

**Audit & Standards Committee****9 May 2013****Matters Arising****Report : IP-10-F****Performance & Improvement Adviser****Corporate Services****1 Summary**

- 1.1 This report is a standing item on the Audit & Standards Committee agenda. It provides Members with an update on items from previous meetings, items raised by Members and any forthcoming or overdue "Work Programme" items.

2 Decision Required

- 2.1 The Audit and Standards Committee should consider the contents of this report and highlight any issues that they feel should be monitored or further addressed through this Committee, other Committees or Council management.

3 Previous Items**Absence Management**

- 3.1 The June 2012 meeting of Audit & Standards Committee requested "Regular reporting and more in-depth scrutiny into absence management within the Council" ([Min Ref 12/12](#)).
- 3.2 In November 2012 the Executive Committee approved a new "Maximising Attendance" Policy ([Link](#)). Training on the new policy and associated procedures is complete and the new policy is now in place.
- 3.3 Appendix A has the latest absence information for the whole Council, and Directorates. The current target is for the Council to be in the top quartile in Scotland. This translates to approximately 3% absence for teachers and 4% for all other staff.
- 3.4 It should be noted there is a large increase in sickness in January 2013, much more than the increase in January 2012. Sickness rates are seasonal and usually increase in January. However, this increase is significantly higher than previous years.

- 3.5 Analysis of January sickness reasons shows a disproportionate increase in sicknesses categorised as “infectious”, this is likely to be the spate of norovirus infections seen at the time. Managers in the areas most affected by the increase have been alerted.
- 3.6 Early indications of February sickness rates seem to indicate that January 2013 was a one-off, and not the start of a significant trend. All Executive Managers get monthly sickness reports for their area and continue to prioritise Promoting Attendance at monthly team meetings.
- 3.7 Work is underway to reduce the current time-lag between the actual absence and statistical information becoming available to managers.

Properties Owned

- 3.8 The March 2013 meeting of the Audit & Standards Committee requested “a comprehensive report on all properties owned by the Council”
- 3.9 The report is a separate item on today’s agenda.

Procurement

- 3.10 The March 2013 meeting of the Audit & Standards Committee requested a report on “the processes and standard procedures followed by all Directorates in relation to procurement within the Council”
- 3.11 The requested report will be presented at a future meeting.

Mareel

- 3.12 The March 2013 meeting of the Audit & Standards Committee requested a “full and comprehensive report on Mareel”
- 3.13 The requested report will be presented at a future meeting.

New Anderson High School

- 3.14 The March 2013 meeting of the Audit & Standards Committee requested that “the role of the Audit & Standards Committee in scrutinising the project was to be confirmed”.
- 3.15 The Council’s Constitution, Part A – Governance ([LINK](#)) established the “Managing Body” for the Council’s Capital Programme is the Executive Committee and the “Relevant Functional Committee”.
- 3.16 The Council’s Constitution, Part C – Scheme of Administration and Delegations ([LINK](#)) established the Audit & Standards Committee’s terms of reference as “ To examine the activities ... of the Council and exercise a governance role over management efforts to ensure that ...value for money is being obtained, all in accordance with Best Value requirements”

Financial Investigation

- 3.17 The August 2012 meeting of the Audit & Standards Committee discussed commissioning a report on how the Council's current financial position has come about. It was agreed that, rather than a full investigative report, existing information could be collated. ([Min Ref 14/12](#)).
- 3.18 The report is a separate item on today's agenda.

Managing ICT Contracts

- 3.19 In August 2012 the Committee considered a national report from Audit Scotland "[Managing ICT Contracts](#)". The committee requested assurance that Council ICT contracts are being managed efficiently ([Min Ref 21/12](#)).
- 3.20 As a follow-up to the above requests, the March 2013 meeting of the Audit & Standards Committee also requested "information on numbers and levels of PRINCE 2 training undertaken by Council staff."
- 3.21 The Executive Manager – ICT has responded:
- "All ICT Analysts are PRINCE 2 qualified and all ICT Technicians are either Microsoft Certified Engineers or CISCO Certified Network Engineers."

4 Future Items

- 4.1 The September 2012 meeting of the Council approved the process of inviting Chairs and Vice Chairs from the relevant Council Committees to attend Audit & Standards Committee meetings and discuss their Committee's work ([Min Ref 77/12](#)).
- 4.2 It may be appropriate to re-examine this arrangement as part of the forthcoming review of Governance arrangements.

Training

- 4.3 In August 2012, the Council provided training to Audit & Standards Committee Members. In December 2012 the Committee agreed "that similar training should be offered to all elected Members, and feature as part of next year's training programme" ([Min Ref 26/12](#)).
- 4.4 The next Audit & Standards Committee meeting is on 27 June 2013. Therefore, it may be appropriate to organise Audit & Standards Committee Member's refresher training during early June 2013. This will allow any matters raised at the training to be discussed formally prior to the summer recess.
- 4.5 The Committee should also consider whether a separate training session for all Members should be organised for 2014. This training would cover the interaction between Audit & Standards and other committees.

5 Implications

Strategic

- 5.1 Delivery On Corporate Priorities – This report is in line with Section 4 of the Council's 2012/13 Improvement Plan, "We ensure the Council exhibits good governance and maintains strong internal accountability".
- 5.2 Community /Stakeholder Issues – NONE
- 5.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the remit of the Audit and Standards Committee includes promoting good internal control, financial management, risk, governance and performance management.
- 5.4 Risk Management – Failure to undertake a robust approach to Audit & Standards may risk the Council not following its own improvement plan.
- 5.5 Equalities, Health and Human Rights – NONE.
- 5.6 Environmental – NONE.

Resources

- 5.7 Financial – No direct implications.
- 5.8 Legal and Administration– No direct implications
- 5.9 Human Resources – No direct implications.
- 5.10 Assets And Property – No direct implications.

6 Conclusions

- 6.1 This report gives the Members of the Audit & Standards Committee an update on outstanding items and an opportunity to suggest items for the 2013/14 "Work Programme".

For further information please contact:

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24 April 2013

List of Appendices

Appendix A - Absence Information

Audit & Standards Committee - Absence Management

Generated on: 25 April 2013

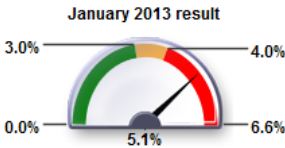
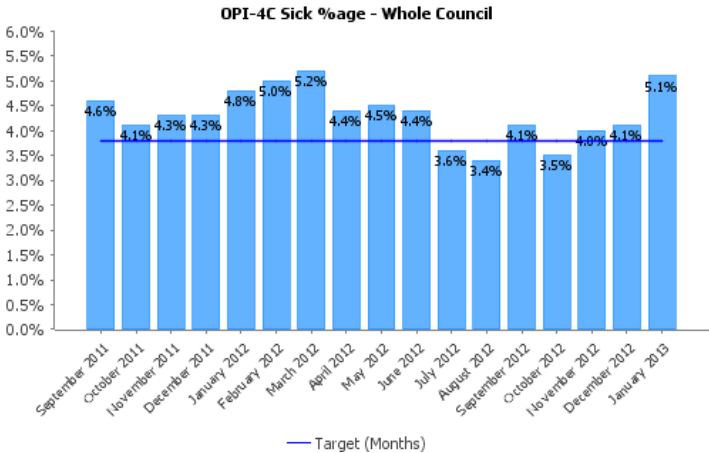
Percentage Rate Of Sickness in Whole Council

Short-Term

Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Getting Worse

Getting Worse



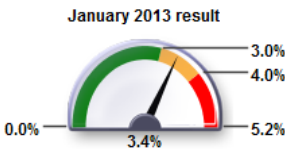
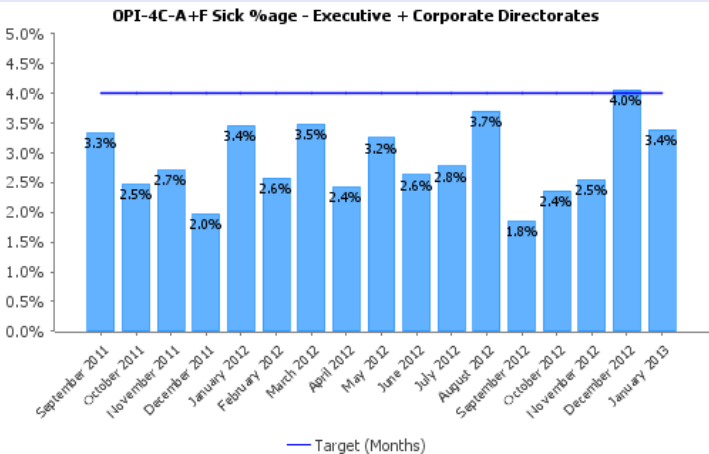
Percentage Rate Of Sickness in Executive + Corporate Directorates

Short-Term

Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Improving

Getting Worse

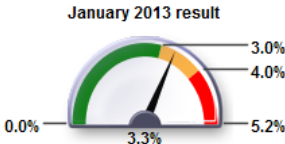
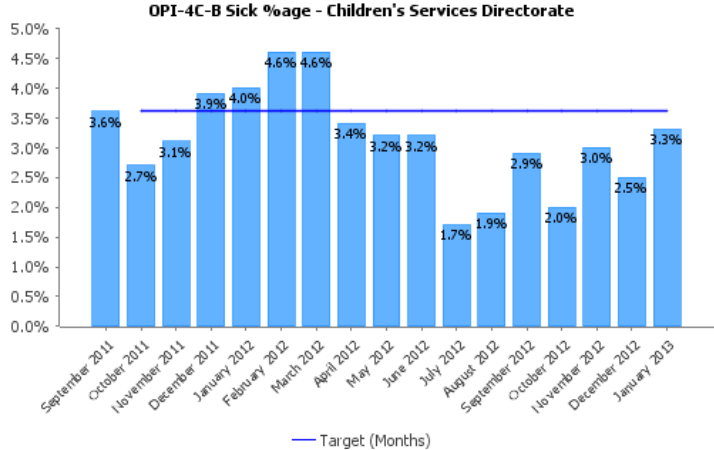


Percentage Rate Of Sickness in Directorate - Children's Services

Short-Term Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Getting Worse

Getting Worse

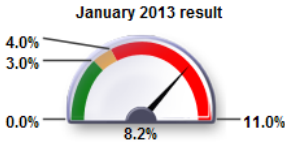
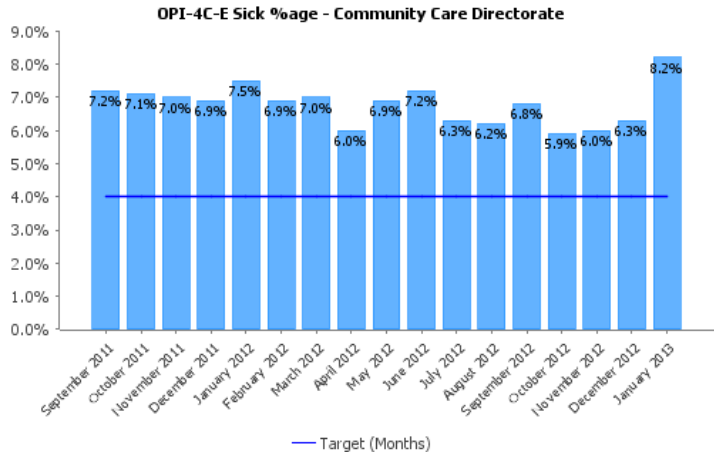


Percentage Rate Of Sickness in Directorate - Community Care Services

Short-Term Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Getting Worse

Getting Worse

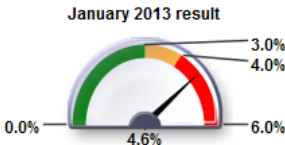
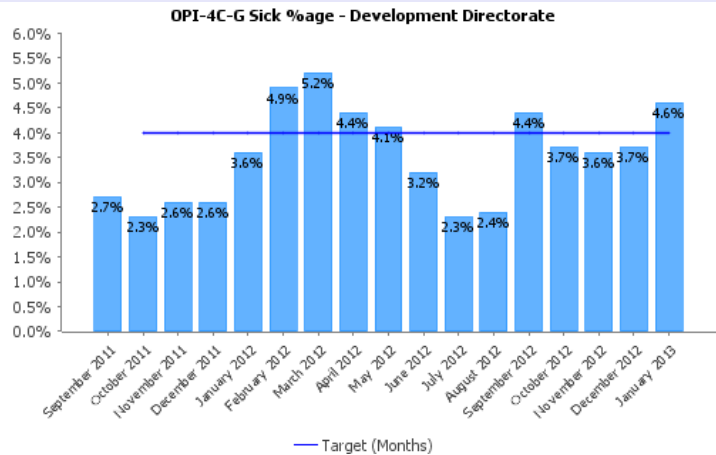


Percentage Rate Of Sickness in Directorate - Development Services

Short-Term Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Getting Worse

Getting Worse

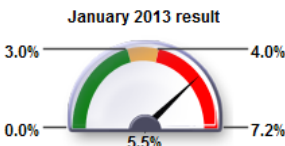
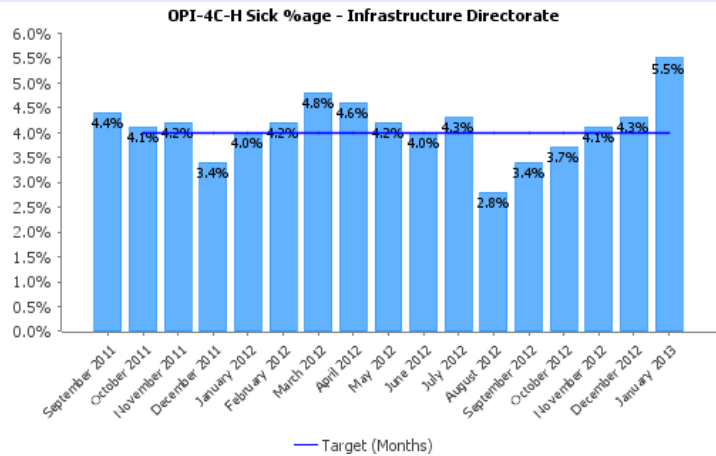


Percentage Rate Of Sickness in Directorate - Infrastructure Services

Short-Term Long-Term

Purpose & Guidance

This indicator shows the percentage of CALENDAR days that are "absent due to sickness", it does not measure "working days". It does not include compassionate leave, Maternity/Paternity or any other leave other than sickness. It does not take into account whether a person is on full-pay, half-pay or zero-pay.



Getting Worse

Getting Worse



**Audit and Standards Committee****09 May 2013****Audit Scotland Reports****Report No: IP-07-13-F****Report from: Performance and Improvement
Adviser****Corporate Services****1.0 Summary**

- 1.1 This report contains links to ALL public reports produced by Audit Scotland, that are not part of separate reports to this Committee. It covers all reports issued since the last meeting of the Audit and Standards Committee.

2.0 Decision Required

- 2.1 The Audit and Standards Committee should consider the linked reports in Appendix A and highlight any issues that they feel should be monitored or further addressed through this Committee, other Committees or by Council management.

3.0 Detail

- 3.1 Representatives of Audit Scotland are expected to be in attendance to provide further background or answer questions.

