



**Policy and Resources Committee  
Shetland Islands Council**

**19 November 2014  
20 November 2014**

## **Progress Report – Asset Investment Plan**

**CPS-15-14-F**

**Executive Manager – Capital Programme**

**Capital Programme Service**

### **1.0 Summary**

- 1.1 The 5-year Asset Investment Plan (AIP) detailing budgets listed in Appendix A was approved on 11 December 2013 (Min. Ref, 108/13) and 28 May 2014 (Min. Ref. 35/14). This report advises the Council on the progress on the projects contained within the AIP.
- 1.2 It includes a summary of the financial status and predicted outturn for the full life of each project.

### **2.0 Decision Required**

- 2.1 That the Policy and Resources Committee RECOMMENDS that the Council notes the progress on the projects within the AIP.

### **3.0 Detail**

- 3.1 This report provides an overview of the full life of each project, based on the revised budget and the predicted outturn.
- 3.2 Where projects take place over a number of financial years, this report summarises the position from the beginning to completion of the project. Rolling programmes are not included in this report.
- 3.3 Quarterly monitoring reports on capital expenditure are now provided by the Executive Manager - Finance, detailing the progress of capital projects within the current financial year. These reports include information on rolling programmes.
- 3.4 The detailed project information is attached as Appendix A.

## 4.0 Implications

### Strategic

- 4.1 Delivery On Corporate Priorities – This report forms part of the annual performance reporting arrangements on financial matters in support of the Financial Strategy, Reserves Policy and Budget Strategy.
- 4.2 Community/ Stakeholder Issues – None
- 4.3 Policy and/ or Delegated Authority – Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from the Policy and Resources Committee.
- 4.4 Risk Management – The main areas of risk are financial in terms of over or under-spend. Regular progress reports to Committee and the Council enable Members to monitor the investment plan.
- 4.5 Equalities, Health And Human Rights – None
- 4.6 Environmental – None

### Resources

- 4.7 Financial – This report shows that the full life predicted outturn cost of the projects in the Asset Investment Plan totals £100.8m, of which £39.1m is externally funded (38.8%), resulting in a total estimated cost to the Council of £61.7m. The expenditure to date on these projects is £40.5m with £60.3m spend outstanding.
- 4.8 Legal – None
- 4.9 Human Resources – None
- 4.10 Assets And Property – None

## 5.0 Conclusions

- 5.1 This report provides an update on progress in delivering the Asset Investment Plan and summarises the full life financial position for each project.

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For further information please contact:

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List of Appendices: Appendix A - Progress Report - Asset Investment Plan

Background documents: None

END

# Capital Projects - Full Life Project Costs

# CPS-15-14 Appendix A

Directorate	Service Area	Budget				Funding		Expenditure	
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to Date £	Project Cost Outstanding £
<b>Childrens Services</b>	Schools	2,480,581	46,493,821	48,974,402	0	31,825,717	17,148,685	1,564,626	47,409,776
		<b>2,480,581</b>	<b>46,493,821</b>	<b>48,974,402</b>	<b>0</b>	<b>31,825,717</b>	<b>17,148,685</b>	<b>1,564,626</b>	<b>47,409,776</b>
<b>Community Care Services</b>	Adult Service	4,657,083	0	3,921,905	735,178	2,000,000	1,921,905	1,695,596	2,226,309
	Occupational Therapy	8,790,182	0	8,790,182	0	1,534,000	7,256,182	3,088,539	5,701,643
		<b>13,447,265</b>	<b>0</b>	<b>12,712,087</b>	<b>735,178</b>	<b>3,534,000</b>	<b>9,178,087</b>	<b>4,784,135</b>	<b>7,927,952</b>
<b>Development Services</b>	Economic Development	2,414,219	0	2,490,275	(76,056)	280,722	2,209,553	2,352,285	137,990
	Housing	7,977,280	0	7,971,024	6,256	1,060,000	6,911,024	7,036,272	934,752
	Shetland College	5,036,186	0	5,006,656	29,529	2,309,000	2,697,656	4,897,289	109,368
		<b>15,427,685</b>	<b>0</b>	<b>15,467,956</b>	<b>(40,270)</b>	<b>3,649,722</b>	<b>11,818,234</b>	<b>14,285,846</b>	<b>1,182,110</b>
<b>Infrastructure Services</b>	Environmental Services	711,949	0	681,949	30,000	0	681,949	336,105	345,843
	Estate Operations	495,000	0	495,000	0	0	495,000	74,773	420,227
	Ferry Operations	1,193,978	0	1,193,978	0	0	1,193,978	448,114	745,864
	Roads	2,344,769	0	2,148,486	196,282	0	2,148,486	481,457	1,667,029
	Ports & Harbours	19,108,657	0	19,123,657	(15,000)	94,816	19,028,841	18,565,263	558,395
		<b>23,854,353</b>	<b>0</b>	<b>23,643,071</b>	<b>211,282</b>	<b>94,816</b>	<b>23,548,255</b>	<b>19,905,712</b>	<b>3,737,359</b>
	<b>Total All Funds</b>	<b>55,209,884</b>	<b>46,493,821</b>	<b>100,797,515</b>	<b>906,190</b>	<b>39,104,255</b>	<b>61,693,261</b>	<b>40,540,319</b>	<b>60,257,196</b>

