



Audit Committee
Policy & Resources Committee

17 November 2015
25 November 2015

Audit Scotland and other External Audit Reports – Best Value Reports

Report No IA-30-15-F

**Report from: Executive Manager – Audit, Risk
and Improvement**

Corporate Services

1.0 Summary

- 1.1 This report provides the Committee with the Audit Scotland Best Value reports recently issued to Falkirk Council & Aberdeen City Council. It gives Committee the opportunity to consider issues raised that may also be pertinent to this Council.

2.0 Decision Required

- 2.1 That the Audit Committee and Policy & Resources Committee NOTE the contents of this report and APPROVE any actions required, for recommendation to the relevant Committee, or an officer.

3.0 Background

- 3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from External Auditor's/Advisers reports (Min ref 61/14).
- 3.2 In the case of Best Value reports, not specific to Shetland Islands Council, these cannot be allocated to a specific officer.
- 3.3 Responses from relevant officers are sought and a report co-ordinated by the Executive Manager – Audit, Risk & Improvement.
- 3.4 Best Value reports have recently been issued to Aberdeen City Council & Falkirk Council.

http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150702_aberdeen_city_council.pdf

http://www.audit-scotland.gov.uk/docs/best_value/2015/bv_150827_falkirk_council.pdf

- 3.5 The Areas for Improvement summary for each of these reports are attached as appendices with comment from officers of this Council boxed and italicised for information.
- 3.6 A number of the issues highlighted in these reports have not been subject to officer comment as they are not considered directly relevant to Shetland Islands Council at present. If Members consider further information is required, where no comment has been given, this will be addressed.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Improved external engagement and sharing best practice will contribute to high standards of governance and the Council being operated and managed effectively.
- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit Committee remit includes "...review reports from the Council's External Advisors and review action on External Audit recommendations". The Policy and Resources Committee has within its remit "...ensure the Council discharges its functions relating to Best Value.
- 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 Best Value reports produced by Audit Scotland provide valuable information for Committees and officers throughout the Council and could provide opportunities for proactive improvement within Shetland Islands Council.

For further information please contact:
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November 2015

List of Appendices

Appendix A – Aberdeen City Council – Areas for Improvement

Appendix B – Falkirk Council – Areas for Improvement

END

Areas for Improvement – Aberdeen City Council

Our report's summary notes that, at the time of our audit, the council was undergoing significant change, including recruiting to key posts. The council has established areas of good practice including its medium-term budget planning process. It has also taken positive steps to improve working relationships. It is important that the council continues to make progress in these areas and it should:

Vision and strategic direction

- review how the political priorities of Aberdeen: the Smarter City, the SIP, the City Region Deal and the City Centre Masterplan are linked through to service plans.
- consider the capacity and capability required to deliver the strategic priorities against the recruitment challenges experienced in the North East.

Officer Comment

With our new Corporate Plan 2016-20 now agreed, it will be the task of managers across the council to ensure the outcomes set out in that document are delivered over the next four years. Key to that will be the service planning and budget setting processes and then ensuring the progress being made is reported in the quarterly performance update reports to Members. The new plan was developed through close engagement with Members and senior officers. The Plan was communicated to all Council staff and work is now taking place to communicate more widely the vision and priority areas it contains.

Work is ongoing to develop Directorate Plans and Service Plans which align to and complement the new Corporate Plan.

Leadership and working relationships

- build on the use of cross-party groups to help maintain political consensus and commitment to the council's long-term priorities
- sustain improved working relationships, and consider plans to introduce further protocols and guidance for member-to-member and member-to-officer working.

Officer Comment

Member Development is referred to in both this and the Falkirk report. SIC has a Member development framework in place which facilitates identification of Member Training needs. Focus is on one or two specialist training events a year, supplemented by in-house seminars, articles, free resources from ILearn and webinars etc. Member development issues and resources are highlighted through monthly newsletters.

There is reference to the need to set clear objectives and link between this and the appraisal process. As our ERD process is due for review and with a historic poor performance in consistency in completing staff appraisals and identification of training needs this is also a challenge in our council. The review of the policy and LEAN review of Workforce

Development systems and processes will provide an opportunity to focus on improving this. It will be useful for us to contact Aberdeen City Council to find out how their work on this is progressing.

We should continue to use the mechanisms that have been developed to further embed a culture of trust between elected members and officers to foster better working relationships in a more general way. Ensuring officers have the skill set to be aware of effective elected member engagement, show professionalism, demonstrate their expertise in their field and respond / listen to the elected members, etc.

Performance management and scrutiny

- implement plans to refocus performance measurement on outcomes
- ensure clear links between the performance information submitted to members for scrutiny and the council's strategic plans
- fully implement arrangements for enhanced scrutiny of ALEOs through the governance hub.

Officer Comment

The work done to focus on outcomes to refresh the Corporate Plan is a good example of how things continue to develop. There is also an intention to focus more on outcome performance indicators and work has commenced in this area.

As already noted work is ongoing to develop Directorate Plans and Service Plans which align to and complement the new Corporate Plan.

Changing the ways in which the Council delivers services and achieves its savings needs to be focused on prioritising the activities that will achieve those outcomes and this will be reflected in the new Medium Term Financial Plan (MTFP).

The need to engage and communicate with staff is recognised by the Chief Executive at Aberdeen City particularly ensuring staff are informed, consulted and engaged in improvement and transformational activity. The SIC employee consultation and engagement framework is being developed by HR in partnership with the Trades Unions, this will include a new Facilities Agreement that sets out the roles and responsibilities to ensure effective union consultation and guidance for managers on how to communicate and consult effectively. The terms of reference for the Human Resources Partnership Group (HRPG) will be reviewed as part of this to ensure the consultation is meaningful. A short life Task Group is being set up for this purpose. The Employee Engagement Plan that will be developed following the Viewpoint Survey will also demonstrate our commitment to this.

Financial management and improvement

- ensure the necessary organisational capacity for transformation is in place in readiness for anticipated budget reductions
- build further elected member and staff engagement in the change programmes.

Officer Comment

The challenge of adequately resourcing change, recognising the cost that needs to be invested in change is something that will be highlighted as a key driver in terms of moving through the next 5 years of the MTFP. Ensuring that funding is available to deliver on such things we will be aiming to generate savings options that deliver improvement both for the service and financially. Clearly taking advantage of a project based approach to change (identification of opportunities / options) and systems thinking that the Director – Corporate Services is keen to promote will further support this and emphasise the Council's commitment to having the resources in place to achieve the desired/required change.

Officers could seek support from other Council's to try and learn from their approach to change management especially in light of the budget reductions that are being experienced and acted upon. To find out how others achieve better engagement with elected members and staff would be extremely valuable – especially as much analysis on the subject of where and how to achieve budget savings starts with those doing the job/role. We should build upon the findings of the viewpoint survey to recognise where we are and how far we need to go in terms of getting the Council vision to become one we all share and to act upon the findings so that staff feel that progress is being made – building trust but perhaps more importantly stimulating enthusiasm for the Council, which in turn leads to new ideas and interest in improvement.

Areas for Improvement – Falkirk Council

Falkirk Council faces a significant challenge in making the savings that it needs over the next three years. It needs to take urgent action and show more effective political and managerial leadership to respond to these circumstances. We have identified a number of areas for improvement relating to the scale and pace of change at the council and its approach to scrutiny, performance management and performance reporting.

Scale and pace of change

- The council cannot afford to continue spending at its current level and it needs to make substantial savings over the next few years. It should develop clear and detailed plans for how it will make these savings, supported by good analysis, options appraisals and strong business cases. It should also set out how it will significantly increase its scale and pace of change in transforming and improving services.

- The council should ensure that staff reductions are planned within the context of comprehensive workforce strategies and plans to minimise any adverse impact on services.

- The council should ensure that councillors are properly involved in the business transformation project, that they provide clear strategic direction and that they have the necessary skills and knowledge to challenge appropriately.

- The council should consider if a cross-party forum or budget working group, bringing councillors from different groups together, would be appropriate to help deal with some of the financial challenges and service delivery decisions that are needed. It would also involve them in redesigning and improving services to make savings.

- The council should ensure that the role of the internal audit manager in its business transformation is appropriate, with no risks to an effective role for internal audit in providing independent assurance.

Officer Comment

These issues are being addressed within Shetland Islands Council or in the case of the last two points are not applicable as all Members are independent and the Internal Audit Manager does not manage projects. Specific comments made were as follows:

Workforce Strategy is identified as key to ensuring that staff reductions are considered in an informed way and in a way that identifies the impact on services. Whilst that remains an outstanding action for HR, the challenge to the organisation is to pay attention to the service delivery and service transformation aspect of that. We may have a strategy that sets out the direction of travel but how will we ensure that this is looked at alongside the impact on delivering services. A good example is the reduction in staff in health and care and subsequent unintended consequences of huge challenges with recruitment and retention.

The Council could become better in many areas at understanding where it is financially (baseline data from which to demonstrate progress, total cost, unit costs, etc) and where it wants to be - going back to the what the improvement will look like when it actually happens! For example efficiency savings and their achievement are notoriously difficult to capture and prove retrospectively and this is made more difficult by an absence of data - making use of the (Building Better Business Cases (BBBC) methodology and improved project management approaches improves the likelihood of identifying the need for

specific data and obtaining it early to allow the analysis to be carried out and presented in the future.

In general some of the key points made in the report about presenting data are in place for all services, the extent to which each gets its point across using those tools is varied. The Council needs to become more consistent in the approach to presenting our data so that elected members especially get the opportunity to understand what it is they are seeing to allow them to interpret it simply and quickly. Using some of the tools we have can be challenging but they can deliver many aspects of what good public reporting should look like according to the report.

Scrutiny

- All councillors need to participate in the council's governance arrangements, as implemented in 2015, including the executive and scrutiny committees. They need to take collective responsibility for decisions, the scrutiny process that will strengthen these decisions and ensuring agreed decisions are implemented.
- The council should ensure that all its scrutiny arrangements, in particular its Performance Panel, meet best practice principles. It should ensure that:
 - scrutiny involves constructive challenge, regardless of political allegiances
 - all aspects of the scrutiny arrangements, including the work of the scrutiny panels and the Performance Panel, are open and transparent, and support public accountability.
- The council faces tough decisions in a difficult financial environment to plan and deliver services to meet the needs of local communities. All councillors need to understand their role in making these decisions, and in the scrutiny process that supports them. The council should do more to support Councillors by:
 - providing information and training to make sure that councillors and officers have a shared understanding of the new structures that were implemented in May 2015, and how they operate in practice
 - providing information that makes it clear how councillors can contribute most effectively.
- The council should consider developing a local protocol that sets out clear expectations for how councillors should work together and with officers.

Officer Comment

It is felt these issues are being addressed in Shetland Islands Council or are not applicable. A programme of training for elected members is in place.

Performance management and reporting

- The council should integrate its various strands of performance management, service improvement and business transformation to ensure it has a coherent approach. It should use this to target its resources, focus on delivering its priorities and drive continuous improvement. It should:
 - coordinate its activities such as service reviews, self-assessments and business transformation and show how these will lead to specific improvement

- regularly and systematically carry out self-assessment of services, including comparison with other councils, and use this information to identify areas for improvement in its service plans

- ensure its programme of service reviews focuses on its strategic priorities and objectives and is based on areas for improvement identified through performance information

- ensure its business transformation and improvement projects build on the priorities identified through service reviews and good practice from other areas, to identify how to significantly improve services and contribute to required budget savings.

- The council should ensure that its performance reporting arrangements make improvement happen. It should produce action plans where performance reports identify a need for improvement, take the action required and provide assurance to councillors that these actions are followed up.

- The council should further improve the performance information that it reports to councillors and publishes so that councillors and the public have a good understanding of the council's performance. In line with good practice, and the council's new guidance, its public performance reporting should include:

- performance indicators that include a baseline figure to show where services have improved or otherwise; they should also include contextual information or an explanation when using trend arrows or traffic light indicators to help readers interpret the data, for example whether an indicator increasing indicates performance is better or worse

- performance indicators that are SMART, and have a clear target for what is to be achieved or what is expected.

Officer Comment

Many of these comments could equally apply to Shetland Islands Council and work continues to produce improvement.

The Council has a robust cycle of quarterly PPMF report with work ongoing to improve consistency. There have also been notable recent improvements in some areas for example substantial improvements in our Public Performance Reporting which was recognised in Audit Scotland's most recent annual report. A Performance Management Strategy is to be developed in this financial year and work continues in relation to improving Directorate Plans & Service Plans with new templates recently developed and approved. In addition with our new Corporate Plan in place a greater focus on reporting outcomes is intended.

The focus of service reviews and self assessment is also currently under consideration.

Other Specific comments were:

Developing a more systematic approach to performance management continues to be a challenge and in particular, how we ensure this is a meaningful and practical exercise and still systematic. Making use of a systems thinking approach helps us do this and the Workforce Development function has been doing just that and exploring how to ensure that our systems of working produce the outcomes we are looking for. Now that we have a corporate plan with clear outcomes set out as the 20/20, it is far more straightforward to be able to direct improvements based on evidence from performance reporting.(refer to summary section 13, page 7). Redesigning services and doing things differently is also highlighted as necessary to meet financial challenges (section 26 , p10).

Performance Management and Reporting is a challenge for this and other councils, not easy to crack, as we've been discussing all year.

Through the Council's approach to Building Better Business Cases and alike there is a focus and framework within which the Council should be better able to target the strategic priorities it is aiming to follow - starting at this strategic consideration ensures that reviews and transformation has much greater likelihood of success.

There is comment that the Council should ensure its performance reporting arrangements make improvement happen. This is something we clearly need to work on to capture the relevant data that not only describes up front what the improvement will look like when it happens, but to understand the milestones and timetables against we should be measured while we're getting there. This is not easy and to do this comprehensively will take time and energy/effort on the part of many. The fact SIC has a performance management framework and reporting regularity right through to the Committees provides a basis upon which to continue to improve, although the CMT should consider performance data more robustly and regularly to set their agenda and drive the Council forward - there is merit in looking forward in relation to what we are doing rather than simply trying to justify the past (which has its place).



Policy & Resources Committee

25 November 2015

**Executive and Corporate Services Department Performance Report
6 Month / 2nd Quarter 2015/16**

Report No: CRP-24-15-F

Director of Corporate Services

1.0 Summary

- 1.1 This report summarises the activity and performance of the Executive and Corporate Services Department for the reporting period above.

2.0 Decisions Required

- 2.1 The Policy & Resources Committee should discuss the contents of this report and its appendices and make any relevant comments on progress against priorities to inform further activity.

3.0 Detail

- 3.1 The main focus for Corporate and Executive Services in the Council's Corporate Plan 2012-2015 is the priority of, "Being a properly led and well-managed council, dealing with the challenges of the present and the future, and doing that within our means".
- 3.2 Progress against "**this year we will**" priorities from the **Council's Our Corporate Plan** that are led by Executive and Corporate Services, or where Executive and Corporate Services are required to play a significant part, are set out in the table below.

Our Corporate Plan 2012-15 - “this year we will”

Lead Services	Description	Date Due	Progress as at the end of this reporting period	R A G
Children’s Services	Achieve financial close and signed contracts for the new AHS project	National deadline 1 April 2016	Project management financial and legal services provided through Corp Services. Financial close achieved by end of July 2015. Work to minimise the impact on the overall project timescale is ongoing.	A
Development Services	High speed broadband available to 84% of households	2017/18	Corporate services are supporting the work on a short term project to consider the business case for the Council’s continuing role in the context of the national programme through BT and BDUK.	A
Corporate Services	Implement new governance arrangements for Health and Social Care Integration in line with the Public Bodies (Joint Working) (Scotland) Act 2014.	National deadline 1 April 2016	Completed	G
Development Services	Co-ordinate and manage community engagement on the building budgets exercise to inform the budget setting process for 2016/17 budget.	Dec 2015 for 2016/17 budget	An on-line web-based tool has been developed and populated using information/views provided by the public during the Building Budgets exercise. Sessions were held in 7 locations during Aug/Sept on 2016/17 budgets. It includes NHS figures as part of the IJB budget information and forms an integral part of the budget setting process. A public report on feedback from the on-line budget planner and public sessions is being prepared.	G
Corporate Services	Develop and implement a Workforce Development Strategy .	Revised target April 2016	Workforce planning data has been collected and a draft strategy is now well underway with the intention of submitting to Policy & Resources Committee in February 2016.	A
Executive Services	Our Islands Our Future: Secured the best for Shetland in any constitutional change following	2017	Continuing active involvement in key areas is co-ordinated by the Executive Manager Executive Services. Work is currently focussed on aspects of the proposed Islands Bill.	G

	the Scottish Independence Referendum.			
Corporate Services	Develop options for the future use of the existing AHS site at the Knab .	April 2016	Planning Service has prepared a Development Brief. Legal Services have identified ownership of land and are resolving title issues where possible. The Development Brief should be available early 2016.	A
Corporate Services	Develop a Long Term Asset Investment Plan that covers all directorates.	Revised target date Dec 2016	Update to Committee planned for December 2015.	A

3.3 The Committee is invited to comment on any issues which they see as significant to sustaining and improving service delivery. Appendix 2 shows the Council wide indicators and Appendix 3 shows the Key Directorate Indicators to enable the Committee to monitor service delivery. A summary of the number of complaints received and responded to are shown in Appendix 4. The risk register in Appendix 5 sets out the strategic and operational risks to the activities of Corporate and Executive Services.

3.4 The key performance indicators for Corporate and Executive Services listed in Appendix 3 are taken from the 2014/15 Directorate Plan, however, the list only shows those indicators that are measured on a quarterly basis and therefore gives only a partial view of performance. They tend to be the indicators that are easily quantifiable and further work is needed to consider how we can better reflect our performance in terms of outcome measures and more qualitative information including narratives on key areas of activity and projects/programmes that deliver change. With this in mind, the table at paragraph 3.2 above includes information regarding Council priority actions where Corporate and Executive Services have a critical role to play in achieving the desired outcomes.

3.5 Work on key performance measures for Executive and Corporate Services is being taken forward as an integral part of the development of the 2016/17 Directorate Plan and these will form the basis of performance reports in 2016/17.

4.0 Implications

Strategic

4.1 Delivery on Corporate Priorities – Effective Planning and Performance Management are key features of the Council's Corporate Plan 2012-15.

4.2 Community /Stakeholder Issues – Effective performance management and continuous improvement are important duties for all statutory and

voluntary sector partners in maintaining appropriate services for the public.

4.3 Policy and/or Delegated Authority –

The Council's Constitution – Part C - Scheme of Administration and Delegations provides in its terms of reference for Functional Committees (2.3.1 (2)) that they;

“Monitor and review achievement of key outcomes in the Service Plans within their functional area by ensuring –

- (a) Appropriate performance measures are in place, and to monitor the relevant Planning and Performance Management Framework.
- (b) Best value in the use of resources to achieve these key outcomes is met within a performance culture of continuous improvement and customer focus.”

4.4 Risk Management – Embedding a culture of continuous improvement and customer focus are key aspects of the Council's improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to further negative external scrutiny. The Council's departments each maintain a high level risk register and the risk register for Corporate and Executive Services is included at Appendix 5.

4.5 Equalities, Health And Human Rights – The Council is required to make sure our systems are monitored and assessed for any implications in this regard. During 2014/15 an Equal Pay Audit was completed and reported separately. This contributes towards the work on equalities which is a priority in the Corporate Plan

4.6 Environmental – NONE

Resources

4.7 Financial – The actions, measures and risk management described in this report has been delivered within existing approved budgets.

4.8 Legal – NONE

4.9 Human Resources - NONE

4.10 Assets And Property – NONE

5.0 Conclusions

- 5.1 This report present progress against the priorities identified in the Council's Our Corporate Plan and the Corporate Services & Executive Services Directorate Plan 2015/16.
- 5.2 There are a number of actions which are rated as "amber" and there needs to be a concerted effort if we are to complete the work in these areas within the timescale set.

For further information please contact:

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12 November 2015

List of Appendices

Appendix 1 – Actions

Appendix 2 – Council wide Indicators

Appendix 3 – Key Directorate Indicators

Appendix 4 –Complaints





Appendix 5 – Risk Register



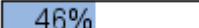


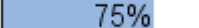



Appendix 1 - Projects and Actions - Corporate Services and Chief Executive









Generated on: 09 November 2015

PPMF Quarterly Report - Corporate Services & Chief Exec



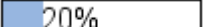
A properly led and well-managed Council

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP033 Corporate Governance Review	Conduct the Corporate Governance Review and implement its recommendations.	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 <div><div>60%</div></div>	IJB Governance arrangements completed and approved by IJB on 25 August 2015. Changes to SIC Committee remits agreed with effect from 1 September. Revised Strategic and Functional Reporting structure issued to all staff. Work ongoing in updating SIC Constitutional documents, which will form part of report of self assessment of SIC governance arrangements to be completed for reporting to Council on 16 December. Self Assessment for ZetTrans completed and improvement plan agreed 28 September. Action Plan to be produced for agreement by end of 2015, which will run alongside Action Plan for SIC Governance review. Timeline for review of O&SVJB governance arrangements to be agreed.	Governance & Law
			Actual Start	23-Apr-2015			
			Original Due Date	30-Nov-2015			
			Due Date	31-Mar-2016			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP038 Internal Audit Plan	Deliver at least 90% of the 2015/16 Internal Audit Plan	Likely to meet or exceed target 	Planned Start	06-Apr-2015	 <div><div>45%</div></div>	No problems expected that would prevent delivery of at least 90% of the plan. On Target.	Audit, Risk & Improvement
			Actual Start	21-Apr-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				



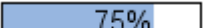
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP039 Implement Risk Review Action Plan	Full implementation of the Risk Review Action Plan	Likely to meet or exceed target 	Planned Start	01-Dec-2014	 	Project commenced on time and is progressing to schedule.	Audit, Risk & Improvement
			Actual Start	01-Dec-2014			
			Original Due Date	31-Mar-2017			
			Due Date	31-Mar-2017			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP040 New travel and subsistence policy	Embed the new travel and subsistence policy arrangements	Likely to meet or exceed target 	Planned Start	14-Nov-2014	 	All internal audit actions on the new policy have been responded to. Have signed up to allow us to take part in new national travel and accommodation contract, replacing current pilot. 2 Travel Co-ordinators' meetings have been held - these take place every 3 months to help embed consistency of policy application and shared learning.	Executive Services
			Actual Start	01-Jul-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP041 Improve staff communications	Carry out a survey pre, and post exercise to verify improvements	Likely to meet or exceed target 	Planned Start	14-Nov-2014	 	Performance: Third edition of the Executive Briefing (newsletter for managers) produced. Fortnightly CMT Exec Manager briefings sent out. In the Loop for Members has been produced each month. Improvement: Staff newsletter concept has been developed and content drafted with service involvement. This is now due for publication in October. The current Communications Strategy will be produced by March 2016 and a key priority will be further improving internal communications.	Executive Services
			Actual Start	01-Jul-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP045 Development of Health and Safety Strategy	Research and development of Council-wide of Health and Safety Strategy and policy	Likely to meet or exceed target 	Planned Start	14-Nov-2014	 <div><div>17%</div></div>	Research is now underway for this work. The vacant health and safety officer post is now filled and this work is now progressing with a view to achieving the target date of March 2016..	Human Resources
			Actual Start	14-Nov-2014			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP046 Develop and deliver a Council Workforce Strategy	Strategic document in place that sets out the organisations approach to people management which supports the delivery of the Council's priorities and plans.	Experiencing some issues, with a risk of failure to meet target 	Planned Start	14-Nov-2014	 <div><div>40%</div></div>	HR: Workforce planning data has been collected and draft strategy is now well underway with the intention of submitting to P&R committee in February 2016.	Human Resources
			Actual Start	01-Sep-2014			
			Original Due Date	30-Apr-2016			
			Due Date	30-Apr-2016			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP078 Implement new HR CHRIS 8 system	Ensuring our Council-wide workforce information system can fully support our business	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 <div><div>50%</div></div>	Finance: During implementation and training by Frontier for MC21 and CHRIS v8 installations in June 2015, it became clear that the product was not fully developed and in a state for testing. Testing now timetabled for October 2015 with delivery expected March 2016. HR: Testing now moved back to begin November 2015 and working with Frontier to make sure Council procedures maximise use of new system.	Finance; Human Resources
			Actual Start	10-Apr-2015			
			Original Due Date	30-Apr-2017			
			Due Date	30-Apr-2017			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	Actual Start			
DP080 Corporate Records Management Improvement Plan	Assessment and Review Framework to be drafted and agreed with CMT with agreed work streams for improvement actions.	Likely to meet or exceed target 	Planned Start	01-Jan-2015	 <div><div>10%</div></div>	Some initial planning work has started on this. Self Assessment due to commence w/b 19 October, completed by 5 November. Action and Improvement Plan to be produced, for reporting to CMT on 1 December.	Governance & Law
			Actual Start	21-Jul-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				