4.0 ImplicationsStrategic

- 4.1 Delivery On Corporate Priorities – Improved external engagement and sharing best practice are both elements of the Council's Improvement Plan.
- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – The Audit and Standards Committee remit includes consideration of all reports from Audit Scotland.

- 4.4 Risk Management Failure to deliver effective external engagement and learn from best practice elsewhere increases the risk of the Council working inefficiently.
- 4.5 Equalities, Health And Human Rights – NONE
- 4.6 Environmental - NONE

Resources

- 4.7 Financial – No direct implications
- 4.8 Legal – No direct implications
- 4.9 Human Resources – No direct implications
- 4.10 Assets And Property – No direct implications

5.0 Conclusions

- 5.1 The linked reports provide valuable information for Committees and officers throughout the Council.

For further information please contact:
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24 April 2013

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Appendix A – List of Linked Reports

END

Appendix A – List of Linked Reports

Report Title	Appropriate Body	Excerpt
Management of Patients on NHS waiting lists	n/a	“Non-executive directors of NHS boards should ensure they have the full range of information available to scrutinise how their board is applying waiting list codes and planning and managing capacity to meet waiting time targets.”
An overview of Scotland's criminal justice system - Twelve month impact report	Social Services Committee	“The criminal justice overview report ... has been used to help formulate policies at a national level and the evidence in the report is being used to drive improvement across the criminal system”.
Major capital investment in councils	Executive Committee	<p>“ Councils Should: improve the quality of capital project and programme information that is routinely provided to members.</p> <p>Information should cover: – annual financial performance against the capital budget – project and programme level performance against cost, time and scope targets – risk reporting (including identification, likelihood, financial impact and actions taken) – an assessment of intended and realised benefits”</p> <p>“Estimating for schools projects is more accurate than for non-schools projects.”</p>

Appendix A – List of Linked Reports

Report Title	Appropriate Body	Excerpt
Improving community planning in Scotland Community Planning in Aberdeen Community Planning in North Ayrshire Community Planning in Scottish Borders	Executive Committee	<p>“CPPs [Throughout Scotland] have not been clear enough about the key priorities for improvement in their area. SOAs have tended to be summaries of existing planned actions, covering all national outcomes, without clearly focusing on things that matter most for the local area”.</p>
Responding to Challenges and Change	Executive Committee	<p>“the overall aim for councils is to achieve Best Value and improve outcomes. Common themes are leadership and governance, partnership working, service changes and performance information and management.”</p>

**Audit and Standards Committee****9 May 2013****Assurance and Improvement Plan Update 2013-16****Report No: IP-08-13-F****Report from: Performance and Improvement
Adviser****Corporate Services****1.0 Summary**

- 1.1 This report enables the Council's External Auditors to present the "Shetland Island Council – Assurance and Improvement Plan Update 2013-16" (Appendix 1). Audit Scotland will be in attendance to present the report.

2.0 Decision Required

- 2.1 The Audit and Standards Committee should consider this report and highlight any issues that they feel should be monitored or further addressed through this Committee, other Committee or by Council Management.

3.0 Comment on Content

- 3.1 Sections 14 to 15 of the report show that in most areas there is no change in the risk assessment from 2012/13 to 2013/14. Section 16 shows that assessments in the following areas **have** changed:

Area	2012/13 assessment	2013/14 assessment	Change
Vision and Strategic Direction	Uncertainty	No Scrutiny Required	Better
Governance and Accountability	Significant Concerns	Further Information Required	Better
Customer Focus and Responsiveness	Not Assessed	No Scrutiny Required	N/A
Risk Management	Not Assessed	Scrutiny Required	N/A
Use of Resources – Financial Management	Significant Concerns	No Scrutiny Required	Better

Area	2012/13 assessment	2013/14 assessment	Change
Use of Resources – Asset Management	Significant Concerns	Further Information Required	Better
Use of Resources – Managing People	Uncertainty	No Scrutiny Required	Better
Use of Resources – Procurement	Significant Concerns	Further Information Required	Better
Use of Resources – Financial Position	Uncertainty	Scrutiny Required	Worse

3.2 In response to the assessment on Risk Management, the Team Leader – Safety and Risk has responded: *“All of the departmental risk registers are now complete. The Corporate and Strategic Risk Registers have been aligned to take account of changes to strategic objectives and will come before CMT on 14 May for finalisation/sign off.”*

3.3 In response to the assessment on Use of Financial Resources – Financial Position, the Executive Manager - Finance has responded: *“The changed assessment on the Use of Resources – Financial Position merely reflects the fact that the Council continued to spend well in excess of the levels of income available to the Council in 2011-12 and as a result the reserves ended the year below the £250m reserves floor for the first time.*

There is now a recognition amongst Members and Officers that continuing on that course would have resulted in the reserves being fully depleted in the short term. As a result a Medium Term Financial Plan was approved in September 2012 which sets out a road map for financial sustainability during the lifetime of the Council.

Since then a challenging budget was approved in February 2013 which if delivered will move the Council towards a financially sustainable position. Finally, early indications are that the 2012-13 budgeted savings targets were exceeded and the draw on reserves for 2012-13 was significantly lower than the previous year.”

3.4 Section 17 of the report confirms that the forthcoming Best Value review has been moved to 2014/15 to allow time for the Council's current initiatives to work through more fully.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The accompanying report is an external opinion on whether the Council is delivering on its established Corporate Priorities.

- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – In accordance with Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit and Standards Committee has responsibility to promote good internal control, financial management, risk, governance and performance management.
- 4.4 Risk Management – Failure to react to issues identified by the Council's external inspections will risk the Council's reputation.
- 4.5 Equalities, Health And Human Rights – NONE
- 4.6 Environmental - NONE

Resources

- 4.7 Financial – No direct implications
- 4.8 Legal – No direct implications
- 4.9 Human Resources – No direct implications
- 4.10 Assets And Property – No direct implications

5.0 Conclusions

- 5.1 This short report introduces an update on the Council's Assurance and Improvement Plan, put together by the Council's main inspection agencies. They provide observations on the performance of the Council.

For further information please contact:
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24 April 2013

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Appendix 1

Shetland Island Council – Assurance and Improvement Plan Update 2013-16

Shetland Islands Council

Assurance and Improvement Plan

Update 2013-16

April 2013

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Introduction

1. The first Assurance and Improvement Plan (AIP) for Shetland Islands Council (the council) was published in July 2010. That document set out the planned scrutiny activity for the council for the period April 2010 to March 2013 based on a shared risk assessment undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies. The aim of the shared risk assessment process was to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period. The local area network met again in November 2010 and November 2011 to update the AIP. The last AIP Update was published in May 2012 covering 2012-15.
2. This update is the result of the shared risk assessment which began in October 2012. The update process drew on evidence from a number of sources, including:
 - The annual report to the Controller of Audit and elected members for 2011/12 from the council's appointed external auditors.
 - The council's own performance data and self-evaluation evidence.
 - Evidence gathered from Education Scotland, the Care Inspectorate and the Scottish Housing Regulator (including published inspection reports and other supporting evidence).
3. A timetable for proposed audit and inspection activity between April 2013 and March 2016 which reflects the revised and updated scrutiny risk assessment is at Appendix 1.
4. Following feedback about the clarity of the Shared Risk Assessment process we have amended our criteria to make it clearer what we mean. Our assessment criteria descriptions used last year have changed from 'significant concerns' to 'scrutiny required'; 'no significant concerns' to 'no scrutiny required'; and 'uncertainty' to 'further information required'.

Summary

5. Over the past year the council has continued to make progress and demonstrate its commitment to continuous improvement. However, the LAN has reflected on what has been a year of considerable change for the council. From a political perspective, a new independent administration was elected in May 2012. At an organisational level, council staff have moved into a new corporate headquarters building combining services which had previously been located in various locations.
6. The Accounts Commission's statutory follow-up report in January 2013 noted significant progress made by the council, particularly in continuing to develop a culture of continuous improvement. The Accounts Commission also noted improved relations between councillors and officers which is helping deliver clear strategic direction and leadership. Elected members have commenced a development training programme which has played an important role in the council's improvement. The council has also made significant improvements in its financial reporting. The 2011/12 financial statements received an unqualified audit opinion for the first time since 2004/05. However, the council faces a significant challenge to deliver services on a more sustainable basis. This will need careful consideration of options and a full appreciation of costs. The council is engaging well with its communities in discussing these challenges. The Accounts Commission's recommendation was that the council's progress will now be monitored as part of the annual audit process. Concerns remain over the financial position of the council, in particular the current level of draw on reserves which cannot be sustained beyond the short-term. As part of its improved processes, the council has agreed a medium- term financial plan.
7. The Council is also continuing to develop performance management arrangements as set out in the Planning and Performance Management Framework (PPMF) in July 2011. We will continue to keep this area under review during the annual audit process.
8. The Welfare Reform Act is the biggest reform of the UK welfare system for 60 years and creates a new Universal Credit for working age claimants. This will impact across a wide range of council services including housing, asset management, finance, information & communication technology (ICT) and customer service. The extent of this impact is not yet clear, however, a Financial Resilience Welfare Reform sub-group of the Fairer Shetland Partnership has been set up to develop and implement an action plan to address welfare reform and financial resilience. This, and the overall level of change within the council, emphasises the need for sound risk management practices to be in place. The council is continuing to update its strategic and departmental risk registers to re-align with council priorities.

National risks

9. Local councils are operating within a context of significant change as a result of the challenging financial environment and the public service reform agenda, including the review of community planning, health and social care integration, police and fire reform, college regionalisation and welfare reform. The Local Government Scrutiny Co-ordination Strategic Group is currently considering how audit and inspection arrangements should collectively respond to these significant strategic developments, recognising the increasing importance of partnerships and outcomes for Scotland's public services.

10. A number of core National Risk Priorities are applied to all 32 councils. These are:

- **The protection and welfare of vulnerable people (children and adults) including access to opportunities**

At the request of Scottish Ministers, the Care Inspectorate is developing a model of joint inspection of children's services in community planning partnership areas in Scotland, in cooperation with other scrutiny bodies (Education Scotland, Healthcare Improvement Scotland and HMICS). These inspections will focus on how well local public bodies (councils, the NHS, police, etc.) are working together to deliver effective outcomes for children and young people. Development work involving Angus Council took place in April/May 2012. These joint inspections, which will report publicly, began in the autumn 2012. This inspection will be performed in Shetland after 2013/14.

In addition, the Care Inspectorate is working in cooperation with Healthcare Improvement Scotland to develop an approach to inspecting adult care and health services drawing on its experience of implementing joint inspections of child protection and children's services. Development work involving a number of local authorities is underway and will continue into the early part of 2013. Following this, the Care Inspectorate will implement a programme of these inspections. Further details of the schedule will be confirmed in due course.

Subject to Ministerial approval, the Care Inspectorate, in partnership with the Association of Directors of Social Work (ADSW) and the Risk Management Authority (RMA) will undertake supported self-evaluation across the 32 local authority criminal justice social work services during the latter part of 2013. This will look at the impact of the Level of Service Case Management Inventory (LSCMI), otherwise known as the national assessment and care planning instrument. This particular approach is one of a number of approaches the Care Inspectorate will use in its current and future scrutiny and improvement work in this area.

The Scottish Housing Regulator (SHR) plans to carry out a thematic inspection into the outcomes that local authorities are achieving by delivering a Housing Options and Prevention of Homelessness approach. SHR will carry out this thematic inspection during the first half of 2013/14. This is likely to involve fieldwork visits to a small sample of local authorities. SHR is currently identifying potential fieldwork sites and will be contacting those councils that it would like to visit in early 2013.

The council is planning ahead for the implementation of the Welfare Reform Act and the introduction of the Universal Credit, both of which may lead to further pressures on services. This area will be kept under review by members of the LAN. As identified on page 12, certain aspects of the Housing Service remain areas where further information is required.

The council's social care services are provided through the Children's Services and Community Care directorates. The Care Inspectorate carried out a programme of inspections of regulated services during 2012 within the council in accordance with its statutory obligations and annual inspection plan. The Care Inspectorate did not identify any concerns regarding the council's management of directly provided social care services.

The council has implemented two out of the three recommendations made in the Care Inspectorate's most recent scrutiny report published in June 2011. However, the development of a clear framework for self evaluation of social work services is still at an early stage. The Care Inspectorate will continue to monitor progress in this area.

- **Assuring public money is being used properly**

The annual audit of the financial statements forms part of the baseline scrutiny of councils. This audit examines the financial management and controls in place. Assurance on the regularity of expenditure is obtained through the annual audit process.

The Accounts Commission's statutory follow-up report was issued in January 2013 and noted that the council has continued to make good progress on its improvement agenda. It has appointed a permanent chief executive and a chief financial officer and agreed a medium-term financial plan which clearly sets out the challenges facing the council, together with actions to address these. The council's 2011/12 financial statements were of good quality and were not qualified. The Accounts Commission concluded that the council needs to continue to sustain its positive direction of travel and difficult decisions will be required to address the significant financial challenges.

The council continues to work on the development of its performance management arrangements as set out in the Planning and Performance Management Framework (PPMF) in July 2011. The PPMF details how the council's strategic and operational plans are linked and how progress against these plans will be monitored and reported. We will continue to keep this area under review during the annual audit process. The overall level of change within the council, increases the need for sound risk management practices to be in place. The council is updating its strategic and departmental risk registers to re-align with council priorities. Once complete, it is intended that the risk registers will be reviewed by the corporate management team and formally approved by the Audit and Standards Committee.

- **How councils are responding to the challenging financial environment**

Recognising the significance of the uncertain financial context within which councils operate, Audit Scotland produced Scotland's Public Finances: Addressing the Challenges in August 2011. Follow up work around the issues raised in the report will be undertaken

in each council during 2013/14 to provide the Accounts Commission and the Auditor General for Scotland with evidence on the progress that public bodies are making in developing a strategic response to these long-term financial challenges. In addition, a specific piece of work on Scottish Public Finances: Workforce Planning will be undertaken in 2013/14.

As reported in previous years, concerns remain over the financial position of the council. In 2011/12, the council spent £205 million on the provision of public services with net operating expenditure of £147 million. Taking investment transactions into account, there was an overall deficit of £34 million and, after statutory adjustments, the draw on reserves was £36 million. With a total reserve balance of £239.046 million as at 31 March 2012, the current level of draw on reserves cannot be sustained beyond the short-term and this is a crucial message for the council to note in addressing its financial and service planning for future years. To achieve a balanced budget over the medium term, the council has agreed a five year financial plan. This challenging plan aims to achieve total savings of £38.360 million by 2015/16 while maintaining a minimum reserve balance of £125 million. The council's management accounts for the 9 month period to 31 December 2012 indicated that there was a projected revenue underspend of £1.6 million on the general fund with the total draw on reserves projected to be £22 million.

The Medium Term Financial Plan (MTFP) is a good example of the improvements made to financial reporting which is now clearer and less ambiguous. This is in marked contrast to the way financial matters were reported in previous years.

In addition, the council's Housing Revenue Account has net borrowing from the council's general fund of £40.6 million. However, due to the Scottish Government's reform of the HRA, this level of debt may be unsustainable. The Council is developing a plan to address this debt over a 30 year period.

