

**Special Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 28 May 2014 at 2.00 pm**

**Present:**

M Burgess	P Campbell
G Cleaver	A Cooper
A Duncan	B Fox
R Henderson	D Ratter
F Robertson	G Robinson
D Sandison	C Smith
G Smith	T Smith
M Stout	J Wills
A Wishart	V Wishart

**Apologies**

S Coutts	A Manson
A Westlake	

**In Attendance (Officers):**

C Ferguson, Director of Corporate Services  
J Gray, Executive Manager - Finance  
J Riise, Executive Manager – Governance and Law  
R Sinclair, Executive Manager – Capital Programme  
J Smith, Executive Manager – Improvement and Performance  
J Jamieson, Risk Management Officer  
L Gair, Committee Officer

**Chair:**

In the absence of the Convener, Mr G Robinson, Leader of the Council, presided.

**Circular:**

The circular calling the meeting was held as read.

**Declarations of Interest:**

None

**35/14      Shetland Islands Council 2013-14 Draft Outturn**

The Council considered a report by the Executive Manager - Finance (F-024-F) which presented the actual spending position for Shetland Islands Council.

Members noted that this report had been presented to Policy and Resources Committee earlier in the day.

The Executive Manager - Finance introduced the report and advised that the draw on reserves this year was the lowest it had been since 2002. He said however that caution was required because if the Council were to agree the Medium Term Financial Plan again it would be setting a sustainable budget, the result of which was that it would now have to live within its means. The Executive Manager – Finance also commented on a number of matters within the 2013-14 Financial Review including the anticipated reduction in core government funding, cost

pressure from pay awards and changes to national insurance contributions, one off draw on reserves to meet expenditure and spend to save projects. He also commented on the value of reserves and return on investments stating that there was still work to be done to reach a balanced position.

The Executive Manager – Finance drew attention to the General Fund table on page 8 of the Financial Review document and stated that the £5m underspend in line 9 was additional to the £12m savings budgeted for. In line 12 he highlighted the second column that showed a £109m spend compared to £130m in the year before the Council's current term of office started. He explained that line 23 illustrated the draw on reserves aided by government grant and adjustments, was £13.575m.

The Executive Manager – Finance touched briefly on the Harbour Account and Housing Revenue Account and asked that Members consider the carry forward request taking the unspent budget of capital and revenue and ring fenced grants into next year's budget.

A Member asked what a realistic sustainable draw on reserves would be. The Executive Manager – Finance said that assuming the balance was maintained over £200m, a £10m draw could be maintained. He also confirmed that had the previous Council stuck to its targets, based on 2014 figures the reserve fund could have been £500m but is worth £200m, down 60%. The Executive Manager – Finance said that this would have meant that an additional £15m draw on reserves would have been sustainable. He explained that there is an accumulative spiralling effect that occurs when overspending eats into the reserve fund and the sustainable draw also reduces. In responding to a further question, the Executive Manager – Finance advised that after fund admin fees etc of approx. £10m are removed, to allow capital growth and to protect against inflation, the return on investment would be worked out by deducting 2.5% from the sustainable percentage return and the rest would be set aside to nominally grow. He said that if the total income of £3m/year was added to reserves, by 2030 the reserves would be between £270 and £280m in 15 years.

The Chair commented that the Executive Manager – Finance had done a lot of work on financial modelling and hoped that Members would attend next week's financial seminar.

A Member questioned whether the Council had exhausted its ability to find non recurring savings. The Executive Manager – Finance said that the assumption will be that all savings are recurring. He noted that some additional savings from last year will be of a recurring nature. A Member requested that a single sheet be provided showing a breakdown of savings achieved, to be used for public discussion. He also asked for the best possible view of Central Government income and Council tax projections to 2017-18 so that the public can have a good understanding and be clear on what decline there is in simple cash terms, including figures for inflation. The Executive Manager – Finance advised that this had already been prepared and would be available for the Seminar next week, but he could only provide this up to 2015/16, until the letter from Central Government is received. He indicated that the spending review may be in November and the outcome of the referendum may also have an impact on what is received.