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	
GCE1221	Happyhansel PS Extension	509,657	0	509,657	0	322,336	187,321	497,001	12,656	Within budget and contract practical completion issued end March 2014 with some additional works completed summer 2014. Final account to paid shortly with retention and internal recharge scheduled for March 2015.
GCE1304	Anderson High School Replacement	955,923	46,493,821	47,449,744	0	30,995,881	16,453,863	1,067,465	46,382,280	Outline design work has been completed and planning consent obtained. Work is progressing on the detailed design and construction procurement. Project costs and funding increased by inflation.
GCE1305	Anderson High Clickimin Path Upgrade	1,015,000	0	1,015,000	0	507,500	507,500	160	1,014,840	SIC/Sustrans funded project. Tenders have been returned and are being assessed, anticipated site start January 2015.
<b>Total</b>		<b>2,480,581</b>	<b>46,493,821</b>	<b>48,974,402</b>	<b>0</b>	<b>31,825,717</b>	<b>17,148,685</b>	<b>1,564,626</b>	<b>47,409,776</b>	

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	
GCA0241	Extensions to ET & Taing Houses - <b>Spend to Save Project</b>	2,657,083	0	1,921,905	735,178	0	1,921,905	1,330,738	591,167	Phase 1 - 99% complete, with only minor works to be finished and final account to be agreed. Phase 2 - scope of project descaled with anticipated underspend against set budget.
GCA0242	NHS Conversion Scalloway School	2,000,000	0	2,000,000	0	2,000,000	0	364,858	1,635,142	NHS funded project, tender awarded and works programme started August 2014. Project completion now estimated to be June 2015.
GCA0237	Eric Gary Replacement	5,705,312	0	5,705,312	0	0	5,705,312	10,832	5,694,480	Detailed design ongoing with planning application to be submitted November 2015.
GCA0233	Occupational Therapy Resource Centre	3,084,870	0	3,084,870	0	1,534,000	1,550,870	3,077,707	7,163	Building officially opened on 24 July, 2013 with NHS jointly funding this project. Final account agreed but not paid pending resolution of some remedial works.
<b>Total</b>		<b>13,447,265</b>	<b>0</b>	<b>12,712,087</b>	<b>735,178</b>	<b>3,534,000</b>	<b>9,178,087</b>	<b>4,784,135</b>	<b>7,927,952</b>	

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Net Spend to date £	Total SIC Project Cost Outstanding £	
GCY5141	Lanfill Capping	711,949	0	681,949	30,000	0	681,949	336,105	345,843	Phase 1 Project due to be completed by November with a saving of £30k. The budget shown includes further phases due to start in 15/16 and 17/18.
GCY5507	Town Hall and Lystina Conservation Project	435,000	0	435,000	0	0	435,000	24,617	410,383	This project is to be reprofiled to 15/16 to allow for external funding bids to be sourced.
GCY6139	Clickimin Roundabout Works	872,000	0	872,000	0	0	872,000	2,065	869,935	Project awaiting discharge of planning conditions. Design complete and tenders returned, anticipated site start early 2015.
GCY6205	Laxaburn Bridge Replacement	252,324	0	212,324	40,000	0	212,324	130,487	81,837	Works commenced at the beginning of July 2014, with bridge works complete and safety barrier installed at end October. Not all contract and fee payments through yet.
GCY6208	Effirth Bridge	214,455	0	214,455	0	0	214,455	209,045	5,410	Main contract works complete with only retention to be paid 14/15.
GCY6209	Burra Bridge Bearings	385,989	0	229,707	156,282	0	229,707	42,746	186,962	Specialist contractor unwilling to carry out jacking up work during the winter months and this part of the project will slip to next financial year. Saving of 120K on this project transferred to cover Foula Bridge emergency works.
GCY6210	Trondra Bridge Bearings	500,000	0	500,000	0	0	500,000	0	500,000	Work to commence after Burra Bridge Bearings in 2015/16.
GCY6211	Foula Bridge	120,000	0	120,000	0	0	120,000	97,114	22,886	Budget for emergency repairs created from savings on Burra Bridge following heavy rainstorm which rendered bridge unusable. BRO anticipates work will be complete by end November, but this is weather dependent.
GCY7216	Viking Bus Terminus/Shelters	60,000	0	60,000	0	0	60,000	50,156	9,844	Works ongoing - still to complete lift removal and additional storage to COPE.
GCY7634	Ticket Machines - Spend to Save	159,978	0	159,978	0	0	159,978	106,793	53,185	Additional budget created from savings within Ferry Operations with project now due for completion November 2014.
GCY7635	Bigga Life Extension	900,000	0	900,000	0	0	900,000	240,325	659,675	Propellers fitted and shot blasting complete; new engines delivered to Aberdeen. Project due for completion December 2014.
GCY7636	Yell Ferries Monitoring System	134,000	0	134,000	0	0	134,000	100,996	33,004	Additional budget created from savings within Ferry Operations to enable purchase of enhanced monitoring system. Project now due for completion November 2014.