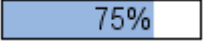
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP034 Conduct an Equal Pay audit	Conduct an Equal Pay audit and present findings and suggested actions to Employees Joint Consultative Committee	Likely to meet or exceed target 	Planned Start		 	Project finished on time and results were presented to EJCC on 19th January	Human Resources
			Actual Start	02-Jun-2014			
			Original Due Date	31-Dec-2014			
			Due Date	31-Dec-2014			
			Completed Date	19-Jan-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP035 Future use of existing AHS site at Knab	Investigate options for future use of existing AHS site at Knab	Experiencing some issues, with a risk of failure to meet target 	Planned Start	01-Apr-2014	 	Legal issues now clarified, development brief being prepared	Capital Programme
			Actual Start	10-Apr-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP073 Upgrade all servers to Window Server 2008	Ongoing – Due to be completed by 31 July 2015	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	Completed July 2015	Information & Communication Technology
			Actual Start	11-May-2015			
			Original Due Date	31-Jul-2015			
			Due Date	31-Jul-2015			
			Completed Date	13-Jul-2015			




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP077 Council House Sales	Council House Sales – be prepared for the anticipated increase in applications.	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	The first two quarters of 2015 have seen 26 applications received and 23 offers issued. However, there have been delays occurring in seeing transactions through to completion.	Governance & Law
			Actual Start	01-Apr-2014			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				




Healthy economy

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP075 Work to improve broadband availability and bandwidth	By liaising and coordinating the activities of the ICT Service, Economic Developments "Shetland Telecom" Project, HIE BDUK Next Generation Broadband Project and Community Broadband Scotland through the ICT Network Strategy Programme Board	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	Work is ongoing, order to unbundle the BT Lerwick Exchange has been placed, but timescales have not been advised by BT.	Corporate Services Directorate
			Actual Start	01-Apr-2014			
			Original Due Date	31-Mar-2015			
			Due Date	31-Mar-2016			
			Completed Date				

Living within our means

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP071 Implement robust cash management.	To achieve higher investment fund returns by implementing tighter cash management.	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 	Complete	Finance
			Actual Start	10-Apr-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date	10-Apr-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP072 Develop a Long Term Financial Plan	The Plan is due to be reported to Council in December.	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	Assets: Preliminary meetings with Budget Responsible Officers underway. Finance: LTFP has been outlined and is progressing towards long term assets improvement.	Finance
			Actual Start	01-Mar-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				




Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP079 Conduct "Building Budgets" roadshows	To build on the work carried out in 2014-15 to achieve a higher level of public involvement.	Likely to meet or exceed target 	Planned Start	01-Apr-2015	 	An on-line web-based tool has been acquired and was populated to provide a platform for the exercise to be carried out at the end of August / beginning of September. Sessions held in 7 locations and public report on feedback from the on-line budget planner and public sessions being prepared.	Finance
			Actual Start	25-Jun-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

Strong communities


Supporting adults to be independent

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP036 Health and Social Care Integration	The successful integration of health and social care services as stipulated by legislation.		Planned Start	14-Nov-2014	 	The IJB has been established and approved its core constitutional documents.	Corporate Services Directorate
			Actual Start	01-Apr-2014			
			Original Due Date	29-Apr-2016			
			Due Date	29-Apr-2016			
			Completed Date	13-Oct-2015			

The best possible start for every child

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP006 New Anderson High School	Project Management of new Anderson High School	Likely to meet or exceed target 	Planned Start	01-Jan-2013	 	Work is progressing to Financial Close in July 2015. Project Management will continue during construction.	Capital Programme; Children's Services Directorate
			Actual Start	01-Jan-2013			
			Original Due Date	01-Aug-2016			
			Due Date	01-Aug-2017			
			Completed Date				



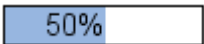
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP074 School upgrades, e.g. removing all pre-2009 kit	To allow the schools to choose which devices they require to deliver effective Learning and Teaching, while maintaining the level of devices within the designated number	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	Work progressing according to agreed programme.	Information & Communication Technology
			Actual Start	11-May-2015			
			Original Due Date	31-Mar-2015			
			Due Date	16-Aug-2015			
			Completed Date	18-Aug-2015			

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP076 New AHS Contractual arrangements	Contractual framework to be agreed prior to the commencement of the construction of the new Anderson High School	Likely to meet or exceed target 	Planned Start	01-Apr-2014	 	Financial close achieved.	Governance & Law
			Actual Start	30-Apr-2014			
			Original Due Date	31-Mar-2015			
			Due Date	31-Jul-2015			
			Completed Date	30-Jul-2015			

The transport services we need

Vulnerable and disadvantaged people

Working with partners

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
			Planned Start	01-Apr-2015			
			Actual Start	01-Jul-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
DP037 Council's Constitutional Reform project and OIOF campaign	Take a lead role in managing the support to the Council's Constitutional Reform project and OIOF campaign. Implementation of Islands Proofing with both Govts Campaign Joint position statement	Likely to meet or exceed target 	Completed Date		 	UK Govt - Islands Working Group meeting chaired by David Mundell on 29 October 2015. Meeting will focus on island priority areas, including connectivity, fishing, fuel poverty, crown estate and islands proofing. Sc Govt - Islands Bill consultation currently live. Extension of Air Discount Scheme announced. Councils able to regain Non Domestic Rates. Next Islands Ministerial Working Group meeting takes place on 26 November 2015.	Executive Services

Appendix 2 - Sickness Absences - Corporate Services & Chief Executive

	Previous Years			Last year Q2	This year Q2	
Code & Short Name	2012/13	2013/14	2014/15	Q2 2014/15	Q2 2015/16	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value	Value	
OPI-4C-A+F Sick %age - Executive + Corporate Directorates	2.8%	3.1%	3.3%	1.1%	0.9%	

Appendix 2 - Sickness Absences - Others Directorates for comparison

Code & Short Name	2012/13	2013/14	2014/15	Q2 2014/15	Q2 2015/16
	Value	Value	Value	Value	Value
OPI-4C Sick %age - Whole Council	4.1%	3.6%	4.2%	3.6%	3.1%
OPI-4C-B Sick %age - Children's Services Directorate	2.8%	2.8%	3.7%	3.0%	2.1%
OPI-4C-E Sick %age - Community Health & Social Care Directorate	6.4%	6.0%	6.0%	5.6%	5.1%
OPI-4C-G Sick %age - Development Directorate	3.7%	2.7%	4.2%	3.1%	3.0%
OPI-4C-H Sick %age - Infrastructure Directorate	4.0%	3.4%	4.0%	3.7%	3.8%

Appendix 2 - (cont) Corporate-wide Indicators - Corporate Services & Chief Executive

Code & Short Name	Previous Years			Last year	This year		(past) Performance & (future) Improvement Statements
	2012/13 Value	2013/14 Value	2014/15 Value	Q4 2014/15 Value	Q1 2015/16 Value	Q2 2015/16 Value	
OPI-4A Staff Numbers (FTE) - Whole Council	2474	2248	2190	2190	2207	2168	
OPI-4A-A Staff Numbers (FTE) - Chief Executive's Directorate	16	29	24	24	24	23	
OPI-4A-F Staff Numbers (FTE) - Corporate Services Directorate	159	152	159	159	158	162	
OPI-4C Sick %age - Whole Council	4.1%	3.6%	4.2%	5.2%	4.1%	3.1%	
OPI-4E Overtime Hours - Whole Council	71,644	56,552	64,738	16,720	24,014	16,270	
OPI-4E-A Overtime Hours - Chief Executive's "Directorate"	802	674	720	122	174	149	
OPI-4E-F Overtime Hours - Corporate Services Directorate	2218	658	1717	494	663	217	Q1 overtime needed for final accounts and AHS project. This is cost effective and no improvement action is planned.
F01 FOISA responded to within 20 day limit - Corporate & Executive Services	82%	91%	88%	88%	89%	93%	Performance: The complexity and level of FOISAs, and the number of staff involved remains steady. There has been an improvement since last quarter to bring our "on time" performance into the "excellent" level. Improvement: There are no specific plans to add any further resources to this process, but we remain committed to keeping up our new "excellent" rating.
FOI FOISA responded to within 20 day limit - Whole Council	89.8%	77.8%	87%	93%	97.2%	89.8%	

Appendix 3 - Key Directorate Indicators - Corporate Services & Chief Executive

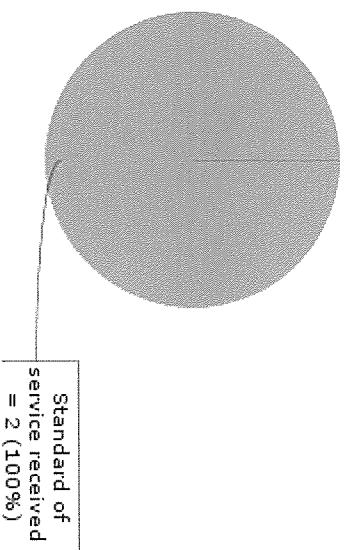
Corporate Services & Chief Executive - Key Directorate Indicators

Code & Short Name	Previous Years			Quarters		(past) Performance & (future) Improvement Statements
	2012/13 Value	2013/14 Value	2014/15 Value	Q1 2015/16 Value	Q2 2015/16 Value	
AX04 % of press releases featured in the local media	91%	94%	97%	100%	100%	Performance: Q1 and Q2 has reported 100% of press releases featured in the local media, above the 95% target and up on previous years. Improvement: Continue to try to keep this rate at 100%.
AX05 Number of unique visits to the Council's internet site	129,156	183,144	243,888	56,063	54,575	Performance: While figures have increased in recent years, there is a visible drop in figures over the last two quarters, following below the 20,000 per month target. This may be in line with a generally quieter time of year (over the summer). Improvement: Continue to focus on our work to make information easy to find and tasks easy to complete online where possible. Proactive management of content such as winter weather service disruption will boost figures.
AX07 Number of Twitter followers	700	1,268	1,900	2,203	2,351	Performance: On track now to achieve the 2015/16 target of 2,500 followers. More active and visual use of the corporate feed is now in place, and winter weather service disruption messages always result in a large jump in followers. Improvement: Action plan must be put in place designed to encourage services to feed through content for the corporate Twitter feed. We will aim to exceed our annual target.
F01 FOISA responded to within 20 day limit - Corporate & Executive Services	82%	91%	88%	89%	93%	Performance: The complexity and level of FOISAs, and the number of staff involved remains steady. There has been an improvement since last quarter to bring our "on time" performance into the "excellent" level. Improvement: There are no specific plans to add any further resources to this process, but we remain committed to keeping up our new "excellent" rating.
FA04 Monthly management meetings attended by Performance & Improvement			25	5	6	Performance statement: New Indicator. Improvement statement: ARI's service plan includes regular attendance at Directorate meetings to ensure "Improvement" is regularly and formally considered. This will be reviewed with Directors.
FI02 Percentage % of ICT projects which are on time and within budget		70%	91%	92%		Performance: 85% of projects to be completed within project tolerance with regard to both budget and timescale. Of 25 projects, 2 did not meet time or budget targets. Improvement: To improve the planning of projects to enable accurate planning with regard to budget and timescale and document aspects outwith our control

	Previous Years			Quarters		
Code & Short Name	2012/13	2013/14	2014/15	Q1 2015/16	Q2 2015/16	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value	Value	
FI05 Average number of open ICT support work orders	85	60	55	45		Performance: Reduce the number of open support jobs to 50 or less at any one time. Improvement: To improve the turn round of requests for second line support, to reduce waiting time for users.
FI07 ICT Customer Satisfaction Survey		77%				We have not carried out a customer satisfaction survey this year, due to operational changes for example new helpdesk software. We plan to do the survey in late autumn, when the new processes have had a chance to bed in.
FL01 Data Subject Requests - % responded to within 40 days	58.8%	53.3%	73%	67%	67%	Performance: Respond 100% within statutory 40 day deadline. Improvement: The number and increasing complexity of some requests in addition to the existing workload of staff in Committee Services was impacting on the ability to respond within the timescales required. A review of the process has been undertaken and a further review and training for other relevant staff should show an improvement on the response times by the end of the year.
FL02 Registration Accuracy	97%	99%	98%	Not measured for Quarters		98% accuracy [NRS average]. Performance figures are calculated annually by the NRS District Examiner, by calendar year, and quarterly figures are not available.

Appendix 4 – Complaints – Chief Executive and Corporate Services

Complaint Type Description



Number of complaints open during Quarter 2 - 1

Number of stage 1 complaints (Frontline) - 0

Number of stage 2 complaints (Investigation) - 1

Number of open complaints at end of period – 1

Number of complaints handled within deadline – 0

Corporate and Executive Services

Risk & Details	Frequency	Current Severity	Risk Profile	Current and Planned Control Measures	Probability	Target Severity	Risk Profile	Assigned To
Corporate Services Directorate								
Level	Corporate							
<i>Corporate Plan</i>	<i>09. Dealing with challenges effectively</i>							
B0003 - Customer / Citizen - Other - Recruitment and retention of staff in some areas - The distant and remote nature of Shetland, and relatively small population, mean that there is a small labour pool and therefore limited skills locally. There is competing demand for the skills that are available. This is acute at present as a result of opportunities in the Oil and Gas sector in the North Mainland. The Council is constrained in its ability to provide competitive salaries due to the pay frameworks in place.	Almost Certain	Significant	High	<ul style="list-style-type: none"> Recruitment and Selection policy and associated policies and procedures are currently under review & will include Market Forces. This review will now be undertaken by a secondee who will join the service in August 2015. This will mean a delay in completing this work, with a revised target date to submit to EJCC in September 2015 and P&R committee in October 2015. Use of market forces to supplement core salaries. The Council has used Market Forces data as a means for providing a supplement to core salaries in order to recruit and retain key skilled posts. Recruitment and retention will be a specific aspect of the Workforce Development Strategy. 	Possible	Significant	Medium	Denise Bell Corporate Services
Level	Directorate							
<i>Corporate Plan</i>	<i>08. A properly led and well-managed council</i>							
B0002 - Legal / Compliance - Other - Lack of compliance with standing orders on procurement - Internal Audit has identified widespread non-compliance issues, including potential breach of EU procurement regs. This issue is already live with Audit Scotland and risks damaging the Council's reputation as well as the potential for financial loss.	Rare	Major	Medium	<ul style="list-style-type: none"> Updated standing orders, monitoring, training and information. The Council's Standing Orders have been updated in order to make them more fit for purpose including streamlining them to minimise the scope for breaches. Updated standing orders, monitoring, training and information. Procurement sessions held with the majority of Executive Managers during 2014. Further work on awareness raising and monitoring required supporting services across the Council. 	Rare	Significant	Low	Robert Sinclair Corporate Services
<i>Corporate Plan</i>	<i>09. Dealing with challenges effectively</i>							

B0005 - Legal - Other - Issues with HIAL/Sumburgh Airport 09/27 runway extension project. The Council is being pursued in court by HIAL in connection with the Council's role in the Sumburgh runway extension project. If HIAL are successful it will result in significant financial loss and reputational damage.	Unlikely	Extreme	High	• Council engaged external legal advisers who will defend the case in court unless HIAL cease the action or a settlement is agreed	Unlikely	Extreme	High	Neil Grant Corporate Services
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Corporate Plan

10. Living Within Our Means

B0006 - Economic / Financial - Other - Potential for a reduction in financial resilience due to the failure to deliver the current year budget. Failure to deliver on Medium Term Financial Plan - The Council's reserves have decreased by 60% since the turn of the century due to an over reliance on them to meet the funding gap between income and expenditure.	Unlikely	Extreme	High	• A robust process of budget setting, performance monitoring and engagement between Finance and Service is in place. This will ensure that Council finances are under constant scrutiny and regularly reported through management and to Committees. It provides opportunity for the Council to take corrective action as soon as possible and to minimise any impact. The Council has in place financial regulations and procedures to provide controls for finance within which officers must operate.	Unlikely	Major	Medium	Jonathan Belford Corporate Services
B0007 - Economic - Other - A historic lack of Investment in Shetland's infrastructure, pressure for capital for infrastructure investment - The Council invested heavily in Shetland's infrastructure in the 1980s, and funded those investments from income generated from the oil industry. That infrastructure is now aging and will eventually need to be replaced. However, the financial situation is now tighter which means that it will be challenging to finance this.	Unlikely	Extreme	High	• MTFP, budget monitoring and scrutiny, clear and robust roles and responsibilities for managers and financial procedures & regs A Long Term Asset Investment Plan is being prepared to identify the extent of future programmes, which will inform funding options.	Unlikely	Major	Medium	Jonathan Belford Corporate Services

Level

Corporate

Corporate Plan

08. A properly led and well-managed council

XCE0022 - Best Value - failure to evidence - There is a risk that if Members do not engage with a development programme, they will lack the core skills to be competent in their very demanding roles. This would impact on the way the entire democratic process works.

Peter Peterson
Executive Services

Chief Executive

Level

Directorate

Corporate Plan

08. A properly led and well-managed council

XC0021 - Political - Other - Uncertain consequences of constitutional change - The independence referendum in 2014 presents an opportunity for the Island Authorities to forge a new constitutional settlement for the Islands which could see more powers devolved to Shetland. That would allow the community to have more control over its future.	Possible	Extreme	High	<ul style="list-style-type: none"> Our islands, Our Future campaignThe Our Islands, Our Future campaign has been established by the 3 Islands Authorities. This campaign has been lobbying for more powers in an organised manner, and it's now working in a SG Ministerial Working Group to set out a prospectus for a future islands settlement. However, at present this is predicated on a "Yes" outcome in the referendum so further work is required to lobby the "no" campaign to seek out a deal from them. 	Possible	Extreme	High	Mark Boden Chief Executive
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**Policy and Resources Committee****25 November 2015****Corporate Risk Register****IA-25-15-F2****Executive Manager, Audit, Risk and Improvement****Audit, Risk and Improvement****1.0 Summary**

- 1.1 The purpose of this report is to present the current Corporate Risk Register, which was reported to the Risk Board of 6 October 2015, to Policy and Resources Committee.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee:
- 2.1.1 NOTE the content of the current Corporate Risk Register and the change in timescale for reporting the Corporate Risk Register to this Committee;
- 2.1.2 COMMENT upon the revised format.

3.0 Detail

- 3.1 Policy and Resources Committee [P&R 42/15] and Shetland Islands Council [SIC 38/15] previously agreed that the Corporate Risk Register would be reported annually to Policy and Resources Committee and Council.
- 3.2 October's Risk Board subsequently proposed that the Corporate Risk Register would be reported quarterly as part of the Planning and Performance Management Framework cycle, which is in line with the current arrangements for each Directorate.
- 3.3 The Corporate Risk Register, attached in Appendix 1, contains information on the highest level risks to the organisation's activities and is reviewed and revised regularly by risk owners.
- 3.4 This Risk Register shows a proposed revision to the format with an additional text field for contextual information, detail or other data, as requested by Members.

- 3.5 There are fourteen risks on the Corporate Risk Register with twelve being rated as high (red). This means that, taking account of the effectiveness of the controls that are currently in place to manage these risks, the current estimated potential for that risk to happen, and the anticipated impact of that risk should it happen, when combined, are measured as high.
- 3.6 The highest rated risk is 'ORG021 - Lack of Investment in the Council's infrastructure'. The consequences of that failure to invest over a period of years is rated as Likely, i.e. 'It is probable that this will occur in the coming year', and the impact is estimated to be Extreme, i.e. with an increased cost of working of over £1 million. The controls that have been put in place to manage this risk include the current Asset Investment Plan, and, to address the longer term replacement of assets, a Borrowing Policy which was approved by Council on 11 December 2013.
- 3.7 The next highest risk is 'ORG025 – Child protection' and is around the unpredictability of service need, which could result in a child being exposed to potentially more harm or to harm for a longer period of time. This is rated as being Likely, i.e. 'It is probable that this will occur in the coming year', and with the potential impact being Major, i.e. national public or press interest. To manage this risk, robust systems and procedures are in place which include preventative measures, effective communications and information sharing to ensure that any changes or increased risk are identified quickly.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Monitoring, managing and reporting on risk is an essential part of achieving the Corporate Priorities aim which states that 'Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high-risk activities.'
- 4.2 Community /Stakeholder Issues – None
- 4.2 Policy And/Or Delegated Authority – In terms of Section 2.2.1 (1a) of the Scheme of Administration and Delegations, the Policy and Resources Committee has referred authority to develop and recommend the overall framework of strategies contained in the Strategic Framework. The Risk Management Strategy forms part of the Policy Framework contained in Section A of the Constitution – Governance, which states that the management body for the Risk Management Strategy lies within the remit of the Policy and Resources Committee. Ensuring the proper management of the Corporate Risk Register is therefore a delegated matter for the Policy and Resources Committee.
- 4.3 Risk Management – The organisation is seeking to improve and finesse its recognition, communication and management of risk. This

report and appendix presents one possible option for developing the sharing of risk information.

4.4 Equalities, Health And Human Rights – None

4.5 Environmental – None

Resources

4.6 Financial – None

4.7 Legal – None

4.8 Human Resources – None

4.9 Assets And Property – None

5.0 Conclusions

5.1 This report and appendix present the current Corporate Risk Register for consideration and comment.

For further information please contact:
Joanne Jamieson, Risk Management Officer
4558, joanne.jamieson@shetland.gov.uk
10 November 2015

List of Appendices

Appendix 1 – Corporate Risk Register as of 29 October 2015

END

Risk Assessment - Shetland Islands Council

Risk & Details	Current		Risk Profile	Current and Planned Control Measures	Probabilit y	Target	Risk Profile	Assigned To
	Frequency	Severity				Severity		
Level	Corporate							
<i>Corporate Plan</i>	<i>01. Supporting adults to be independent</i>							
ORG0024 - Communications failure - Risk of harm to a vulnerable adult - Shetland has an increasing older population and an increase in people with a learning disability reaching older age. Statutory services will need to have oversight of an increasing number of vulnerable adults to prevent harm occurring. A transition group is being established to manage clients moving from children to adult services	Possible	Major	High	• There are well established mechanisms in place to support the detection of risk with an active Adult Protection Committee overseeing the work. There is good multi-agency working with formal arenas to discuss individual cases causing concern.	Unlikely	Major	Medium	Simon Bokor-Ingram Shetland Islands Council
OGR024 - Triggers - Statutory services fail to identify and take account of all vulnerable adults within their remit, systems failure means that information is not fully collated and/or shared. Consequences - Vulnerable adult is not given access to full range of services that they need, delay in access to services leads to harm to vulnerable adult, reputational risk to organisation, potential for HSE action, Care Commission/ external advisors' negative report, civil action. This risk was updated in September 2015 to its current rating and narrative.								
<i>Corporate Plan</i>	<i>02. The best possible start for every child</i>							
ORG0025 - Physical - People / Property - Other - Child Protection - Children's Services deliver a range of services across a wide geographic area and all service users need to be safe. Children's Social Work manage high risk, complex situations in their work with families. Often it requires significant resource provision to mitigate risks and ensure the safety of a child or young person. A crisis or escalation of a complex situation (often unanticipated) can put a child at increased risk of harm. A failure to act quickly or to the extent required because of restricted resoruces can result in the child being exposed to potentially more harm or to harm for a longer period of time, resulting in harm to the child, impact on services and financial impact	Likely	Major	High	• Robust systems and procedures in place, Preventative measures, effective communications and information sharing to ensure that any changes or increased risk are identified quickly.	Unlikely	Major	Medium	Helen Budge Shetland Islands Council
ORG025 - Reviewed and updated Sept 2015								

ORG0026 - Economic / Financial - Other - Failure to appropriately accommodate looked-after children, off-island placement. There are circumstances when the Children & Families Team are required to accommodate children and young people away from home. Currently, there is a shortage of foster placements and residential placements in Shetland. On occasion this results in placements being sought away from Shetland, which is undesirable and which comes at a high cost to the Local Authority. There are however situations whereby the assessed needs of a child or young person are such that they require a specialist service that is not available in Shetland, such as secure accommodation or a parenting assessment unit.	Likely	Significant	High	• Working to identify and develop alternative and flexible solutions which includes development of fee-paid foster carers and ensuring a second residential property becomes operational	Possible	Significant	Medium	Helen Budge Shetland Islands Council
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ORG026 - Reviewed and updated Sept 2015

Corporate Plan

06. Working with partners

ORG0014 - Policies - effect of - Health & Social Care Integration. Shetland's Integration Joint Board has been established and core constitutional documents approved. The delegation of authority to the IJB is as yet untested. Triggers could be planning and decision-making - wrong priorities may be agreed, or decisions may not ensure that the desired outcomes are achievable. The risk is that the outcomes for the individuals and communities does not improve within a new framework.	Possible	Significant	Medium	<ul style="list-style-type: none"> • A series of seminars has been undertaken to increase the level of knowledge of decision-makers. Briefings and reports are regularly produced to update Members on national developments. • Officer groups have been established to develop new working arrangements at local level. Performance indicators have been developed to complement the national core suite of indicators. Shared care and clinical governance arrangements are in the latter stages of development. • The Chief officer for the IJB is the Director of Community Health and Social Care, who is a member of a national group of Chief Officers and information from the meeting/ activities of the group will ensure that the Council is kept up to date with developments so that these can be fed back to a wider audience. 	Unlikely	Minor	Low	Simon Bokor-Ingram Shetland Islands Council
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ORG 014 - The IJB is now fully constituted and has agreed its initial risk register. The IJB is yet to consider adopting the Strategic Plan for 2015/16.