No additional scrutiny work is planned, however, we will continue to monitor the financial position of the Council during the annual audit process.

11. At the request of Scottish Ministers, Audit Scotland has piloted an approach to auditing community planning partnerships (CPP) and the delivery of local outcomes. The CPP audit model was tested during 2012/13 in three council areas (Aberdeen City, North Ayrshire and Scottish Borders). Following evaluation of the approach in early 2013, a number of CPPs will be audited during the second half of 2013/14. Audit Scotland will be contacting the selected audit sites in spring 2013.
12. The Equality and Human Rights Commission (EHRC) has commissioned a piece of work to assess the extent to which Scottish public authorities have complied with the specific duties of section 149 of the Equality Act 2010 during 2013. The results of this activity will be reflected in future Shared Risk Assessment work.
13. The LAN is committed to maintaining its engagement with the council between now and the next SRA cycle so that we can retain an overview of how the council is managing its response to the significant financial challenges that it and all other Scottish public bodies face.

Areas that remain 'no scrutiny required'

14. This update focuses predominantly on those areas assessed as 'scrutiny required' and 'further information required'. However, in the interest of providing a broader view of the council's overall risk assessment, it is important to highlight those areas that were previously assessed as requiring no scrutiny which continue to be so. The LAN identified no scrutiny is required in the following areas:

Area	Update
Service Area	
Education	<p>Inspection activity continues to generate positive outcomes. The children's services blueprint for education 2012-17 is being progressed which includes a review of the school estate and closure of schools. Local communities have expressed concerns about the potential impact of the proposals.</p> <p>We will continue to monitor developments in this area through the annual audit process.</p>
Social Care	<p>The Children's Services and Community Care directorates responsible for Social work services generally perform well in relation to nationally collected statistics. The community care performance overview reported that the service continues to face the challenge of meeting the needs of an ageing population within diminishing resources in terms of workforce and financial resources.</p> <p>The council has implemented two out of the three recommendations made in the Care Inspectorate's most recent scrutiny report published in June 2011. However, the development of a clear framework for self evaluation of social work services across the two directorates is still at an early stage and will be monitored.</p>
Infrastructure Services	<p>The Infrastructure Services Directorate Plan identified 39 directorate wide objectives and 224 service actions for improvement, operational service delivery, budget savings and risk management in a comprehensive action plan. The overall performance of the directorate against these actions is that 88% of actions are currently on track and classified as Green or Amber.</p>

Area	Update
	While the cost of disposing of waste is the lowest in Scotland, collecting it is the most expensive. Recycling/composting rates are also the worst in Scotland, and while the cleanliness index is better than the Scottish average, it has declined over the last three years.
Economic Development	The council is developing a plan led system where national, strategic and local plans clearly set out development priorities and guide individual planning decisions. A Shetland Local Development Plan has been developed following extensive consultation.
Ports and Harbour Operations	The port of Sullom Voe is certified under the ISO 9001:2008 international quality standard. The latest audit was undertaken in July 2012 resulting in the ISO certification being renewed for a further three year period.
Outcome Areas	
Smarter	<p>Performance has continued to be positive with attainment figures very high for all years. All smarter outcome indicators are better compared to Scotland in the latest results despite 9 out of 12 worsening compared to previous years.</p> <p>Education Scotland's inspection report of Anderson High School in January 2012 identified that almost all young people leaving school progress to employment, training, further or higher education.</p>
Healthier	<p>There are reported improvements in some key indicators including: breastfeeding rates being the highest in Scotland and smoking prevalence the second lowest. The council is the best in Scotland for delivering intensive homecare</p> <p>However, there are some key indicators that require improvements including early deaths remaining high and rising and active travel to school and work is amongst the worst in Scotland. In addition, the numbers of people spending the last 6 months of their lives at home or in a community setting have declined.</p>
Fairer	In 2011 47% of adults with learning disabilities were in employment and this is the highest in Scotland. 7 of 16 wealthier and fairer indicators are ranked 1 or 2 in Scotland. There is evidence to suggest that the local population in general perceive themselves to be coping well financially. However, the proportion of people experiencing fuel poverty is high and worsening as is the availability of affordable housing.
Safer	This outcome area performs well. Perceptions of safety and of drug abuse/dealings are very good and actual recorded crime and road casualties are the second lowest in Scotland. Reconviction

Area	Update
	rates are also low. Of the safer and stronger outcomes 7 of 12 are ranked in the top 5 best councils in Scotland.
Stronger	The council is ranked top in Scotland for the proportion of people who feel they can influence local decision making, while the number of people rating their neighbourhood as a very good place to live is the second best in Scotland. Volunteering rates are also high and the amount of derelict land is low. However, satisfaction with local services is the worst in Scotland and housing condition and satisfaction with housing is more middling in performance. Of the safer and stronger outcomes, 7 of 12 are ranked in the top 5 councils in Scotland.
Greener	The council is ranked top in Scotland for the proportion of biodegradable waste sent to landfill. However it is among the poorest performing council in Scotland for recycling/composting rates, active travel to work or school and carbon dioxide emissions.
Wealthier	<p>The council performs well for this outcome area, with the employment rate, weekly earnings, the proportion of people claiming benefits or who are income-deprived all demonstrating exceptionally good performance. 7 of 16 wealthier and fairer indicators are ranked 1 or 2 in Scotland.</p> <p>These relate to earnings, benefit claimants, employment rate, savings and coping well financially. 7 indicators were improving in the latest results. 10 indicators had improving long-term trends.</p>
Corporate Assessment Areas	
Partnership Working and Community Leadership	The governance arrangements of the community planning partnership were approved by the council and partners in May 2012. A Shetland Partnership community plan 2012-20 has been developed which aligns the Scottish Government's 5 national strategic objectives and the 16 national outcomes. The Care Inspectorate has continued to monitor progress following their review in October 2011 which noted improvements in planning achieved by more effective partnership working.
Equalities	<p>An equalities group has been established by the council and work is underway to review existing arrangements and develop an equalities action plan.</p> <p>The council allocated funding to community groups to help tackle poverty and inequalities including the Shetland Befriending Scheme, Shetland Community Bike Project, Voluntary Action Shetland and the Citizens Advice Bureau.</p>

Area	Update
Sustainability	<p>Sustainability has been identified as a key element within the council's local outcomes. The following areas of good practice were identified: Shetland has sustainable economic growth with good employment opportunities, financial sustainability and balance across all sectors; Shetland's internal and external transport systems are efficient, sustainable, flexible and affordable; and the council has made sustainable decisions, which reduce harmful impacts on the environment.</p> <p>For each of the local outcomes which are relevant to sustainability, the council has developed an action plan which details the key indicator, baseline and targets (2012-15). The plan is being monitored, and progress on it is reported to the council.</p>

Areas that remain 'scrutiny or further information required'

15. The LAN identified that, in common with the SRA last year, scrutiny or further information is required in the following areas:

Area	Assessment	Update
Housing	Further information required	<p>There is uncertainty around the council's progress towards meeting the Scottish Housing Quality Standard in 2015. No Standard Delivery Plan (SDP) has been developed yet. There is also uncertainty around the council's reports on its high compliance rate given the small percentage of data it is based upon.</p> <p>No new houses have been built by the council since 2006. The council's Strategic Housing Investment Plan highlights the council's assumption that approximately 365 affordable homes will be required over the next 5 years.</p> <p>The council's Housing Revenue Account has net borrowing from the council's general fund of £40.6 million. However, due to the Scottish Government's decision to discontinue the Housing Support Grant, this level of debt may be unsustainable. The council is developing a plan to address this debt over a 30 year period. Through the financial plan, the council intends to create a £10 million provision for the potential write-off of HRA debt.</p>
Performance Management	Further information required	<p>The council is still developing and bedding in performance management arrangements as set out in the Planning and Performance Management Framework (PPMF) in July 2011. We will continue to keep this area under review during the annual audit process.</p>

Areas with changed assessments

16. The following table relates to assessments of scrutiny risk that have been changed from the 2012/13 update.

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
Vision and Strategic Direction	Uncertainty	No Scrutiny Required	The Accounts Commission Section 102 follow-up report indicated that the early indications are that the new political leadership is providing a clear strategic direction for the council. The interim chief executive's secondment period has come to an end and the council has appointed a permanent chief executive.
Governance and Accountability	Significant Concerns	Further information required	A code of corporate governance was approved by the full council on 20 September 2012 and takes account of the key governance principles. The council has also commenced a self-assessment review of the corporate governance framework to identify progress against each of the principles noted above and any remedial actions required. The review is to be reported to the Audit and Standards Committee when completed. Progress on this will be monitored through the annual audit process.
Customer Focus and Responsiveness	Not assessed	No Scrutiny Required	The council implemented the new standardised local authority complaints handling procedure by the 14th September 2012 deadline set by the Scottish Public Services Ombudsman. The council has held consultation

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			meetings with local residents on topics such as the medium-term financial plan, transport network redesign project and proposed school closures.
Risk Management	Not assessed	Scrutiny Required	In our previous annual reports since 2008/09, we have highlighted that the council was in the process of reviewing and updating the strategic and departmental risk registers to reflect the council's priorities. Our 2011/12 annual report noted that the council is continuing to update its strategic and departmental risk registers to re-align with council priorities. Once complete, it is intended that the risk registers will be reviewed by the corporate management team and formally approved by the Audit and Standards Committee. We will continue to monitor developments in this area through the annual audit process.
Use of Resources - Financial Management	Significant Concerns	No Scrutiny Required	The council's financial management arrangements have improved significantly. The 2011/12 financial statements received an unqualified audit opinion for the first time in six years. The council has appointed a new chief financial officer who has been instrumental in improving financial management in the council. The council has acknowledged that the current level of draw on reserves cannot be sustained beyond the short-term and is addressing its financial and service planning for future years. To achieve a balanced budget over the medium term, the council has agreed a five year financial plan to achieve total savings of £38.360

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			million by 2015/16 while maintaining a minimum reserve balance of £125 million.
Use of Resources - Asset Management	Significant Concerns	Further information required	<p>A new asset investment plan that the council has adopted focusses on maintaining existing assets rather than creating new assets (with the exception of Anderson High School and the high-speed broadband installation).</p> <p>The capital programme would therefore be funded mainly from Scottish Government and capital receipts and this would reduce the draw on reserves by around £5.6 million per year.</p> <p>Any new asset requiring a draw on reserves would be subject to an investment appraisal process. This classification has been amended from significant concerns to further information required to reflect the progress made, however it is still too early to assess the medium to long term impact of the work carried out.</p> <p>Audit Scotland will monitor this through the annual audit process.</p>
Use of Resources - Managing People	Uncertainty	No Scrutiny Required	<p>In June 2012 the Executive Committee approved the Policy for Organisational Restructure that sets out the framework and process for sustaining organisational restructuring. This is an essential development as the significant savings required by the council may have an impact on its services and it is essential that appropriate workforce management arrangements are in place to ensure effective delivery of</p>

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			high quality services.
Use of Resources - Procurement	Significant Concerns	Further information required	<p>In March 2012 the council approved a new procurement strategy.</p> <p>The council responded to the Scottish Government's procurement reform bill consultation by deadline of 2 November 2012.</p> <p>The council's overall PCA score has increased significantly from 19% in 2011 to 33% in 2012. The overall score is generally within the "conformance" heading.</p> <p>The Scottish Government has set an expectation that councils will achieve a 50% 'improved performance' rating by March 2013.</p> <p>This classification has been amended from "significant concerns" to "further information required" to reflect the progress made, however it is still too early to assess the medium to long term impact of the work carried out.</p> <p>Audit Scotland will monitor this through the annual audit process.</p>
Use of Resources - Financial Position	Uncertainty	Scrutiny Required	<p>Concerns remain over areas such as financial position of the council due to an overall deficit of £34 million in 2011/12. After statutory adjustments, the draw on reserves was £36 million and with a total reserve balance of £239.046 million as at 31 March 2012, the current level of draw on reserves cannot be sustained beyond the short-term. To achieve a balanced budget, the council has agreed a medium-term financial plan. This challenging plan aims to achieve total savings of £38.360 million by 2015/16 while maintaining a minimum reserve</p>

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			<p>balance of £125 million.</p> <p>The council's Housing Revenue Account has net borrowing from the council's general fund of £40.6 million. However, due to the Scottish Government's reform of the HRA, this level of debt may be unsustainable. The council is developing a plan to address this debt over a 30 year period</p> <p>This classification has been amended from "uncertainty" to "scrutiny required" to reflect the uncertain financial position of the council.</p> <p>Audit Scotland will monitor this through the annual audit process.</p>

Scrutiny plans

17. The LAN's risk assessment did not result in any planned scrutiny activity beyond the existing national or planned scrutiny work. Audit Scotland's planned scrutiny in 2012 will focus on the annual audit. The council has not had a Best Value review for several years and the planned formal Best Value audit has been moved to 2014/15 to allow time for the council's current initiatives to work through more fully.
18. The Scottish Housing Regulator will consider further scrutiny work following their review of the council's SHQS return and their thematic inspection into the outcomes that local authorities are achieving by delivering a Housing Options and Prevention of Homelessness approach in second quarter of 2013.
19. Audit Scotland will undertake targeted follow-up work on its national report Scotland's Public Finances: Addressing the Challenges. This work will consider the action taken to address the issues raised in the report and the impact of this action. The findings of this work will be reported by 31 August 2013.

Scrutiny plans

Scrutiny activity does not result from the shared risk assessment but is either at the request of the council e.g. supported self-evaluation work or national activity e.g. national follow-up work or work requested by Ministers.

SHETLAND ISLANDS COUNCIL 2013-14												
Scrutiny activity year 1	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Scottish Housing Regulator: Targeted review of aspects of Homelessness Services - timetable has yet to be agreed												
Scottish Housing Regulator - Scottish Housing Quality Standard review - timetable has yet to be agreed												
Annual Audit - follow-up work on its national report Scotland's Public Finances: Addressing the Challenges		May										
Audit Scotland - Workforce Planning	April											
Education Scotland	April	May	June									
Criminal Justice Social Work Services - supported self-evaluation - latter part of 2013												

SHETLAND ISLANDS COUNCIL 2014-15												
Scrutiny activity year 2	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Audit Scotland - Best Value focussed review - timetable has yet to be agreed												

SHETLAND ISLANDS COUNCIL 2015-16	
No specific work	

Footnotes:

The focus of the AIP Update is strategic scrutiny activity, which is scrutiny activity focused at corporate or whole service level. There will also be baseline scrutiny activity on-going throughout the period of the AIP. This will include, for example, school and residential home inspections. Scrutiny bodies also reserve the right to make unannounced scrutiny visits. These will generally be made in relation to care services for vulnerable client groups. The annual audit of local government also comprises part of the baseline activity for all councils and this includes work necessary to complete the audit of housing and council tax benefit arrangements. Education Scotland, through the District Inspector, will continue to support and challenge education services regularly and as appropriate. The Care Inspectorate will continue to regulate care services and inspect social work services in accordance with their responsibilities under the Public Services Reform (Scotland) Act 2010.