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Net Spend to date £	Total SIC Project Cost Outstanding £	
GCM2313	Tugs for Sellaness	15,239,149	0	15,254,149	(15,000)	0	15,254,149	15,235,707	18,442	Final works underway and to be completed by end of the summer. Projected overspend relates to legal fees which were not budgeted.
GCM2316	Walls Pier	3,149,509	0	3,149,509	0	94,816	3,054,693	3,151,093	-1,584	Practical completion reached and the pier was opened at end of May 2014. Projected overspend relates to officer time which was previously understated. Final account will not be processed until 15/16.
PCM2141	Lerwick Terminal Life Extension	75,000	0	75,000	0	0	75,000	0	75,000	Works to linkspan deck plating and hydraulics only.
PCM2142	Bressay Terminal Life Extension	75,000	0	75,000	0	0	75,000	0	75,000	Works to linkspan deck plating and hydraulics only.
PCM2143	Belmont Terminal Life Extension	135,000	0	135,000	0	0	135,000	34,050	100,950	Works to linkspan deck plating and hydraulics only.
PCM2144	Gutcher Terminal Life Extension	250,000	0	250,000	0	0	250,000	37,121	212,879	Works to linkspan deck plating and hydraulics only.
PCM2147	Vidlin Terminal Life Extension	50,000	0	50,000	0	0	50,000	31,265	18,735	Works to be undertaken this year.
PCM2148	Laxo Terminal Life Extension	50,000	0	50,000	0	0	50,000	38,104	11,896	Works to be undertaken this year.
PCM2149	Symbister Terminal Life Extension	85,000	0	85,000	0	0	85,000	37,924	47,076	Works to be undertaken this year.
<b>Total</b>		<b>23,854,353</b>	<b>0</b>	<b>23,643,071</b>	<b>211,282</b>	<b>94,816</b>	<b>23,548,255</b>	<b>19,905,712</b>	<b>3,737,359</b>	

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	
GCD1576	Fibre Optic Project - Phases I, II & III	1,312,370	0	1,388,426	(76,056)	280,722	1,107,704	1,250,436	137,990	Phase 1 & 2 complete. Phase 3 delayed by consent approvals and amended to landward route. Overland Phase 3 - cable laying contract Blackgaet to Maywick complete. Splicing and testing being carried out by Council engineers.
GCD1577	Fibre Optic Project - Phases IV, V & VI	1,101,850	0	1,101,850	0	0	1,101,850	1,101,850	0	Works complete with only retention to be paid; the retention has been accrued.
UCL5203	Shetland College Extension	5,036,186	0	5,006,656	29,529	2,309,000	2,697,656	4,897,289	109,368	with some works carried out during summer holidays 2014; retention and internal recharge will not be paid / posted until March 2015. Officially opened on 16 September 2014.
<b>Total</b>		<b>7,450,405</b>	<b>0</b>	<b>7,496,932</b>	<b>(46,527)</b>	<b>2,589,722</b>	<b>4,907,210</b>	<b>7,249,574</b>	<b>247,358</b>	



Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	
HCH3304	Brae New Housing	1,800,276	0	1,900,326	(100,050)	460,000	1,440,326	1,768,607	131,719	Contract 3 months late in starting on site due to cost saving exercise, redesign and approval for contractors appointment. Contract works practically complete at end July 2014, internal recharge will not be posted until financial year end and retention will not be paid until 2015.
HCH3305	Hoofields New Housing	3,733,495	0	3,733,495	0	600,000	3,133,495	3,701,760	31,735	Project complete and final account agreed £4.3K less than anticipated and £9.2K refund recieved from Scottish Water following commissioning works. Internal recharge not posted until financial year end.
HCH3706	Heating Replacement Programme	300,000	0	300,000	0	0	300,000	101,670	198,330	Rolling programme of works being progressed, the budget and spend identified here is for financial year 14/15 only.
HCH3711	Retentions/ Final Accounts	20,000	0	20,000	0	0	20,000	0	20,000	Budget held for outstanding final A/Cs
HCH3712	Housing Quality Standard	1,407,249	0	1,307,249	100,000	0	1,307,249	764,281	542,968	Numerous contractual appointments made (Kitchens / Windows / Insulation / Roofing etc.). Rolling programme of works being progressed, budget and spend identified here is for financial year 14/15 only.
HCH3715	Landward Crudens (Voe / Whalsay)	716,260	0	709,954	6,306	0	709,954	699,954	10,000	Project complete - snagging works and final accounts agreed less than anticipated. Internal recharge not posted until financial year end.
<b>Total HRA</b>		<b>7,977,280</b>	<b>0</b>	<b>7,971,024</b>	<b>6,256</b>	<b>1,060,000</b>	<b>6,911,024</b>	<b>7,036,272</b>	<b>934,752</b>	





**Policy and Resources Committee  
Pension Fund Consultative Panel**

**19 November 2014  
(Date to be set)**

<b>Pension Fund - 2014/15 Mid Year Performance Review Report</b>	
<b>F-057-F</b>	
<b>Report Presented by Executive Manager - Finance</b>	<b>Corporate Services</b>

## **1.0 Summary**

- 1.1 This report will allow the Policy and Resources Committee and the Pension Fund Consultative Panel to review the mid year position and performance of the Pension Fund's external investments, managed on their behalf by fund managers.
- 1.2 This report also complies with the requirements of the CIPFA Code of Practice for Treasury Management in Public Services 2011, in respect of the requirement to report the mid year investment position.

## **2.0 Decision Required**

- 2.1 This report is a review of the Pension Fund's external investments over the first six months of the 2014/15 financial year, and as such members are asked to consider the outcome of this mid year review.
- 2.2 The Pension Fund Consultative Panel is asked to consider the outcome of this mid year review.