ORG0013 - Professional Errors and Omissions - Lack of compliance with standing orders on procurement, particularly in Ports and Harbours and Ferries Service. Internal Audit has identified widespread non-compliance issues, including potential breach of EU procurement regs. This issue is already live with Audit Scotland and risk damaging the Council's reputation as well as the potential for financial loss.	Likely	Significant	High	• The Council's Contract Standing Orders have been updated in order to make them more fit for purpose including streamlining them to minimise the scope for breaches that are material. Updated standing orders, monitoring, training and information. Procurement sessions held with the majority of Executive Managers during 2014. Further work on awareness raising and monitoring required supporting services across the Council.	Possible	Significant	Medium	Maggie Sandison Shetland Islands Council
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ORG013 - reviewed, revised July 2015

ORG0015 - Professional Errors and Omissions - Lack of compliance with policies leading to a poorly run organisation with costly consequences. The Council could still improve further compliance with council policies and procedures. These include Standing Orders, Health & Safety, Risk Management, Insurance, Financial Regulations, Travel & Expenses, Employee Review & Development, managing poor performance and attending mandatory training events.	Possible	Extreme	High	• CMT has been sending out a strong message on compliance with policies which is having an effect, particularly with regard to budgetary control and financial management. However, there is still an issue of non-compliance in a number of other areas which has yet to be addressed. Some policies and processes need to be reviewed in order to ensure that compliance across the organisation is more achievable.	Possible	Significant	Medium	Mark Boden Shetland Islands Council
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ORG015 - Reviewed, revised July 2015

ORG0016 - Professional - Other - Management capacity to deliver the benefits of health and social care integration. Significant effort is required to continue driving the integration agenda and to realise the benefits, and adequate management capacity and skill is required to achieve this. Locality working will require further drive and effort to achieve a shift in structure that delivers front line benefits to residents.	Possible	Major	High	• There is a joint management structure in place. The shift will be a collective approach from a cohesive management team. Pilot project creating wider shared understanding for staff and managers of options for change.	Possible	Significant	Medium	Simon Bokor-Ingram Shetland Islands Council
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ORG016 - Risk reviewed in September 2015. Locality multi-professional team meetings being established. Proposal to Directorate Operational Management Team being discussed, September 2015

ORG0022 - Professional - Other - Failure to deliver major STERT review on time and on budget.	Unlikely	Significant	Medium	• There are project management arrangements in place which have been enhanced and strengthened recently following PRINCE2 Project Management Training. Risks are set out in the project risk registers and these continue to be actively managed.	Unlikely	Minor	Low	Neil Grant Shetland Islands Council
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ORG022 - Reviewed Aug 2015

ORG0028 - Professional - Other - Failure to deliver major AHS build project on time and on budget. Complex project involving several external parties, following a methodology not previously used by the Council Design Build Financial Model (DBFM) which increases the risk of the project going off track. However, financial close was achieved in July 2015, and construction has commenced. A lack of understanding of DBFM, project management failure or partner failure can lead to project delay and/or budget rises, negative reaction in press and public.	Possible	Extreme	High	• Project risk register in place which is closely monitored and managed	Unlikely	Extreme	High	Mark Boden Shetland Islands Council
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Reviewed, revised Sept 2015

Corporate Plan

09. Dealing with challenges effectively

ORG0017 - Legal - Other - Legal – Other – Issues with HIAL/Sumburgh Airport 09/27 runway extension project. The Council is being pursued in court by HIAL in connection with the Council's role in the Sumburgh runway extension project. If HIAL are successful it will result in significant financial loss and reputational damage.	Unlikely	Extreme	High	• Council engaged external legal advisers who will defend the case in court unless HIAL cease the action or a settlement is agreed	Unlikely	Extreme	High	Neil Grant Shetland Islands Council
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ORG017 - Reviewed, revised Aug 2015

ORG0018 - Demographic change - Recruitment & Retention of some technical/skilled/semi-skilled staff - The distant and remote nature of Shetland means that there is a small labour pool and therefore limited skills locally. There is a competing demand for the skills that are available, which is acute at present as a result of the work being undertaken by the Oil and Gas sector in the North Mainland. The Council is constrained in its ability to provide competitive salaries due to the pay frameworks in place.	Likely	Significant	High	• The Council has a Market Forces policy that enables a supplement to be paid where equality legislation permits in order to recruit and retain key skilled posts. Recruitment and retention will be a specific aspect of the Workforce Development Strategy. HR are reviewing recruitment materials and processes for key service areas, e.g. Ferries	Unlikely	Significant	Medium	Denise Bell Shetland Islands Council
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ORG018 - Revised Aug 2015

ORG0019 - Demographic change - Recruitment & Retention of some professional staff - The distant and remote nature of Shetland means that there is a small labour pool and therefore limited skills locally. The Council is constrained in its ability to provide competitive salaries and packages due to the pay frameworks in place. The remoteness and cost of living on Shetland is also a factor for career professionals.	Likely	Significant	High	<ul style="list-style-type: none"> • There is an increased focus on activity that will help to retain and develop existing employees. • The Council has a Market Forces policy that enables a supplement to be paid where equality legislation permits in order to recruit and retain key skilled posts. Recruitment and retention will be a specific aspect of the Workforce Development Strategy. Work is underway to refresh and improve the Council's recruitment processes and to improve the profile of the organisation to potential applicants. 	Possible	Significant	Medium	Denise Bell Shetland Islands Council
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ORG 0019 - Revised Aug 2015

ORG0021 - Physical - People / Property - Other - Issues around the SIC's capacity to Investment in the Council's infrastructure - The Council invested heavily in infrastructure at the time when the oil industry was taking off. This infrastructure was funded from income generated from the oil industry. That infrastructure is now aging and will need to be replaced, however, the financial situation is now tighter which will mean that it will be challenging to finance this.	Likely	Extreme	High	<ul style="list-style-type: none"> • The current Asset Investment Plan focuses on the maintenance of existing assets in order to prolong their useful economic lives. This should mitigate against the risk of immediate failure. In order to address the longer term replacement of assets, a Borrowing Policy was approved by Council on 11 December 2013. 	Likely	Major	High	Mark Boden Shetland Islands Council
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ORG021 - revised July 2015

Corporate Plan

10. Living Within Our Means

ORG0020 - Economic / Financial - Other - Failure to deliver on Medium term Financial Plan - The Council's reserves have decreased by 60% since the turn of the century due to an over reliance on them to meet the funding gap between income and expenditure. The Council continues to operate unsustainably and without intervention, the Council would eventually run out of reserves altogether.	Unlikely	Extreme	High	<ul style="list-style-type: none"> • The Financial Management arrangements of the Council have been strengthened with the introduction of the MTFP and more rigorous budgetary control. 	Unlikely	Major	Medium	Mark Boden Shetland Islands Council
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ORG020 - Revised July 2015



**Policy and Resources Committee
Shetland Islands Council**

**25 November 2015
2 December 2015**

Progress Report – Asset Investment Plan

CPS-21-15-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 3 December 2014 (Min. Ref, 96/14). 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 £55m, of which £5.7m is externally funded (10%), resulting in a total estimated cost to the Council of £49.3m. The expenditure to date on these projects is £24m with £30.9m 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.

For further information please contact:

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robert.sinclair@shetland.gov.uk

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

Background documents: None

END

Capital Projects - Full Life Project Costs

CPS-21-15 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 £
Childrens Services	Schools	23,539,480	0	23,141,201	398,279	500,000	22,641,201	4,841,129	18,300,072
		23,539,480	0	23,141,201	398,279	500,000	22,641,201	4,841,129	18,300,072
Community Care Services	Adult Service	4,212,762	0	4,226,228	(13,466)	2,000,000	2,226,228	3,254,336	971,892
	Occupational Therapy	5,705,312	0	5,705,312	0	0	5,705,312	190,939	5,514,373
		9,918,074	0	9,931,540	(13,466)	2,000,000	7,931,540	3,445,275	6,486,265
Development Services	Economic Development	1,506,831	0	1,500,855	5,976	291,000	1,209,855	1,340,855	160,000
	Housing	3,582,664	0	3,554,664	28,000	460,000	3,094,664	2,570,601	984,063
	Shetland College	5,182,321	0	5,143,874	38,447	2,309,000	2,834,874	5,040,945	102,929
		10,271,816	0	10,199,392	72,423	3,060,000	7,139,392	8,952,400	1,246,992
Infrastructure Services	Environmental Services	850,291	0	850,292	0	0	850,292	366,291	484,000
	Estate Operations	3,681,910	0	3,245,710	436,200	0	3,245,710	592,569	2,653,141
	Ferry Operations	1,656,793	0	1,663,463	(6,670)	0	1,663,463	950,891	712,572
	Roads	2,089,896	0	1,901,415	188,481	0	1,901,415	1,318,591	582,824
	Ports & Harbours	4,090,743	0	4,091,904	(1,161)	135,398	3,956,505	3,611,414	480,490
		12,369,633	0	11,752,784	616,849	135,398	11,617,386	6,839,756	4,913,028
	Total All Funds	56,099,003	0	55,024,917	1,074,085	5,695,398	49,329,519	24,078,561	30,946,357

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 £	
GCE1304	Anderson High School Replacement	5,424,453	0	5,424,453	0		5,424,453	3,733,226	1,691,227	Financial close achieved in July 2015. The cost of project shown now only includes the expenditure to be funded by the Council. The £42m contract expenditure to be funded by SFT will not go through the Council and will therefore be unable to be monitored. Construction work began on site in summer 2015. The bulk excavation work and construction of the foundations is complete. Work is progressing on the building superstructure. Work is due to be completed by September 2017
GCE1305	Anderson High Clickimin Path Upgrade	1,015,000	0	616,721	398,279	0	616,721	591,634	25,087	SIC / Sustrans funded project. The East Path, West Path, link around the north side of the loch and the Staney Hill link are now open. The path around the Rugby pitch will not be built until the roundabout and new school works are complete. BRO anticipates a further £56K will be spent this financial year. The budget balance will be required in future years for the Rugby Pitch and loch link.
GCE1306	Anderson High - Halls of Residence	14,093,103	0	14,093,103	0	0	14,093,103	516,269	13,576,834	Construction work began on site in summer 2015. The bulk excavation work and is complete. Work is progressing on the drainage systems and the building's foundations. Work is due to be completed by September 2017
GCE1307	Clickimin Works	3,006,924		3,006,924	0	500,000	2,506,924	0	3,006,924	Planning consent for the covered indoor training facility has been obtained and a building warrant has been applied for. Work is anticipated to begin in January 2016. Proposals for internal modifications to the existing Clickimin Leisure Facility are being developed.
Total		23,539,480	0	23,141,201	398,279	500,000	22,641,201	4,841,129	18,300,072	

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 - Spend to Save Project	2,206,228	0	2,226,228	(20,000)	0	2,226,228	1,470,891	755,337	Phase 1 complete, but Final A/C not yet settled. Phase 2 delayed as scope of project reduced, tenders for Phase 2 returned on 29 July 2015. Additional funding required to upgrade laundry equipment and material testing.
GCA0242	NHS Conversion Scalloway School	2,006,534	0	2,000,000	6,534	2,000,000	0	1,783,446	216,555	NHS funded project, works programme commenced August 2014. Upgrade to 'old' secondary premises complete and Primary School moved in December 2014. Health Centre works are now complete and NHS moved in August 2015. Some works still to be certified for payment with the final account and retention to be settled one year after completion.
GCA0237	Eric Gray Replacement	5,705,312	0	5,705,312	0	0	5,705,312	190,939	5,514,373	Detailed design ongoing with planning permission agreed on 29 May 2015. The building warrant was submitted on 15 June and validated on 22 June 2015. QS waiting on detailed design information and tenders will be issued early next year.
Total		9,918,074	0	9,931,540	(13,466)	2,000,000	7,931,540	3,445,275	6,486,265	

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	Landfill Capping	686,291	0	686,292	(0)	0	686,292	366,291	320,000	Phase 1 Project under budget and complete in 14/15. Phase 2 unable to progress as landfill has not reached required tonnage, BRO has advised that this phase will now slip to next financial year. The budget shown here includes a further phase due to start in 17/18.
GCY5142	Waste Management Recycling	164,000	0	164,000	0	0	164,000	0	164,000	Discussion ongoing with Zero Waste Scotland, Scottish Government & SEPA regarding suitable future requirements - project now likely to slip to 17/18.
GCY5507	Town Hall and Lystina Conservation Project	2,115,000	0	1,680,000	435,000	0	1,680,000	91,191	1,588,809	Expenditure in 15/16 will be on fees, consents and procurement with works on site planned for 16/17 and 17/18.
GCY5512	Bells Brae PS Refurbishment	873,537	0	873,537	0	0	873,537	12,797	860,740	Bells Brae PS reroof at design stage with consultant appointments made. The main contract works are unlikely to start before 16/17. Slippage between years required.
GCY5513	Sound PS Refurbishment	658,346	0	658,346	0	0	658,346	454,754	203,592	Sound PS reroof, main contract works onsite and phased over two financial years 15/16 & 16/17. BRO anticipates increased spend in 15/16 as the project is ahead of schedule.
GCY6139	Clickimin Roundabout Works	1,059,000	0	1,074,000	(15,000)	0	1,074,000	758,343	315,657	Culvert works complete and Roundabout 90% complete, additional culvert works added to main contract have resulted in a predicted overspend.
GCY6205	Laxaburn Bridge Replacement	217,863	0	215,067	2,796	0	215,067	215,067	0	Bridge works complete and safety barrier installed at end October 2014. Retention paid October 2015.
GCY6209	Burra Bridge Bearings	320,288	0	279,604	40,684	0	279,604	269,604	10,000	Bearings installed and walkway constructed. Internal recharge to be processed at year end. BRO anticipates an under spend on this project.

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 £	
GCY6210	Trondra Bridge Bearings	492,745	0	332,745	160,000	0	332,745	75,578	257,166	Works contract started September 2015. BRO anticipates a significant under spend on this project.
GCY7216	Viking Bus Terminus/Shelters	35,027	0	33,827	1,200	0	33,827	33,827	0	All works complete with small under spend.
GCY7634	Ticket Machines - Spend to Save	106,793	0	113,463	(6,670)	0	113,463	113,463	0	BRO advised this project is complete and under budget in 14/15 and budget saving of 46.5K removed from overall budget. However late journal of 6.7K processed in 15/16 has resulted in an apparent overspend against the updated budget.
GCY7635	Bigga Life Extension	900,000	0	900,000	0	0	900,000	792,930	107,070	New propellers fitted, shot blasting and re-engine completed in 14/15. Balance of 117K carried forward to 2015/16 to pay retention and purchase spare propellers.
GCY7637	Linga Conversion	150,000	0	150,000	0	0	150,000	0	150,000	Design fees for propulsion and control systems upgrade delayed, project unlikely to go ahead this financial year and slippage will be required.
GCY7638	Fivla Life Extension	500,000	0	500,000	0	0	500,000	44,498	455,502	Life extension works involve bridge and equipment upgrade, internal and external refurbishment, and generator / engine part replacement. BRO anticipates that only £75K will be spent this financial year.
GCM2316	Walls Pier	3,224,743	0	3,225,904	(1,161)	95,398	3,130,505	3,225,904	(0)	Practical completion reached and the pier opened at end of May 2014. Final Account and final ERDF funding claim processed June 2015. 2015 spend relates to officer time on final A/C and construction file.
PCM2141	Lerwick Terminal Life Extension	155,000	0	155,000	0	20,000	135,000	0	155,000	Works to linkspan deck plating and hydraulics delayed due to staffing changes, 75K slippage carried forward from 14/15. BRO anticipates that further slippage may be required.

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 £	
PCM2142	Bressay Terminal Life Extension	75,000	0	75,000	0	0	75,000	0	75,000	Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO anticipates that further slippage may be required.
PCM2143	Belmont Terminal Life Extension	135,000	0	135,000	0	0	135,000	75,490	59,510	Refendering completed in 14/15. Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO anticipates that further slippage may be required.
PCM2144	Gutcher Terminal Life Extension	202,989	0	168,541	34,448	0	168,541	78,562	89,980	Refendering completed in 14/15. Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO has reduced projected outturn to cover PCM2147-49 overspend and anticipates that slippage may also be required.
PCM2146	Toft Terminal Life Extension	1,000	0	1,000	0	0	1,000	0	1,000	Dive survey funding.
PCM2147	Vidlin Terminal Life Extension	61,068	0	72,551	(11,483)	0	72,551	72,551	0	Rubber D fendering replaced at Terminal, further works carried out this year. Overspend to be covered by under spend in budgets above.
PCM2148	Laxo Terminal Life Extension	68,061	0	79,544	(11,483)	0	79,544	79,544	0	Ditto above
PCM2149	Symbister Terminal Life Extension	67,881	0	79,364	(11,483)	0	79,364	79,364	0	Ditto above
PCM2151	Ferry Terminal Access	40,000	0	40,000	0	20,000	20,000	0	40,000	Upgrade of ferry terminal disabled access.
PCM2152	Ferry Terminal Security	60,000	0	60,000	0	0	60,000	0	60,000	Upgrade of ferry terminal security.
Total		12,369,633	0	11,752,784	616,849	135,398	11,617,386	6,839,756	4,913,028	

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	1,406,831	0	1,340,855	65,976	291,000	1,049,855	1,340,855	0	Contract phases 1, 2 & 3 complete. Phase 3 originally delayed by consent approvals and amended to landward route. Landowner / tenant compensation payments finalised and splicing and testing completed by Council engineers. Final funding claim has been processed.
GCH3104	Leaside Conversion	100,000	0	160,000	(60,000)	0	160,000	0	160,000	Updated gateway received from Housing following feasibility costing of Family Centre conversion. Continued demand for smaller housing units at a premium; so conversion of 24/25 Leaside to 4 flats with external stairway deemed the best value for money at £40K per unit. Additional budget requested from Council.
UCL5203	Shetland College Extension	5,182,321	0	5,143,874	38,447	2,309,000	2,834,874	5,040,945	102,929	Practical completion issued end March 2014. The final A/C has been issued but payment still to be processed. Officer time in 15/16 relates to completion of final A/C.
Total		6,689,152	0	6,644,729	44,423	2,600,000	4,044,729	6,381,800	262,929	

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	1,882,664	0	1,854,664	28,000	460,000	1,394,664	1,854,664	0	Contract works complete at end July 2014, with only retention to be paid in 2015/16. Budget of 28K in 15/16 will not be used as all outstanding expenditure accrued at previous year end.
HCH3706	Heating Replacement Programme	300,000	0	300,000	0	0	300,000	133,555	166,445	Rolling programme of works with the budget and spend identified here for financial year 15/16 only.
HCH3712	Housing Quality Standard	1,400,000	0	1,400,000	0	0	1,400,000	582,382	817,618	Numerous contractual appointments made (Kitchens / Windows / Insulation / Roofing etc). Rolling programme of works with the budget and spend identified here for financial year 15/16 only.
Total HRA		3,582,664	0	3,554,664	28,000	460,000	3,094,664	2,570,601	984,063	

**Policy and Resources Committee****25 November 2015****Management Accounts for Policy & Resources Committee:
2015/16 – Projected Outturn at Quarter 2****F-064-F****Report Presented by Executive Manager -
Finance****Corporate Services****1. Summary**

- 1.1 The purpose of this report is to enable the Policy and Resources Committee to monitor the financial performance of services within its remit to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This report shows the projected financial consequence of the service performance detailed in the Executive and Corporate Directorate Performance Report, and allows the Committee the opportunity to provide early instruction to officers to address any forecast overspends in order that the budget is delivered by the year-end.
- 1.2 This report presents the projected outturn position for the 2015/16 year as at the end of the second quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant Budget Responsible Officers for the services in this Committee area.
- 1.3 The projected outturn position for services in this Committee area is an underspend of £20k on controllable revenue and on target to deliver the budget on capital. Fund Manager Fees are non controllable, and are projected to be £180k overspent.

2. Decision Required

- 2.1 That the Policy & Resources Committee RESOLVE to review the Management Accounts showing the projected outturn position at Quarter 2.

3. Detail

- 3.1 On 3 December 2014 (SIC Min Ref: 96/14) the Council approved the 2015/16 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £7.646m. It is vital to the economic wellbeing of the organisation that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves, and would be evidence that the Council is living beyond its means.
- 3.2 This report forms a part of the financial governance and stewardship framework that ensures that the financial position of the organisation is identified, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively and allows corrective action to be taken where necessary.
- 3.3 Since the approval of the 2015/16 budget, revisions to the budget have been incorporated for the Council's budget carry forward scheme. Therefore the appendices to this report refer to the revised budget that is now in place for the relevant services.

Revenue

- 3.4 The projected revenue outturn position for Policy & Resources Committee is an underspend of £20k (1%) which means that the services in this Committee area are collectively on course to spend less than their Council approved budget. At the moment, there have been no savings identified as recurring in this Committee. Detail is provided at Appendix 1.

Capital

- 3.5 The projected capital outturn position for Policy & Resources Committee is breakeven, which means that services in this Committee area are collectively on course to meet their Council approved budget. Detail is provided at Appendix 2.

Fund Manager Fees

- 3.6 The projected revenue outturn position for Fund Manager Fees (which are non controllable), is an overspend of £180k (26%) however these Fees reflect the value of funds invested, which should generate income in excess of target projections, offsetting this cost.

4. Implications

Strategic

4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Plan to ensure that the Council is “living within our means” and the Council continues to pursue a range of measures which will enable the Council to manage its finances effectively and successfully now and over the medium to long term. This involves the Council aligning the allocation of its resources with its priorities and expected outcomes and maintaining a strong and resilient balance sheet.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

4.2 Community /Stakeholder Issues – None.

4.3 Policy And/Or Delegated Authority

Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2015/16 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.

4.4 Risk Management

There are numerous financial risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.

There are no foreseeable financial risks at this time for the services in this Committee area.

From a financial perspective risks are an integral part of planning for the future, as assumptions are made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact throughout the financial year.

This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and require remedial action.

The Council makes provision within its budget for cost pressures that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.

A strong balance sheet and the availability of usable reserves also ensure that the Council is prepared for significant unforeseen events.

Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the investments.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

The 2015/16 Council budget does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the Council is living within its means.

Every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £50k each year in the future as a result of not being able to invest that £1m with fund managers to make a return.

It is therefore vital that the Council delivers its 2015/16 budget, and this report demonstrates that the services under the remit of the Policy and Resources Committee are projecting underspends, which will contribute to achieving this.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5. Conclusions

5.1 The projected outturn position for the services under the remit of the Policy and Resources Committee is an underspend of £20k on controllable revenue, on target to meet the budget for capital projects, and an overspend of £180k on Fund Manager Fees.