**Audit and Standards Committee****9 May 2013****Review of Council Spending 2003-2013**

F-028-F

**Report Presented by: Executive Manager –
Finance****Corporate Services****1.0 Summary**

- 1.1 The Council's Medium Term Financial Plan (MTFP) was approved in September 2012 and sets out a 5-year roadmap towards achieving financial sustainability and stabilising the level of reserves at a level no lower than £125m.
- 1.2 Members of the Audit and Standards Committee sought a review of income and expenditure levels over the past 10 years to understand how the structural deficit came about and to learn from this so that a similar situation does not arise in the future. This report seeks to address that request.

2.0 Decision Required

- 2.1 The Audit and Standards Committee is asked to RESOLVE to –
- 2.1.1 Note the contents of the report at Appendix 1; and
- 2.1.2 Recommend that Executive Committee comment on and endorse the actions taken and in hand to address the issues arising through the learning points.

3.0 Detail

- 3.1 The detail of the review work into the past ten years of Council spending has been attached as Appendix 1.
- 3.2 It is important to note that the information used to collate this report came from previous annual outturn reports. During that time the structure of the Council changed several times, so it is not always possible to have direct service comparisons. As a result this report does not focus on spending at departmental level.

4.0 Strategic

4.1 Delivery On Corporate Priorities

The Learning Points and Actions identified to address financial management weaknesses will contribute to the delivery of the Medium Term Financial Plan as agreed by the Council in September 2012. They also support the Financial Management area of the Improvement Plan.

4.2 Community /Stakeholder Issues

None.

4.3 Policy And/Or Delegated Authority

In accordance with Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit and Standards Committee has responsibility to promote good internal control, financial management, risk, governance and performance management".

4.4 Risk Management

The proposed Management Actions in the Learning Points section of the report are designed to address the risks identified during the course of the review with regards to financial management.

4.5 Equalities, Health And Human Rights

None.

4.6 Environmental

None.

Resources

4.7 Financial

To date the finance service has improved the overall quality of the management accounts reporting and has prepared a Medium Term Financial Plan.

The ongoing improvement work will continue throughout 2013-14 and will be delivered using existing resources.

4.8 Legal

None.

4.9 Human Resources

None.

4.10 Assets And Property

The outcome of the Medium Term Financial Plan has been that the value of the capital programme (Asset Investment Plan) has been reduced when the new Anderson High School is discounted.

It is proposed that in future more consideration is given to the revenue consequences when taking decisions over whether to progress with a capital project.

Conclusions

- 5.1 There are lessons to be learned from this review which is set out in Section 6 of Appendix 1. The learning points will continue to be addressed throughout 2013-14.

For further information please contact:

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Appendix 1 – Review of Council Spending 2003-2013

Shetland Islands Council



Review of Council Spending 2003-2013

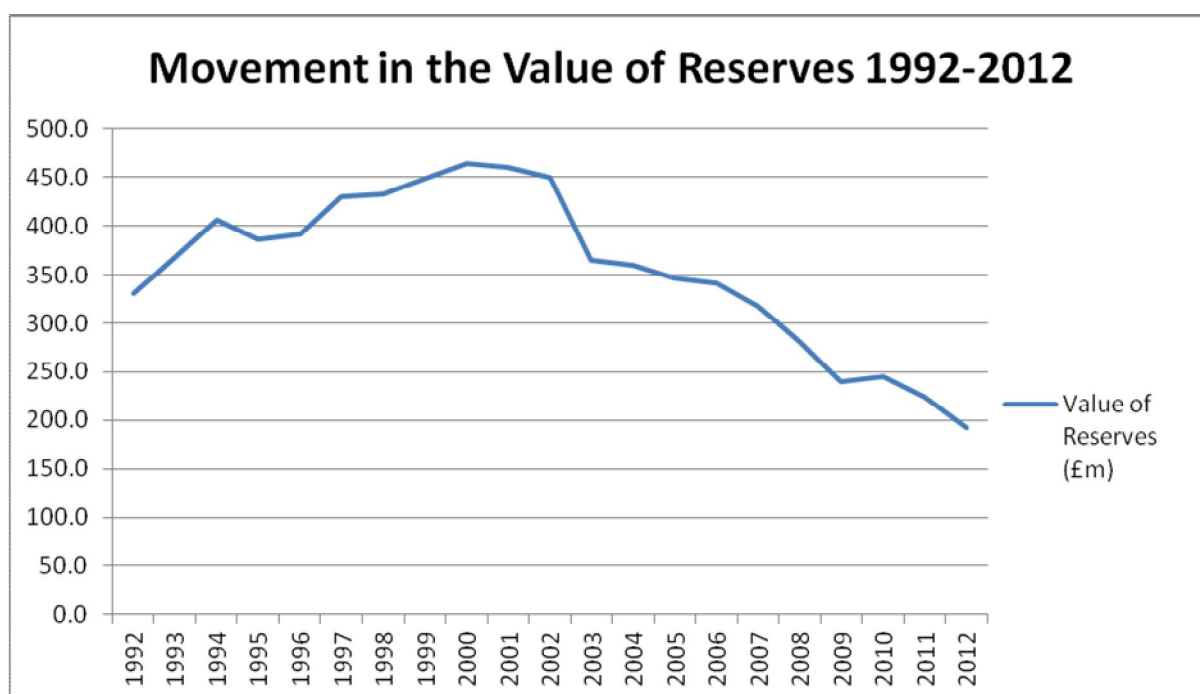
Securing the best for Shetland

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Background

- 1.01 In the Council's last published set of financial statements (2011-12) it was reported that the total draw on reserves required in the year to balance the budget was £35.8m. This equated to the Council overspending by almost £100,000 per day.
- 1.02 The most serious aspect of this was that of the £35.8m drawn from reserves, £32m was used to fund day to day Council services, meaning that there was a recurring year on year need to withdraw such a sum to keep the Council services operating at that level. It can therefore be said that the Council has a significant structural deficit which is unsustainable.
- 1.03 In addition, Members were presented with the graph below that shows the real value of the Council's investments over the previous 20 years. This showed that the reserves peaked at £465m (at today's prices) in 2000 and in the subsequent 12 years, reduced in value by 58% to £193m in 2012



- 1.04 As a result of the rapid decline in reserves and the structural deficit being operated by the Council, it was estimated that the Council's reserves would be fully depleted within 5 years without significant change to spending levels.
- 1.05 The Council's Medium Term Financial Plan (MTFP) was approved in September 2012 and sets out a 5-year roadmap towards achieving financial sustainability and stabilising the level of reserves at a level no lower than £125m.
- 1.06 Members of the Audit and Standards Committee sought an audit of income and expenditure levels over the past 10 years to understand how the structural deficit came about and to learn from this so that a similar situation does not arise in the future. This report seeks to address that request.

Overview of Council Spending 2003-2013

- 2.01 Between 1 April 2003 and 31 March 2013, the Council's expenditure has been over £300m higher than its income. This has been funded by using all the surpluses that the Council has made from the Harbour activities over this time, as well as taking well in excess of a quarter of a billion pounds from the reserves.
- 2.02 This 10 year period can be split into 4 clearly defined segments which share many of the same characteristics. These are -
- **2003-04 to 2005-06** – during this period revenue expenditure was broadly sustainable, but capital expenditure was high, meaning overall the draw on reserves was well in excess than the income generated on the reserves.
 - **2006-07 to 2008-09** – during this period there was a large increase in revenue funding from Scottish Government which meant that the large increases in revenue expenditure were sustainable. Capital expenditure remained high, but not as high as the previous 3 years.
 - **2009-10 to 2011-12** – during this period revenue expenditure increased by 22% whilst revenue income increased by only 3% which meant that revenue spending reached unsustainable levels. Capital expenditure reduced during the period, but overall the draws on reserves remained unsustainable.
 - **2012-13** – The final outturn is not complete as yet but during last year the revenue deficit decreased as a result of the reduction in expenditure being larger than the reduction in income. Capital expenditure also decreased. The result was that the draw on reserves in real terms will be at the lowest level that they have been during the decade covered in this report. However, the draw on reserves remains unsustainably high.
- 2.03 Therefore to summarise, the draw on reserves has been at an unsustainable level for each of the last 10 years. However, there has been a move away from sustainable revenue (recurring) deficits and one-off capital deficits which in total represented an unsustainable draw on reserves, to large unsustainable revenue (recurring) deficits and smaller capital deficits.
- 2.04 What this means is that during the past 10 years the nature of the unsustainable draw on reserves has changed from being a more manageable capital overspending nature, to a structural deficit on the council's revenue spending which is far more challenging to address.
- 2.05 The most significant area of the Council's increase in general fund revenue expenditure has been in staff costs which have increased by 72% over the period 2003 to 2012 (not adjusted for inflation) from £54.1m to £93.3m.
- 2.06 Increases in staffing numbers in education and social care accounted for most of the increases in the Council.

- 2.07 The large increases in revenue expenditure were not matched by corresponding increases in revenue income and as a result a “budget gap” developed which was filled by a draw on reserves. This reached a level of £31.8m in 2011-12 which meant that the Council’s revenue spending bore little resemblance to its income levels. It can therefore be described as a structural deficit.
- 2.08 Therefore the overwhelming reason that the Council is in its current financial difficulty is because of the overspending on day to day services which is a drain on the reserves year after year, rather than because of one off expenditure items such as the Norrona or Bressay Bridge projects despite them being ill-fated.
- 2.09 It was not immediately obvious that this was happening because the financial information that was available did not explicitly set out the overall financial position. Instead it took individual strands of Council spending and reported these separately so that there wasn’t a single place where the overall draw on reserves for the year was reported. This went some way to masking the scale of the overspending that was developing (*See Learning Point 1*).
- 2.10 In addition, there did not appear to be a clear financial strategy to respond to the global financial crisis. The level of revenue spending in 2009-10 was 16.5% higher than the previous year despite the onset of a global financial crisis that has been deeper and more protracted than the great depression of the 1930s. As levels of income started to decrease rapidly in 2010-11, following a year of a real terms freeze in 2009-10, revenue expenditure continued to increase (*See Learning Point 2*).
- 2.11 Following many years of annual increases in funding it appears as though the Council was unable to respond to reductions in funding and this very quickly led to the revenue deficit tripling in 3 years from £10.4m in 2009 to £31.8m in 2012.
- 2.12 The table on the next page sets out all Council spending for the financial years 2003-04 to 2011-12 inclusive.

Line		Line	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	<u>General Fund Expenditure</u>	calculation	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Staff costs	1	54,134	58,573	66,192	71,272	73,619	80,675	85,485	92,313	93,304
2	Operating costs	2	39,429	41,367	44,309	48,802	50,420	53,143	59,534	58,910	58,466
3	Capital financing costs	3	929	889	3,580	573	805	1,547	1,497	2,303	41
4	Transfer payments	4	13,059	38,665	14,188	16,443	14,597	14,821	22,514	21,368	14,802
5	Income	5	-16,741	-18,155	-23,822	-28,348	-27,642	-29,916	-30,845	-29,182	-29,577
6	Net recharges	6	-7,541	-7,492	-8,800	-8,236	-8,711	-11,379	-11,308	-14,183	-3,967
7	General Fund Expenditure	Equals 1 to 6	83,269	113,847	95,647	100,506	103,088	108,891	126,877	131,529	133,069
	<u>Income</u>										
8	RSG/NNDR	8	-68,364	-72,394	-75,686	-75,679	-79,873	-89,918	-93,563	-95,566	-91,866
9	Council Tax	9	-6,478	-7,008	-7,580	-7,894	-8,093	-8,263	-8,547	-8,647	-8,752
10	Trading/DLO	10	-1,275	-1,051	-1,025	-1,223	-776	-264	-896	-830	-647
11	Other	11	-2	-88	0	0	0	-5	0	0	0
12	Total General Fund Income	Equals 8 to 11	-76,119	-80,541	-84,291	-84,796	-88,742	-98,450	-103,006	-105,043	-101,265
13	General Fund draw on reserves	Equals 7+12	7,150	33,306	11,356	15,710	14,346	10,441	23,871	26,486	31,804
	<u>HRA</u>										
14	HRA Draw on Reserves	14	49	577	-4,391	952	1,741	1,770	310	459	7
	<u>Capital</u>										
15	Capital draw for capital	15	26,641	4,932	34,988	14,188	12,459	12,649	6,583	7,930	5,945
16	TOTAL LEVEL OF DEFICIT	Equals 13+14+15	33,840	38,815	41,953	30,850	28,546	24,860	30,764	34,875	37,756
17	Harbour Account contribution		-3,074	-2,590	-2,141	-4,352	-4,549	-3,227	-2,534	-2,357	-2,185
18	NET DRAW ON RESERVES	Equals 16+17	30,766	36,225	39,812	26,498	23,997	21,633	28,230	32,518	35,571

Some Key Statistics

29.8%

The real terms increase in spending on day to day services (general fund revenue) between 2003 and 2012.

3.02%

The real terms increase in income to fund day to day services between 2003 and 2012

£24.6m

The increase in the size of the general fund revenue deficit from £7.2m in 2003-04 to £31.8m in 2011-12.

£325m

The approximate draw in reserves
between 2003 and 2013

The reduction in the real value
of reserves since 2000

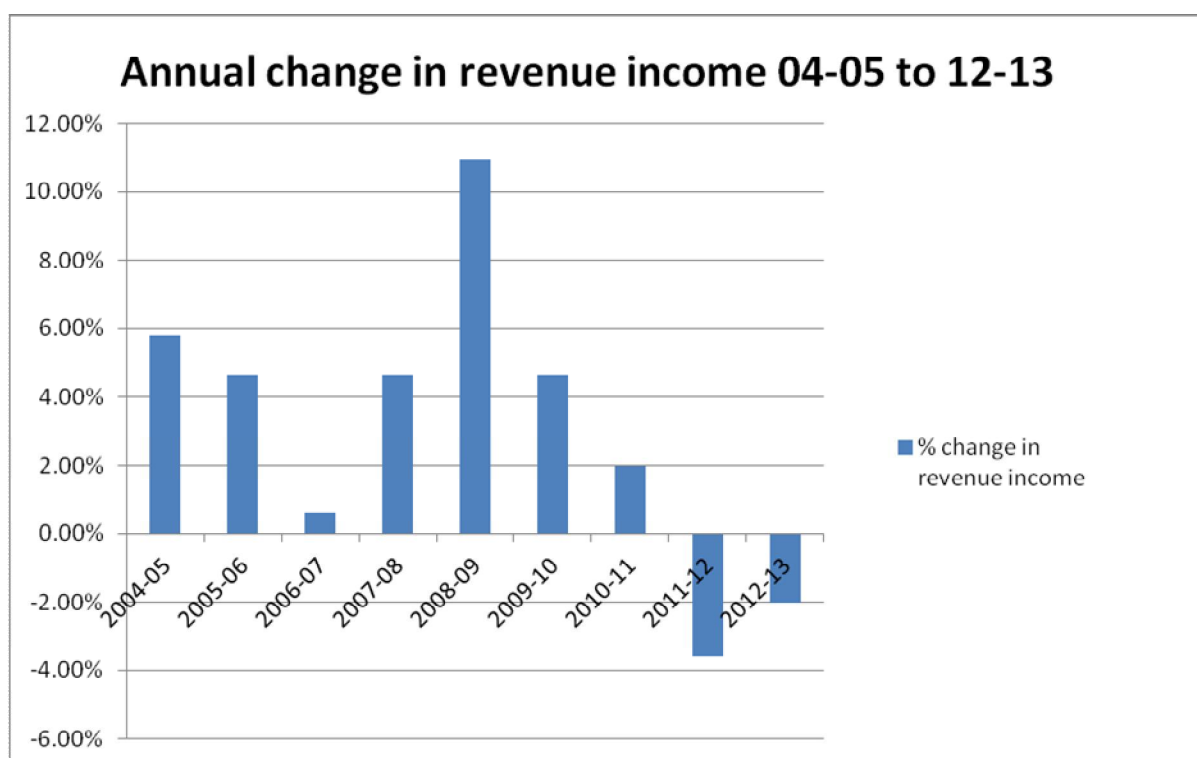
59%

Income

3.01 The Council has the following core sources of revenue income:

- Core Revenue Grant from the Scottish Government which is made up of a Revenue Support Grant (now called General Revenue Grant) and National Non-Domestic Rates (NNDR) income. This generated £91.9m in 2011-12.
- Council Tax which is a property tax levied on all properties in Shetland. This generated £8.8m in 2011-12.
- Trading account income which is a mixture of work undertaken externally to the Council as well as internal work for which the account seeks to break-even. This generated £0.6m in 2011-12.