## **3.0 Detail**

- 3.1 This report concentrates on the six-month period from April to September 2014. The report looks at the performance of the Pension Fund's two fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.

- 3.2 The Pension Fund has two fund managers with total investments under management at the end of September 2014 of £342 million. The funds, type of mandate and market values at the end of September 2014 are as follows:

Manager	Mandate	% of Reserves	Market Value (£m)
BlackRock	Equity and Bonds	90%	308
Schroders	Property	10%	34

- 3.3 I will look at the individual fund manager's performances later but there is the need to consider the effect of the markets themselves, and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the six-month period.

	Pension Fund £ million
Market value as at 31/03/14	333
Additions / (Withdrawals)	1
Investment Return	<u>8</u>
Market value as at 30/09/14	<u>342</u>

- 3.4 The figures show an overall £8 million positive investment return for the six month period. This equates to an increase in investment value of about 2.7% on the opening fund value.
- 3.5 The £1 million of additions is excess cash accumulated from employer and employee contributions (Council and admitted bodies) over pension payments during the year. This £1 million was transferred to Schroders and forms part of the increase to their mandate as per the new Pension Fund strategy.
- 3.6 The Global economic situation has remained volatile over the first six months of this financial year with concerning issues between Russia and Ukraine making investors nervous, while on the other hand USA cut monetary help to its economy as economic data improved. The investment markets performance, of the asset classes the Pension Fund invests into, over the six-month period looks like this:

		%
Equities:	UK	1.2
	North America	9.1
	Europe (Ex UK)	-2.3
	Japan	7.6
	Pacific (Ex Japan)	3.3
Bonds:	UK	4.8
	Overseas	1.5
Property		10.0
Cash		0.2

- 3.7 As can be seen from these asset returns most asset classes produced positive returns, with Property the best performing asset class. The fund manager has negligible influence over the market return but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform the market return by a certain percentage, whereas a fund manager with a passive mandate is aiming to match the market return.

In this environment the Pension Fund's managers have, over the six month period to end September 2014, performed as follows:

Manager	Fund Return	Benchmark Return	% Return Against Benchmark
BlackRock	2.4%	2.3%	0.1%
Schroders	7.5%	8.5%	-1.0%

- 3.8 The fund with BlackRock is invested passively in equities and bonds, so the fund is aiming to equal the benchmark return. BlackRock are very close to this aim over the six month period, as the fund is only 0.1% away from the benchmark.
- 3.9 The fund with BlackRock had an investment return of 2.4% over the six month period, which is a reflection of the mixture of returns from the various markets the fund invests into.
- 3.10 Schroders has a property fund, which has underperformed the benchmark over the six month period by 1.0%. This fund invests into UK and European property. Over this period the UK investment has outperformed but the European investment has underperformed, and pulled down Schroder's overall performance over the period.
- 3.11 The fund with Schroders has increased in value by 7.5% over the six month period, while the benchmark rose by 8.5%.
- 3.12 The overall Pension Fund investment return for the six-month period to end September 2014 was 2.7%, which was 0.1% below the benchmark return.
- 3.13 During 2014/15 a new investment strategy, which was approved by the Council in March 2014, will be put into place. This strategy will focus on achieving a 100% funding level over a period of time, which is before the Pension Fund's contributions equal benefits payable. The new strategy will add three new mandates to the current two with BlackRock and Schroders.

## **4.0 Implications**

### Strategic

- 4.1 Delivery On Corporate Priorities – One of the reporting requirements of the CIPFA Code of Treasury Management is to formally give a Mid Year review report to the Council. This report fulfils that requirement, while also assisting the Council in ensuring the financial resources are managed so that the Council can sustain and develop the economy.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy And/Or Delegated Authority – The Pension Fund Consultative Panel has an overview of the management of the local government pension scheme. The Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council (Section 2.2.1 of the Scheme of Administration and Delegations).
- 4.4 Risk Management – All investments carry some degree of investment risk but these risks are actively managed and minimised through diversification of fund managers, assets, benchmarks, markets, size of holdings etc.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

### Resources

- 4.7 Financial – The long-term performance of the Pension Fund is one of the criteria that can affect the overall funding level of the Pension Scheme. This funding level then influences the contribution rate the Council is required to make into the Pension Scheme. The Pension Fund return from April to September 2014 was just below the benchmark return.
- 4.8 Legal – As required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, where investment managers have been appointed their performance is to be kept under review by the Council.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

## **5.0 Conclusions**

- 5.1 Over the first six months of the 2014/15 financial year BlackRock have performed well and are close to their benchmark return, while Schroders are below their benchmark. Schroders underperformance was due to their European Fund, this investment will continue to be monitored closely and discussed with Schroders. The overall investment strategy for this period was just below the benchmark return.

- 5.2 The Pension Fund investments have increased in value over the first six months of the 2014/15 financial year by £8 million, from investment returns.

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**Policy and Resources Committee****19 November 2014****Council Reserves - 2014/15 Mid Year Performance Review Report****F-058-F****Report Presented by Executive Manager - Finance****Corporate Services****1.0 Summary**

- 1.1 This report will allow the Policy and Resources Committee to review the mid year position and performance of the Council's external investments, managed on its behalf by fund managers.
- 1.2 This report also complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, and with the requirements of the CIPFA Code of Practice for Treasury Management in Public Services 2011, in respect of the requirement to report the mid year investment position to the Council.