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List of Appendices

Appendix 1 – Projected Revenue Outturn Position 2015/16

Appendix 2 – Projected Capital Outturn Position 2015/16

Background documents:

SIC Budget Book 2015-16, SIC 3 December 2014

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16958>

Policy and Resources Committee**1. Projected Revenue Outturn Position 2015/16**

Proj. Outturn Variance as at Q1 (Adv)/Pos £000	Description	Annual Budget 2015/16 £000	Projected Outturn 2015/16 £000	Budget v Proj. Outturn Variance (Adv)/Pos £000
19	Executive Services	1,222	1,207	15
(1)	Council Members	618	636	(18)
0	Director of Corporate Services	211	208	3
28	Capital Programmes	818	788	30
4	Finance	2,761	2,756	5
0	Joint Valuation Board	284	291	(7)
3	Governance & Law	989	969	20
1	Human Resources	1,487	1,519	(32)
25	ICT	1,415	1,414	1
4	Audit, Risk & Improvement	445	441	4
83	Total Controllable Costs	10,250	10,230	20
0	Fund Manager Fees	700	880	(180)
166	Total Non Controllable Costs	700	880	(180)

The projected outturn figures at Q1 are included above for reference. The main variance from Q1 to Q2 outturn position is within Fund Manager Fees where an outturn overspend is now predicted. This overspend relates to the value of reserves being invested and will be offset by higher returns on investment.

An explanation for the main variances by service is set out below.

1.1 Executive Services – projected outturn underspend £15k (1.2%)

There are no significant variances in this service area.

1.2 Council Members – projected outturn overspend £18k (2.9%)

There are no significant variances in this service area.

1.3 Director of Corporate Services - projected outturn underspend £3k (1.3%)

There are no significant variances in this service area.

1.4 Capital Programmes - projected outturn underspend £30k (3.7%)

The projected outturn position comprises the following projected variance:

- Increased income from external bodies for property lease charges, e.g. Viewforth - £41k

1.5 Finance - projected outturn underspend £5k (0.2%)

There are no significant variances in this service area.

1.6 Joint Valuation Board – projected overspend £7k (2.4%)

There are no significant variances in this service area.

1.7 Governance and Law - projected outturn underspend £20k (2.0%)

There are no significant variances in this service area.

1.8 Human Resources - projected outturn overspend £32k (2.2%)

The projected outturn position comprises the following projected variances:

- There has been a considerable increase in the amount of external recruitment and relocation this year, which has put significant pressure on relocation, recruitment advertising and interview budgets that are held centrally within HR – (£45k)

1.9 ICT - projected outturn underspend £1k (0.1%)

There are no significant variances in this service area.

1.10 Audit, Risk and Improvement - projected outturn underspend £4k (0.9%)

There are no significant variances in this service area.

1.11 Fund Managers Fees - projected outturn overspend £180k (25.6%)

The projected overspend is due to the Fund Managers Fees being based on value of actively managed reserves at the midpoint of the year. The value of the reserves is higher than when budget was set.

Policy and Resources Committee

1. Projected Capital Outturn Position 2015/16

Proj. Outturn Variance as at Q1 (Adv)/Pos £000	Description	Annual Budget 2015/16 £000	Projected Outturn 2015/16 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
0	ICT	676	676	0
0	Total Controllable Costs	676	676	0

An explanation of the main variances by service, if any, is set out below:

1.1 ICT - Projected On Target.

The Capital budget for the rolling renewal of ICT infrastructure across the council is on target.



**Policy & Resources Committee
Shetland Islands Council**

**25 November 2015
2 December 2015**

**SIC Overall Management Accounts 2015/16
Projected Outturn at Quarter 2**

F-070-F

**Report Presented by Executive Manager -
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to enable the Policy & Resources Committee to monitor the financial performance of all Council services to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This allows the Committee the opportunity to provide early instruction to officers to address any forecast overspends in order that the budget is delivered by the year-end.
- 1.2 This report presents the projected outturn position for the 2015/16 year as at the end of the second quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant Budget Responsible Officers for the services. This report shows the impact this has on the draw on reserves for 2015/16.
- 1.3 The projected outturn position for the Council are underspends of £2.560m on revenue (including spend to save unallocated) and £15.757m on capital (after deducting Capital from Current Revenue (CFCR)). A total underspend of £18.317m.
- 1.4 The Service Committees have received reports on the performance of their services and the financial management implications of their expenditure decisions and income generation. The individual service performance reports provide narrative and data to identify how the corporate and service outcomes are progressing and where action needs to be taken.
- 1.5 Overall, the Council has undertaken to prepare and approve a budget that supports its corporate objectives. In financial terms the Council is projected to deliver on this by living within its means. The review of the financial impact of Council operations is undertaken monthly and reported on a quarterly basis to the Council.

2.0 Decision Required

2.1 The Policy & Resources Committee recommend that the Council RESOLVE to:

- review the Management Accounts showing the projected outturn position at quarter 2.

3.0 Detail

- 3.1 On 3 December 2014 (SIC Min Ref: 96/14) the Council approved the 2015/16 revenue and capital budgets (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £7.646m. The use of reserves at this affordable level has been achieved for this year only and as such the Council cannot be complacent. It is vital to the economic wellbeing of the Council that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves, and would be evidence that the Council is living beyond its means.
- 3.2 This report forms part of the financial governance and stewardship framework that ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively and allows corrective action to be taken where necessary.
- 3.3 Since the approval of the 2015/16 budget, revisions to the budget have been incorporated for the Council's budget carry forward scheme and the additional budgets for tug boats on the Harbour budget. Therefore this report refers to the revised budget.
- 3.4 The table below sets out the projected outturn position against the revised budget. There is a total projected underspend against the revised budget of £18.317m, of which £1.247m is recurring underspends.

Type of Spending	2015/16 Original Budget £m	2015/16 Revised Budget £m	2015/16 Projected Outturn £m	2015/16 Variance (over)/ underspend £m
Revenue (including Spend to Save Unallocated)	102.211	107.174	104.614	2.560
Capital	28.486	33.125	17.035	16.090
Remove CFCR included in Capital above	(1.278)	(1.941)	(1.608)	(0.333)
TOTAL	129.419	138.358	120.041	18.317

(Note: The revised budget above reflects changes to the budget such as the capital and revenue carry forwards of £6.8m (funded from underspends in 2014/15) and the approved increase on the Harbour budget of £2.2m.

- 3.5 The impact on the reserves of the projected outturn, set out in section 3.4 above, is that the draw on reserves for 2015/16 is to decrease by £3.831m against the revised budget. The main reason for the decrease is the reduction in revenue and capital spending funded from reserves.

The reduction in use of reserves is much less than the reduction in spending due to the majority of the capital programme underspend being funded from other sources e.g. borrowing/grants.

Draw on Reserves	2015/16 <i>Original Budgeted Draw</i> £m	2015/16 Revised Budgeted Draw £m	2015/16 Projected Outturn Draw £m	2015/16 Variance (over)/ underspend £m
Annual All Funds	7.646	13.803	9.972	3.831

(*Note: that the revised budgeted draw on reserves of £13.8m includes £6.8m of carry forwards funded by underspends from 2014/15, i.e. the revised budgeted draw relating to 2015/16 is just over £7m).

- 3.6 The projected outturn draw on reserves equates to £27k per day as can be seen from the table below.

Draw on Reserves	2015/16 <i>Original Budgeted Draw</i> £000	2015/16 Revised Budgeted Draw £000	2015/16 Projected Outturn Draw £000	2015/16 Variance (over)/ underspend £000
Amount Per Day	21	38	27	11

Variances shown in Appendices

- 3.7 Appendix 1 shows the revenue projected outturn variance position for the second quarter for the Council by service area and fund. Detailed reports on spending variances have been presented to individual Service Committees. The projected outturns for quarter 1 are included for reference.
- 3.8 There is a projected underspend of £5.598m on the General Fund (including Spend to Save Unallocated) against the revised budget. This underspend is a combination of the projected outturns across directorates. The most notable underspending is projected in Infrastructure (one-off additional income at Scord Quarry), Community Care (recurring savings on closure of Viewforth, and underspending due to the ongoing shortage of social care workers) and the Contingency and Cost Pressure Budget which is unlikely to be utilised as originally envisaged due to underspending in Service areas.
- 3.9 There is a projected decrease in the contribution to the Reserve Fund of £3.194m from the surplus on the Harbour Account, which mainly relates to reduced tanker numbers at Sullom Voe £2.384m and reduced income from Shetland Gas Plant £1.180m. The latest

information received from the operators is the Gas Plant will start in December 2015.

- 3.10 There is a projected increase in the contribution to the Housing Repairs and Renewals fund of £156k from the surplus on the Housing Revenue Account due mainly to reduced voids and resulting increased rental income.
- 3.11 Appendix 2 shows the capital projected outturn variance position as at the second quarter for the Council. Detailed reports on spending variances have been presented to individual Service Committees. The projected outturns for quarter 1 are included for reference.
- 3.13 There is an anticipated underspend of £16.090m against the revised budget due mainly to the re-profiling on the new Anderson High School projects £11.9m, the Eric Gray Replacement £1.5m and Town Hall Conservation Project £1.1m. The projected outturn variances for quarter 1 are included for reference.
- 3.14 Appendix 3 shows the cost pressure and contingency budget and how much has been allocated.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Plan to ensure that the Council is “continuing to keep a balanced and sustainable budget, and are living within our means” and the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

- 4.2 **Community /Stakeholder Issues** –Audit Scotland prepares a number of reports on public sector issues. In March 2015 it prepared a report “Update on Developing Financial Reporting”. This report was concerned with importance of comprehensive, transparent and reliable financial reporting. If referred to local authorities reporting already being well established with good practices and it was recognising the Scottish Government have continued to improve and develop its reporting framework since this last report in July 2013. There are no issues in the report requiring Council attention.

4.3 Policy And/Or Delegated Authority

Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2015/16 financial

year. The Policy & Resources Committee has delegated authority for securing the co-ordination, control and proper management of the financial affairs of the Council.

4.4 Risk Management

There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.

From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.

The main variable assumptions are around anticipated income levels, returns on investments and cost pressures and demands.

One of the main risks is on the income expected from the Harbour Account and the Gas Plant which are projected to be well below the budgeted level.

This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and requires remedial action.

The Council makes provision within its budget for cost pressures that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.

A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for significant unforeseen events.

Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the investments.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

The 2015/16 Council budget does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year and, therefore, demonstrates that the Council is living within its means. The carry forward revisions to the original budget are a direct result of underspending in the last financial year and are therefore affordable. The additional budget required on the Harbour Account has the effect of reducing the return to reserves.

Every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £50k each year

in the future as a result of not being able to invest that £1m with fund managers to make a return.

It is therefore vital that the Council delivers its 2015/16 budget, and this report demonstrates that the Council is projecting to achieve this.

Revenue (GF including Spend to Save/Harbour/HRA)

The projected outturn position shows a net underspend of £2.560m. This underspend is made up of General Fund (including Spend to Save Unallocated) underspend of £5.598m, an increase in surplus income on the Housing Revenue Account of £0.156m and a reduction on the surplus on the Harbour Account of £3.194m.

Capital (GF including Spend to Save/Harbour/HRA)

The projected outturn position shows a net underspend of £16.090m. This is made up of General Fund (including Spend to Save underspend of £16.090m. The Harbour and HRA projects as expected to be fully spent.

Reserves

The projected outturn draw on reserves is £9.966m (or £27k per day) which is £3.837m (or £11k per day) less than the revised budget.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 The revenue outturn position for the combined General Fund including Spend to Save, Harbour Account and Housing Revenue Account is projected to be under budget by £2.560m. Of this, £1.059m has been classified as recurring underspends.
- 5.2 The capital outturn position for the combined General fund including Spend to Save, Harbour Account and Housing Revenue Account is projected to be under budget by £16.090m. Most of this will be required in future years to deliver the identified projects except £188k which has been classified as no longer required.
- 5.3 The projected draw from reserves of £9.972m is sustainable (less than the average investment returns). This is a decrease of £3.831m against the revised budget. This outturn position is currently projecting the Council will draw sustainably from its reserves in 2015/16.

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List of Appendices

Appendix 1 – Overall SIC Projected Revenue Outturn Position for 2015/16

Appendix 2 - Overall SIC Projected Capital Outturn Position for 2015/16
Appendix 3 – Contingency and Cost Pressure Budget 2015/16

Background documents:

SIC Budget Book 2015-16, SIC 3 December 2014

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16958>

END

1. Revenue - Projected Outturn Position for 2015-16

Budget v Projected Outturn Variance Qtr 1 2015-16 £000	General/Support/Recharged	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
17	Chief Executive	1,840	1,844	(3)
259	Children's Services	40,859	40,811	47
1,245	Community Care	20,927	19,503	1,424
65	Corporate Services	8,410	8,386	24
231	Development	14,234	13,970	264
1,743	Infrastructure	20,811	18,643	2,168
0	Fund Managers Fees	700	880	(180)
0	Contingencies & Cost Pressures	6,539	5,265	1,274
240	Spend to Save (Unallocated)	680	100	580
0	Net Recharges to Other Fund	(1,988)	(1,988)	0
3,800	Total Net Expenditure/(Income)	113,011	107,413	5,598
	<i>Funded by:</i>			
0	Government Grants	(86,555)	(86,555)	0
0	Council Tax	(8,421)	(8,421)	0
(3,800)	Draw on Reserves	(18,035)	(12,437)	(5,598)
(3,800)	Total Funding	(113,011)	(107,413)	(5,598)
0	Balanced Budget	0	0	0

Budget v Projected Outturn Variance Qtr 1 2015-16 £000	Harbour Account	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
0	Ports Management	21	21	0
(718)	Sullom Voe	(1,367)	1,564	(2,931)
159	Scalloway	(299)	(653)	354
48	Other Piers	155	(38)	193
0	Terminals	650	286	364
(511)	Total Net Expenditure/(Income)	(840)	1,180	(2,020)
	<i>Funded by :</i>			
0	Terminal Berthing Charge	(3,045)	(3,045)	0
(1,320)	Shetland Gas Plant	(1,430)	(250)	(1,180)
(1)	Contribution from Marine Fund	(138)	(144)	6
1,832	Contribution to Reserve Fund	5,453	(786)	3,194
511	Total Funding	840	(1,180)	2,020
0	Balanced Budget	0	0	0

Budget v Projected				Budget v Projected
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Outturn Variance Qtr 1 2015-16 £000	Housing Revenue Account	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Outturn Variance Qtr 2 2015-16 £000
9	Housing Revenue Account	(385)	(540)	156
9	Total Net Expenditure/(Income)	(385)	(540)	156
	<i>Funded by :</i>			
(9)	Contribution to HRA R&R Fund	385	540	(156)
(9)	Total Funding	385	540	(156)
0	Balanced Budget	0	0	0

2. Capital - Projected Outturn Position for 2015-16

Budget v Projected Outturn Variance Qtr1 2015-16 £000	Service Area	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
16,223	Children's Services	18,723	6,736	11,986
3,159	Community Care	3,159	1,598	1,562
3,176	Corporate Services	676	676	0
234	Development	234	124	110
6,674	Infrastructure (including Harbour Account)	8,606	6,174	2,432
1,728	Development (HRA)	1,728	1,728	0
31,193	Total Costs	33,125	17,035	16,090
	<i>Funded by:</i>			
(7,628)	General Capital Grant	(7,628)	(6,067)	(1,561)
(1,226)	Other Government Grants	(1,829)	(880)	(949)
(295)	General Fund Reserve	(755)	405	(1,160)
(723)	Spend to Save Reserve	(725)	(750)	25
(100)	Council Tax Second Homes Reserve	(100)	(10)	(90)
(400)	General Fund Capital Receipts	(400)	(405)	5
(263)	General Fund CFCR	(703)	(371)	(332)
(978)	CFCR (HRA)	(978)	(978)	0
(750)	Capital Receipts (HRA)	(750)	(750)	0
(259)	CFCR (Harbour Account)	(259)	(259)	0
(7)	Capital Receipts (Harbour Account)	(7)	(7)	0
(18,563)	External Borrowing	(18,991)	(6,962)	(12,029)
(31,193)	Total Funding & Financing	(33,125)	(17,035)	(16,090)
0	Balanced Budget	0	0	0

3. Contingency and Cost Pressure Budget for 2015-16

Service Area	Original Budget 2015-16 £000	Contingency Allocated 2015-16 £000	Revised Budget 2015-16 £000
Cost Pressures:			
Pay Award	1,751	0	1,751
Holiday Pay	300	0	300
Free School Meals	253	0	253
Nursery Places for 2 year olds	110	0	110
Demographics Pressures	301	0	301
Health & Social Care Integration	15	0	15
Social Care Workers	92	0	92
Bus & Air Contract Inflation	120	21	99
Rent Review & Legal Fees	80	0	80
IT Licences	140	0	140
TOTAL COST PRESSURES:	3,162	21	3,141
Contingency:			
Off-Island Placements (Comm Care / Child Svs)	1,000	634	366
Children's Resources	200	0	200
Schools/Quality Improvement	140	0	140
Supply Teachers / Reliefs in Schools	258	0	258
Community Care Income	150	0	150
Ferry Fuel & Biennial Drydocking	252	252	0
Electricians for Street Light Maintenance	105	0	105
Infrastructure Equipment Failure	300	0	300
Winter Maintenance	110	0	110
Ferry Fare Income	80	80	0
Infrastructure Staffing Costs from Shortages	300	0	300
Organisational Change Fund	500	23	477
External Recruitment for Senior Officers	150	0	150
Corporate Training	181	0	181
CIPFA Trainee Programme	70	52	18
Valuation Joint Board	40	0	40
ERVR - Housing	50	0	50
Homeless Accommodation Costs Inflation	60	0	60
Insurance cost for NAFC/SSQC	50	0	50
Tertiary Education Shortfall	300	59	241
3rd Sector Funding Shortfall	50	0	50
Reduction based on risk of events occurring (17%)	-734	0	-734
TOTAL CONTINGENCIES:	3,612	1,100	2,512
TOTAL COST PRESSURES AND CONTINGENCIES	6,774	1,121	5,653
Borrowing Support Costs (AHS funded centrally)	1,256	0	1,256
Cash Management Savings	-370	0	-370
OVERALL TOTAL	7,660	1,121	6,539

**Policy and Resources Committee****25 November 2015****Council Reserves - 2015/16 Mid Year Performance Review Report****F-067-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 investment position and performance of the Council's long term 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 2015/16 financial year, and as such the Policy and Resources Committee RESOLVE 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 2015. 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.

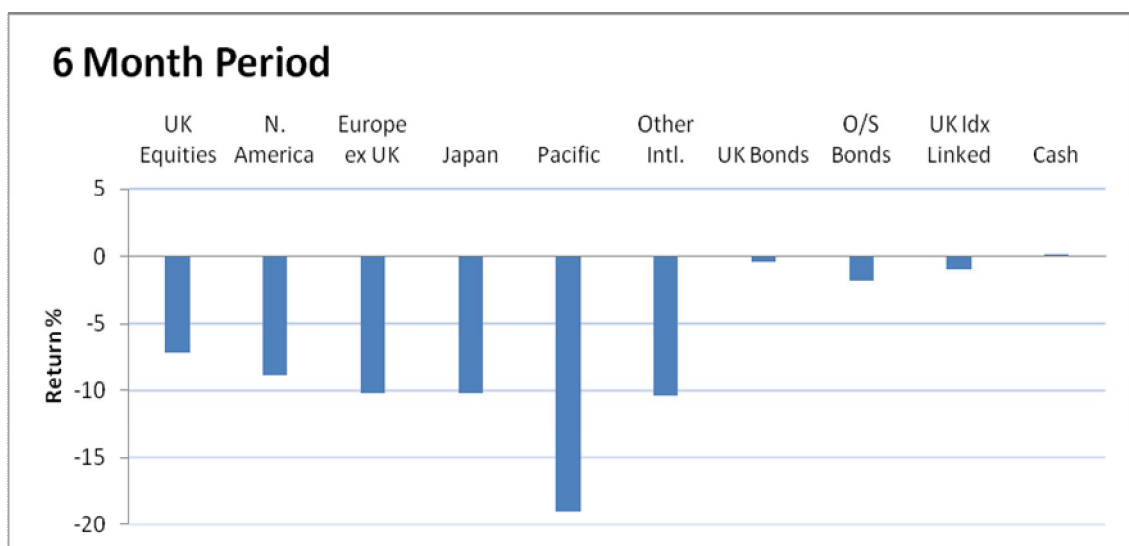
- 3.2 The Council has three fund managers with total investments under management at the end of September 2015 of £261 million. The funds, type of mandate and market values at the end of September 2015 are as follows:

Manager	Mandate	% of Reserves	Market Value (£m)
Baillie Gifford	Equity and Diversified Growth	48%	126
BlackRock	Equity	33%	85
Insight	Bonds and Cash	19%	50

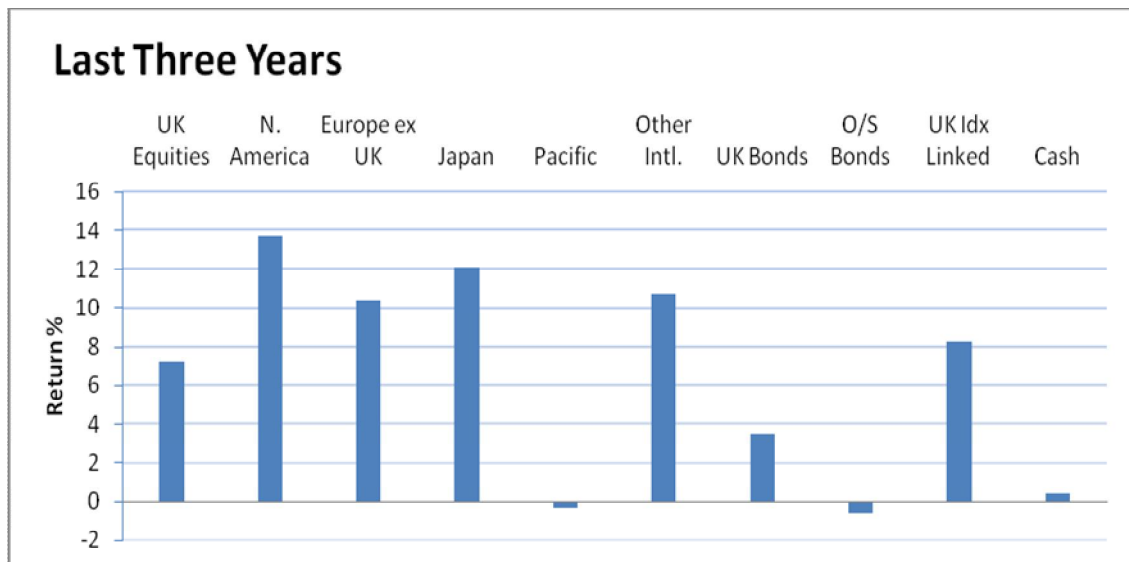
- 3.3 Individual fund manager performance is detailed later but there is the need to consider the effect of the markets themselves and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the six-month period.

	SIC Funds £ Million
Market value as at 31/03/15	278
(Withdrawals) / Additions	2
Investment Return	<u>(19)</u>
Market value as at 30/09/15	<u>261</u>

- 3.4 The figures show an overall negative £19 million investment return over the six month period, which equates to a 6.8% reduction on the opening fund value. This fall in value is entirely due to market conditions as no withdrawals were made during the period.
- 3.5 Over the six month period £2 million was added to the reserves. This was a cash injection from the Council's bank account.
- 3.6 The Council's Reserves have therefore decreased in overall value by £17 million over the first six months of this financial year.
- 3.7 The investment markets rose during April and May on positive economic news only to fall near the end of June on concerns over a possible Greek debt default and its effect on Europe. As this situation eased attention was drawn to a sharper than expected slowdown in the Chinese economy which created concern throughout world markets. This saw investment markets fall during August and September, and the situation was not helped by the US deliberations over their interest rate.
- 3.8 It has been a difficult six month trading period which is reflected in the fall in the investment value over this period. Since the end of September the markets have been more positive on better economic news from the US.
- 3.9 The investment markets performance by asset class over the six month period looks like this:



- 3.10 This is a only a six month snapshot of how the various investment classes and sectors have performed and it shows how, in the short term, values do fall as well as rise. History shows that investments in these asset classes over the long term are very positive, which is the reason the investment strategy is based on a long term investment horizon. As an example of the differences in market returns over a slightly longer time period the following graph shows the same asset classes returns per annum over the last three years.