3.02 The table below shows the annual cash percentage changes (i.e. not taking into account inflation) in these income streams over the period:



3.04 The table shows that after a period of annual increases in core income this pattern reversed with decreases in income in 2011-12 and 2012-13. However, when inflation is taken into account, the 2009-10 income was static in real terms and there have been sharp decreases in revenue funding in each of the subsequent financial years.

- 3.05 It is anticipated that the Council will continue to face overall annual decreases in income over the medium term as a result of reducing Scottish Government core grant and NNDR income. It may be the end of the decade before real terms increases in funding are seen.
- 3.06 There was an 11% increase in core revenue income during the 2008-09 financial year. This was as a result of a £10m increase in the Scottish Government General Revenue Grant/NNDR income following a redetermination of GAE levels following a spending review.
- 3.07 The GAE formulae used to determine how much revenue core funding that a local authority receives from Scottish Government is complicated and relies on data provided by the Council annually on service and spending levels across the organisation. Broadly speaking, the more a local authority spends and the more service it provides, the more core funding that it will attract.
- 3.08 Therefore, broadly speaking the £10m increase in core funding received by the Council in 2008-09 can be largely attributed to the increases in spending and service provision approved by the Council. It is therefore important that the Council fully considers the impact that spending cuts and reductions in service levels will have on the future amounts of core funding that the Council will attract from Scottish Government (*See Learning Point 3*).

Fees and Charges

- 3.09 The Council generates a significant amount of income by levying fees and charges for particular services such as ferry fares. This income is not shown as core general funding for revenue services because it is retained by the Council services that levy the charges. However, this income contributes to the running costs of individual services, which means that the net expenditure of the service is lower than it would be if fees and charges were not levied.
- 3.10 In 2011-12 this income stream amounted to £29.8m which is almost 3.5 times more than is raised through Council Tax representing a significant amount of income to the Council. It is therefore important that the Council recognises the importance of fees and charges and its ability to reduce budget gaps in future years through the introduction of new charges and changes in current practices (*See Learning Point 4*).

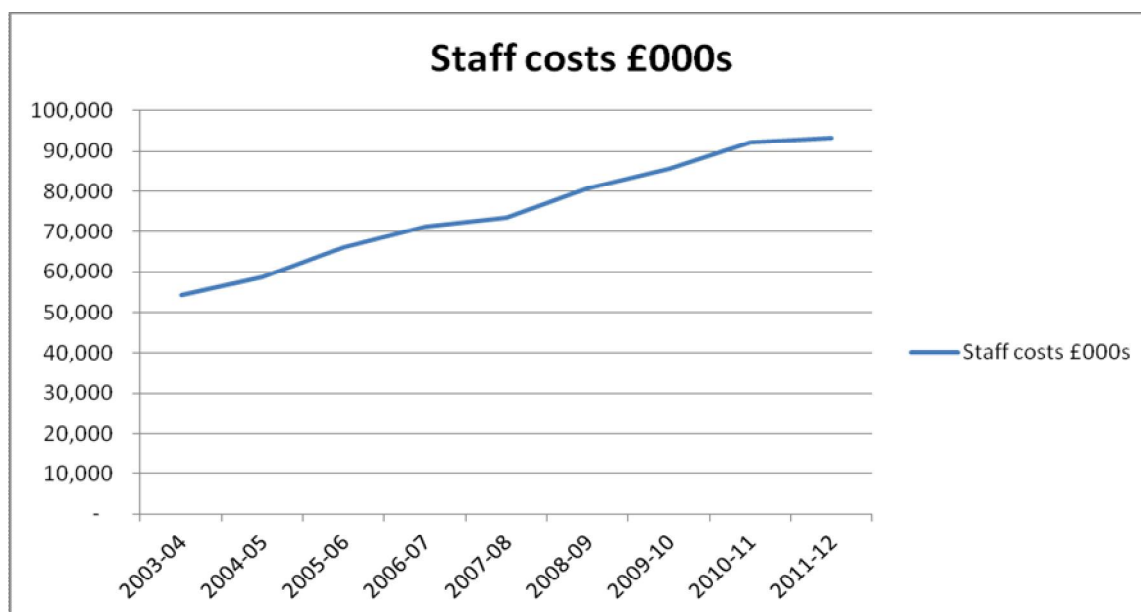
Harbour Account Income

- 3.11 The Harbour Account has been a source of income to the Council for over 30 years. The surpluses generated are transferred to the Reserve Fund and this lessens the impact on the draw on reserves required each year to cover the Council's overspending.
- 3.12 However, over the period 2003-2013 the surplus generated by the Harbour Account has averaged at less than £3m per year which is significantly lower than earlier years. It is anticipated that over the next 3 years the surpluses generated will be close to zero as a result of reduced throughput levels and the cost of meeting the towage staffs' pension liabilities.
- 3.13 Therefore it can no longer be said that the current direct financial benefit to the Council from the oil industry is significant. However, there is scope for this to change in the future with the new Shetland Gas Plant.

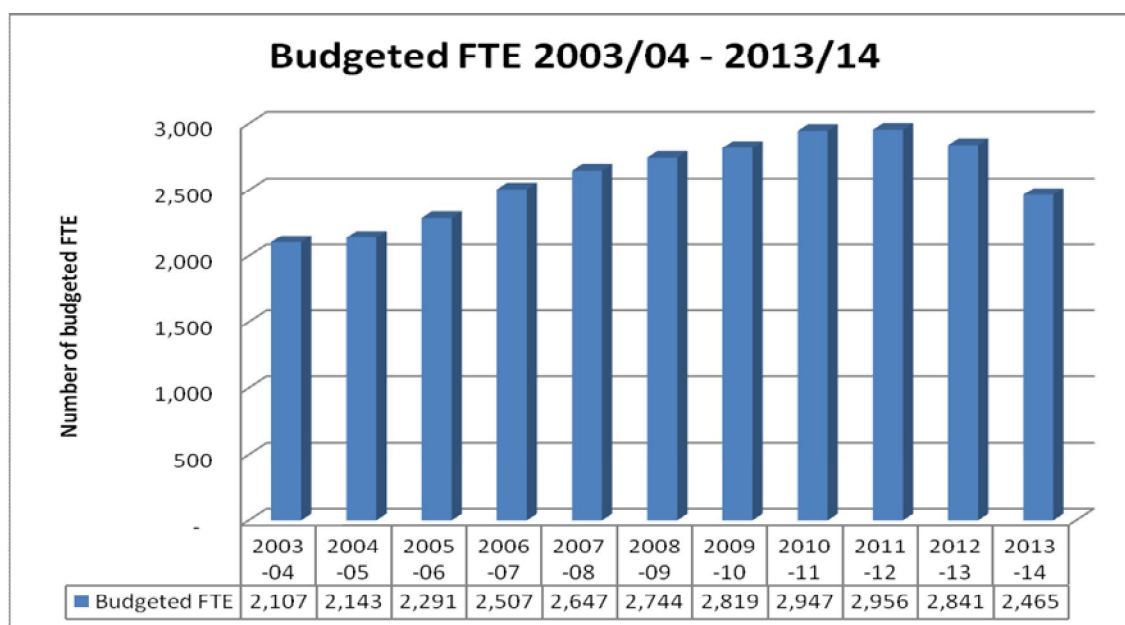
Expenditure

General Fund Revenue Expenditure

- 4.01 There was a 29.8% increase in general fund revenue expenditure between 2003 and 2012. The largest increase was in relation to staff costs which were £54.1m in 2003 and £93.3m in 2012.
- 4.02 The table below shows the level of staff costs in each of the years:



- 4.03 It can be seen that staff costs rose fairly consistently and rapidly throughout the period suggesting that increases in staffing numbers was the main driver as opposed to it being pay awards or the effect of implementing single status costs.
- 4.04 The table below shows the number of budgeted FTEs in the approved budgets from 2003-04 to 2013-14:



4.05 Due to changes in management structures in the Council during the period it is not easy to compare FTEs each year on a service by service basis. However, broadly speaking it is possible to say that almost all of the growth in FTE numbers between 2003-04 and 2011-12 came in the education and social care area, but social care in particular. In 2003-04 there were 326FTE budgeted for in what was the Social Work service and in 2011-12 there were 968FTE budgeted posts between Community Care and Children's Social Work.

4.06 There was very little change in the numbers of staff in Infrastructure, Development and Corporate services during the period of growth in staffing numbers.

4.07 The 2012-13 and 2013-14 budgets have reversed the growth trend in staffing numbers with the number of posts budgeted for in the current financial year being similar to the levels last seen in 2006-07.

4.08 Some other notable highlights in the general fund expenditure headings during the period are as follows –

- In 2004-05 Transfer Payments expenditure was significantly increased as a result of a one-off grant of £24m to Shetland Development Trust;
- From 2009-10 Operating Costs increased by approximately £6m each year as repairs and maintenance that had previously been classified as capital expenditure was reclassified as revenue expenditure;
- In 2009-10 and 2010-11 Transfer Payments were temporarily increased by about £7m each year largely as a result of grants to NAFC and to SADA for the building of Mareel.

4.09 The approach to budgeting for cost pressures during the period did not lend itself to managing increases in expenditure downwards. There was a practice of inviting services to identify their own cost pressures and have these included in the budget without appropriate independent scrutiny. As

a result there was over £8m of cost pressures in the 2012-13 revenue budget, which given there was a pay freeze on staff costs, meant that there was an effective rate of 20% inflation on the £40m of non-staff costs in the budget. This meant that the first £8m of savings out of the target £15m in the 2012-13 budget were in effect to stop overall expenditure levels rising, meaning that overall revenue expenditure would only reduce by £7m if all of the £15m of savings were delivered.

- 4.10 As the Council faces significant challenges to deliver savings that will impact upon service levels it is more important than ever before that cost pressures are managed tightly and controlled by the independent finance service in order to put downward pressure upon them (*See Learning Point 5*).

Capital Expenditure

- 4.11 Over the past decade the Council's capital programme has reduced and the corresponding draw on reserves to fund the capital programme has similarly decreased. However, over the past decade the Council has spent over £125m from reserves to fund the capital programme. It is anticipated that in the future the draws on reserves for capital expenditure will continue to decrease in the medium term, with the reserves only be used for specific council priority projects.
- 4.12 The most notable spending over this period was in the 2003-04 to 2005-06 period when over £37m was spent on the Yell Sound ferries project.
- 4.13 One consequence of the large capital investment in the early years of the last decade was the impact that this had on pushing up revenue costs in relation to repairs and maintenance. Whereas it can be economical to replace existing assets as it can result in lower repairs and maintenance costs, the creation of new assets or enhanced assets has the effect of creating an ongoing revenue cost pressure. This phenomenon was experienced during the 2003-2013 period with the creation of new and enhanced assets resulting in the Council's operating costs increasing significantly throughout the period. It is therefore important that the full ongoing revenue costs are fully considered as part of the decision making process around the prioritisation of the Asset Investment Programme (*See Learning Point 6*).

Reserves

- 5.01 The Council has spent approximately £325m from its reserves between 2003 and 2013. The annual draw on reserves has been unsustainable in each of the past 10 years and this has resulted in the real value of the reserves dropping by 59% since 2000.
- 5.02 There is no evidence to suggest that appropriate consideration has been given to what could be sustainably taken from the reserves each year in order to maintain the real value (i.e. inflation proof) of the reserves. As a result the Council's previous policy of retaining a reserves floor of £250m was breached and the level of reliance on the reserves meant that they were on course to be fully depleted by 2017. If the Council wishes to retain a level of reserves for the future, it is vital that there is a recognition of what can affordably be taken from reserves each year to supplement spending on services (*See Learning Point 7*).
- 5.03 The diagram below sets out a rationale for determining that a sustainable draw on reserves for 2012-13 would have been £5.8m:

<p>5.75%</p> <p>Average return on Reserves 1992-2012</p>	<p>2.75% set aside to protect against inflation</p>
	<p>3% as a sustainable draw on the reserves to spend on Council services</p>
<p>£5.8m</p> <p>A sustainable draw on reserves in 2012-13 based on 3% of a Reserves value of £193m</p>	

- 5.04 In the past there have been significant fluctuations in the returns that have been recorded on the reserves each year. This is because 75% of the reserves are held in equities which are volatile and the result has been that it has skewed financial planning. When there has been a large return in the past, this has led to a view in certain quarters that it justifies a large level of spending from the reserves. However, the Council has suffered years of large losses too.
- 5.05 What we know for certain from history is that over the past 20 years the reserves have generated an average return of 5.75%. During that time inflation has averaged at 2.75%. What this means is that for 20 years a sustainable draw on reserves for each year has been 3% of the reserves balance. It is important for the Council to recognise this fact and not be pushed off a course of sound financial planning because of annual fluctuations in the returns from the reserves (*See Learning Point 8*).

- 5.06 Had the Council adhered to a policy of a sustainable draw on reserves since they peaked in 2000, it would mean that the Council would have over £8m per year more to spend each year on services in perpetuity. This could have meant that no savings would now be required from schools or ferries.