**2.0 Decision Required**

- 2.1 This report is a review of the Council's external investments over the first six months of the 2014/15 financial year, and as such the Policy and Resources Committee is asked to consider the outcome of this mid year review.

**3.0 Detail**

- 3.1 This report concentrates on the six-month period from April to September 2014. The report looks at the performance of the Council's three fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.

- 3.2 The Council has three fund managers with total investments under management at the end of September 2014 of £244 million. The funds, type of mandate and market values at the end of September 2014 are as follows:

Manager	Mandate	% of Reserves	Market Value (£m)
Baillie Gifford	Equity and Diversified Growth	47%	115
BlackRock	Equity	33%	81
Insight	Bonds and Cash	20%	48

- 3.3 I will look at the individual fund manager's performances later but there is the need to consider the effect of the markets themselves and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the six-month period.

	SIC Funds £ Million
Market value as at 31/03/14	204
(Withdrawals) / Additions	36
Investment Return	<u>4</u>
Market value as at 30/09/14	<u>244</u>

- 3.4 The figures show an overall £4 million positive investment return over the six month period. This equates to an investment return of about 1.9% on the opening fund value.
- 3.5 The additions to the SIC Funds over the six month period were £36 million. This is a combination of £31 million of borrowing from the Public Works Loan Board along with a £5 million cash injection from the Council's bank account.
- 3.6 The Council's Reserves have therefore increased in overall value by £40 million over the first six months of this financial year.
- 3.7 The Global economic situation has remained volatile over the first six months of this financial year with concerning issues between Russia and Ukraine making investors nervous, while on the other hand USA cut monetary help to its economy as economic data improved. The investment markets performance by asset class over the six month period looks like this:

		%
Equities:	UK	1.2
	North America	9.1
	Europe (Ex UK)	-2.3
	Japan	7.6
	Pacific (Ex Japan)	3.3
	Emerging	6.0
Bonds:	UK	4.8
	Overseas	1.5
	Index-Linked	6.3

Property  
Cash

10.0  
0.2

- 3.8 As can be seen from these asset returns most asset classes produced positive returns, with Property the best performing asset class. The fund manager has negligible influence over the market return but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform the market return by a certain percentage, whereas a fund manager with a passive mandate is aiming to match the market return.

In this environment the Council's fund managers have, over the six month period to the end of September 2014, performed as follows:

Manager	Fund Return	Benchmark Return	% Return Against Benchmark
Baillie Gifford	-0.8%	3.0%	-3.8%
BlackRock	5.5%	5.6%	-0.1%
Insight	4.2%	4.1%	0.1%

- 3.9 Baillie Gifford's fund is split between an active equity fund and a Diversified Growth Fund. The performance of these two investments give differing returns, active equities underperformed their benchmark by 7.2% over the six month period while the Diversified Growth Fund outperformed by 2.2%. The overall combined fund has underperformed the benchmark over the six month period by 3.8%.
- 3.10 Over this six month period Baillie Gifford's performance is disappointing given their good performance over the last few years. This is a short time period under review and an active equity fund will over short time periods produce volatile returns.
- 3.11 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. BlackRock are very close to this aim over the six month period, as the fund is only 0.1% away from the benchmark.
- 3.12 The fund with BlackRock had an investment return of 5.5% over the six month period, which is a reflection of the mixture of returns from the various markets the fund invests into.
- 3.13 The bond fund manager Insight outperformed their benchmark over the six month period and also produced a return of 4.2%.
- 3.14 The overall Council investment return for the six-month period to end September 2014 was 1.9%, which was 1.7% below the benchmark return.

## 4.0 Implications

### Strategic

- 4.1 Delivery On Corporate Priorities – The Council's overall investment strategy is important to the Council's Reserves, which play a key role in helping the Council deliver its corporate objectives, as described in the Community Plan, the Corporate Plan and other strategic documents.
- 4.2 Community /Stakeholder Issues – None
- 4.3 Policy and/or Delegated Authority – In accordance with Section 2.2.1(7) of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the coordination, control and proper management of the financial affairs of the Council.
- 4.4 Risk Management – All investments carry some degree of investment risk but these risks are actively managed and minimised through diversification of fund managers, assets, benchmarks, markets, size of holdings etc.
- 4.5 Equalities, Health And Human Rights – None
- 4.6 Environmental – None

### Resources

- 4.7 Financial – One of the reporting requirements of the CIPFA Code of Treasury Management is to formally give a Mid Year Review report to the Council. This report fulfils that requirement.
- 4.8 Legal – This report complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, to give a Mid Year Report on the investment position to the Council.
- 4.9 Human Resources – None
- 4.10 Assets And Property –None

## 5.0 Conclusions

- 5.1 Over the first six months of the 2014/15 financial year Insight outperformed their benchmark, BlackRock were close to their benchmark while Baillie Gifford underperformed their benchmark. The combined investment return over the period was 1.9%, which was 1.7% below the benchmark return.

- 5.2 The underperformance of Baillie Gifford's active equity fund over the past six months is disappointing but it is a volatile investment and over a short period of time. Any underperformance is though monitored closely. All fund managers are evaluated over long term returns and Baillie Gifford is well above the benchmark over the long term.
- 5.3 The Council's investments added £4 million in value over the first six months of the 2014/15 financial year from investment returns.