- 3.11 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 2015, performed as follows:

Manager	Fund Return	Benchmark Return	% Return Against Benchmark
Baillie Gifford	-5.5	-4.7	-0.8
BlackRock	-12.3	-12.2	-0.1
Insight	-1.4	-1.2	-0.2

- 3.12 Baillie Gifford's fund is split between an active equity fund (60%) and a Diversified Growth Fund (40%). The performance of these two investments give differing returns, active equities outperformed their benchmark over the six month period while the Diversified Growth Fund underperformed. The overall combined fund has underperformed the benchmark over the six month period by 0.8%.
- 3.13 Six months is a short time period and an active fund will over short time periods produce volatile returns. Baillie Gifford has underperformed over this six month period but is well above their benchmark over one, three and five years.
- 3.14 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.
- 3.15 The fund with BlackRock had an investment return of -12.3% over the six month period, which is a reflection of the mixture of returns from the various markets the fund invests into.
- 3.16 The bond fund with Insight had an investment return of -1.4% over the six month period which was 0.2 below the benchmark return.
- 3.17 The overall Council investment return for the six-month period to end September 2015 was -4.6%, which was 1.3% below the benchmark return.
- 3.18 The Council invests in various asset classes for the long term, generally five years or more. This report looks at just the performance of the fund managers and the investment return over a six month period. Investing for the long term allows the Council to ride out short term volatility and fluctuations in value. The reported six month period has predominately been in a falling investment environment, but short term volatility is difficult to predict, e.g. at the end of October the Council investment valuation was £272 million (unaudited) which is a rise of 4.2% in one month.

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 – Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.

Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Council will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.

The fund managers, who will act in accordance with this policy, will exercise voting.

Baillie Gifford, BlackRock and Insight have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.

Resources

- 4.7 Financial – It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Council is working towards meeting its long term objectives.

It is not likely that the Council can expect a positive investment return from its investments every year but having robust governance and monitoring in place mitigates the financial risks and enables the Council to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework, and compliments the reporting requirements of the CIPFA Code of Treasury Management that requires a Mid Year Review report and an Annual Year End Performance Review Report.

- 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 – Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for long term benefit. The Council relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Council money is invested. The value of long term investments under these mandates can go down as well as up.

5.0 Conclusions

- 5.1 Over the first six months of 2015/16 BlackRock were close to their benchmark while Baillie Gifford and Insight underperformed their benchmark. The combined investment return over the six month period was -4.6%, which was 1.3% below the benchmark return.
- 5.2 The main contributor to the overall underperformance was Baillie Gifford. Their mandate is a combination of active equities and a diversified growth fund, which will produce volatile returns over short periods 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 fell in value by £17 million over the first six months of the 2015/16 financial year and now have an overall value at the end of September of £261 million.

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END

**Policy and Resources Committee****25 November 2014****Executive and Corporate Services Directorate Plan 2016/17****Report No: CRP-25-15-F****Chief Executive
Director of Corporate Services****Chief Executive
Corporate Services****1.0 Summary**

- 1.1 This report presents the Executive and Corporate Services (E&CS) Directorate Plan for 2016/17 which describes how the Services plan to deliver key actions, manage key risks and report and manage progress and performance through the coming year.
- 1.2 The 2016/17 E&CS Directorate Plan has been developed to take forward delivery of the Council's Corporate Plan and the agreed Medium Term Financial Plan.
- 1.3 Quarterly Progress Reports will be submitted to this committee in line with the Council's Planning and Performance Management Framework (PPMF) to allow Members to monitor and scrutinise the delivery and progress of the plan.

2.0 Decisions Required

- 2.1 That the Committee RESOLVES;
 - 2.1.1 To review and discuss the contents of the E&CS Directorate Plan 2016/17 attached at Appendix 1 and make any suggestions for amendment or further update.
 - 2.1.2 To delegate authority to the Director of Corporate Services to make any necessary adjustments to the E&CS Directorate Plan to ensure it is fully aligned with the final version of the Council's Corporate Plan and Medium Term Financial Plan approved by Council.

3.0 Detail

- 3.1 The Council's PPMF and constitutional arrangements require the Council's committees to develop and recommend updates of key plans and strategies and present these to Council for final approval.
- 3.2 The draft E&CS Directorate Plan attached at Appendix 1 draws on the Council's Corporate Plan, the Medium Term Financial Plan, other key plans and strategies and sets out the key aims, objectives, actions, performance measures, targets and risk management activities of the Council's Executive and Corporate Services Departments.
- 3.3 The Committee is invited to review and discuss the contents of the E&CS Directorate Plan 2016/17 and make any suggestions for amendment or further update.
- 3.4 The Draft E&CS Directorate Plan is formatted as a working document for Member and management business purposes. Once final versions are approved then further work will be done to produce versions that communicate key messages to the public, service users and partners.
- 3.5 Detailed Service Plans for 2016/17 are in the process of being updated and will be made available on the Performance Management Section of the Council's Intranet Site.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Effective Planning and Performance Management are key features of a well run organisation meeting the obligations of Best Value. The regular review and update of key plans is an important feature of the Council's PPMF and a specific action in the current Corporate Plan.
- 4.2 Community /Stakeholder Issues – Effective performance management and continuous improvement are important duties for all statutory and voluntary sector partners in maintaining appropriate services for the public.
- 4.3 Policy And/Or Delegated Authority –
The Council's Constitution – Part C - Scheme of Administration and Delegations provides in its terms of reference for Functional Committees (2.3.1 (2)) that they;

"Monitor and review achievement of key outcomes in the Directorate and Service Plans within their functional area by ensuring –
(a) Appropriate performance measures are in place, and to monitor the relevant Planning and Performance Management Framework.
(b) Best value in the use of resources to achieve these key outcomes is met within a performance culture of continuous improvement and customer focus."

- 4.4 Risk Management – Embedding a culture of continuous improvement and customer focus are key aspects of the Council’s improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to negative external scrutiny.
- 4.5 Equalities, Health And Human Rights – The Council is required to make sure systems are monitored and assessed for any implications in this regard.
- 4.6 Environmental – NONE

Resources

- 4.7 Financial – The actions, measures and risk management described in this report have been developed within the Target Operating Budgets for 2016/17 as set out in the Medium Term Financial Plan for Executive and Corporate Services.
- 4.8 Legal – NONE
- 4.9 Human Resources - NONE
- 4.10 Assets And Property – NONE

5.0 Conclusions

- 5.1 The Executive and Corporate Services Directorate Plan for 2016/17 has been updated as part of the planning and budgeting work done over the previous number of months. The Committee is now asked for final comments on its content before it is finalised and implemented.

For further information please contact:

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20 November 2015

Background documents:

SIC Corporate Plan
SIC Medium Term Financial Plan

Appendices

Appendix 1 – Executive and Corporate Services Directorate Plan

Executive and Corporate Services

2016-17 Directorate Plan

“Delivering Professional Solutions Together”

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Introduction

Every year, each Directorate within the Council produces a Directorate Plan for the following year which is approved by the Council as part of the budget setting process. Directorate Plans contain information on aims, objectives, major activities, planned service developments, performance measures and risks. Detailed information regarding each Service is included in individual Service Plans.

Vision Statement

Executive and Corporate Services are committed to the Vision of **“Delivering Professional Solutions Together”**.

Drivers for Change

The current drivers for change include the Council's own strategies, plans and policies. These derive from the changing needs of our community; changes in legislation and the current context locally, nationally and internationally e.g. changes in global financial markets. Some specific aspects are listed below in no particular order. This is not intended to be an exhaustive list.

<p>SIC Plans and Strategies:</p> <ul style="list-style-type: none"> • Corporate Plan 2016-2020 • Medium Term Financial Plan • Long Term Financial Plan • Risk Management Strategy • 5 Year Asset Investment Strategy • Long Term Asset Investment Strategy • Communications Strategy • Commissioning and Procurement Strategy • ICT Strategy • Annual Internal Audit Plan 	<p>Legislation and National Drivers for Change:</p> <ul style="list-style-type: none"> • Public Records Act • Community Empowerment Act • Community Justice Act • Public Bodies Joint Working Act (Health & Social Care Integration) • Public Performance Reporting Guidance • Public Sector Internal Audit Standards (PSIAS) • Islands Bill • Scotland Bill
	<p>Context</p> <ul style="list-style-type: none"> • Demographic changes and an ageing workforce • Thriving Shetland economy • Diminishing public funds

Building Budgets 2016/17

The Council undertook a series of public meetings across Shetland in August 2015 in order to gauge the Public's views on where the 2016-17 budget savings should be made in order to set a budget that is sustainable in the current financial climate. A computerised Building Budgets model was available at the public sessions and also online via the Council's website.

The budget information available through the model included NHS budgets for services that come within the remit of Shetland's Health and Social Care Partnership.

The meetings were attended by a total of 53 members of the public, which represents less than 0.5% of the Shetland electorate. People who attended the meetings found them very useful and informative and appreciated the opportunity to discuss their concerns with elected members. There were 191 budget choice submissions completed using the Building Budgets model. These have been collated and the findings for Executive and Corporate Services are summarised below. The tables provide the results of the 2014/15 Building Budgets exercise for comparison. A detailed report on the Building Budgets exercise for 2016/17 is available separately.

The feedback from the Building Budgets exercise indicates that most residents support a position of protecting the direct delivery of services for health, vulnerable adults and vulnerable children.

Directorate	Average % reduction from "Building Budgets" participants	
	2015/16	2016/17
Executive & Corporate Services	3.6	5.75
Children's Services	4.4	3.2
Community Care Services	0.9	2.18
Development Services	3.4	5.26
Infrastructure Services	2.5	4.98

Executive and Corporate Services Directorate Plan 2016-17

Executive and Corporate Services	Average % reduction from “Building Budgets” participants	
	2015/16	2016/17
Audit, Risk & Improvement	4.9	7
Capital Programme Service	5.8	5.8
Chief Executive Office	4.5	Included in Executive Services
Director Corporate Services & Change Programme	9.5	7.5
Executive Services	5.0	8.9
Finance	1.8	5.2
Governance & Law	2.4	4.8
HR	2.0	5.1
ICT	4.4	3.2

The proposed 2015-2020 Medium Term Financial Plan identifies savings of 3.3% annually that will be required to meet our budget target for 2020. Overall Executive and Corporate Services were required to make 2% of savings in the 2016-17 budget and the proposed budget is set to reflect a 2.5% savings. The projected outcome for 2015/16 is an estimated under spend of £20K for all services excluding fund managers fees.

The Scottish Government expects all public sector bodies to make efficiency savings of 3% year on year. Further details are included separately in the budget setting reports and the Medium Term Financial Plan 2015-2020.

About Us

The Directorate Plan for Executive and Corporate Services includes the plans for two areas of the Council; Executive Services which comes directly under the Chief Executive and the Corporate Services Department. These two areas are presented together as they share responsibilities for a wide range of functions and activities which provide services that are essential for maintaining sound governance arrangements for the Council providing direction, advice and support to all Council services.

Executive and Corporate Services also provide some services directly to the public.

Who we are

Executive Services are led by the Chief Executive. The Chief Executive, the Executive Manager for Executive Services and the Communications Team are based at 8 North Ness. Executive Services provide the administration support team at 8 North Ness and services in the Town Hall including support for elected members of the Council.

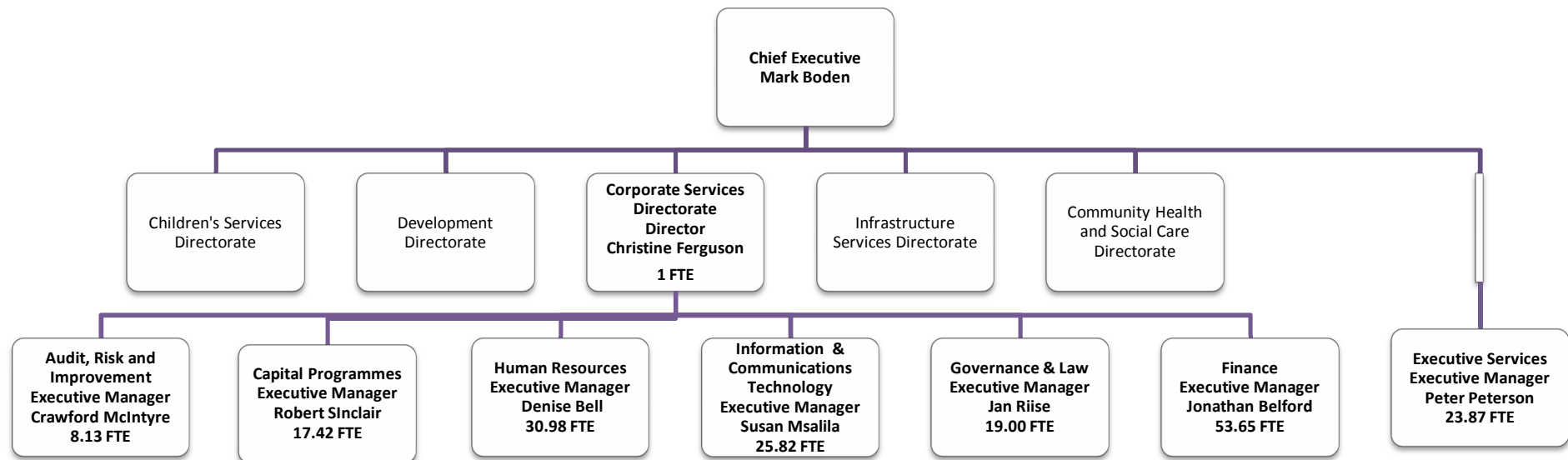
The **Corporate Services Department** is led by the Director of Corporate Services. The Department is organised under six broad service headings each led by an Executive Manager. These are:

- Audit, Risk and Improvement
- Capital Programme
- Finance
- Governance and Law
- Human Resources (HR)
- Information and Communications Technology (ICT).

These service headings are used throughout the Directorate Plan.

Most of Corporate Services staff are based in the Council's offices at 8 North Ness however there are some staff at 20 Commercial Road and the ICT Service is based at Garthspool.

Organisational Chart



Governance

Executive and Corporate Services report to the Council's Policy and Resources Committee for most of their business and directly to the full Council on a range of matters which are not delegated to any of the Council's Committees.

Corporate Services support and report to the Council's Audit Committee in its governance role and services the Licensing Board, Shetland Joint Valuation Board and the Integration Joint Board (IJB) of Shetland's Health and Social Care Partnership.

Regulation and Compliance

Audit, Risk and Improvement

Audit, Risk and Improvement have an overarching role in terms of compliance with legislation and policy across all the Council's activities.

Specific aspects with regard to their professional standards are listed below:

- Public Sector Internal Audit Standards (PSIAS)
- The Local Authority Accounts (Scotland) Regulations 2014
- Audit Scotland Best Value Toolkit
- Annual Direction on Statutory Performance Information

Capital Programmes, including Asset Management and Procurement

The Capital Programme Service has a role as corporate landlord for the Council and a responsibility for compliance with regulations in that regard in addition to an overarching role for the Council in terms of contract compliance and procurement.

Specific aspects are listed below:

- EU Procurement Legislation
- Public contracts (Scotland) Regulations 2012
- Utilities Contracts (Scotland) Regulations 2012
- Building Standards
- Planning Legislation
- Health and Safety Law
- The construction (Design and Management) Regulation 2015

Finance

- Section 95 of the Local Government (Scotland) Act 1973 requires the Executive Manager – Finance to ensure proper financial administration throughout the Council. Proper financial administration is further defined in legislation and in external financial regulations and standards (the main ones being the Code of Practice on local authority accounting in the United Kingdom, Statements of Recommended Practice, International Financial Reporting Standards, the Prudential Code for Capital Finance in Local Authorities, Benefit Regulations, and Pension Regulations).
- Proper financial administration is locally defined in the Council's Financial Regulations, for which the Executive Manager - Finance is responsible.
- Section 96 of the Local Government (Scotland) Act 1973 requires the Council to keep accounts and to publish annually an Abstract of Accounts. The requirement to produce an Abstract by 30 June each year comes from the Local Authority Accounts (Scotland) Regulations 1985, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 1997.
- Section 12 of the Local Government in Scotland Act 2003 places a statutory duty on the Council to follow proper accounting practice.
- Section 12 of Schedule 3 of the Local Government (Scotland) Act 1975 requires the Council to maintain a Loans Fund.
- Section 118 of the Local Government (Scotland) Act 1973 requires the Council to render certain financial and statistical returns to the Scottish Government.
- Section 42 of the Value Added Tax Act 1994 requires the Council to be registered for VAT and therefore comply with the myriad regulations consequent on that.
- The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (as amended) and The Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) requires Shetland Islands Council as an administering authority to comply fully with these regulations (including having policies in place to address the discretionary provisions), in respect of providing a pension scheme to employees.
- The Local Government Finance Act 1992 provides that each local authority has a duty to levy and collect the Council Tax set by them for their area.
- The Local Government (Scotland) Act 1975 requires the Council as a rating authority to levy and collect Non-Domestic Rates.
- The Social Security Contributions and Benefits Act 1992 and The Social Security Administration Act 1992 are the primary acts covering the administration of the Councils Housing benefit and Council Tax Reduction service including powers available to prevent, detect and penalise benefit fraud.
- The Public Bodies (Joint Working) (Scotland) Act 2014 which requires the integration of health and social care budgets.

Governance and Law

The Council's Legal Section is staffed by solicitors who are subject to regulation by the Law Society of Scotland.

The Council's Insurance Officer and Assistant Insurance Officers are members of the Chartered Institute of Insurers and abide by their code of Practice.

The Shetland Islands Council was established by the Local Government (Scotland) Act 1973, and is responsible for the administration of local government in the Shetland Islands Area. Governance and Law supports this responsibility by ensuring compliance with the relevant legislative requirements, current and proposed, including:

- Local Government (Scotland) Act 1973
- Local Government (Access to Information) Act 1985
- Local Government Etc (Scotland) Act 1994
- Local Government in Scotland Act 2003
- Local Governance (Scotland) Act 2004
- Scottish Local Government Election Rules
- Scottish Parliament Election Rules
- Parliamentary Election Rules
- European Parliamentary Elections Regulations
- Data Protection Act 1998
- Freedom of Information (Scotland) Act 2002
- Public Records (Scotland) Act 2011
- Public Bodies (Joint Working) (Scotland) Act 2014
- Registration of Births, Deaths and Marriages (Scotland) Act 1965
- Marriage (Scotland) Act 2002
- Nationality, Immigration and Asylum Act 2002
- Civil Partnership Act 2004
- Local Electoral Administration and Registration Services (Scotland) Act 2006
- The Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005
- Radiation (Emergency Preparedness and Public Information) Regulations 2001
- Pipeline Safety Regulations 1996
- Merchant Shipping (Oil Pollution Preparedness and Co-operation Convention [OPRC]) Regulations 1998
- Control of Major Accident Hazards Regulations 1999 (COMAH)
- Animal Health Act 2002
- The Public Health etc. (Scotland) Act 2008

- Health and Safety at Work Act 1974
- General Insurance Law
- Community Justice Act 2015
- Community Empowerment Act 2015

Human Resources

Human Resources has responsibility for workforce development, recruitment, staff welfare and health and safety across the Council. Specific aspects of the regulatory framework and standards include:

- The Health and Safety at Work etc Act 1974
- The Fire (Scotland) Act 2005
- Employment Rights Act, 1996
- The Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.
- Working Time Regulations 1998
- National and Local Conditions of Service including Single Status Agreement
- Scottish Social Services Council
- Marine regulations and Codes of Practice

Information and Communications Technology

Information and Communications Technology Service has responsibility for the implementation, support, and updating of all computer systems used by the Council, including in Schools, and for ensuring the integrity and security of these systems, including certification under the Public Sector Network (PSN) framework. Specific legislation includes:

- Computer Misuse Act 1990
- Data Protection Act 1998
- Freedom of Information (Scotland) Act 2002
- Obscene Publications Act 1964
- Protection of Children Act 1978
- Criminal Justice and Public Order Act 1994
- Telecommunications Act 1984
- Regulation of Investigatory Powers (Scotland) Act 2000

What We Do

Executive and Corporate Services are fundamental to the Council's performance across all activities many of which deliver services that fulfil the Council's ongoing statutory obligations.

Executive and Corporate Services ensure that:

- there are sound governance systems in place;
- all policies and practices comply with legislation;
- the Council has robust, defensible decision making processes in place;
- staff are supported and encouraged to be innovative and challenge the way we do things to ensure continuous improvement across the organisation; and
- we follow the public pound ensuring Best Value for the community in which we live.

These aims are articulated in the Council's Corporate Plan 2016-20¹ in the section "How we will do it".

Executive and Corporate Services also provide services that are essential to the delivery of the Council's priorities as articulated in the Corporate Plan 2016-2020 section "What we will do".

The range of services provided by Executive and Corporate Services are included below under the following service headings:

- Executive Services
- Audit, Risk and Improvement
- Capital Programme
- Finance
- Governance and Law
- Human Resources
- Information and Communications Technology

Further details can be found in the service plans for each of these service areas. The service plans are available separately.

¹ Shetland Islands Council Corporate Plan 2016-2020: <http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf>

Executive Services:

- Chief Executive and Political Leadership support
- Senior Management Team co-ordination and support (Corporate Management Team, '*Executive Influence*' and '*Executive Influence Plus*')
- Elected Member Support and Development
- Online general enquiry service
- Communications, including media management, internet/intranet site content management
- Town Hall venue management and stewarding
- Civic event management
- Internal mail service
- Business support to Executive and Corporate services

Audit, Risk & Improvement:

- Internal Audit function and support for the Council's Audit Committee
- Corporate reviews of policy compliance
- Investigations
- Risk Management; providing a Council wide support role for all aspects of risk management including support for the Council's Risk Board
- Service planning and departmental change programmes; providing a Council wide support role assisting services to review priorities and service delivery; supporting change and improvement programmes
- Preparation of performance monitoring reports and Best Value audits; maintaining systems for performance monitoring and reporting across the Council
- Public Performance Reporting

Capital Programmes:

- Capital Programme Management; working with all areas of the Council to develop the Asset Investment Plans both 5 year and longer term
- Design Services and Project Management for approved capital projects
- Procurement; undertaking corporate procurement exercises for a wide range of products and services, developing framework contracts and using national procurement frameworks where this is of benefit to the Council
- Contract Compliance; performing a Council wide assurance role
- Asset Management including responsibilities as corporate landlord for a wide range of fixed assets.

Finance

- Budgetary Control – revenue budget setting and revenue and capital budget monitoring;
- Professional financial advice to all council services and Councillors;
- Responding to government returns and consultations;
- Preparation of the annual financial statements for the Council and its group;
- Treasury Management of over £500m of public money;
- Provision of a payroll and pensions services to over 2,300 FTE employees and over 1,500 pensioners;
- Payment of over 80,000 transactions (including over 65,000 invoices) each year;
- Management and administration of the Shetland Islands Council's £300m Pension Fund;
- Local administration of the DWP's Housing Benefit and Council Tax Reduction scheme, making payments of over £3.8m per year to some of the most vulnerable people in Shetland;
- Billing and collection of Council Tax, National Non-Domestic Rates and Housing Rents for over 15,000 individual accounts
- Management of the Council's Sales Ledger which issues over 20,000 invoices per year; and
- Ensuring the Council collects over £100m of income each year.

Information and Communications Technology:

- ICT Strategy development and implementation
- ICT Projects Management & Implementation
- Management of the Council's communications network, connecting approximately 150 sites including offices, schools, and care homes.
- Procurement and installation of all computer hardware and software.
- Management of all corporate, departmental and desktop systems.

- Ongoing security monitoring, including implementing fixes identified by software and hardware manufactures and other technical bodies
- Preparation, testing, and annual review of the ICT Business Continuity Plan.
- 24/7 service desk for Council and NHS staff.
- Technical Support including support for schools and some partner agencies.
- Provision and management of all telephony services, including mobile devices.