Learning Points

Reference	Learning Point	Action	Implementation Date	Responsible Officer
Para 2.09	<p>1. Clear Reporting of Financial Performance</p> <p>It is important that Members and managers are provided with clear and regular management information on progress against the budget both at departmental level and council-wide level.</p> <p>In addition the final outturn report should clearly show the impact that the annual spending has had on the level of the draw on reserves required to balance the budget.</p>	<p>Members provided with quarterly revenue management accounts for each committee area.</p> <p>An overall revenue management accounts report and a capital management accounts report presented to Executive Committee every quarter.</p> <p>The annual outturn report sets out the global council position and the total draw on reserves that was required to balance the budget.</p>	Implemented	Executive Manager – Finance
Para 2.10	<p>2. Financial Planning</p> <p>Over the past decade increases in expenditure far exceeded increases in income which led to a structural deficit which is an unsustainable drain on reserves and extremely challenging to address.</p> <p>A clear and well constructed 5 year financial strategy incorporating all Council spending is the most effective way to set parameters on spending so that it is in line with income levels.</p>	<p>Development of a 5 year Medium Term Financial Plan which sets out expected funding levels and cost pressures in order to inform the level of expenditure that is sustainable.</p> <p>The plan will require to be fully updated each year to ensure that the most up to date information is used in the future financial modelling.</p>	Implemented	Executive Manager – Finance

Reference	Learning Point	Action	Implementation Date	Responsible Officer
Para 3.08	<p>3. Consideration of future Scottish Government Funding Levels</p> <p>Scottish Government core revenue funding to the Council is strongly linked to existing spending and service levels. Therefore it is important that the Council fully considers the impact that the agreed spending cuts and reductions in service levels will have on the future amounts of core funding that the Council will attract from Scottish Government.</p>	<p>An exercise will be undertaken to assess the anticipated impacts to GAE funding levels resulting from the savings delivered in 2012-13 and the approved savings for 2013-14 and seek to minimise impacts wherever possible.</p> <p>The future funding impacts will be factored into the Medium Term Financial Plan.</p>	31 March 2014	Executive Manager – Finance
Para 3.10	<p>4. Maximising fees and charges income</p> <p>The Council raised £29.6m of income through fees and charges for services in 2011-12. It is therefore important that the Council recognises the importance of fees and charges and its ability to reduce budget gaps in future years through the introduction of new charges and changes in existing practices.</p>	<p>The Council's Charging Policy will be updated during 2013-14 and the importance of using fees and charges to bridge "budget gaps" will be reiterated to managers during the 2014-15 budget setting process.</p>	31 October 2013	Executive Manager – Finance

Reference	Learning Point	Action	Implementation Date	Responsible Officer
Para 4.10	<p>5. Effective management of cost pressures</p> <p>For every £1 of cost pressures included in the budget, a saving of £1 has to be found somewhere else in order to stop overall expenditure levels increasing.</p> <p>As the Council faces significant challenges to deliver savings that will impact upon service levels it is more important than ever before that cost pressures are managed tightly and controlled by the independent finance service in order to put downward pressure upon them.</p>	<p>The Medium Term Financial Plan sets out a target maximum level of cost pressures for each of the next five financial years. This reflects expected pay awards and inflationary increases on non-pay costs.</p> <p>As part of each annual budget setting exercise services are invited to present a case to the finance service for cost pressures and these will be independently assessed by the finance service to ensure that they are genuine cost pressures and not budget growth items.</p>	Implemented	<p>Executive Manager – Finance</p> <p>All Directors & Executive Managers</p>
Para 4.13	<p>6. Revenue consequences of Capital Expenditure</p> <p>One consequence of the large capital investment between the 2003-2013 period was creation of new and enhanced assets resulting in the Council's operating costs increasing significantly. It is therefore important that the full ongoing revenue costs are fully considered as part of the decision making process around the prioritisation of the Asset Investment Programme to assist with better financial planning.</p>	<p>The revenue consequences of all proposed capital expenditure projects should be given prominent consideration as part of the "gateway" process.</p> <p>Favour should be given to those projects that result in revenue savings (spend to save projects) over those that create a new ongoing cost pressure to the Council.</p>	31 March 2014	<p>Executive Manager – Finance</p> <p>Executive Manager – Capital Programme</p>

Reference	Learning Point	Action	Implementation Date	Responsible Officer
Para 5.02	<p>7. <i>Clarity over a sustainable level for using reserves</i></p> <p>There is no evidence to suggest that appropriate consideration has been given to what could be sustainably taken from the reserves each year in order to maintain the real value (i.e. inflation proof) of the reserves. As a result the Council's previous policy of retaining a reserves floor of £250m was breached and the level of reliance on the reserves meant that they were on course to be fully depleted by 2017. If the Council wishes to retain a level of reserves for the future, it is vital that there is a recognition of what can affordably be taken from reserves each year.</p>	The Medium Term Financial Plan sets out a plan over 5 years to get to a position whereby there will be a sustainable draw on reserves, which ensures that the reserves will retain their real value (i.e. made inflation proof).	Implemented	Executive Manager – Finance
Para 5.05	<p>8. <i>Managing fluctuations on the annual return on reserves</i></p> <p>The past 20 years has taught us that a sustainable draw on reserves for each year has been 3% and it is important for the Council to recognise this fact and not be pushed off a course of sound financial planning because of annual fluctuations in the returns from the reserves.</p> <p>That approach has been used in the past and has resulted in the reserves decreasing in value by 59% since 2000.</p>	<p>The updated Medium Term Financial Plan will attempt to address the issue of instability with regards to returns on reserves.</p> <p>It is important that annual fluctuations do not skew the medium term financial planning as these fluctuations will balance out in the long run.</p>	July 2013	Executive Manager – Finance

**Audit & Standards Committee****9 May 2013****Internal Audit – Annual Report 2012/13 and Operational Plan 2013/14****Report No: IA-01-F****Report Presented by Executive Manager –
Internal Audit****Executive Services – Internal Audit****1.0 Summary**

- 1.1 This report is being presented to the Audit & Standards Committee, as one of the Committee's roles is to act as the Audit Committee of Shetland Islands Council.
- 1.2 This report presents Members with an Annual Report (Appendix 1) of the activity of the Internal Audit Service for 2012/13. It also presents the Operational Plan (Appendix 2) for 2013/14. The Operational Plan is derived from the six-year Strategic Audit Plan (Appendix 3) initially approved by Executive Committee on 24 June 2003 and reviewed annually by Internal Audit.
- 1.3 The Annual Report is for noting. Members are also asked to approve the planned coverage for 2013/14 as set out in the Operational Plan. This plan has been approved by Corporate Management Team. A six-monthly report will be presented to the Audit & Standards Committee to monitor progress against the Operational Plan.
- 1.4 Members are also reminded that Internal Audit reports are published on the Council website, if appropriate, following clearance for Freedom of Information (FOI) and Data Protection purposes. Members can find information on issues identified, in addition to those deemed as key within these reports. http://www.shetland.gov.uk/about_internal_audits/

2.0 Decision Required

2.1 That the Committee RESOLVE to:

2.1.1 note the contents of the annual report and comment accordingly, and

2.1.2 approve the planned coverage for 2013/14, as set out in the Operational Plan at Appendix 2.

3.0 Detail

3.1 The purpose of Internal Audit, as defined in the Audit Charter, is to reassure Council Members that:

- there is adequate monitoring of the internal control environment throughout Council operations so that serious breakdowns are avoided, and
- the Council's system of internal control is both sound and effective so that its assets are safeguarded and its performance reporting can be accepted with confidence.

Annual Report 2012/13

3.2 Appendix 1 details the Internal Audit activity for 2012/13, with a brief description of key audit issues identified since the interim report to the Audit & Standards Committee on 13 December 2012. Full copies of Internal Audit reports, the Strategic Plan and the annual operational plan can be found on Internal Audit's site on the Council Internet.

3.3 Managers have generally undertaken to rectify issues through the agreed action plans to a satisfactory degree.

3.4 Within service areas subject to Internal Audit review, and assuming implementation of the recommendations made, reasonable assurance can be placed upon the controls in operation.

3.5 Follow up audits in their current form will no longer be undertaken as advised in December. The Covalent system is currently being developed and responsibility will rest with managers to update progress on agreed courses of action.

3.6 As a result of the reduction in follow up work internal audit will undertake additional HR Investigations. Contingency for these is incorporated in the audit plan however this work will not be subject to report to Audit & Standards Committee.

3.7 As advised in December it is intended that progress on follow up actions will continue to be reported to Audit & Standards Committee in a similar manner to Covalent performance reports once these are developed. This will promote a consistent reporting approach utilising the performance software.

- 3.8 As a result of the poor compliance in relation to Employee Performance Reviews and Absence Management (in 2010/11), the then Chief Executive specifically requested that these reviews be brought forward to be performed again in 2012/13. It is disappointing to report that there was little sign of improvement. However new Council Policy has recently been approved for each of these areas and training has been delivered. It is to be hoped this will generate the improvement required.
- 3.9 Compliance with Council Standing Orders for Tenders and Contracts and the Small Contracts Procedures continues to be a problem area. A number of audits and also a recent Corporate Review of contracts reveals ongoing non compliance across the Council.
- 3.10 In previous years I have reported that Risk Registers throughout the Council were not fully completed. I have been advised by Safety & Risk that all Risk Registers are now in place.
- 3.11 During 2012/13 a Code of Corporate Governance was developed to improve the Council's governance arrangements.
- 3.12 A review of Standing Orders for Tenders and Contracts is still ongoing. However it is anticipated this will soon be concluded and reported in the June Committee cycle. The conclusion of this work should further strengthen governance arrangements.
- 3.13 Internal Audit also liaises with the Council's External Auditors, providing them with copies of all reports issued. This arrangement is reciprocated and is working satisfactorily.

Audit Planning

- 3.14 All Internal Audit assignments are performed in accordance with the annual operational audit plan. The plan is a prioritised schedule of assignments to be performed during the course of the financial year within the framework of the risk based Strategic Audit Plan.
- 3.15 The Strategic Audit Plan was drawn up using a formal risk assessment model which was refreshed in 2012/13. The following risk factors were considered:

Risk Assessment for Strategic Audit Plan

Risk Category	Brief Description
Corporate Importance	Measures the potential effect on the organisation should the system catastrophically fail
Corporate Sensitivity	Measures the day to day sensitivity of the information processed, or the service delivered by the system
Inherent Risk	Measures the risk of the system or assets to error, loss, irregularity, illegality, inefficiency, etc

Control Risk	Measures the risk that weaknesses or errors will not be prevented or spotted by management's internal controls
--------------	----------------------------------------------------------------------------------------------------------------

The Strategic Audit Plan intends to complete audit coverage of all Council activities within a six year timeframe.

- 3.16 The nature of audit work is such that there needs to be a degree of flexibility built into the planning process. Audit assignments may highlight areas which require more investigation to be undertaken than was originally planned, or special investigations may be requested as a result of the identification of an area of concern. For those reasons, the audit plan may change if staff are required to reprioritise their work plan to undertake other duties. The Committee is asked to note that there may be amendments to the Operational Plan for 2013/14 in order to prioritise staff resources as required during the year. The Corporate Management Team are in agreement with the content of the plan.

Internal Audit Resourcing

- 3.17 The Internal Audit Service is fully resourced with staff progressing their individual training plans within budgetary constraints.
- 3.18 The Internal Audit Assistant, Emma Cripps, attained the AAT (Association of Accounting Technicians) qualification and it is hoped will further her studies in 2013/14.
- 3.19 The Technical Audit Assistant, Ryan McNeillie, as part of Internal Audit succession planning is currently attempting to attain a computer audit qualification.

Internal Audit Performance

- 3.20 For 2012/13, Internal Audit has performed 92% of the Audit Plan. This compares to 94% completion in 2011/12. This is directly attributable to the hard work of Internal Audit staff. The percentage fall is due to an increase in the number of unplanned investigations undertaken and also a temporary agreed reduction in hours worked by an employee for a period of 3 months.
- 3.21 The performance target of issuing draft final reports within 14 days of audit testing completion was achieved in 100% of cases.
- 3.22 Internal questionnaires completed and returned by auditees indicate a high level of satisfaction with the service received.

Public Sector Internal Audit Standards

- 3.23 A new set of professional standards based on the mandatory elements of the Institute of Internal Auditors (IIA) International Practices framework came into force on 1 April 2013. The following is a link to the standards that SIC Internal Audit will adhere to.
<http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards>

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Although not contributing to a specific corporate priority, this report, which provides Members with an update on audit activity, contributes to improving the arrangements for Member engagement in monitoring Council performance
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy and/or Delegated Authority – The Audit and Standards Committee remit includes consideration of audit matters and one of its roles is to serve as the Council's Audit Committee.
- 4.4 Risk Management – Whilst no specific risk can be attributed to this report, Internal Audit facilitates reduction of risks identified as a result of work undertaken. This can only be the case if Council management act as per agreed action plans, to deal with issues identified by Internal Audit.
- 4.5 Equalities, Health And Human Rights – None
- 4.6 Environmental – None

Resources

- 4.7 Financial – The Operational Plan for 2013/14 will be carried out within approved budget provision
- 4.8 Legal – None
- 4.9 Human Resources – None
- 4.10 Assets And Property – None

5.0 Conclusions

- 5.1 Notwithstanding the issues highlighted above and in Appendix 1, from the work performed as part of the annual audit plan for 2012/13, Internal Audit concluded that the Council's system of internal control was generally adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced and that value for money was continuously sought. This assumes that issues identified and agreed are, have been or will be addressed. Prime concern would relate to continuing issues with contracts.
- 5.2 Any system of internal control can only provide reasonable, but not absolute, assurance against loss. Internal Audit can only provide

reasonable comment that there are no major weaknesses in the systems they have reviewed.

For further information please contact:

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May 2013

List of Appendices

Appendix 1 - Annual Report for 2012/13.

Appendix 2 - Internal Audit Operational Plan 2013/14

Appendix 3 - Six-year Strategic Plan

END

Audit	Auditee	Progress Report / Key Audit Issues
Roads	Executive Manager - Roads	Reported to Audit & Standards Dec 2012.
Planning – Development Plans / Heritage	Team Leader – Development Plans / Heritage	Reported to Audit & Standards Dec 2012.
Adult Learning	Team Leader – Adult Learning	Reported to Audit & Standards Dec 2012.
Grants	Grants Co-ordinator	Reported to Audit & Standards Dec 2012.
Ferries	Executive Manager - Ferries	<p>There was one key audit issue which caused concern and this is the lack of contractual arrangements with regard to dry docking and maintenance of the Ferry Service fleet and the terminals, which is in breach of Council Standing Orders for Tenders and Contracts and possibly EU regulations. This was raised in the audit in 2008/09 and it is disappointing it has not been resolved, albeit unsuccessful attempts have been made to progress this. A working group has now been set up to progress matters.</p> <p>Overall, there have been areas of improvement since the previous audit within financial management. However, there were audit comments covering a number of areas.</p> <p>Commitment was given to address issues identified.</p>
Transport Planning	Executive Manager – Transport Planning	Reported to Audit & Standards Dec 2012.
Accountancy	Team Leader – Accountancy	There have been significant improvements within the Councils financial management arrangements and this audit revealed only a few minor



		issues. Commitment was given to address these.
Human Resources	Executive Manager – Human Resources	No key audit issues were identified. Commitment was given to address the audit issues and minor issues that were reported.
Income & Recovery / Cashiers	Team Leader – Revenues	Audit ongoing at time of writing report. Any significant issues will be reported verbally to Audit & Standards.
Charitable Trust	Chief Executive – Charitable Trust	Audit subject to SLA. Findings will not be reported to Audit and Standards Committee.

Follow up Audit	Auditee	Progress Report
Children's Resources	Executive Manager – Children's Resources	Reported to Audit & Standards Dec 2012.
Criminal Justice	Executive Manager – Criminal Justice	Reported to Audit & Standards Dec 2012.
Housing	Executive Manager – Housing	The key audit issue identified in relation to overtime has been resolved. However a number of issues remain to be fully addressed albeit most have progressed. Commitment was given to address these.
Schools	Executive Managers – Schools Service & Quality Improvement	This follow up is being undertaken as a pilot for the new covalent system.
Asset & Properties	Team Leader – Asset & Properties	Reported to Audit & Standards Dec 2012.
Flexitime	Corporate Review follow up	Reported to Audit & Standards Dec 2012.
Development Management	Team Leader – Development Management	Reported to Audit & Standards Dec 2012.