The Chair added that the Director's Group that he attends say that flat cash is too optimistic and it is more likely that a 2% reduction will be applied each year, but that

will be explained further next week and the position should be clear before the budget setting exercise in December. A comment was made that the Council Tax had been capped for 7 years and were inflation to be applied it would potentially mean a big increase in the charge. The Executive Manager – Finance said that Officers continued to work on the concordat, but if not successful the increase would be 3% on Council tax and General Revenue Grant. If there is an increase the Council would get no benefit on the first 2.5%. He added that the Council tax only makes 7% of the Council's budget therefore Council tax would have to increase by 10% to achieve a 1% increase in the overall Council budget. It was noted that the Council tax is currently frozen at the second lowest level in Scotland.

A Member asked what savings have not been met within the 4 functional committees. The Executive Manager – Finance said that each directorate is different and advised that Community Care are £600k overspent which is down from £1m and relates to slippage issues, that would be addressed by the last 4 months of the financial year.

In response to a question on the detail of the Harbour Account, Members were advised that the information was commercially sensitive and dialogue had only just begun but better information would be available at the seminar.

Members spoke in support of the hard work of Officers in meeting and executing the savings, which has set the standard for future and it is a tribute to staff this has been achieved.

Mr Robinson moved that the Council approve the recommendations contained in the report, seconded by Mr C Smith.

**Decision:**

The Council **RESOLVED** to:

- Note the 2013-14 draft outturn position; and
- Note the 2013/14 proposed carry forwards.

36/14

**Asset Investment Plan – Progress Report – Quarter 4**

The Council considered a report by the Executive Manager – Capital Programme (CPS-08-14-F) which advised on the progress on the projects contained in the Asset Investment Plan.

The Executive Manager – Capital Programme introduced the report. He advised on a correction in Appendix 1, in that whilst the figures in the table are correct, the narrative under HCH3305 – Hoofields New Housing should be corrected to state that there was no further anticipated Scottish Government Capital Grant allocation of £300K. The total grant was £600K and this was drawn down in March 2013. The allocation of £460K for Brae housing has always been for that project and was drawn down in March 2014. He confirmed that this would be amended for future reporting to Members.

The Executive Manager – Capital Programme agreed, in response to a request from a Member, that the disposal of assets list will be provided to Members in a quarterly bulletin.

In responding to a question on the Erik Gray Resource Centre, the Executive Manager – Capital Programme advised that a report would be presented to the next Policy and Resources Committee and Council and that this report was a review of projects already underway.

The Executive Manager – Capital Programme confirmed to Members that the figures attributed to the Town Hall/Lystina project was a best estimate of the Council's contribution. Once the costs are known the figure will be amended. He also confirmed that the upgrade of the listing status would be part of the work taken forward.

Members commented on the expected life of the stone being sourced and it was not known what this might be. It was suggested that Officers liaise with Highland Council who had recently invested in their Town Hall in terms of the materials they used.

Mr C Smith moved that the Council approve the recommendations contained in the report, seconded by Mr Cooper.

**Decision:**

The Council **RECOMMENDED** that the Council resolve to note the progress on the projects within the Asset Investment Plan.

37/14

**Our Corporate Plan 2014 Update**

The Council considered a report by the Chief Executive (IP-16-14-F) which presented the final edit of the updated version of Our Corporate Plan aligned with Directorate Plans.

The Director of Corporate Services introduced the report and Members acknowledged the work of the Executive Manager – Improvement and Performance.

Mr Cooper moved that the Council approve the recommendations contained in the report, seconded by Mr C Smith.

**Decision:**

The Council **RESOLVED** to approve this version of Our Corporate Plan for further sharing with partners, staff and the community.

38/14

**Planning and Performance Management Framework Update Report**

The Council considered a report by the Executive Manager – Improvement and Performance (IP-12-14-F), which recommended updates to the Council's Planning and Performance Management Framework to meet the obligations of Best Value and better support the delivery of the Our Corporate Plan.

The Executive Manager – Improvement and Performance introduced the report and advised that having been presented at the earlier Policy and Resources Committee, discussions were held around the links across to Community Councils and the Community. He advised that work is to be done to develop what Community Council's part will be in this and engagement with the Community on what the Council does next will be progressed. He added that this is the first year where all service Committees have gone through the performance reviews and

made sure that what Committees want done is done, he said that the process is working.

The Executive Manager – Improvement and Performance responded to questions on how engagement will be carried out and a Member said it was important to give more power to Community Councils, but it was also suggested that Community Councils will need to accept more power.