Governance & Law:

- Administering Council meetings, the various committees, joint boards and other bodies, such as the Shetland Charitable Trust, Orkney and Shetland Valuation Joint Board, Shetland's Integration Joint Board for health and Social Care and Children's Hearings Scotland.
- Administering elections and referenda
- Insurance services for all Council business
- Registration services; including births, deaths and marriages, civil ceremonies, citizenship
- Liquor Licensing
- Advising the Council and its officers on legal issues
- Proper Officer Role: Monitoring Officer
- Undertaking legal work in relation to conveyancing, contracts and leases
- Securing external legal advice on specialist areas of the law
- Representing the Council at Court, tribunals and enquiries
- Data Protection and Freedom of Information compliance
- Corporate records management
- Emergency planning and resilience activities for the Council and NHS Shetland

Human Resources:

- Developing and implementing employment strategies, policies and practices e.g. recruitment and selection
- Providing support to ensure good working practices and employee relations across the organisation and where services are integrated e.g. health and social care
- Performance management
- Employment contractual related transactions
- Workforce planning and organisational development
- Employee engagement

- Employee review and development programmes including training programmes
- Employee health and wellbeing
- Health and Safety; providing a professional health and safety resource to support all areas of Council activity.

Our Customers

The public – we provide services directly to the public including general enquiry services, rents collection, benefits and benefits advice, electoral services, registration of births, deaths and marriages.

Elected Members, Directors, Executive Managers and Team Leaders - we provide professional advice, support and scrutiny to ensure that the Council delivers Best Value and Continuous Improvement in all its activities.

National bodies – we report performance information and evidence to demonstrate that the Council is securing Best Value and that Continuous Improvement is being achieved and to advise on national policy initiatives.

The media – we co-ordinate responses to requests for information and interviews with elected members and members of staff and provide press releases.

External Organisations – we work with a range of organisations in the public, private and third sector in areas such as commissioning and procurement.

UK and Scottish Governments – we help to co-ordinate the Council's lobbying activity with both Governments, particularly through the Our Islands Our Future campaign.

Our Resources

Executive and Corporate Services total revenue budget for 2014/15 was £11.596m and for 2015/16 it was £10.311m.

Executive and Corporate Services Directorate Plan 2016-17

The proposed revenue budget for 2016/17 for Executive and Corporate Services is £11.274M, this includes cost pressure allocations for pay, national insurance and pension increases for both 2015/16 and 2016/17.

The Capital budget for 2014/15 was £1.076M and for 2015/16 it was £0.676M.

The proposed capital budget for 2016/17 for Executive and Corporate Services is £0.675M.

The total staff complement on 1 April 2014 was 176.60 full time equivalents (FTE) and on 1 April 2015 it was 179.52 FTE.

The total staff complement on 1 April 2016 is expected to be 179.87 FTE.

Further detail is given in the table below.

Executive and Corporate Services

Service	Number of Staff (FTE)		Net Expenditure		Capital Budget	
	1 April 2015	1 April 2016 (est)	2015/16	2016/17	2015/16	2016/17
Council Members	-	-	618,283	669,591	-	-
Fund Manager Fees	-	-	700,000	874,500	-	-
Executive Services	23.96	23.21	1,213,335	1,249,622	-	-
Director of Corporate Services	1.8	1.8	210,270	416,174	-	-
Audit, Risk & Improvement	8.14	8.14	436,739	468,271	-	-
Human Resources	31.62	31.16	1,458,488	1,536,369	-	-
ICT	24.54	25.54	1,414,882	1,572,781	676,000	675,000

Executive and Corporate Services Directorate Plan 2016-17

Service	Number of Staff (FTE)		Net Expenditure		Capital Budget	
Governance & Law	16.34	19.51	999,981	997,079	-	-
Finance	56.66	57.27	2,543,616	2,564,958	-	-
Capital Programmes	16.46	17.74	801,339	609,184	-	-
Cash Management Improvements			(370,000)	0		
Valuation Joint Board	-	-	284,300	315,240	-	-
Total	179.52	184.39	10,311,233	11,272,769	676,000	675,000

Aims and Objectives

Corporate Plan "Our Priorities"	Supporting Executive and Corporate Services Activities
Complete and move into the new Anderson High School and Halls of Residence	Project management, financial management, legal services, procurement and communications/media management
Increase the supply of affordable housing in Shetland	Capital programme support, asset investment planning, financial planning, financial management, legal services, contract compliance and procurement.

Executive and Corporate Services Directorate Plan 2016-17

Corporate Plan “Our Priorities”	Supporting Executive and Corporate Services Activities
Improve high speed broadband and mobile connections throughout Shetland	Capital programme support, asset investment planning, financial planning, financial management, legal services, contract compliance and procurement. ICT technical support services and network strategy development.
Support older people across Shetland so that they get the services they need to live as independently as possible.	Corporate services support for the IJB. Financial management; work on individual budgets and charging; commissioning and procurement strategies; review of third sector involvement. Innovative HR policies supporting older people to remain in work; workforce development and training.
Provide quality transport services within Shetland and push for improvements in transport services to and from Shetland.	Capital programme support, long term asset investment planning, financial planning, financial management, legal services, contract compliance and procurement. Support for negotiations at national level; OIOF and the proposed Islands Bill.

Directorate Aims/Priorities	Objectives/Actions	Links to Corporate Plan
Workforce Development, succession planning and talent management	<ul style="list-style-type: none"> • Complete the implementation of the Workforce Development Review. • Implement a new comprehensive Workforce Development Strategy. • Review the Council’s Employee Review and Development Policy. 	<p>“20 by ‘20”</p> <ul style="list-style-type: none"> #1 - leadership and management #2 – staff motivation #12 – staff performance #13 – recruitment & retention #19 – innovation & change #20 - creativity

Executive and Corporate Services Directorate Plan 2016-17

Sound financial management and planning	<ul style="list-style-type: none"> • Review MTFP and LTFP. • Monitor and review treasury management arrangements and policy on borrowing. • Further develop Building Better Budgets exercise to include partner public agencies. • Review charging policies. • Continue implementation of pension reform. • Continue implementation of welfare reform. • Deliver on Internal Audit Plan 	<p>"20 by '20"</p> <ul style="list-style-type: none"> #5 – governance and decision making #6 – financial management #9 – customer care #15 – reducing asset base #16 – targeting resources #18 – collecting income #19 – spend to save #20 - creativity
Sound governance systems	<ul style="list-style-type: none"> • Implement the review of external appointments • Review the governance arrangements for the IJB • Review records management systems, data sharing and access to information • Review complaints handling procedures • Develop a lessons learned policy and procedures • Develop a Performance Management strategy 	<p>"20 by '20"</p> <ul style="list-style-type: none"> #5 – governance and decision making #9 – customer care #12 – performance management #20 - creativity
Effective internal and external communications	<ul style="list-style-type: none"> • Support work on Our Islands Our Future and the development of the 	<p>"20 by '20"</p> <ul style="list-style-type: none"> #3 – lobbying Scottish and UK governments and EU

Executive and Corporate Services Directorate Plan 2016-17

	<p>Islands Bill</p> <ul style="list-style-type: none"> • Further develop the Intranet and Internet sites • Further development of staff news letter and bulletins • Further development of Public Performance Reporting 	<p>#9 – customer care #10 – excellent internal and external communication systems #20 - creativity</p>
Effective deployment of new technology	<ul style="list-style-type: none"> • 24/7 support service for ICT customers • Maintain existing ICT assets • Review ICT strategy including network strategy and partnership working • Undertake and manage projects to achieve the Council's priority of high speed broadband and mobile connectivity for services and the community 	<p>"20 by '20"</p> <p>#4 – modern IT equipment and systems #8 – efficient and effective processes #9 – customer care #15 – reducing asset base #16 – targeting resources #17 – environmental issues #19 – spend to save #20 - creativity</p>
Sustainable asset investment plans and achieving Best Value through commissioning and procurement	<ul style="list-style-type: none"> • Develop new gateway processes using the Building Better Business Cases methodology • Implement a new Commissioning and Procurement Strategy • Support capital projects e.g. new Anderson High School • Complete a project to redevelop the Knab Road site • Develop asset management policies that take account of the provisions 	<p>"20 by '20"</p> <p>#5 – options appraisal and decision making #6 – living within our means #7 – buying goods and service #8 – efficient and effective processes #15 – reducing asset base #16 – targeting resources #17 – environmental issues #19 – spend to save #20 - creativity</p>

Executive and Corporate Services Directorate Plan 2016-17

	and intent of the Community Empowerment Act	
Risk Management	<ul style="list-style-type: none"> • Arrange risk management training for elected members, members of the IJB and other partner organisations • Provide support to all service areas to ensure risk management activities are undertaken timeously • Develop systems and processes that ensure risk management is an integral part of all decision making 	<p>"20 by '20"</p> <p>#5 – options appraisal and decision making</p> <p>#8 – efficient and effective processes, risk awareness</p> <p>#9 – customer care</p> <p>#12 – performance management</p> <p>#16 – targeting resources</p> <p>#17 – environmental issues</p> <p>#19 – spend to save</p> <p>#20 - creativity</p>
Systems Thinking Programme	<ul style="list-style-type: none"> • Complete the workforce development review • Complete the development and implementation of a new Commissioning and Procurement Strategy • Identify at least two more major projects to be undertaken in 2016/17 • Promote systems thinking and challenge across all areas of Council business 	<p>"20 by '20"</p> <p>#5 – options appraisal and decision making</p> <p>#8 – efficient and effective processes, risk awareness</p> <p>#9 – customer care</p> <p>#12 – performance management</p> <p>#16 – targeting resources</p> <p>#17 – environmental issues</p> <p>#19 – spend to save</p> <p>#20 - creativity</p>

Success will be that: **“We have delivered what we said we would”**

Detailed Actions/Plans for Change

Previous Actions Completed / due to be Completed in 2015/16

	Description	Delivered on-time?	Achieved original intention?
1.	Refresh the Council's Corporate Plan to set the Council's priorities for the next 5 years	New Corporate Plan developed for 2016-2020 Completed on time in September 2015	Yes
2.	Review the Medium Term Financial Plan	Timescale revised to follow the development of the Corporate Plan 2016-2020 On time to report in November 2015	TBC
3.	Develop the 2016/17 Budget	On time to report in December 2015	TBC
4.	Conduct “Building Budgets” exercise to inform development of 2016/17 Budget	August 2015 Completed on-time	Yes, valuable feedback obtained from communities across Shetland. To be developed further in 2016/17
5.	Develop a Long Term Financial Plan	Completed on time in December 2014	Yes
6.	Implement robust cash management to achieve higher investment fund returns	Completed on time	Yes
7.	Continuing support for the Our Islands Our Future campaign	Activities completed on time Work ongoing	Yes

Executive and Corporate Services Directorate Plan 2016-17

8.	Conduct the Corporate Governance Review and implement its recommendations	Partially completed on time Review of external appointments to be completed by December 2015	Partially
9.	Health and Social Care Integration: Complete the Transition Programme to implement the Public Bodies (Joint Working) (Scotland) Act 2014	Completed on time	Yes
10.	Implement a new complaints recording and reporting system	Partially completed in April 2014 Further work is needed to establish clear roles and responsibilities for the process and reporting and to ensure full compliance with the new system	Partially
11.	Conduct an Equal Pay Audit	Completed on time in April 2014	Yes
12.	Develop a Workforce Development Strategy and implement new ICT systems to support council wide workforce development activities	Delayed and timescale now end of March 2016	No
13.	Complete upgrades to all ICT network servers to Windows Server 2008	Completed July 2015	Yes
14.	Complete upgrades of school ICT equipment including removal of all pre 2009 computers	Completed July 2015	Yes

Executive and Corporate Services Directorate Plan 2016-17

15.	Improve broadband availability and bandwidth throughout Shetland liaising with and coordinating the activities of the Council's Shetland Telecom Project, HIE BDUK Next Generation Broadband and Community Broadband Scotland through the ICT Network Strategy Programme Board.	Ongoing	Partially. Review project commissioned to establish future aims and targets going forward
16.	Complete the contractual arrangements for the construction of the new Anderson High School; financial close	Completed July 2015 after significant delays in the national programme	Project on-going.
17.	Preparation for anticipated increase in council house sales	Ongoing	Partially capacity issues in the legal team are affecting timescales in conveyancing work
18.	Delivery of > 90% of the 2015/16 Audit Plan	On target	TBC
19.	Implement the Risk Management Review Action Plan	Ongoing and expected to be completed on target i.e. by 2017	TBC
20.	Embed new travel and subsistence arrangements	Partially	Yes

Executive and Corporate Services Directorate Plan 2016-17

21.	Improve staff communications	Ongoing	Partially. Regular communications produced for Members (<i>'In the Loop'</i> monthly newsletter), senior managers (<i>'Business Bulletin'</i> bi-monthly newsletter) and staff (<i>'In Touch'</i> twice yearly newsletter).
22.	Implementation of Corporate Records Management Improvement Plan	Due to be completed by April 2016	TBC
23.	Develop and implement a revised Health and Safety Strategy	Due to be completed by April 2016	TBC

Contact Details

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Appendix A - Projects and Actions - Chief Executive and Corporate Services Directorate Plan

NOTE: In the final version of this appendix, any of the 50 Corporate Plan "interim outcomes" that DON'T have a Directorate action will be removed. Only those "interim outcomes" headings supported by the directorate will be included.


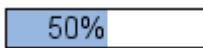

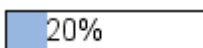
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OUR PLAN 2016-2020

A) YOUNG PEOPLE

1) New Anderson High School


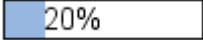
The new Anderson High School and Halls of Residence will have been built and will be providing an excellent learning environment as part of an efficient and effective school service.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP006 New Anderson High School	Project Management of new Anderson High School	Likely to meet or exceed target 	Planned Start	01-Jan-2013		Financial close was reached in July 2015. Project Management will continue during constr	Capital Programme; Children's Services Directorate
			Actual Start	01-Jan-2013			
			Original Due Date	01-Aug-2016			
			Due Date	01-Aug-2017			
			Completed Date				
Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP035 Future use of existing AHS site at Knab	Investigate options for future use of existing AHS site at Knab	Experiencing some issues, with a risk of failure to meet target 	Planned Start	01-Apr-2014		Legal issues now clarified, development brief being prepared	Capital Programme
			Actual Start	10-Apr-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

B) OLDER PEOPLE

4) Support

People will be supported to look after and improve their own health and well-being, helping them to live in good health for longer.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP035 Future use of existing AHS site at Knab	Investigate options for future use of existing AHS site at Knab	Experiencing some issues, with a risk of failure to meet target 	Planned Start	01-Apr-2014		Legal issues now clarified, development brief being prepared	Capital Programme
			Actual Start	10-Apr-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

5) Integrated Health and Social Care services


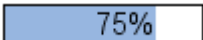
Our Integrated Health and Social Care services will be delivering the services people need, improving standards of care and keeping people healthier for longer.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP036 Health and Social Care Integration	The successful integration of health and social care services as stipulated by legislation.		Planned Start	14-Nov-2014		The IJB has been established and approved its core constitutional documents.	Corporate Services Directorate
			Actual Start	01-Apr-2014			
			Original Due Date	29-Apr-2016			
			Due Date	29-Apr-2016			
			Completed Date	13-Oct-2015			

C) ECONOMY & HOUSING

7) Housing supply



We will have increased the number of houses in Shetland, with a range of options that are affordable and achievable for all.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP077 Council House Sales	Council House Sales – be prepared for the anticipated increase in applications.	Likely to meet or exceed target 	Planned Start	01-Apr-2014		The first two quarters of 2015 have seen 26 applications received and 23 offers issued. However, there have been delays occurring in seeing transactions through to completion.	Governance & Law
			Actual Start	01-Apr-2014			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

D) COMMUNITY STRENGTH

2) Empowerment


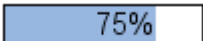
People in Shetland feeling more empowered, listened to and supported to take decisions on things that affect them and make positive changes in their lives and in their communities.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP079 Conduct "Building Budgets" roadshows	To build on the work carried out in 2014-15 to achieve a higher level of public involvement.	Likely to meet or exceed target 	Planned Start	01-Apr-2015		An on-line web-based tool has been acquired and was populated to provide a platform for the exercise to be carried out at the end of August / beginning of September. Sessions held in 7 locations and public report on feedback from the on-line budget planner and public sessions being prepared.	Finance
			Actual Start	25-Jun-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

E) CONNECTION & ACCESS

2) Broadband


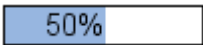
More people will have access to high-speed broadband and reliable mobile connections, helping to connect people, communities and businesses throughout Shetland.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP075 Work to improve broadband availability and bandwidth	By liaising and coordinating the activities of the ICT Service, Economic Developments "Shetland Telecom" Project, HIE BDUK Next Generation Broadband Project and Community Broadband Scotland through the ICT Network Strategy Programme Board	Likely to meet or exceed target 	Planned Start	01-Apr-2014		Work is ongoing, order to unbundle the BT Lerwick Exchange has been placed, but timescales have not been advised by BT.	Corporate Services Directorate
			Actual Start	01-Apr-2014			
			Original Due Date	31-Mar-2015			
			Due Date	31-Mar-2016			
			Completed Date				

F) OUR "20 BY '20"


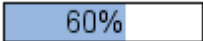
04) IT equipment & systems

Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP078 Implement new HR CHRIS 8 system	Ensuring our Council-wide workforce information system can fully support our business	Likely to meet or exceed target 	Planned Start	01-Apr-2015		Finance: During implementation and training by Frontier for MC21 and CHRIS v8 installations in June 2015, it became clear that the product was not fully developed and in a state for testing. Testing now timetabled for October 2015 with delivery expected March 2016. HR: Testing now moved back to begin November 2015 and working with Frontier to make sure Council procedures maximise use of new system.	Finance; Human Resources
			Actual Start	10-Apr-2015			
			Original Due Date	30-Apr-2017			
			Due Date	30-Apr-2017			
			Completed Date				



05) Standards of governance

High standards of governance, that is, the rules on how we are governed, will mean that the council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP033 Corporate Governance Review	Conduct the Corporate Governance Review and implement its recommendations.	Likely to meet or exceed target 	Planned Start	01-Apr-2014		IJB Governance arrangements completed and approved by IJB on 25 August 2015. Changes to SIC Committee remits agreed with effect from 1 September. Revised Strategic and Functional Reporting structure issued to all staff. Work ongoing in updating SIC Constitutional documents, which will form part of report of self assessment of SIC governance arrangements to be completed for reporting to Council on 16 December. Self Assessment for ZetTrans completed and improvement plan agreed 28 September. Action Plan to be produced for agreement by end of 2015, which will run alongside Action Plan for SIC Governance review. Timeline for review of O&SVJB governance arrangements to be agreed.	Governance & Law
			Actual Start	23-Apr-2015			
			Original Due Date	30-Nov-2015			
			Due Date	31-Mar-2016			
			Completed Date				

06) Financial management

Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP072 Develop a Long Term Financial Plan	The Plan is due to be reported to Council in December.	Likely to meet or exceed target 	Planned Start	01-Apr-2014		Assets: Preliminary meetings with Budget Responsible Officers underway. Finance: LTFP has been outlined and is progressing towards long term assets improvement.	Finance
			Actual Start	01-Mar-2015			
			Original Due Date	31-Mar-2016			
			Due Date	31-Mar-2016			
			Completed Date				

11) Risk management

Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high-risk activities.

Code & Title	Description	Expected outcome	Dates		Progress	Progress statement	Lead
DP039 Implement Risk Review Action Plan	Full implementation of the Risk Review Action Plan	Likely to meet or exceed target 	Planned Start	01-Dec-2014		Project commenced on time and is progressing to schedule.	Audit, Risk & Improvement
			Actual Start	01-Dec-2014			
			Original Due Date	31-Mar-2017			
			Due Date	31-Mar-2017			
			Completed Date				

Appendix B - Council-wide Indicators - Chief Executive and Corporate Services compared with Whole Council

NOTE: 2015/16 figures are "to date"

Generated on: 20 November 2015

Code & Short Name	Date Range 1				(past) Performance & (future) Improvement Statements
	2012/13 Value	2013/14 Value	2014/15 Value	2015/16 Value	
OPI-4A Staff Numbers (FTE) - Whole Council	2474	2248	2190	2168	Managers continue to carefully manage staff numbers and associated costs and reflects recruitment pressures in some areas.
OPI-4A-A Staff Numbers (FTE) - Chief Executive's Directorate	16	29	24	24	The number increased when admin/clerical support was consolidated into a single entity under Executive Services. Vacant posts have been deleted whenever possible and that will continue. Some posts now being shared between services to ensure maximum productivity.
OPI-4A-F Staff Numbers (FTE) - Corporate Services Directorate	159	152	159	160	Staff numbers are steady but any slight fluctuations will be due to staff movements such as maternity cover.
OPI-4C Sick %age - Whole Council	4.1%	3.6%	4.2%	3.6%	A reduction from previous year reflects a greater focus in maximising attendance.
OPI-4C-A Sick %age - Chief Executive's "Directorate"	3.6%	1.4%	2.4%	1.1%	Performance can be impacted upon by a single longer-term absence. However, this rate has reduced below 2% so far in 2015/16 and we will continue to monitor closely.
OPI-4C-F Sick %age - Corporate Services Directorate	3.0%	1.6%	2.4%	1.5%	There has been a steady improvement in the sickness figures. We hope to maintain these good results through 2016/17.
OPI-4E Overtime Hours - Whole Council	71,644	56,552	64,738	40,284	Overtime and Overtime budgets are devolved to departmental level. Overtime is often the most cost effective way to utilise existing teams and ensure prompt service to our customers.
OPI-4E-A Overtime Hours - Chief Executive's "Directorate"	802	674	720	323	This relates to overtime that is necessary to provide staff for evening hires at the Town Hall, cost of which is covered through income. The level has been reduced over the past 3 years. We will continue to find efficient ways to support evening hires, being mindful of costs.
OPI-4E-F Overtime Hours - Corporate Services Directorate	2218	658	1717	880	Q1 overtime needed for final accounts and AHS project. This is cost effective and no improvement action is planned.
F01 FOISA responded to within 20 day limit - Corporate & Executive Services	82%	91%	88%	91%	Performance: The complexity and level of FOISAs, and the number of staff involved remains steady. There has been an improvement recently to bring our "on time" performance into the "excellent" level. Improvement: There are no specific plans to add any further resources to this process, but we remain committed to keeping up our new "excellent" rating.

Appendix C - Key Directorate Indicators - Chief Executive and Corporate Services Directorate Plan

Generated on: 17 November 2015

	Previous Years		Current year (to date)		Next Year	
Code & Short Name	2013/14	2014/15	2015/16		2016/17	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Target	Target	
AX04 % of press releases featured in the local media	94%	97%	100%	95%		Performance: Q1 and Q2 has reported 100% of press releases featured in the local media, above the 95% target and up on previous years. Improvement: Continue to try to keep this rate at 100%.
AX05 Number of unique visits to the Council's internet site	183,144	243,888	110,638	240,000		Performance: While figures have increased in recent years, there is a visible drop in figures over the last two quarters, following below the 20,000 per month target. This may be in line with a generally quieter time of year (over the summer). Improvement: Continue to focus on our work to make information easy to find and tasks easy to complete online where possible. Proactive management of content such as winter weather service disruption will boost figures.
AX07 Number of Twitter followers	1,268	1,900	2,351	2,500		Performance: On track now to achieve the 2015/16 target of 2,500 followers. More active and visual use of the corporate feed is now in place, and winter weather service disruption messages always result in a large jump in followers. Improvement: Action plan must be put in place designed to encourage services to feed through content for the corporate Twitter feed. We will aim to exceed our annual target.
FI02 Percentage % of ICT projects which are on time and within budget	70%	91%	92%	80%		Performance: 85% of projects to be completed within project tolerance with regard to both budget and timescale. Of 25 projects, 2 did not meet time or budget targets. Improvement: To improve the planning of projects to enable accurate planning with regard to budget and timescale and document aspects outwith our control
FI05 Average number of open ICT support work orders	60	55				Performance: Reduce the number of open support jobs to 50 or less at any one time. Improvement: To improve the turn round of requests for second line support, to reduce waiting time for users.
FI07 ICT Customer Satisfaction Survey	77%					We have not carried out a customer satisfaction survey this year, due to operational changes for example new helpdesk software. We plan to do the survey in late autumn, when the new processes have had a chance to bed in.