Investigations / Reviews		
SUMS College	Director – Shetland College	Work undertaken and charged in accordance with SLA.
Hardship Fund	Director – Shetland College	Work undertaken and charged in accordance with SLA.
LEADER Funding	Executive Manager – Economic Development	Work undertaken and charged in accordance with SLA.
Corporate Improvement	Strategic Audit Plan	Ongoing.
Driver Development Training / Insurance	Strategic Audit Plan	<p>Internal Audit were advised of 407 individuals who drove Council vehicles.</p> <p>61 (15%) of these individuals were not insured. Subsequently we were advised that 26 of these individuals were not driving Council vehicles despite what was previously stated.</p> <p>In at least 90 (22%) but possibly 156 (38%) cases, drivers have not attended Driver Development Training.</p> <p>This report was scheduled to be presented to CMT on 30/4/13.</p>
Asset Register	Strategic Audit Plan	This has been rescheduled until 13/14 to coincide with implementation of new system
Contracts	Strategic Audit Plan	<p>From a sample of 42 contracts / payments (30 suppliers), there were issues with 13 (31%), primarily in relation to:</p> <ul style="list-style-type: none"> • Non tendering and non renewal of contracts • Single sourcing of goods, services and works • Procurement of social care contracts



		This report was scheduled to be presented to CMT on 30/4/13.
Performance Reviews	Strategic Audit Plan	Reported to Audit & Standards Dec 2012.
Absence Management	Strategic Audit Plan	Reported to Audit & Standards Dec 2012.
Specific Capital Project	Strategic Audit Plan	Ongoing at time of writing report. Any significant issues will be reported verbally to Audit & Standards.
Mobile Telephone Bill payments	Strategic Audit Plan	Ongoing at time of writing report. Any significant issues will be reported verbally to Audit & Standards.



INTERNAL AUDIT - 2013/14 PLAN - Appendix 2

A. INTERNAL AUDIT ASSIGNMENTS

New Assignments (Service)	Risk	Est. Staffing Days	Comments
Audits			
Income & Recovery c/fwd		30	1st Quarter
Transport Operations - FMU	M	15	1 st Quarter – Risk based audit
Transport Operations – Airport / Bus	M	15	1 st Quarter – Risk based audit
Architectural & Surveying	M	10	1 st Quarter – Risk based audit
Payroll & Pensions	H	40	1 st Quarter – Risk based audit
ICT	H	35	2 nd Quarter – Risk based audit
Ports & Harbours	H	75	2 nd Quarter – Risk based audit
Legal	M	20	3 rd Quarter – Risk based audit
Administration	L	22	3 rd Quarter – Risk based audit
Procurement	M	25	3 rd Quarter – Risk based audit
Payments	H	28	3 rd Quarter – Risk based audit
Local Taxation	H	35	4 th Quarter – Risk based audit
Youth Services	M	25	4 th Quarter – Risk based audit
		375	
Annual Reviews			
SUMS		10	3 rd Quarter at request of Shetland College per SLA
Hardship Fund		2	3 rd Quarter at request of Shetland College per SLA
LEADER		10	3 rd Quarter at request of Development per SLA
AXIS 4		5	3 rd Quarter at request of Development per SLA to be developed
		27	

Corporate Reviews			
Driver Development Training / Insurance c/fwd		5	1 st Quarter
Mobile Phone Payments c/fwd		3	1 st Quarter
Capital Project – Occupational Therapy c/fwd		15	1 st Quarter
Asset Register		10	1 st Quarter
Credit Cards / Cash Security		10	2 nd Quarter
Travel		20	3 rd Quarter
Specific Capital Project		20	4 th Quarter - Shetland College.
Corporate Improvement / BV 2		30	Ongoing
		113	
IT Reviews			
Back up Systems c/fwd		20	1 st Quarter
Audit Logs		10	3 rd Quarter
Project Boards		18	Ongoing
Systems Access		15	Covalent, Benefactor, CHRIS
		63	
Follow Up Audit Monitoring		10	

B. INVESTIGATIONS ADMINISTRATION & MANAGEMENT

Subject	R/Order	Staffing Days	Comments
Service Management		90	
Administrative Duties		60	Including Covalent Familiarisation
Investigations		40	
Disciplinary Investigations		120	Up to 8 assuming averaging 15 days per investigation
Estimate		310	

TOTAL STAFFING DAYS REQUIRED 898

TOTAL STAFFING DAYS AVAILABLE 900

	C/fwd Audit Plan 12/13		
	Income & Recovery		30
	Capital Project		15
	IT Back Up Systems		20
	Corporate Reviews		8
			73

SUPPORTING NOTES

Criteria used for Staffing Day Availability

			Staff Days
Total Staffing Days	(52 x 5)	= 260 x 4.41	1147
Less:			
Holiday Entitlement	(34 x 4.41)		(150)
Training / SLACIAG / CASG / Study	10 + 20 + 10		(40)
Public Holidays	(7 x 4.41)		(31)
Sickness (est.)	(5 x 4.41)		(22)
Reduced Hours April (Anona)			<u>(4)</u>
			247
Staffing Days available (per annum)			<u>900</u>

**STRATEGIC AUDIT PLAN
6 YEAR CYCLE**

Appendix 3

DEPARTMENT	AUDIT UNIT	Risk Category	Cycle	Last Audit	Next Audit	Staff Days	Annualised
Chief Executive	Executive Manager / Communications	<i>Low</i>	6	N/A	2014/15	10	2
	Members Allowances	<i>Medium</i>	5	2009/10	2014/15	20	4
Corporate Services	Finance - Accountancy (inc Treasury)	<i>Medium (F)</i>	4	2012/13	2016/17	65	16
	Finance-Payroll & Pensions	<i>High</i>	3	2009/10	2013/14	40	13
	Finance-Payments	<i>Medium(F)</i>	4	2009/10	2013/14	28	7
	Finance-Local Taxation	<i>High</i>	3	2010/11	2013/14	35	12
	Finance-Income & Recovery / Cashiers	<i>Medium(F)</i>	4	2012/13	2016/17	35	9
	Finance-Benefits / Rents	<i>High</i>	3	2011/12	2014/15	30	10
	Governance & Law - Safety & Risk	<i>Medium</i>	5	2010/11	2015/16	50	10
	Governance & Law - Legal	<i>Medium</i>	5	2008/09	2013/14	20	4
	Governance & Law - Administration	<i>Low</i>	6	2007/08	2013/14	22	4
	Capital Programmes - Procurement	<i>Medium</i>	5	2007/08	2013/14	25	5
	Capital Programmes - Asset & Properties	<i>Medium</i>	5	2009/10	2014/15	20	4
	Capital Programmes - Archit'ral & Surveying	<i>Medium</i>	5	N/A	2013/14	10	2
	ICT	<i>High (NF)</i>	4	2009/10	2013/14	35	9
	Human Resources	<i>Medium</i>	5	2012/13	2017/18	50	8
	Performance & Improvement	<i>Low</i>	6	N/A	2014/15	10	2
Infrastructure Services	Environment - Trading Standards	<i>Medium</i>	5	2009/10	2014/15	10	2
	Environment - Environmental Health	<i>Medium</i>	5	2009/10	2014/15	25	4
	Energy & Environment	<i>Low</i>	6	N/A	2014/15	15	3
	Building Services	<i>Medium</i>	5	2010/11	2015/16	50	10
	Waste Management	<i>Medium</i>	5	2009/10	2014/15	40	8
	Cleansing, Grounds & Burials	<i>Medium</i>	5	2009/10	2014/15	40	8
	Transport Operations - FMU	<i>Medium</i>	5	2008/09	2013/14	15	3
	Transport Operations - Airport / Bus services	<i>Medium</i>	5	2008/09	2013/14	15	3
	Roads inc (Laboratory not12/13)	<i>Medium</i>	5	2012/13	2017/18	80	16
	Ports & Harbours Operations	<i>High (NF)</i>	4	2008/09	2013/14	75	19
	Ferries	<i>High</i>	4	2012/13	2016/17	65	16

**STRATEGIC AUDIT PLAN
6 YEAR CYCLE**

Appendix 3

DEPARTMENT	AUDIT UNIT	Risk Category	Cycle	Last Audit	Next Audit	Staff Days	Annualised
Development Services	Planning - Building Standards	Medium	5	2010/11	2015/16	15	3
	Planning - Development Management	Medium	5	2010/11	2015/16	15	3
	Planning - Development Plans & Heritage	Low	6	2012/13	2018/19	20	3
	Coastal Zone	Low	6	2010/11	2016/17	5	1
	Transport Planning	Medium	5	2012/13	2017/18	25	5
	Housing	Medium	5	2011/12	2016/17	60	12
	Economic Development / Development Trust	Medium	5	2009/10	2014/15	60	12
	Community Planning & Community Work	Medium	5	2009/10	2014/15	20	4
	Adult Learning	Medium	5	2012/13	2017/18	20	4
	Grants	Medium	5	2012/13	2017/18	15	3
	Shetland College	Medium	5	2009/10	2014/15	22	4
	Train Shetland - Short Courses	Low	6	2010/11	2015/16	20	3
	Train Shetland - Vocational Training	Low	6	2010/11	2015/16	20	3
Children's Services	Children's Resources inc Child & Families	High (NF)	4	2011/12	2015/16	50	13
	Schools inc Quality Improvement	High (NF)	4	2011/12	2016/17	140	35
	Library	Low	6	2008/09	2014/15	30	5
	Sport & Leisure - Facilities / Islesburgh	Medium	5	2009/10	2014/15	40	8
	Youth Services	Medium	5	2008/09	2013/14	25	5
	Catering & Cleaning	Medium	5	2010/11	2015/16	30	6
	Janet Courtney Halls	Medium	5	2010/11	2015/16	15	3
Community Care	Community Care	High (NF)	4	2010/11	2015/16	100	25
	Criminal Justice	Medium	5	2011/12	2016/17	20	4
						1702	376
Annual Corporate Reviews							117
Corporate Improvement							30
Annual ICT Reviews							74
Annual LEADER Review							10
Annual SUMS Review							12
Sub Total							619
Disciplinary Investigations							90
Follow up work							10
Investigations, Management & Administration							180
Total Days							<u>899</u>

CORPORATE AUDIT

	Cycle	Last Audit	Next Audit	Staff Days	Annualised
Absence Management (sample of 100)	3	2012/13	2015/16	10	3
Contracts	2	2012/13	2014/15	20	10
Specific Capital Project - annual	1	2012/13	2013/14	20	20
Register of Interests	4	2010/11	2014/15	5	1
Flexitime	3	2010/11	2014/15	30	10
Flexible Relocation Policy	4	2010/11	2014/15	10	3
Performance Reviews (sample of 200)	3	2012/13	2015/16	30	10
Disclosures	3	2011/12	2014/15	10	3
Recruitment (including Chief Officials administered at Town Hall)	3	2011/12	2014/15	40	13
Credit Cards / Cash Security	2	2011/12	2013/14	10	5
Purchasing / Invoice Payment	3	2011/12	2014/15	40	13
Asset Register	4		2013/14	10	3
Data Protection / Retention & Destruction of Records	4		2014/15	30	8
Mobile telephone bill payments	4	2012/13	2016/17	5	1
Travel	3		2013/14	20	7
Driver Development Training / Insurance	3	2012/13	2015/16	15	5
Voluntary Severance	4		2014/15	10	3
					118

ICT Audits

	Cycle	Last Audit	Next Audit	Staff Days	Annualised	Actual
Project Boards	1	annual	annual	18	18	
Systems Access - 2/4 per annum including Net Work	1	annual	annual	15	15	33
						33
Physical & Environmental Security	5		2012/13	10	2	
Laptop Encryption / Media Handling	5		2012/13	20	4	63
Audit Logs (NW) - Ongoing ICT Dependant	5		2013/14	10	2	
Back Up Systems cfwd	5	cfwd	2013/14	20	4	63
Disaster Recovery & Business Continuity	5		2014/15	15	3	
Asset Management (Inventory)	5	2009/10	2014/15	15	3	63
Wireless NW Controls	5	2008/09	2015/16	15	3	
NW Security	5	2009/10	2015/16	20	4	68
Payment Card Industry standards (PCI)/online transactions	5	2010/11	2016/17	15	3	
ITIL Road Map - Progress / Compliance	5	2010/11	2016/17	15	3	63
					64	

Project Boards

Ferry Ticketing	2
ICT Security Policy Annual Review	1
Inventory / Installation Sheets - Project Team	5
Two others	10
	18

Project Boards - Complete

GSX Secure e-mail - ongoing
 SPSNet Schools NW Security
 ICT Security Policy Review (Secure email of sensitive data)
 Remote Working

SAM Software Asset Management

School Users Administration Review
Self Service NW Password Tools
ITIL / GSX Compliance

Systems Access Controls - 2 per annum (approx)

Network Access	2011/12
Webroster	2010/11
Integra	2012/13
Chris	2013/14
Servitor	2012/13
Orchard	2011/12
Capita Open Housing System	2011/12
Civica Open Revenues System	2011/12
Swift	2009/10
Axis Cash/Receipting (ACR)	2010/11
Axis Income Management 9AIM)	2012/13
Benefactor	2013/14
Seemis	2011/12
Flare	2010/11
Talis	2008/09
Covalent	2013/14



**Audit & Standards Committee
Executive Committee**

**9 May 2013
3 June 2013**

Property Holdings and Leases

CPS-05-13-F

Executive Manager Capital Programme

Capital Programme Service

1.0 Summary

- 1.1 This report provides the information requested by Audit and Standards Committee on 7 March 2013 in relation to properties owned by the Council and properties leased by the Council, either on a commercial basis or at a 'peppercorn' rent.
- 1.2 The Executive Committee has corporate and functional responsibility for asset management, and so this report provides an opportunity for Members of the Audit and Standards Committee to make comment to the Executive Committee for consideration.

2.0 Decision Required

- 2.1 That the Audit and Standards Committee:
 - 2.1.1 considers the information provided, and provide comment to the Executive Committee with regard to the management of the Council's properties which are under lease;
 - 2.1.2 propose any further information or action required by the Executive Committee, to ensure value for money is being obtained, in accordance with Best Value requirements.
 - 2.1.3 That the Executive Committee consider the report and any comments from the Audit and Standards Committee and provide direction to the Council with regard to future requirements in terms of the Council's approved Asset Strategy.