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For further information please contact:  
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END



**Shetland Islands Council****20 November 2014****Shetland Islands Council Business Programme – 2014/15**

GL-19-14-SIC-F

**Team Leader – Administration****Governance and Law  
Corporate Services****1.0 Summary**

- 1.1 The purpose of this report is to inform the Council of the planned business to be presented to Council over the remaining quarters of the current financial year to 31 March 2015 and discuss with Officers any changes or additions required to that programme.

**2.0 Decision Required**

- 2.1 That the Council considers its business planned for the remaining quarters of the current financial year to 31 March 2015 and RESOLVE to approve any changes or additions to the Business programme.

**3.0 Detail**

- 3.1 The Council approved the Council's Meeting Dates and Business Programme 2014/15 at its meeting on 26 March 2014, (Min. Ref. 21/14).
- 3.2 It was agreed that the Business Programme for 2014/15 would be presented by Committee Services to the Council and each Committee, on a quarterly basis, for discussion and approval.
- 3.3 The manner in which meetings have been scheduled is described below:
- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within 2 weeks of the meeting, the meeting will be cancelled;
  - Special meetings have been called on specific dates for some items – other agenda items can be added, if time permits;
  - PPMF = Planning and Performance Management Framework meetings have been called for all Committees and Council once per quarter. These meetings are time restricted, with a specific focus on

PPMF only, and therefore no other business will be permitted on those agendas;

- Budget = Budget setting meetings – other agenda items can be added, if time permits, or if required as part of the budget setting process; and
- In consultation with the Chair and relevant Members and Officers, the time, date, venue and location of any meeting may be changed, or special meetings added.

3.4 In relation to the planned business for the year ahead, the Chief Executive will provide the Council with any further information, comment or observations on the planned business, at the meeting.

## **4.0 Implications**

### Strategic

4.1 Delivery On Corporate Priorities – The recommendation in this report is consistent with the following corporate priorities:

#### Our Corporate Plan 2013-17

- To be able to provide high quality and cost effective services to people in Shetland, our organisation has to be run properly.
- Fully align the timetables, time spans and approaches for financial planning relating to the medium term yearly budgeting with Council, directorate and service planning.

4.2 Community /Stakeholder Issues – The Business Plan provides the community and other stakeholders with important information, along with the Council's Corporate and Directorate Plans, as to the planned business for the coming year.

4.3 Policy And/Or Delegated Authority – Maintaining a Business Programme ensures the effectiveness of the Council's planning and performance management framework. The Business Programme supports each Committees role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations, in monitoring and reviewing achievements of key outcomes within its functional areas, whilst ensuring best value in the use of resources is met to achieve these outcomes within a performance culture of continuous improvement and customer focus.

4.4 Risk Management – The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the objectives and actions contained in its corporate plans could mitigate against those risks.

4.5 Equalities, Health And Human Rights – None.



4.6 Environmental – None.

#### Resources

4.7 Financial – The there are no direct financial implications in this report, but indirect costs may be avoided by optimising Member and officer time.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

### **5.0 Conclusions**

5.1 The presentation of the Business Programme 2014/15 on a quarterly basis provides a focussed approach to the business of the Council, and allows senior Officers an opportunity to update the Council on changes and/or additions required to the Business Programme in a planned and measured way.

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For further information please contact:

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*7 November 2014*

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#### List of Appendices

Appendix 1 – Shetland Islands Council Meeting Dates and Business Programme 2014/15

#### Background documents:

Report GL-02-F - Presented to Council on 26 March 2014: Titled “Meeting Dates and Business Programme 2014/15”

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4317>





**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

Shetland Islands Council			
<i>D= Delegated R=Referred</i>			
Quarter 1 1 April 2014 to 30 June 2014	Date of Meeting	Business	
	<i>Special</i> 23 April 2014 12 noon	Local Government Boundary Commission for Scotland – Review of Number of Councillors – Council Response	D
	<i>Special</i> 12 May 2014 2 p.m.	Bus Contracts	D
	<i>Ordinary</i> 14 May 2014 10 a.m.	Chair's Report - Mental Health Strategy	D
		Chair's Report - Discontinuation of Supply of Black Bags [ <i>charges only</i> ]	D
		Chair's Report – Review of Late Hours Catering Terminal Hours	D
		Review of Governance Arrangements	D
		Re-affirmation of Senior Councillor Appointments	D
		Advance Road Works	D
	<i>Special</i> 21 May 2014 9.30 a.m.	SOTEAG Annual Report & Presentation	D
		Pension Fund Management – Annual Review 2013-14	D
		Fund Management – Annual Investment Report 2013-14	D
		Shetland Islands Enterprise Fund (Aventa Capital Partnership Ltd)	D
	<i>PPMF</i> 28 May 2014 2 p.m.	Overall SIC Management Accounts – End of Year	D
		Asset Investment Plan – Progress Report – Quarter 4	D
		Corporate Plan – Integrated and Formatted Final Edit	D
		Planning and Performance Management Framework Update	D
		Council Wide – Performance Overview – Quarter 4	D
	<i>Special</i> 9 June 2014 2 p.m.	Chair's Report – E&F 9 June: Strategy for Secondary Education – Sandwick JHS	D