	Previous Years		Current year (to date)		Next Year	
Code & Short Name	2013/14	2014/15	2015/16		2016/17	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Target	Target	
FL01 Data Subject Requests - % responded to within 40 days	53.3%	73%		100%		Performance: Respond 100% within statutory 40 day deadline. Improvement: The number and increasing complexity of some requests in addition to the existing workload of staff in Committee Services was impacting on the ability to respond within the timescales required. A review of the process has been undertaken and a further review and training for other relevant staff should show an improvement on the response times by the end of the year.
FL02 Registration Accuracy	99%	98%		98%		98% accuracy [NRS average]. Performance figures are calculated annually by the NRS District Examiner, by calendar year, and quarterly figures are not available.



Directorate Performance Indicators from the Local Government Benchmarking Framework

Indicator	Scotland			Shetland				Performance & Improvement Statement
	Min	Avg	Max	Year	Value	Rank	Target	
Corp 1 - Support services as a % of Total Gross expenditure				12/13	2.1%	1		<p>Performance Statement: Overall the Council performance in regard to the proportion of expenditure is incurred on support activities is positive, being both lower than the Scottish average and lower than the other island authorities, to which direct comparison is often made. This is the result of the active management of support service activities.</p> <p>Improvement Statement: The Council will continue to ensure that it works to provide efficient and effective support services and recognise the strategic direction taken in the Medium Term Financial Plan to increase, in percentage terms, the share of the budget spent on Children's Services and Community Care Services.</p>
				13/14	4.5%	13		
				14/15	5.26%			
Corp 2 - Cost of Democratic Core per 1,000 population				12/13	£241K	32		<p>Performance Statement: See Coins link http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dd%8Foy%90</p> <p>Improvement Statement: See Coins link http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dd%8Foy%90</p>
				13/14	£295K	32		
				14/15	£97K			



Indicator	Scotland			Shetland				Performance & Improvement Statement
	Min	Avg	Max	Year	Value	Rank	Target	
Corp 3b – The percentage of the highest paid 5% of employees who are women				12/13	24%	32		<p>Performance Statement: The Council's ranking within Scotland continues to be a challenge due to the almost unique presence of a male dominated marine industry within the Council.</p> <p>Improvement Statement: The Council has completed its first equal pay audit which will inform an action plan to address any identified inequalities.</p>
				13/14	24%	32		
				14/15	25%			
Corp 4 - The cost per dwelling of collecting Council Tax				12/13	£15.75	25		<p>Performance Statement: During 13/14 significantly reduced operating costs due to relocation to 8 North Ness and reduction in Revenues staff.</p> <p>Improvement Statement: Continue to monitor collection costs and discuss at monthly Revenues and Benefits team meetings any issues or means of improvement.</p>
				13/14	£8.67	8		
				14/15	£11.82			
Corp 6 - Sickness Absence Days per Employee				12/13	11.2	28		<p>Performance Statement: There has been a marked improvement following the implementation of the new policy in April 2013. Other Councils are also making progress in this area.</p> <p>Improvement Statement: Sickness absence continues to be an area of regular monitoring and reporting. More focussed work will be carried out, specifically on very long-term sickness.</p>
				13/14	9.7	22		
				14/15	11.5			



Indicator	Scotland			Shetland				Performance & Improvement Statement
	Min	Avg	Max	Year	Value	Rank	Target	
Corp 7 - Percentage of income due from Council Tax received by the end of the year				12/13	97%	8		<p>Performance Statement: During 13/14 slight improvement on collection rates, this resulted in best ever Council Tax collection levels.</p> <p>Improvement Statement: Seek to maintain current high income collection rates through effective income recovery processes. Continue to monitor collection levels on a monthly basis and discuss at monthly Revenues and Benefits team meetings any issues or means of improvement.</p>
				13/14	97%	7		
				14/15	97%			
Corp 8 - Percentage of invoices sampled that were paid within 30 days				12/13	85%	26		<p>Performance Statement: Our performance improved marginally from the previous year. We have been introducing new software to improve the flow of orders and invoices around the council. The benefits with regard to the payment of invoices on time is starting to be felt.</p> <p>Improvement Statement: The new software will be fully rolled out by the 1st quarter of 2014/15. I would expect the KPI to remain static or show another marginal improvement in that year.</p>
				13/14	85%	29		
				14/15	85%			
Corp-Asset1 Proportion of operational buildings that				12/13	77.1	25		<p>Performance Statement: The total number of operational properties has reduced over the last year, there has been a small increase in the proportion of operational buildings considered</p>



Indicator	Scotland			Shetland				Performance & Improvement Statement
	Min	Avg	Max	Year	Value	Rank	Target	
are suitable for their current use				13/14	82%	21		<p>suitable for service delivery.</p> <p>Improvement Statement: The reduction in the number of operational properties is a result of the continued implementation of the Councils Asset Strategy and service reviews following budget cuts.</p>
				14/15	84%			
Corp-Asset2 Proportion of internal floor area of operational buildings in satisfactory condition				12/13	97.9%	1		<p>Performance Statement: Over the last year there has been a reduction in the overall GIA of Operational Buildings however this was reduced by the completion of the Extension to Shetland College.</p> <p>Improvement Statement: The proportion of operational property considered to be in a satisfactory condition has decreased, mainly as a result of Aith Junior High School now being considered to be below a satisfactory level.</p>
				13/14	87%	14		
				14/15	82%			

Corporate and Executive Services

Risk & Details	Frequency	Current Severity	Risk Profile	Current and Planned Control Measures	Probability	Target Severity	Risk Profile	Assigned To
Level	Corporate							
<i>Corporate Plan</i>	<i>09. Dealing with challenges effectively</i>							
B0003 - Customer / Citizen - Other - Recruitment and retention of staff in some areas - The distant and remote nature of Shetland, and relatively small population, mean that there is a small labour pool and therefore limited skills locally. There is competing demand for the skills that are available. This is acute at present as a result of opportunities in the Oil and Gas sector in the North Mainland. The Council is constrained in its ability to provide competitive salaries due to the pay frameworks in place.	Almost Certain	Significant	High	<ul style="list-style-type: none"> Recruitment and Selection policy and associated policies and procedures are currently under review & will include Market Forces. This review will now be undertaken by a secondee who will join the service in August 2015. This will mean a delay in completing this work, with a revised target date to submit to EJCC. Use of market forces to supplement core salariesThe Council has used Market Forces data as a means for providing a supplement to core salaries in order to recruit and retain key skilled posts. Recruitment and retention will be a specific aspect of the Workforce Development Strategy. 	Possible	Significant	Medium	Denise Bell Corporate Services
Level	Directorate							
<i>Corporate Plan</i>	<i>08. A properly led and well-managed council</i>							
B0002 - Legal / Compliance - Other - Lack of compliance with standing orders on procurement - Internal Audit has identified widespread non-compliance issues, including potential breach of EU procurement regs. This issue is already live with Audit Scotland and risks damaging the Council's reputation as well as the potential for financial loss.	Rare	Major	Medium	<ul style="list-style-type: none"> Updated standing orders, monitoring, training and informationThe Council's Standing Orders have been updated in order to make them more fit for purpose including streamlining them to minimise the scope for breaches. Updated standing orders, monitoring, training and information. Procurement sessions held with the majority of Executive Managers during 2014. Further work on awareness raising and monitoring required supporting services across the Council. 	Rare	Significant	Low	Robert Sinclair Corporate Services
<i>Corporate Plan</i>	<i>09. Dealing with challenges effectively</i>							
B0005 - Legal - Other - Issues with HIAL/Sumburgh Airport 09/27 runway extension project. The Council is being pursued in court by HIAL in connection with the Council's role in the Sumburgh runway extension project. If HIAL are successful it will result in significant financial loss and reputational damage.	Unlikely	Extreme	High	<ul style="list-style-type: none"> Council engaged external legal advisers who will defend the case in court unless HIAL cease the action or a settlement is agreed 	Unlikely	Extreme	High	Neil Grant Corporate Services

B0006 - Economic / Financial - Other - Potential for a reduction in financial resilience due to the failure to deliver the current year budget. Failure to deliver on Medium Term Financial Plan - The Council's reserves have decreased by 60% since the turn of the century due to an over reliance on them to meet the funding gap between income and expenditure.	Unlikely	Extreme	High	• A robust process of budget setting, performance monitoring and engagement between Finance and Service is in place. This will ensure that Council finances are under constant scrutiny and regularly reported through management and to Committees. It provides opportunity for the Council to take corrective action as soon as possible and to minimise any impact. The Council has in place financial regulations and procedures to provide controls for finance within which officers must operate.	Unlikely	Major	Medium	Jonathan Belford Corporate Services
B0007 - Economic - Other - A historic lack of Investment in Shetland's infrastructure, pressure for capital for infrastructure investment - The Council invested heavily in Shetland's infrastructure in the 1980s, and funded those investments from income generated from the oil industry. That infrastructure is now aging and will eventually need to be replaced. However, the financial situation is now tighter which means that it will be challenging to finance this.	Unlikely	Extreme	High	• MTFP, budget monitoring and scrutiny, clear and robust roles and responsibilities for managers and financial procedures & regs A Long Term Asset Investment Plan is being prepared to identify the extent of future programmes, which will inform funding options.	Unlikely	Major	Medium	Jonathan Belford Corporate Services

Level**Corporate***Corporate Plan**08. A properly led and well-managed council*

XCE0022 - Best Value - failure to evidence - There is a risk that if Members do not engage with a development programme, they will lack the core skills to be competent in their very demanding roles. This would impact on the way the entire democratic process works.

Peter Peterson
Executive Services

Level**Executive Service***Corporate Plan**09. Dealing with challenges effectively*

XCE0013 - Communications poor - Communications staff not being able to meet demands placed on them by services – resulting in continued poor perception of Council communications

Unlikely Significant

Medium

• Resourcing Comms team Digital Communications Officer recruited in June 2013. Service demand is being constantly reviewed.

Unlikely

Minor

Low

Peter Peterson
Executive Services

Level**Operational***Corporate Plan**08. A properly led and well-managed council*

XCE0014 - Unsustainable council spending - Savings not delivered and target missed in the Executive budget	Unlikely	Minor	Low	<ul style="list-style-type: none"> Budget monitoring and prioritisationMonthly budget monitoring taking place, with discussion with Assistant Accountant <p>Clarification and advice provided to Members on travel expenses, mileage and subsistence</p> <p>Early analysis and work done on the Executive budget, to identify savings opportunities</p> <p>Discussion with Corporate Services Department about consolidating savings with that budget</p>	Unlikely	Minor	Low	Peter Peterson Executive Services
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Corporate Plan

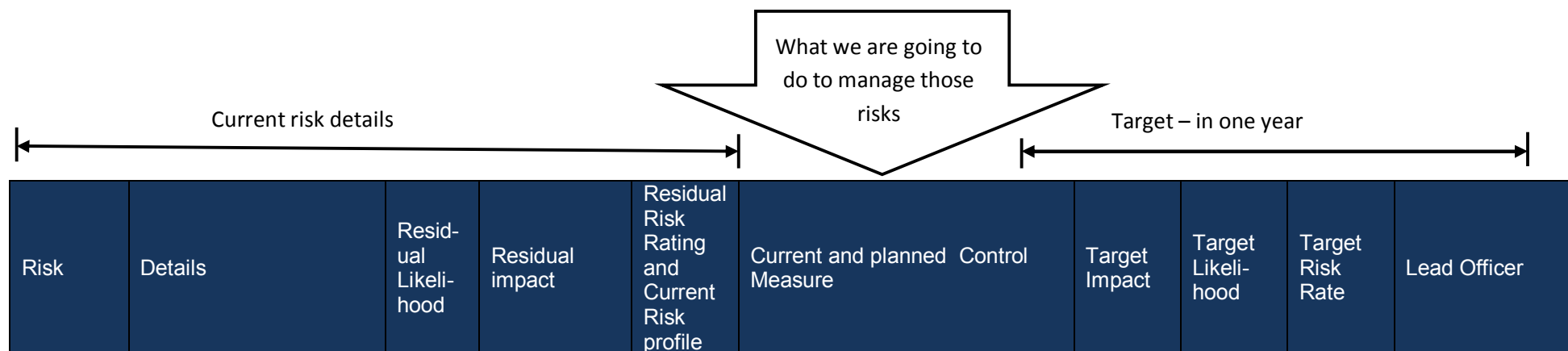
09. Dealing with challenges effectively

XCE0011 - Accidental Damage - Permanent damage to Town Hall stained glass windows	Possible	Significant	Medium	<ul style="list-style-type: none"> Carry out survey of windows and then significant remedial works programmeSurvey work has been carried out and has identified the requirement for significant and urgent remedial works. 	Unlikely	Minor	Low	Peter Peterson Executive Services
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Shetland Islands Council – Corporate Directorate and Executive Services Risk Register

Rating	Descriptor	Description
5	Almost certain	I would not be at all surprised if this happened within the next twelve month; I would expect this to happens
4	Unlikely	It is probable that this will occur sometime in the coming year
3	Possible	I think this could maybe occur in the coming year
2	Likely	I would be mildly surprised if this occurred in the next year; it is unlikely to happen
1	Rare	I would be very surprised to see this happen in the next twelve months; it is very unlikely to happen

Almost certain	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Rare	1	2	3	4	5
	Insignificant	Minor	Significant	Major	Catastrophic





**Policy & Resources Committee
Shetland Islands Council**

**25 November 2015
2 December 2015**

2016/17 Budget and Charging Proposals Policy & Resources Committee

F-075 - F

**Report Presented by Executive Manager –
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to enable the Policy & Resources Committee to consider the controllable budget proposals for the services within the Committee's remit, which will in turn contribute towards ensuring that Corporate and Executive Services meet their target operating budgets, as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 1.2 The summary budget proposals for the services under the remit of Policy & Resources Committee are £10,399m, and £0.875m for Fund Manager Fees, split by service area as follows:

Service	2016/17 Proposed Budget £000
Executive Services	1,249
Council Members	670
Chief Executive Sub-total	1,919
Corporate Directorate	416
Capital Programmes	609
Finance	2,565
Governance & Law	997
Human Resources	1,536
ICT	1,573
Audit, Risk & Improvement	468

Valuation Joint Board	315
Corporate Sub-total	8,479
TOTAL Chief Executive and Corporate	10,399
Fund Manager Fees	875

2.0 Decision Required

- 2.1 That the Policy & Resources Committee RECOMMEND to the Council that they approve the budget proposals for 2016/17 included in this report and set out in detail in the Budget Activity Sheet (Appendix 2) and Schedule of Charges (Appendix 3).

3.0 Background

- 3.1 The proposed Medium Term Financial Plan, setting out an integrated budgeting and reserves strategy for the period 2015-2020, is to be considered by Council on 18 November 2015. This report has been written subject to approval of that Plan.
- 3.2 As part of the budgeting strategy, each of the Council's directorates was provided with a target operating budget. Each Director has subsequently developed their directorate budget proposals within these targets for 2016/17. The proposals in this report show how this will be delivered.
- 3.3 The target operating budget for 2016/17 was set as follows:

Directorate	Original Target 2016/17 £000	Cost Pressures 2016/17 £000	Revised Target 2016/17 £000
Corporate & Executive Services	9,833	609	10,442

The cost pressures in the above table include:

- Pay adjustments e.g. National Insurance changes, Nationally agreed Pay Awards, Scottish Government Living Wage, and Pension Contributions
 - Rent increases at Solarhus
 - ICT Licenses re-alignment
- 3.4 By adhering to these target operating budgets, Members will ensure that the organisation is achieving a financially sustainable budget for 2016/17, with the use of reserves at a sustainable level.
- 3.5 Appendix 1 attached contains a reconciliation of how budget proposals for the services within directorates are aligned to the remit of this Committee.

- 3.6 Corporate and Executive Services set their budgets by under-taking an incremental budgeting approach, using previous years' outturns, and in year financial information, adjusted for anticipated changes in the coming year.
- 3.7 In August this year the Council undertook a Building Budgets engagement exercise, which included a series of public meetings throughout Shetland, as well as access to an interactive on-line budget planning model, to gauge the views of the public on where the 2016/17 budget savings should be made. There were 244 people who participated in this exercise which is approximately 1% of the Shetland public.
- 3.8 Corporate and Executive Services have implemented overall savings of 2.45% and developed their budget in consideration of the following:
- 3.8.1 the new Corporate Plan vision of:
- wanting to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland;
- 3.8.2 the new Corporate Plan standards, as set out in "Our '20 by '20", including:
- modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively;
 - high standards of governance ... will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects;
 - excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and living within our means;
- 3.8.3 the desire from the Building Budgets exercise to see resources directed at the frontline;
- 3.8.4 the proposed Medium Term Financial Plan recognising the need to live within our means, to reduce costs where possible by identifying and delivering on efficiencies and other savings options, and to make risk aware projections in relation to income; and
- 3.8.5 to maintain the delivery of statutory services to a level that satisfies external scrutiny from regulators and inspectors.
- 3.9 A summary of the budget proposals, has been captured in a Budget Activity Sheet attached as Appendix 2.
- 3.10 The proposed Schedule of Charges, included in the budget proposals is attached as Appendix 3. It should be noted that there is a possibility that the National Registers of Scotland (NRS) could increase statutory fees for civil marriages, therefore Appendix 3 includes two alternative pricing structures. Should an increase be confirmed by the NRS before 1 April 2016, then the higher charges would apply.

4.0 2016/17 Budget Proposals - Key Budgetary Changes

Changes to the proposed 2016/17 budgets in Corporate and Executive Services, under the remit of this Committee include:

- 4.1 Prioritisation of actions to improve the customer experience when interacting with the Council, and a programme to improve leadership and management across the Council, including schemes to increase flexibility and potential of staff to fill hard to fill jobs.
- 4.2 Minor restructuring in ICT has reduced the number of Team Leaders by one, with that post being replaced by an additional Technical Analyst. In addition, Support and Operations teams have been combined and a new Service Desk System has become operational.
- 4.3 One FTE post has been removed from the Capital Programme Service.
- 4.4 Opportunities to increase the number of properties commercially let by the Council are expected to generate additional income.
- 4.5 Current staffing levels are maintained in the Valuation Joint Board, however a Best Value Review will be undertaken in 2016.

5.0 Implications

Strategic

5.1 Delivery On Corporate Priorities

The budget has been produced to deliver the Directorate Plans which will contribute to meeting the Corporate Plan's Vision that the Council wants to be known as an excellent organisation that works well with its partners to deliver sustainable services for the people of Shetland. The budget has also been produced bearing in mind the specific achievement in Corporate Plan of continuing to keep to a balanced and sustainable budget, and living within our means.

5.2 Community /Stakeholder Issues – NONE.

5.3 Policy And/Or Delegated Authority

The Policy & Resources Committee has delegated authority to advise the Council in the development of service, objectives, policies and plans concerned with service delivery. Approval of the revenue budget requires a decision of the Council, in terms of Section 2.1.3 of the Council's Scheme of Delegations.

5.4 Risk Management

Any failure to meet the reductions in overall budget spending levels will result in the Council using its reserves unsustainably.

There are no foreseeable financial risks at this time for the services in this Committee area.

Risks are mitigated by Corporate and Executive Services using a realistic approach when setting their budgets, and the inclusion in the overall Council budget of a central contingency budget to support any cost pressures which may arise during the year.

The Council also has a strong balance sheet and available usable reserves which ensures that the Council is prepared for significant unforeseen events. Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments and this situation would require to be addressed quickly to ensure no long term erosion of the investments.

5.5 Equalities, Health And Human Rights
None.

5.6 Environmental
The 2016/17 budget proposes continuing work on reducing carbon emissions to support the Council's duty under the Climate Change (Scotland) Act 2009.

Resources

5.7 Financial
This report presents budget proposals that are consistent with the budget strategy included in the proposed Medium Term Financial Plan for 2015-2020 which is being presented to Council for approval on 18 November 2015. Any decision to recommend changes to the proposals in this report will result in an increased or decreased draw on reserves, and may result in not meeting the targets in the proposed Medium Term Financial Plan. This will require a formal amendment and be fully quantified in the Committee decision.

5.8 Legal – None.

5.9 Human Resources – None.

5.10 Assets And Property – A risk based approach will be taken for the management of property assets to minimise the deterioration and potential failure of assets over the life of the proposed Medium Term Financial Plan. The focus of the Plan in relation to Assets and Property, is effective asset management across the Council's estate.

6.0 Conclusions

6.1 The proposals contained in this report meet the target operating budgets as set out in the proposed Medium Term Financial Plan 2015-2020 for the services under the remit of the Policy & Resources Committee.

6.2 These proposals will enable Corporate and Executive Services to deliver their Directorate Plans as well as to move towards meeting the requirements of the proposed Medium Term Financial Plan in future years.

For further information please contact:
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List of Appendices

Appendix 1 - 2016/17 Reconciliation of Proposed Budgets to Committees

Appendix 2 - 2016/17 Policy & Resources Committee - Budget Activities

Appendix 3 2016/17 Policy & Resources Committee - Schedule of Charges

END

2016-17 Reconciliation of Directorates' Proposed Budgets to Committees

Directorate	Development Committee £000	Social Services Committee £000	Education & Families Committee £000	Environment & Transport Committee £000	Policy & Resources Committee £000	Total £000
Executive & Corporate Services					10,399	10,399
Children's Services			41,202			41,202
Community Care		20,598				20,598
Development Services	8,918		531	5,892		15,341
Infrastructure Services				20,601		20,601
TOTAL	8,918	20,598	41,733	26,493	10,399	108,141

Service	Activity	Links to Corporate Plan	FTE	Proposed Budget £	Red Amber Green	Proposed Changes to Service Level
Executive Services	Chief Executive, Leadership & Support	All of the Corporate Plan. This function developed the concepts Our Plan contains and is key to leading, monitoring and achieving delivery.	4.00	466,479	Green	No Change. Reduced controllable budget lines.
Executive Services	Member Development & Support	20 by '20 (3) We will have made Shetland's voice heard, with regular and meaningful lobbying of Scottish and UK governments and EU bodies on important issues affecting the islands.	2.24	137,279	Green	No Change. Reduced controllable budget lines.
Executive Services	Communications	'20 by '20 (10) Our staff and the public will feel more informed about the council's activities, through excellent communications systems.	2.95	160,708	Green	No Change. Reduced controllable budget lines.
Executive Services	Business Support	'20 by '20 (8) We will be working in a more effective way, allowing us to cope with reduced resources. Processes that add no obvious value will have been replaced with more proportionate approaches based on effectively managing risks.	14.68	456,736	Green	No Change. Reduced controllable budget lines.
Executive Services	Fund Manager Fees		0.00	874,500	Green	No Change in service though increase in fees anticipated, as linked to value of reserves.
Council Members	Elected Members	All of the Corporate Plan, the council's key statement of political intent for the next 4 years.	0.00	669,591	Green	No change.
Executive Services	Pensioners	N/A	0.00	28,420	Green	No Change, however change in treatment now shows all unfunded pensioners liability together.
Capital Programme	Estates Management	We will have prioritised spending on building and maintaining assets and be clear on the whole-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in the Corporate Plan and the community plan.	3.85	-228,946	Green	No Change in Service, however instances of increased commercial letting of properties held is expecting to generate additional cash inflows.
Capital Programme	Asset Strategy	We will have a better understanding of the number of asset we can afford with the resources we have available, and we will have reduced the number of buildings we have staff in.	1.55	83,048	Green	No Change
Capital Programme	Procurement	Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.	2.91	173,191	Green	No Change
Capital Programme	Contract Compliance	High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects.	0.99	59,264	Green	No Change
Capital Programme	Capital Programme Management	High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects.	0.35	52,203	Green	No Change
Capital Programme	Project Management	Delivery of the construction projects that enable the delivery of front line services, including the new Anderson High School.	3.89	235,212	Green	No Change
Capital Programme	Design Services	Delivery of the construction projects that enable the delivery of front line services, including transport and marine infrastructure.	3.89	235,212	Green	Reduction of 1FTE member of staff
Directorate	Corporate Services Directorate	All of the Corporate Plan. All '20 by '20 focus on improving efficiency and productivity.	1.00	286,543	Green	No Change
Directorate	Pensioners	N/A	0.00	129,631	Green	No Change, however change in treatment now shows all unfunded pensioners liability & budget residing with the director of services.