*(Dr Wills left the meeting)*

A Member drew attention to a letter from Improvement and Performance that sought evidence from Community Council's on their involvement with community groups. It was suggested that this letter was written in ignorance of how integrated Community Councils are with its own community. The Member said that Community Councils are not sure how to respond to this letter. It was noted that this work is being carried out by the Executive Manager – Community Planning and Development.

On the motion of Mr Robertson seconded by Mr C Smith, the Council approved the recommendation in the report.

**Decision:**

The Council **RECOMMENDED** that the Council resolve to approve the arrangements contained in the Planning and Performance Management Framework.

39/14

**Overall Council Performance Report – 2013/14 – End of Year**

The Council considered a joint report by the Chief Executive, the Director of Corporate Services and the Executive Manager – Improvement and Performance (IP-15-14-F), which presented an overview of performance across the Council during 2013/14.

The Executive Manager – Improvement and Performance introduced the report and noted that of the 32 items on the change programme 19 were complete and 13 were ongoing. He said that a further 11 items had been added with a number of priority 1 items to be concluded. The Executive Manager – Performance and Improvement advised that projects have attributed to savings in the Council largely in reducing staffing levels. He said that the growth in staffing numbers between 2005-2010 had been addressed in the last 3-5 years.

In response to questions, the Executive Manager – Improvement and Performance confirmed that 2853 individuals, with unique NI numbers, in Shetland are employed in at least one post, including part-time and relief staff. It was also noted that the total wage bill for the year is £6m/month.

In response to a question on the fitness of the workforce following the reduction in staffing, the Director of Corporate Services explained that when a department or service is redesigned there are workforce development plans prepared to underpin change. She said that if severance did not fit with the workforce development plan then severance was not allowed. In terms of whether the Council is in a better place now, the Director of Corporate Services said that as there is no benchmark it was not possible to say. Where issues have occurred for example in Ferries Service, policies are adjusted to assist there. What is being done to develop our own skills gaps, ie accountants, electricians etc, will be covered in the workforce

strategy. An overarching strategy is needed and Officers are keen to do that this year, but Officers won't wait for that strategy if assistance is needed in key areas.

The Chair said it was important to clarify one misconception that exists whereby staff are being given exit packages and returning. He said that this is not the case as the posts no longer exist.

The Director of Corporate Services responded to a question that sought an understanding of the identifiable costs of having a gap between the amount of actual staff on paper and the amount of employment contracts. She explained that the biggest numbers of temporary and relief staff occurs in Social Care, Infrastructure and the Schools Service. The biggest overheads are in training and staff support as an employee on a one hour contract requires to meet the same standards as a full time employee, which is a huge overhead. She said the same applies across professional roles. The Director of Corporate Services said that the cost of producing multiple payslips is not the biggest cost but providing employment review and development, supporting staff, and supporting return from sick leave all add to management overheads. She added that these part-time and relief positions are essential as full time 9-5 posts would not cover the needs of the Council's business.

In response to a query on why the rate of sickness has increased following the new management structure, Members were advised that there were technical issues up to March as well as seasonal variations to be expected. It was agreed that the figures would be provided by email that cover a 9 month period to better identify seasonal adjustments.

On the motion of Mr C Smith the Council approved the recommendations contained in the report, seconded by Mr Cleaver.

**Decision:**

The Council discussed the contents of the report and noted progress against priorities that inform the planning process for next and future years.

*(Mr T Smith, Mr Robertson and Ms Wishart left the meeting)*

40/14

**Council Business Programme 2014/15**

The Council considered a report by the Team Leader – Administration (GL-07-14-F), which informed of the planned business to be presented to Council over the remaining quarters of the current financial year to 31 March 2015, allowing for discussion with Officers regarding any changes or additions to that Programme.

The Director of Corporate Services introduced the report and in response to a question on the duplication of reporting and services reporting to more than one Committee she reminded Members of the original intention to have themed committees and it was seen that it did not need to match departments and would be more cross cutting. She explained that having now experienced this structure for a period of time we can see what the effect is and perhaps look at change, but this was something that the Chief Executive was committed to look at and it was suggested by the Chair that this be done through the new Policy Forum.

Mr C Smith moved that the Council approve the recommendations contained in the report, seconded by Mr Cleaver.

**Decision:**

The Council **RESOLVED** to approve any changes or additions to the Business Programme as follows:-

The meeting closed at 3.25pm

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Convener