3.0 Detail

- 3.1 At their meeting on 7 March 2013, the Audit and Standards Committee requested a comprehensive report on all properties owned by the Council, including those with peppercorn rents, properties leased on a commercial basis, and confirmation on the insurance states of each of the properties.
- 3.2 It was understood that the Audit and Standards Committee was concerned that the cost and value of various properties was far outweighed by the level of income being received. There were also some concerns raised regarding the Council's liability in respect of buildings that may not have adequate insurance, or were being maintained to the Council's standards.
- 3.3 The information requested is presented in the appendices to this report as follows:
- 3.3.1 Appendix A
This sets out all properties owned by the Council and leased to others. It should be noted that some low value leases are still considered to be on a commercial basis, for example where the condition of the building is very poor. Where the rent is considered to be on a 'peppercorn' basis, that has been noted in the text.
- 3.3.2 Appendix B
This is a list of all Council-owned properties, except for properties held on the Housing Revenue Account.
- 3.4 Arrangements for insurance vary with each lease. In some cases the insurance is covered by the Council, but there are cases where the tenant is required to insure the property as a condition of the lease. As part of the preparatory work to inform this report we have reviewed the insurance status of every property where a lease is in place. This exercise identified 6 properties where insurance was not in place. Whilst that has now been resolved, it has highlighted a procedural weakness in that there is no automatic link between the Council's Asset Register and the schedule of properties that our insurers cover. Insurance relies on individual notification of each property, or of any changes to the status of that property to our insurers. We propose to carry out further work with Safety and Risk to identify how this arrangement can be improved.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities –The Council's Asset Strategy, approved in December 2011, includes a plan for reviewing the Council's Estate, including Strategic Objective 1 which states: Over the next two years we will fundamentally review our property holdings and explore all options for underused, costly and inefficient assets.

- 4.2 Community /Stakeholder Issues – None as a result of this report. Any considerations in relation to particular properties will require discussion with the parties involved.
- 4.3 Policy And/Or Delegated Authority – As outlined in the Council's Scheme of Administration and Delegations, the remit of the Audit and Standards Committee includes promoting good internal control, financial management, risk, governance and performance management. Its specific terms of reference require the Committee to examine the activities of the Council and ensure that value for money is being obtained in accordance with Best Value requirements, and to comment on the effectiveness of the planning and performance management framework, systems and processes.
- The Executive Committee has a general role to ensure best value in the use of resources to achieve the Council's key outcomes, and to monitor performance in those key areas, as well as its functional areas of responsibility, which includes all matters relating to asset management and safety and risk.
- 4.4 Risk Management – There are no immediate risk management implications as a result of this report, but detailed impacts will be included in any future reports to the Executive Committee in relation to decisions on individual properties.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – No direct implications as a result of the terms of this report, but the impact on the Council's Medium Term Financial Plan, as a result of any further actions required by the Executive Committee, will be addressed in any future reports.
- 4.8 Legal – No direct implications, although any changes in lease arrangements will require input from Legal Services.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – No direct implications as a result of the terms of this report, but the impact on the Council's Asset Strategy as a result of any further actions required by the Executive Committee, will be addressed in any future reports.

5.0 Conclusions

- 5.1 This report provides Audit and Standards Committee and the Executive Committee with summaries of properties owned by the Council and properties leased by the Council, either on a commercial basis or at a 'peppercorn' rent, in order to inform the Executive Committee's scrutiny role of performance in this area.

For further information please contact:
Robert Sinclair, Executive Manager – Capital Programme
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9 May 2013

List of Appendices

Appendix A – Council Leases

Appendix B – Council Properties

Background documents:

Asset Strategy and Implementation Plan

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12843>

END

Bixter Public Convenience	Bixter	Aithsting
Aith Junior High School	Aith	Aithsting
Old Aith School - Unit 5	Aith	Aithsting
Auld Skule Recycling Unit	Aith	Aithsting
Unit 4 Workshop	Aith	Aithsting
Unit 1 Workshop	Aith	Aithsting
Unit 2 Workshop	Aith	Aithsting
Unit 3 Workshop	Aith	Aithsting
Mail Public Convenience	Mail	Bressay
Bressay Primary School	Bressay	Bressay
Ind. Estate Bressay	Bressay	Bressay
Meal Public Convenience	Meal	Burra
Hamnavoe Public Convenience	Hamnavoe	Burra
Hamnavoe Primary School	Hamnavoe	Burra
Land - Bridge End Outdoor Cntr	Bridge End	Burra
Former School Hamnavoe	Hamnavoe	Burra
Ind. Estate Burra	Easterdale	Burra
Burra & Trondra Estate	Burra & Trondra	Burra & Trondra
Cunningsburgh Pblc Convenience	Hillside	Cunningsburgh
Cunningsburgh Primary School	Cunningsburgh	Cunningsburgh
Ind. Estate Cunningsburgh	Cunningsburgh	Cunningsburgh
Busta Estate	Busta	Delting
Mossbank Family Centre	Mossbank	Delting
Port Admin Building	Sellaness	Delting
Voe Public Convenience	Voe	Delting
Brae Public Convenience	Brae	Delting
Toft Public Convenience	Mossbank	Delting
Brae High School	Brae	Delting
Mossbank Primary School	Mossbank	Delting
Grazing Land at Pund of Loot	Mossbank	Delting
Grazing - Scatsta - Land Only	Scatsta	Delting
Land at Voxter Farm	Voxter	Delting
Cotters House Hardwell	Brae	Delting
Land at Old Scatsta Airstrip	Scatsta	Delting
Brae Youth Centre old school	Brae	Delting
Land - Loch of Voe Depot	Voe	Delting
Land - Total Gas Plant Site	Mossbank	Delting
Ind. Estate Sellaness	Sellaness	Delting
Ind. Estate Wethersta	Brae	Delting
Voxter Centre Voxter	Voxter	Delting
Ind. Estate Site 2 Sellaness	Sellaness	Delting
Hangar Sellaness	Scatsta Airport	Delting
Mavis Grind Depot	Mavis Grind	Delting
DLO Wkshop Wethersta Ind Est	Brae	Delting
New Stores Sellaness	Sellaness	Delting
New Workshop Sellaness	Sellaness	Delting
Firth & Mossbank Cmmunity Assc	Mossbank	Delting
Virkie Public Convenience	Virkie	Dunrossness
Grutness Public Convenience	Grutness	Dunrossness
Bigton Public Convenience	Bigton	Dunrossness
Dunrossness Primary School	Dunrossness	Dunrossness
Land - Roads Depot at Boddam	Boddam	Dunrossness
Shop Bigton	Bigton	Dunrossness
Croft House Museum	Boddam	Dunrossness
Fair Isle Primary School	Fair Isle	Fair Isle
Fetlar Primary School	Fetlar	Fetlar
Ind. Estate Fetlar	Fetlar	Fetlar
Fetlar Frmr Generator Bldg	Fetlar	Fetlar
Foula Public Convenience	Foula	Foula
Foula Primary School	Foula	Foula
Land - Knab Open Space	Knab Road	Lerwick
Reinstated land at Rova Head	Gremista	Lerwick
North Lochside Pblc Convenience	Lochside	Lerwick
North Road Public Convenience	North Road	Lerwick

Land at Former Fire Station	Grantfield	Lerwick
Laburnum Care Home	Burgh Road	Lerwick
Eric Gray Centre	Kantersted Road	Lerwick
Viewforth Care Home	Burgh Road	Lerwick
Edward Thomason Hse Care Home	Seafield Road	Lerwick
Leog House Care Home	Leog Lane	Lerwick
Taing House Care Home	Seafield Road	Lerwick
Sea View	Seafield Road	Lerwick
Newcraigielea	Seafield Road	Lerwick
Quoys Childrens Home	Grodians	Lerwick
Offices 4 Market Street	Market Street	Lerwick
Offices Grantfield	Grantfield	Lerwick
Offices Hayfield House	Hayfield Lane	Lerwick
Offices County Buildings	Hillhead	Lerwick
Offices 92 St Olaf Street	St Olaf Street	Lerwick
Offices ICT Garthspool	Garthspool	Lerwick
Offices Lystina House	Hillhead	Lerwick
Offices 2/4 Bank Lane	Bank Lane	Lerwick
Offices 15 Hill Lane	Hill Lane	Lerwick
Office Fort Road	Fort Road	Lerwick
Offices Montfield	Burgh Road	Lerwick
Offices 11 Hill Lane	Hill Lane	Lerwick
Offices Quendale House	Commercial Street	Lerwick
Former Library Museum	Hillhead	Lerwick
Roads Depot & Offices Grmista	Gremista	Lerwick
Old Bruce Hostel	Lovers Loan	Lerwick
Knab Road Public Convenience	Knab Road	Lerwick
New Esplanade Pblc Convenience	Esplanade	Lerwick
Bells Brae Primary School	Gilbertson Road	Lerwick
Sound Primary School	Sound	Lerwick
Former Janitors House	Sound	Lerwick
Anderson High School	Lovers Loan	Lerwick
New Bruce Hostel	Lovers Loan	Lerwick
Janet Courtney Hostel	Gressy Loan	Lerwick
Land at Stanley Hill	Staney Hill	Lerwick
Former Childrens Panel		Lerwick
Garage Site Knab Road	Knab Road	Lerwick
Kantersted Stores	Kantersted Road	Lerwick
Land at Ness of Sound	Ness of Sound	Lerwick
Site of Former YT Workshop	King Harald Street	Lerwick
Land - Rova Head Refuse Tip	Gremista	Lerwick
Archive Store King Harold St	King Harald Street	Lerwick
Ind. Estate North Gremista	Gremista	Lerwick
Ind. Estate South Gremista	Gremista	Lerwick
Ind. Estate Stanley Hill	Staney Hill	Lerwick
Shop Oversund Road	Oversund Road	Lerwick
Shop Mounthooly Place	Mounthooly Place	Lerwick
Restaurant Great Wall	Commercial Road	Lerwick
Old Infant School	King Harald Street	Lerwick
Office 1A Water Lane	Water Lane	Lerwick
Old King Harald Street School	King Harald Street	Lerwick
20 Commercial Road	Commercial Road	Lerwick
8 Commercial Street	Commercial Street	Lerwick
Hayfield Cottage Gilbertsn Rd	Gilbertson Road	Lerwick
6 Hillhead Lerwick	Hillhead	Lerwick
Bus Station	Commercial Road	Lerwick
Burgh Road Car Park	Burgh Road	Lerwick
Burns Lane Car Park	Burns Lane	Lerwick
Church Road Car Park	Church Road	Lerwick
Fort Road Car Park	Fort Road	Lerwick
St Ringans Library	Lower Hillhead	Lerwick
Sea Scouts HQ Gillies Pier	Commercial Road	Lerwick
Jubilee Pavillion	Flower Park	Lerwick
Islesburgh Community Centre	King Harald Street	Lerwick

Islesburgh House	King Harald Street	Lerwick
Museum	Hillhead	Lerwick
Former Gym Lerwick	King Harald Street	Lerwick
Rova Head Refuse Depot	Gremista	Lerwick
Energy Recovery Plant	Gremista	Lerwick
St Sunniva Street Store	St Sunniva Street	Lerwick
Town Hall Public Rooms	Hillhead	Lerwick
Special Needs Unit	Gressy Loan	Lerwick
Gremista Landfill Site	Gremista	Lerwick
Town Hall	Hillhead	Lerwick
St. Clements Hall	St Olaf Street	Lerwick
Offices 91/93 St Olaf Street	St Olaf Street	Lerwick
Offices Anderson Place	Anderson Place	Lerwick
Office 64 St Olaf Street	St Olaf Street	Lerwick
Bod of Gremista	Gremista	Lerwick
Former Leasks Garage	Market Street	Lerwick
Lunnasting Primary School	Vidlin	Lunnasting
Land at Gossawater	Nesting	Nesting
Nesting Primary School	Skellister	Nesting
Old Nesting Primary School	South Nesting	Nesting
Muckle Roe Burial Ground	Muckle Roe	Northmavine
Hillswick Public Convenience	Hillswick	Northmavine
North Roe Primary School	North Roe	Northmavine
Ollaberry Primary School	Ollaberry	Northmavine
Olnafirth Primary School	Olnafirth	Northmavine
Urafirth Primary School	Urafirth	Northmavine
Land - Red Pit Depot	Sullom	Northmavine
Ind. Estate Ollaberry	Ollaberry	Northmavine
Urafirth Old School	Urafirth	Northmavine
School House Papa Stour	Papa Stour	Papa Stour
Papa Stour Primary School	Papa Stour	Papa Stour
Quarff Addn Support Base	Quarff	Quarff
Land at Trona Scord Dam	Sandness	Sandness
Sandness Primary School	Sandness	Sandness
Wester Skeld Public Convenience	Skeld	Sandsting
Skeld Primary School	Skeld	Sandsting
Industrial Estate Skeld	Skeld	Sandsting
Land at Sandwick Water Scheme	Sandwick	Sandwick
Sandsayre Public Convenience	Sandsayre	Sandwick
Sandwick Junior High School	Sandwick	Sandwick
Old Sandwick School Workshop	Sandwick	Sandwick
Store Sandwick old school	Sandwick	Sandwick
Storage Area Bordal	Bordal	Sandwick
Burn Beach Public Convenience	Burn Beach	Scalloway
Scalloway Junior High School	Scalloway	Scalloway
Industrial Estate Scalloway	East Voe	Scalloway
Factory Balacksness Pier	Blacksness Pier	Scalloway
Kirk Business Centre	Castle Street	Scalloway
Blacksness Shop Scalloway	Blacksness Pier	Scalloway
Box/Washing Plant Blcksnnss	Blacksness Pier	Scalloway
Box/Storage Compound Blcksnnss	Blacksness Pier	Scalloway
Box/Storage Compound Blcksnnss	Blacksness Pier	Scalloway
Scord Quarry	Scord	Scalloway
Offshore Storage Warehouse	Blacksness Pier	Scalloway
Land - Play Area	Shetland Wide	Shetland Wide
Lock up Garages HRA	Shetland Wide	Shetland Wide
Bruary Public Convenience	Bruary	Skerries
Skerries Primary School	Bruary	Skerries
Tingwall Primary School	Tingwall	Tingwall
Hangar at Tingwall	Tangwall Airport	Tingwall
Little Tykes	Tingwall	Tingwall
Unst Airstrip	Baltasound	Unst
Westside Public Convenience	Uyeasound	Unst
Baltasound Junior High School	Baltasound	Unst

Uyeasound Primary School	Uyeasound	Unst
Walls Pier Public Convenience	Walls	Walls
Happyhansel Primary School	Walls	Walls
Ind. Estate Walls	Walls	Walls
Old School Gruting	Walls	Walls
Symbister Public Convenience	Symbister	Whalsay
Whalsay Primary School	Symbister	Whalsay
Whalsay Junior High School	Symbister	Whalsay
Gear Store Symbister	Symbister	Whalsay
Whalsay Bus Garage	Brough	Whalsay
Land at Loch of Utaness	Whiteness	Whiteness
Whiteness Primary School	Whiteness	Whiteness
Old Mid Yell Jnr High School	Mid Yell	Yell
Schoolhouse Cullivoe	Cullivoe	Yell
Linkshouse Public Convenience	Mid Yell	Yell
Mid Yell Junior High School	Mid Yell	Yell
Burravoe Primary School	Burravoe	Yell
Cullivoe Primary School	Cullivoe	Yell
Former School Mid Yell	Mid Yell	Yell
Land at Setter Mid Yell	Mid Yell	Yell
Workshop Mid Yell	Mid Yell	Yell
Garage Reafirth	Mid Yell	Yell
Murraster Depot Replacement	Walls	Walls