transferred to the Reserve Fund, and this had lifted some burden on the General Fund, or the situation would have been at a £7.7m deficit. The Head of Finance said that genuine service spending pressures were affecting all budgets, some of which were local, others were national, some by increasing client groups. However, he said that the Council had a major task to undertake to get an appreciation amongst budget responsible officers of the problem that was now being faced.

The Head of Finance said that there was a now a need to engage the community and Councillors in respect of what the Council does in all major service areas. He said that he had set out the options; either raise the Council Tax, but this would not have the revenue raising capacity; raise fees and charges; or reduce expenditure. He said that whilst this was the primary objective, and the task forces were the immediate means by which that would be tackled, the alternative would be to take contributions from the reserves. The Head of Finance said that was contrary to Council policy, and if it did so, those funds would not be available to invest in the capital and long term future of Shetland. However, he said it was inevitable that the Council would be drawing on those reserves, and all the options referred to above would be faced.

The Head of Finance stated that he had not had the opportunity or time to tease out the implications of the budget exercise, but this would be subject to a report to the Council in May/June this year. He said that he had highlighted one or two areas of particular concern within the budgets, education is the biggest spending service and source of growth, and to a lesser extent Social Work and ferries. He said that those areas would be the focus of attention by the task forces. The Head of Finance said that consequent to decisions of the Council this week, officers were continuing to work at reviewing the detail of the budgets up to end of the financial year. In conclusion, the Head of Finance said that he would report in March on the short term perspective, the task forces would report in the medium term, and he would produce an overall financial summary in the early Summer, giving the longer term view.

Mr W A Ratter said it was important to get the belief across the Council that there was a problem. However, he said that this was sometimes difficult to get across, and those who had difficulty believing that there

were any dire consequences, have been proven right so far. Mr Ratter said that the task forces would have an important role in addressing that situation. Mr Ratter went on to say that he believed the Council should not raise the Council Tax above the rate of inflation. In addition, Mr Ratter said he had no objection in principle to the transfer of economic development funding to the Reserve Fund, but needed convincing that this would not have any detrimental affect on the GAE.

The Head of Finance said that one of the jobs of his Summer report would be to provide qualitative information on the situation now, compared to years past. He confirmed that the Council was not in immediate danger of a cash crisis, but if it continued to consume reserves, the Council would be unable to continue with any investments or revenue support funding. Regarding economic development funding, the Head of Finance said that the combined total of General Fund and Reseve Fund spending was declared to the Scottish Executive and which therefore determined the GAE. He said that whilst the change would provide a local benefit, this would not affect the RSG.

Mr J C Irvine said that he was concerned that the review of Education had now been put on the back burner following the failure of the Best Value Service Review. He went on to refer to Infrastructure, and expressed his congratulations to the Executive Director for bringing the budget in under £50k. Referring next to the voluntary sector, Mr Irvine said that he had recommended at the last meeting of the Services Committee that £13k be included within the Community Development overspend of £146k for the employment of a receptionist at the new Harbour Street centre. The Executive Director Community Services advised that this had not been included within the figures presented today. Accordingly, Mr Irvine moved that the Executive Committee also recommend to the Council that it increase the overspend of Community Development by approximately £13k as a measure to ensure that some reassurance is given to the voluntary sector. Mr A J Cluness seconded, and the Committee concurred.

Mr A Inkster said that the report from the Head of Finance spelled out fairly clearly how serious the position was, and that the overbid on the General Fund of £5.7m was unsustainable. He said that it was clearly understood that using reserve funds was an option, but to continue to do so would deplete those reserves for the future. Mr Inkster said that he believed the report indicated the need for Members to ensure better husbandry of the accounts, and it was down to Members to make the final decisions. Mr Inkster said that so far he did not think that Councillors were fulfilling that responsibility as fully as they should for their electorate. Mr Inkster said that the report indicated a serious problem, and Members were advised about this annually, but the Council's aspirations were greater than the ability to achieve them, and the Council was not taking the appropriate actions. Mr Inkster went on to say that he agreed that Council Tax should only be increased with inflation, and moved as an amendment that the Council Tax not be increased by more than inflation.