**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

Shetland Islands Council - Continued			
D= Delegated R=Referred			
Quarter 1 1 April 2014 to 30 June 2014 <i>Continued</i>	Ordinary 2 July 2014 10 a.m.	<b>Chair's Reports</b> <ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Single Outcome Agreement 2014/15</li> <li>• Public Bodies (Joint Working) (Scotland) Act 2014 - Integration Model</li> <li>• Solan/Bonxie</li> <li>• Statement of Intention for Protecting Shetland's Marine Environment</li> <li>• Digital Strategy</li> <li>• Clickimin Path Upgrade</li> <li>• Review of the Plans for Day Service Provision for Adults with Learning Disabilities, Autistic Spectrum Disorders and Complex Needs</li> <li>• Shetland College Fees 2014/15</li> <li>• Assurance and Improvement Plan Update 2014-17</li> <li>• Review of Corporate Services Management Arrangements</li> </ul>	D
		Strategy for Secondary Education in Shetland – Amendment	D
		Our Islands Our Future	D
		Future Mechanism for Economic Development Commercial Investments	D
		Member Appointments	D
		Pension Fund – Investment Tender Exercise	D
		Towage Operations – Risk Assessment	D
		Changes to Security for Guardian Angell Fishing Company Ltd Investment	D
Quarter 2 1 July 2014 to 30 September 2014	<b>Date of Meeting</b>	<b>Business</b>	
	PPMF 20 August 2014 2 p.m.	Overall SIC Management Accounts – Quarter 1	D
		Asset Investment Plan – Progress Report – Quarter 1	D
		Audit Scotland and Other External Audit Reports	D
		Council Business Programme 2014/15	D
	Special 21 August 2014 12 noon	Chair's Report - Request to Vary Extended Hours of Provision: Bell's Brae Nursery	D
		Chair's Report - Strategy for Secondary Education in Shetland – Preliminary Requirements	D
		Chair's Report - Shetland Islands Council Children's Social Work Services Policy	D
		Chair's Report – Sp Dev Com 13 August: Shetland Local Development Plan – Reporter's Recommendations	D



**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

**Shetland Islands Council - Continued**

*D= Delegated R=Referred*

	<i>Special</i> 23 September 2014 11.30 a.m.	Pension Fund Final Audited Accounts 2013-14 & Report to those Charged with Governance	D
		SIC Final Audited Accounts 2013-14 & Report to those Charged with Governance	D
		Appointment of Members – Shetland Partnership Board	D
		Final Audited Zetland Educational Trust Annual Report and Financial Statements to 31 March 2014	D
		Approval of Local Police Plan 2014-17 and Local Fire & Rescue Plan 2014-17	D
<b>Quarter 3</b> <b>1 October</b> <b>2014</b> <b>to</b> <b>31 December</b> <b>2014</b>	<b>Date of Meeting</b>	<b>Business</b>	
	<i>Ordinary</i> 5 November 2014 10 a.m.	Notice of Motion – presented in accordance with Standing Order 12	D
		Chair's Report – Dev 6 Oct: Local Nature Conservation Sites Supplementary Guidance & Local Landscape Areas Supplementary Guidance	D
		Chair's Report – SSC – 1 Oct: Health and Social Care Integration Update Report	D
		Chair's Report – E&F 1 Oct: Looked After Children Strategy	D
		Chair's Report – P&R 27 Oct: Asset Strategy Update	D
		Chair's Report – P&R 27 Oct: Gateway Process – Service Need Case Reports	D
		Chair's Report – P&R 27 Oct: Long Term Asset Investment Plan – Project Update	D
		Appointment of Councillors – Integrated Joint Board	D
		Monitoring Officer Report – Data Protection Breaches	D
		Proposed Closure of North Roe Primary School and Urafirth Primary School and Nursery Class	D
		Blueprint for Education 2012-17: Proposed Postponement of Statutory Consultation on the Proposed Closure of Sandness Primary School and Burravoe Primary School	D
		Chief Officer Appointment – Section 95 Officer	D
	<i>PPMF</i> 20 November 2014 10 a.m.	P&R 20 November: Pension Fund – 2014-15 Mid Year Investments Performance Review Report	D
		Council Reserves – 2014-15 Mid Year Investments Performance Review Report	D
		Asset Investment Plan – Progress Report – Quarter 2	D
		Council Business Programme 2014/15	D



**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

Shetland Islands Council - Continued			
			<i>D= Delegated R=Referred</i>
<b>Quarter 3</b> <b>1 October</b> <b>2014</b> <b>to</b> <b>31 December</b> <b>2014</b> <i>continued</i>	<i>Special</i> 3 December 2014 10 a.m.	Overall SIC Management Accounts – Quarter 2	D
		2015-16 Policy and Resources Committee Budget and Charging Proposals	D
		2015-16 HRA Budget and Charging Proposals	D
		Chair's Reports on 2015-16 Budget and Charging Proposals	D
		Chair's Report – P&R 26 November: Gateway Process – Service Needs Case	D
		Chair's Report – P&R 26 November: Proposed Five Year Asset Investment Plan 2015/20	D
		Chair's Report - P&R 26 November - Review of Community Grants	D
		Chairs Report - P&R 26 November - Investment in AHS Sub-Ordinated Debt	D
		Chairs Report - Investment in AHS Sub-ordinated Debt	D
		Long Term Financial Plan	D
		2015-16 SIC Budget Book	D
	<i>Ordinary</i> 17 December 2014 10 a.m.	Chairs report – Harbour Board 18 November: Solan and Bonxie - Update	D
		Chairs report – Harbour Board 18 November: Legal Advice Litigation	D
		Chair's Report – Licensing Committee – 21 November: Revisions to Rules and Guidelines for Taxi Licences	D
<b>Quarter 4</b> <b>1 January</b> <b>2015</b> <b>to</b> <b>31 March</b> <b>2015</b>	<b>Date of Meeting</b>	<b>Business</b>	
	<i>Ordinary</i> 18 February 2015 10 a.m.	Chair's Report – E&F 20 January 2015: Shetland Tertiary Education Research and Training Project	D
		Chair's Report - Inter Island Ferry Fares Review – Final Report	D
	<b>Date of Meeting</b>	<b>Business</b>	
	<i>PPMF</i> 25 February 2015 2 p.m.	Overall SIC Management Accounts – Quarter 3	D
		Asset Investment Plan – Progress Report – Quarter 3	D
		Treasury Management Strategy 2015-16	D
		SIC Investment Strategy 2015-16	D
		Pension Fund Investment Strategy 2015-16	D
		Change Programme - Update	D



**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

	PPMF 25 February 2015 2 p.m. <i>continued</i>	Single Outcome Agreement – Annual Report 2013/14	D
		SIC Business Programme and Diary of Meetings 2015-16	D

**Planned Committee business still to be scheduled - as at Thursday, 13 November 2014**

- Review of Membership of External Organisations
- Irrecoverable Debt 2013/14 (March cycle)

Shetland Islands Council – END



**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

**SIALB – Licensing Committee – Planning Committee**

<b>Quarter 1 1 April 2014 to 30 June 2014</b>	<b>Committee</b>	<b>Date</b>	<b>Time</b>
	SIALB	Tuesday 15 April 2014	10 a.m.
	Licensing Committee	Tuesday 15 April 2014	10.30 a.m.
	Planning Committee	Tuesday 15 April 2014	2 p.m.
	SIALB	Tuesday 13 May 2014	10 a.m.
	Licensing Committee	Tuesday 13 May 2014	10.30 a.m.
	Planning Committee	Tuesday 13 May 2014	2 p.m.
	SIALB	Tuesday 10 June 2014	10 a.m.
	Licensing Committee	Tuesday 10 June 2014	10.30 a.m.
	Planning Committee	Tuesday 10 June 2014	2 p.m.
<b>Quarter 2 1 July 2014 to 30 September 2014</b>	Planning Committee	<i>Cancelled</i>	
	SIALB	Tuesday 22 July 2014	10 a.m.
	Licensing Committee	Tuesday 22 July 2014	10.30 a.m.
	SIALB	Tuesday 12 August 2014	10 a.m.
	Licensing Committee	Tuesday 12 August 2014	10.30 a.m.
	Planning Committee	Tuesday 12 August 2014	2 p.m.
	SIALB	Tuesday 16 September 2014	10 a.m.
	Licensing Committee	Tuesday 16 September 2014	10.30 a.m.
	Planning Committee	Monday 15 September 2014	2 p.m.
<b>Quarter 3 1 October 2014 to 31 December 2014</b>	SIALB	Thursday 9 October 2014	2 p.m.
	Licensing Committee	Thursday 9 October 2014	2.30 p.m.
	Planning Committee	<i>Tuesday 14 October 2014 - cancelled</i>	<b>cancelled</b>
	Planning Committee	Friday 7 November 2014	10 a.m.
	SIALB	Friday 21 November 2014	10 a.m.
	Licensing Committee	Friday 21 November 2014	10.30 a.m.
	SIALB	Wednesday 10 December 2014	10 a.m.
	Licensing Committee	Wednesday 10 December 2014	10.30 a.m.
	Planning Committee	Wednesday 10 December 2014	2 p.m.





**Shetland Islands Council - Meeting Dates and Business Programme 2014/15  
as at Thursday, 13 November 2014**

SIALB – Licensing Committee – Planning Committee - <i>continued</i>			
<b>Quarter 4 1 January 2015 to 31 March 2015</b>	SIALB	Tuesday 13 January 2015	10 a.m.
	Licensing Committee	Tuesday 13 January 2015	10.30 a.m.
	Planning Committee	Tuesday 13 January 2015	2 p.m.
	SIALB	Monday 16 February 2015	10 a.m.
	Licensing Committee	Monday 16 February 2015	10.30 a.m.
	Planning Committee	Monday 16 February 2015	2 p.m.
	SIALB	Tuesday 10 March 2015	10 a.m.
	Licensing Committee	Tuesday 10 March 2015	10.30 a.m.
	Planning Committee	Tuesday 10 March 2015	2 p.m.

Employees JCC		
Committee	Date	Time
Employees JCC	Wednesday 16 April 2014	11 a.m.
Employees JCC	Tuesday 17 June 2014	11 a.m.
Employees JCC	<i>Tuesday 30 September 2014 - <b>cancelled</b></i>	<b>cancelled</b>
Employees JCC	Monday 19 January 2015	11 a.m.

tbcc = to be confirmed

PPMF = Planning and Performance Management Framework meetings – no other business to be added

Budget = Budget setting meetings – other items can be added if time permits

Ordinary = Ordinary meetings – other items can be added

Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Thursday, 13 November 2014