Mr W H Manson said that it was correct that the Council had been advised of the consequences of depleting reserves, but some recovery was made through the stock markets, and savings achieved by investments through the Trusts. However, Mr Manson said that stock market returns could not be relied upon, and the Council would have to cut its cloth accordingly. Mr Manson said that he believed the basis for the inflation figure was more like 2/3%, and sought clarification on the figure. Referring to Education, Mr Manson said that whilst this service area was significantly over target, this was less so than in previous years, and he was confident that it could be reduced further, with the added assistance of the task group.

Mr W N Stove said that whilst he was not happy about raising the Council Tax, he understood the reasons for that. However, he added that the Scottish Executive had to accept some responsibility for putting more responsibility on local authorities for various initiatives and projects, such as special needs and disability access requirements, but no additional funding was being offered.

Mr W M Manson said that the Council had the second highest Council house rents in Scotland, and increasing the Council Tax would be a double whammy for many people.

The Head of Finance said that the Council's policy was to continue to increase the Council Tax by more than inflation, and was based upon the Scottish average, plus £33, and that would result in an increase for Band D equivalent in 2005/06 to £999. However, he said that the report was recommending a departure from that, and was recommending that the Council confine the increase to the Scottish average and not put a supplement on top of that, which would result in a Band D equivalent Council Tax level of £981 for 2005/06, which was an increase of 4.8%.

The Executive Director Community Services advised that a lot of work was still continuing with regard to the Education Service budgets. Regarding Social Work, she said that there were some real growth coming through, but that the Social Work task force would be addressing those issues. She added that Head Teachers were being involved in the review of the Education budgets.

Mr W H Manson referred to the increase in bus fares, and asked what the financial impact would be if those fares were reduced by 50%. He said his reasons for seeking to reduce fares included the fact that the service was mostly used by a low income group, and that reducing the costs may go some way towards preventing the drift towards Lerwick. The Head of Finance advised that he did not have that information to hand, but would provide the information to Members at the Council meeting on Thursday.

The Chief Executive said that alongside the work of the task forces, some managerial actions had also been discussed with members previously. He said this included a general freeze on recruitment, with operational exceptions, and another period of encouraging voluntary redundancy and early retirement. The Chief Executive asked if Members were supportive of these as appropriate managerial steps. Members agreed.

Mr A J Cluness, seconded by Mr W H Manson, moved that the Committee approved the recommendations in the report, subject to the additional motion made by Mr Irvine, and further information to be provided regarding a reduction in bus fares.

Mr A Inkster moved as an amendment that the Council Tax only be increased by no more than inflation, although he sought confirmation as to what was considered the appropriate inflation rate.

The Head of Finance advised that the most suitable figure would be to increase the Band D equivalent to £963, which would be an increase of 2.9%, which was considered an appropriate inflation figure for local authorities.

In response to questions, the Head of Finance confirmed that the motion from Edinburgh City Council was being presented to all local authorities for support, and had not been produced through CoSLA.

Mr W A Ratter said that he was not going to second Mr Inkster's amendment. He said he could see the problems if a lower Council Tax was set, and was prepared to wait until further debate at the Council meeting.

Mr W H Manson said that Social Work probably had a bigger task than most areas, not only because inflation was running higher within local authorities, but the Service was only just getting up to establishment, resulting in it being over target.

There being no seconder for the amendment, the motion was declared the finding of the meeting.

10/05

Housing Revenue Estimates (HRA) and Other Charge Setting

The Committee considered a report by the Head of Finance (Appendix 2).

The Head of Finance said that the management of the Housing Service had to be commended for its very tight control of the service. He said that the increase in rents had been held down to 2%, and would not be drawing upon the Housing R&R fund, and would make contributions to those reserves this year. The Head of Finance said that the Housing Revenue Account was solid, stable and in a sensible position, and the future challenge would be to focus on the long term view of the HRA and look at proposals that will be brought forward on the requirements for

social housing in Shetland. He said that the Council would receive reports in due course on that, but this report highlighted an example of good tight management of a service.

Mr W H Manson offered his congratulations to the Housing Service. He said that whilst he would like to improve the cost of living, and see rents retreating a little bit, keeping the increase down to 2% was commendable. Mr Manson accordingly moved the recommendations in the report. Mr W A Ratter seconded, and went on to add his congratulations to the Housing staff. Mr Ratter added that this outturn should help towards the Council's proposal for transfer of the housing stock, and Members agreed that steps should now be taken to progress discussions with the Scottish Executive in this regard.

The meeting concluded at 11.50 a.m.

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A J Cluness
Chairperson