Finance	Executive Manager	20 by '20 (5) High standards of governance, and '20 by '20 (6) Excellent Financial Management.	2.00	383,873	Green	Arrangement of S95 duties now shared with Aberdeen City Council, subject to the agreed annual review.
Service	Activity	Links to Corporate Plan	FTE	Proposed Budget £	Red Amber Green	Proposed Changes to Service Level
Finance	Management Accounting	20 by '20 (5) High standards of governance, '20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	11.44	561,767	Green	Small staffing restructure within Accountancy resulting in slight increase in FTE of 0.15. The priority remains to work closely with Services and all BRO's to improve financial management across the organisation and to provide professional and technical accounting advice to support options appraisal, building better business cases, report writing and adhoc requests so as to improve decision making
Finance	Financial Accounting	20 by '20 (5) High standards of governance, '20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	4.22	189,242	Green	Small staffing restructure within Accountancy resulting in slight decrease in FTE of 0.1. The priority is to continue to deliver on key statutory accounting and public performance reporting in relation to the annual accounts, technical financial support and Scottish Government, CIPFA, Audit Scotland returns. Thereby ensuring compliance with accounting standards and legislation in these areas.
Finance	Treasury	20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	3.22	121,672	Green	No Change, to manage the Council's cash flow, bank accounts and investments, including pension fund and to deliver professional advice and treasury management services to our external customers.
Finance	Revenues	20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	13.09	393,695	Green	No Change, priority to continue to achieve high levels of collection for all Council debt owed and to do this in a manner that makes use of excellent customer service.
Finance	Benefits Administration	20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	7.09	386,459	Green	No Change, continue to focus on the timely and efficient processing of claims and to adjust to and implement welfare reform changes, including the welfare funds and universal credit. To demonstrate excellent customer service in delivering these services.
Finance	Payroll	20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	8.43	364,669	Green	No Change, specific priorities in relation to payroll upgrades and payroll processing activity to improve accuracy, efficiency and use of data by working with Services and colleagues in HR in particular.
Finance	Payments	20 by '20 (6) Excellent Financial Management, and '20 by '20 (9) Excellent standards of customer service.	4.16	163,581	Green	No Change, continue to focus on delivering timely and efficient processing of payments to our suppliers by working with Services and suppliers.
Governance & Law	Executive Manager & Admin Support	20 by '20 (5) High standards of governance.	1.00	110,150	Green	No Change
Governance & Law	Committee Administration	Ensuring high standards of governance, and working effectively and efficiently.	4.84	250,936	Green	No Change but efficiency saving.
Governance & Law	Registrars	Ensuring excellent standards of customer care, and working effectively and efficiently.	1.62	30,407	Green	No Change but efficiency saving.
Governance & Law	Licensing	20 by '20 (5) High standards of governance.	0.00	-52,000	Green	No Change
Governance & Law	Legal Services	20 by '20 (5) High standards of governance.	7.66	452,422	Green	Increase of 0.6FTE.
Governance & Law	Insurance	20 by '20 (5) High standards of governance, '20 by '20 (6) Excellent Financial Management, and '20 by '20 (8) Effective Risk Management.	2.88	142,962	Green	No Change
Governance & Law	Emergency Planning & Resilience	20 by '20 (11) Management of risks.	1.00	62,202	Green	No Change but efficiency saving.
Human Resources	Policy & Employment Support	20 by '20 (1) Highest possible standards of leadership and management, '20 by '20 (2) Valuing staff, and '20 by '20 (13) Finding ways of filling hard to fill posts and increasing opportunity for young people.	12.54	892,774	Green	No Change - 16/17 priorities on refreshing policies and processes that enable delivery of high standards being applied to the performance of staff. Improving ways of enabling young people to come and work for the council.
Human Resources	Workforce Development	20 by '20 (2) Valuing staff.	13.49	397,188	Amber	No change. Priorities include putting in place actions following review to improve customer experience and programme to improve leadership and management performance. Put in place schemes to increase flexibility and potential of our staff to help fill hard to fill posts.
Human Resources	Staff Welfare	20 by '20 (2) Valuing staff.	4.95	196,917	Green	No change, Healthy Working Initiatives, reviewing employee benefits and reviewing Maximising Attendance policy contributing to staff feeling valued for their efforts so they want to stay with us.
Human Resources	Moving On Project	20 by '20 (14) Target Services to those who need them most.	0.00	44,489	Green	No Change, contributes to the Council supporting the needs of the most vulnerable in our community.
Human Resources	Childcare Vouchers	20 by '20 (13) Finding ways of filling hard to fill posts and increasing opportunity for young people.	0.00	5,000	Green	No Change
ICT	Executive Manager	20 by '20 (4) Modern IT equipment and systems to support our work.	1.00	183,892	Green	Minor restructuring in the ICT team has led to one fewer Team Leader, the post being replaced by another technical analyst post.

ICT	Projects	20 by '20 (4) Modern IT equipment and systems to support our work, '20 by '20 (8) Working in a more effective way, and '20 by '20 (19) Identifying innovative ways of working.	9.93	435,426	Green	The Projects team will continue to implement ICT projects using PRINCE methodology, to ensure good project governance. The team will also participate in Systems Thinking projects, endeavouring to deliver either savings or better services with the same resource.
ICT	Support	20 by '20 (4) Modern IT equipment and systems to support our work.	8.94	411,422	Green	First and second line support are now combined in one team, providing better support to users who have system issues. Implementation of a new Service Desk system will mean that users have more visibility of issues, and can report issues and request services online.
Service	Activity	Links to Corporate Plan	FTE	Proposed Budget £	Red Amber Green	Proposed Changes to Service Level
ICT	Operations	20 by '20 (4) Modern IT equipment and systems to support our work.	5.96	542,041	Green	Operations are now combined with the Projects Team, providing day to day monitoring, upgrading and security on all aspects of the network and computer systems.
Audit, Risk and Improvement	Internal Audit	20 by '20 (5) High Standards of Governance, '20 by '20 (6) Excellent financial management, '20 by '20 (8) effectively managing risks.	3.78	195,918	Green	No Change. Continued provision of an Internal Audit service that will be fully compliant with the Public Service Internal Audit Standards in 2016/17 and continue to provide work to a standard that Audit Scotland rely upon.
Audit, Risk and Improvement	Risk Management	20 by '20 (5) High Standards of Governance, '20 by '20 (6) effectively managing risks, '20 by '20 (11) more risk aware organisation.	2.06	121,956	Green	No Change. Continue to assist in improving risk management within SIC by working with Directorates and further progressing risk review action plan.
Audit, Risk and Improvement	Performance Management & Reporting	20 by '20 (12) Manage performance effectively, '20 by '20 (5) High Standards of Governance, '20 by '20 (1) help to create a culture that helps make sure Corporate plan is achieved.	2.30	150,397	Green	No Change. Continue to work with Directorates to develop / progress Covalent Performance Management System, Performance Information and Public Performance reporting and development of Performance Management Strategy
Valuation Joint Board	Shetland Contribution	Ensuring high standards of governance, and working effectively and efficiently.	0.00	315,240	Green	No change. Current staffing structure is maintained in 2016/17, best value review to be undertaken to inform future service delivery model and funding.

Activity	Charge	Unit	2015/16 Charge £	2016/17 Charge £	Variance %	VAT:
Town Hall	Meeting/Talk/Workshop	Per Hour	25.00	25.25	1.0	EX unless there will be catering taking place (not necessary arranged by SIC) resulting in SR
	Concert/Dance/Rehearsal	Per Hour	30.00	30.30	1.0	
	Coffee morning/kitchen hire/evening/teas/dinner	Per Hour	33.00	33.33	1.0	
	Wedding/Dinner Dance	Per Hour	50.00	50.50	1.0	
	Christmas Party	Per Hour	42.00	42.42	1.0	
	Up Helly Aa	Per Hour	67.50	68.18	1.0	
	Cheese & Wine	Per Hour	38.50	38.89	1.0	
	Fair	Per Hour	40.00	40.40	1.0	
	Misc, inc show, prize giving, quiz, whist	Per Hour	30.00	30.30	1.0	
	Cleaning costs for Up Helly Aa	Per Event	530.50	535.81	1.0	SR
	Performing Rights Society Charges - Concerts (live music)	Per Event	17.83	18.01	1.0	SR
	Performing Rights Society Charges - Miscellaneous Events (dinner dance)	Per Event	20.07	20.27	1.0	SR
	Performing Rights Society Charges - Workshops	Per Event	2.24	2.26	1.0	SR
	Performing Rights Society Charges - Exhibitions (fair/award ceremony)	Per Event	30.08	30.38	1.0	SR
	Performing Rights Society Charges - Concerts (live music) entry charged at door	Per Event	32.00	32.32	1.0	SR
	Cancellation Charges - cancellation of room bookings must be confirmed at least 5 days before the date or the full charge is payable. These bookings will not be transferred to another date.		25% of full charge	25% of full charge		OS
	Preparation Time - any preparation time will be charged at the applicable hourly rate for the event.	Per Hour	Dependent on event	Dependent on event		EX
	Stacking chair	Per Event	0	0.52		SR
	Table 4ft or 6ft	Per Event	0	5.10		SR
	Projector Screen	Per Event	0	3.10		SR
	Lectern	Per Event	0	2.10		SR
	Flipchart Easel	Per Event	0	2.10		SR
	Display Stand	Per Event	0	3.10		SR
Property Enquiry Certificates	Property Enquiry Certificates		110.00	110.00	0.0	NB
	Property Enquiry Certificates		110.00	110.00	0.0	NB
Civil Marriages - Lerwick Registration Office	Approved Places – Licensing Scheme - Application for 3 year licence		300.00	replaced by authorised venue	0.0	NB
	Approved Places – Licensing Scheme - Application for 1 day licence		300.00	replaced by authorised venue	0.0	NB
	Registration Office - Office Hours - No guests - Accommodation and Attendance Fee		35.00	45.00	28.6	NB
	Registration Office - Office Hours - No guests - Statutory Charges		125.00	125.00	0.0	NB
	Registration Office - Office Hours - No guests - TOTAL CHARGE		160.00	170.00	6.3	NB
	Registration Office - Office Hours - Guests - Accommodation and Attendance Fee		85.00	95.00	11.8	NB
	Registration Office - Office Hours - Guests - Statutory Charges		125.00	125.00	0.0	NB
	Registration Office - Office Hours - Guests - TOTAL CHARGE		210.00	220.00	4.8	NB
	Registration Office - Outwith Office hours - Guests - Accommodation and Attendance Fee		135.00	145.00	7.4	NB
	Registration Office - Outwith Office hours - Guests - Statutory Charges		125.00	125.00	0.0	NB

Activity	Charge	Unit	2015/16 Charge £	2016/17 Charge £	Variance %	VAT:
Civil Marriages - Lerwick Registration Office	Registration Office - Outwith Office hours - Guests -		260.00	270.00	3.8	NB
	TOTAL CHARGE					
	Outwith Registration Office (authorised venue) - Statutory Fees		125.00	125.00	0.0	NB
	Outwith Registration Office (authorised venue) - Attendance Fee		-	195.00	new charge to replace approved places	NB
	Outwith Registration Office (authorised venue) - TOTAL CHARGE		300.00	320.00	6.7	NB
Civil Marriages	Travel Costs for a Registrar attendance at an Approved Place - up to 5 miles from Registration Office		4.50	4.50	0.0	NB
	Travel Costs for a Registrar attendance at an Approved Place - up to 10 miles from Registration Office		9.00	9.00	0.0	NB
	Travel Costs for a Registrar attendance at an Approved Place - up to 20 miles from Registration Office		18.00	18.00	0.0	NB
	Travel Costs for a Registrar attendance at an Approved Place - Over 20 miles		36.00	36.00	0.0	NB
	Ferry fares at standard return costs will be added to the travel costs where appropriate		variable	variable		NB
	All Accommodation and Attendance Fees include non-refundable amount		30.00	30.00	0.0	NB
LICENSING (Scotland) Act 2005 (New)	Initial Premises Application Fee - Category 1		200.00	200.00	0.0	NB
	Initial Premises Application Fee - Category 2		800.00	800.00	0.0	NB
	Initial Premises Application Fee - Category 3		1,100.00	1,100.00	0.0	NB
	Initial Premises Application Fee - Category 4		1,300.00	1,300.00	0.0	NB
	Initial Premises Application Fee - Category 5		1,700.00	1,700.00	0.0	NB
	Initial Premises Application Fee - Category 6		2,000.00	2,000.00	0.0	NB
	Annual Premises Licence Fee - Category 1		180.00	180.00	0.0	NB
	Annual Premises Licence Fee - Category 2		220.00	220.00	0.0	NB
	Annual Premises Licence Fee - Category 3		280.00	280.00	0.0	NB
	Annual Premises Licence Fee - Category 4		500.00	500.00	0.0	NB
	Annual Premises Licence Fee - Category 5		700.00	700.00	0.0	NB
	Annual Premises Licence Fee - Category 6		900.00	900.00	0.0	NB
	Vary Premises Licence 29(1) Substitution of		31.00	31.00	0.0	NB
	Vary Premises Licence 29(1) minor		20.00	20.00	0.0	NB
	Vary Premises Licence 29(1) other		150.00	150.00	0.0	NB
	Xfr by Licence Holder 33(1) with variation		225.00	225.00	0.0	NB
	Xfr by Licence Holder 33(1) with no variation		150.00	150.00	0.0	NB
	Xfr by another person 34(1) with variation		225.00	225.00	0.0	NB
	Xfr by another person 34(1) with no variation		150.00	150.00	0.0	NB
	Temporary Premises Licence 47(2)		225.00	225.00	0.0	NB
	Occasional Licence 56(1)		10.00	10.00	0.0	NB
	Extended Hours 68(1)		10.00	10.00	0.0	NB
	Personal Licence 72(1)		50.00	50.00	0.0	NB
	Replacement Personal Licence 92(1)		30.00	30.00	0.0	NB
	Replacement Premises Licence 53(1)		30.00	30.00	0.0	NB

SR = Standard Rated
 NB = Non Business
 ZR = Zero Rated
 OS = Outwith Scope
 EX = Exempt

In the event that the NRS increase the statutory charges in 2016, our alternative proposal would be to absorb £4 of the £24 increase in

Activity	Charge	Unit	2015/16 Charge £	2016/17 Charge £	Variance %	VAT:
Civil Marriages	If the proposed £24 increase in statutory charges are approved by Scottish Ministers and implemented					
	Registration Office - Office Hours - No guests - Accommodation and Attendance Fee		35.00	41.00	17.1	NB
	Registration Office - Office Hours - No guests - Statutory Charges		125.00	149.00	19.2	NB
	Registration Office - Office Hours - No guests - TOTAL CHARGE		160.00	190.00	18.8	NB
	Registration Office - Office Hours - Guests - Accommodation and Attendance Fee		85.00	91.00	7.1	NB
	Registration Office - Office Hours - Guests - Statutory Charges		125.00	149.00	19.2	NB
	Registration Office - Office Hours - Guests - TOTAL CHARGE		210.00	240.00	14.3	NB
	Registration Office - Outwith Office hours - Guests - Accommodation and Attendance Fee		135.00	141.00	4.4	NB
	Registration Office - Outwith Office hours - Guests - Statutory Charges		125.00	149.00	19.2	NB
	Registration Office - Outwith Office hours - Guests - TOTAL CHARGE		260.00	290.00	11.5	NB
	Outwith Registration Office (authorised venue) - Statutory Fees		125.00	149.00	19.2	NB
	Outwith Registration Office (authorised venue) - Attendance Fee		-	191.00	<i>new charge to replace approved places</i>	NB
	Outwith Registration Office (authorised venue) - TOTAL CHARGE		300.00	340.00	13.3	NB



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

2016/17 Housing Revenue Account Budget and Charging Proposals

F-080 - D1

Report Presented by Executive Manager – Finance

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to enable the Policy and Resources Committee and the Council to consider the budget proposals for the Housing Revenue Account (HRA).
- 1.2 The Housing Service is working on a fully costed HRA 30 Year Business Plan to demonstrate affordability and sustainability into the future. The financial modelling which underpins this plan has been utilised in completing the 2016-17 budgets presented for approval.
- 1.3 The table below sets out the proposed 2016-17 budget for the HRA:

2015-16 Approved Budget (£000)	Description	2016-17 Proposed Budget (£000)
	<u>Expenditure</u>	
803	Supervision & Management	725
2,474	Repair & Maintenance	1,821
181	Void Rents & Charges	168
26	Garages	25
978	Capital Funded from Current Revenue	1,630
1,827	Debt Charges - Dwellings	1,621
6,289	Total: Expenditure	5,990
	<u>Income:</u>	
(4)	Interest on Revenue Balances	(2)
(6,526)	Rents - Dwellings	(6,763)
(177)	Rents - Other ie garages/sites etc	(181)
(6,707)	Total: Income	(6,946)
(418)	Total Surplus	(956)

418	Contribution (from) / to Housing R & R Fund	956
0	HRA Balanced Budget	0

2.0 Decision Required

- 2.1 That the Policy and Resources Committee RECOMMEND that the Council resolves to approve the budget proposals for 2016/17 included in this report and the Schedule of Charges detailed at Appendix 1.

3.0 Background

- 3.1 The proposed Medium Term Financial Plan sets out an integrated budgeting and reserves strategy for the period 2015-2020, to be considered by Council on 18 November 2015. This report has been written subject to approval of that Plan.
- 3.2 In line with the Medium Term Financial Plan, the budget has been produced using the over-arching financial aims of the HRA Business Plan which are to:
- ensure annual HRA budgets are financially sustainable;
 - focus on keeping housing rents at affordable levels;
 - focus capital expenditure on maintaining the existing housing stock;
 - all capital expenditure funded through borrowing must comply with the Prudential Code and its key principles of prudence, affordability and sustainability; and
 - ensure only a sustainable draw is made on the Housing Repairs and Renewals Reserve each year.
- 3.3 The Business Plan is almost complete and is due to be reported in the new year. The financial modelling behind the Business Plan has drawn both on previous years' financial information, and incorporated financial data determined from the recent survey of the housing stock. This will ensure that the Budget Plan will have sufficient provision to maintain HRA properties over the lifetime of the Plan.
- 3.4 The stock survey has recognised that annual capital expenditure in future years will need to increase, and there will be peaks in spending in some years depending on the works being carried out. However, it will take time to put the required contracts in place and ensure there is sufficient capacity in the local market to take on this additional work.
- 3.5 The completed Business Plan will allow for decisions to be made on how best to fund the capital expenditure required to maintain housing at required standards over the longer-term and ensure that only a sustainable draw is made from Reserves. Borrowing will be used where it is appropriate to do so, and will be undertaken in line with the Prudential Code.

4.0 2016/17 Budget Proposals - Key Budgetary Changes

Changes to the proposed 2016/17 budgets in the Housing Revenue Account include:

- 4.1 The financial modelling to inform both the HRA Business Plan and the 2016/17 budget has assumed an underlying inflation factor of 2% over the coming 30 years, despite current inflation levels being lower than this. Rental income on general and sheltered housing stock is therefore proposed to increase by 2% inflation.
- 4.2 It has been recognised in the rent modelling work that there is a disparity between the rent on smaller properties compared to the larger properties. To address this issue and bring the weekly rental on smaller properties closer to equivalent benchmark, it is proposed that a further £1 per week is added to the rental on one and two bedroom properties, in addition to the inflationary increase of 2%. These results in the average rent rise proposed for the 2016/17 budgets of 2.64%.
- 4.3 Rental of garages and other sites is proposed to increase by 2% inflation, plus a further 0.5% growth above inflation level to ensure there is adequate resource to meet the expected increase in maintenance costs.
- 4.3 Void rents and charges are proposed to reduce in 2016/17, despite the overall rent rise. Void costs are based on 2.4% of general housing rental income and 3% of sheltered housing rental income. Right to Buy Sales have meant a reduction in housing stock over the years, with a further 12 sales expected in 2016/17. The proposed void costs recognise the stock reduction and how remaining stock is split between general and sheltered properties.
- 4.4 Following the detailed stock survey, major component replacement, such as bathrooms and kitchens, which were formerly included under repairs and maintenance as planned maintenance costs have been reclassified as capital expenditure.
- 4.5 Debt levels within the HRA have reduced substantially through the successful negotiation with the Government in 2013, after which the remaining debt was externalised. The HRA will have reduced borrowing of £15m at the start of 2016/17 resulting in a reduction in the amount of debt charges to be paid in 2016/17 of £206k. There is no new borrowing forecast in the 2016/17 budget.
- 4.6 The HRA capital programme included in the Asset Investment Plan for 2016/17 is £2.242m. This is to be funded through Capital Funded from Current Revenue (directly from rental income collected in-year) and capital receipts, which are estimated based on 12 property sales.

5.0 Reserves

- 5.1 The purpose of the Housing Repairs and Renewals Fund is to support the maintenance of the Council's housing stock to appropriate standards. The Business Plan is anticipated to have peaks of spending to maintain this at the appropriate standard. The Housing Repairs and Renewals Fund will be used to smooth out rent rises which would

otherwise occur as a result of higher maintenance costs peaking in particular years.

- 5.2 The Housing Repairs and Renewals Fund as at 31 March 2015 had a balance of £11.433m. In line with the proposed Medium Term Financial Plan 2015-2020, the use of the Housing Repairs and Renewals Fund is to be on a sustainable basis, the Business Plan modelling has been developed to ensure its use is sustainable over the 30 years.

6.0 Implications

Strategic

6.1 Delivery On Corporate Priorities

The budget has been produced bearing in mind as far as possible, the Corporate Plan's Vision that the Council wants to be known as an excellent organisation that works well with its partners to deliver sustainable services for the people of Shetland. The budget has also been produced bearing in mind the specific achievement in the Corporate Plan of continuing to keep to a balanced and sustainable budget, and living within our means.

6.2 Community /Stakeholder Issues

There is a statutory obligation to consult with tenants annually on the rent increases and any proposed changes to service levels.

The 2015/16 Tenants' Consultation has just recently been completed.

Overall 71.5% of respondents stated that they consider their rent represents good or very good value for money (an increase from 62.3% in 2014/15). With regard to retaining the existing Lerwick/Landward differential in rental income, 66% of tenants were in favour of this, with 61% in favour of realigning the rents for smaller properties, as is proposed in the 2016/17 budgets.

6.3 Policy And/Or Delegated Authority

Approval of the Budget is a matter reserved by the Council after taking advice from the Policy and Resources Committee. Once approved, the budget forms the basis of the Director of Development's delegated authority to deliver services, with policy and within budget.

6.4 Risk Management

The main financial risk for the Housing Revenue Account is that there has to be sufficient income generated from rents to meet both revenue and capital expenditure, otherwise this may result in an unsustainable draw from the Housing Repairs & Renewals Fund. This risk is being mitigated by the detailed work being carried out on the HRA 30 Year Business Plan, which will give reassurance of the longer term financial stability of the HRA.

6.5 Equalities, Health And Human Rights

The Local Housing Strategy has had a full equalities impact assessment carried out.

6.6 Environmental

The Local Housing Strategy was screened for Strategic Environmental Assessment.

Resources

6.7 Financial

This report presents budget proposals that are consistent with the budget strategy included in the proposed Medium Term Financial Plan for 2015-2020 which is being presented to Council for approval on 18 November 2015.

The 2016-17 Budget is based upon the detailed financial modelling being carried out to develop the HRA 30 Year Business Plan.

6.8 Legal – NONE

6.9 Human Resources – NONE

6.10 Assets And Property

Approval of the 2016/17 budget will enable the service to continue to bring the housing stock up to the required quality standards.

7.0 Conclusions

7.1 The proposals contained within this report are in line with the HRA 30 Year Business Plan financial modelling which is being prepared to ensure the future financial sustainability of the HRA.

7.2 The average rent increase for 2016 is 2.64%. The rise in average rents will contribute to financial sustainability of the Housing Revenue Account and will be used to meet future longer term investment required in the housing stock.

7.3 There is an explicit need for the Council to ensure that the Housing Revenue Account complies with the Prudential Code, around affordability of capital, sustainability of funding streams and impact on the rent payers. Net capital expenditure in 2016/17 is to be funded by Capital from Current Revenue.

7.4 The overall financial position for 2016/17 is a contribution to the Housing Repairs and Renewals Fund of £956k.

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List of Appendices

Appendix 1 – HRA Proposed Charging 2016-17

END

Proposed Charging 2016-17Rent levels – Summary per Property Size 2016-17

Property size	Area	2015/16 Rent Per Week £	2016/17 Rent Per Week £	Weekly Increase £
5 Apartment	Lerwick	102.11	104.15	2.04
4 Apartment	Lerwick	87.63	89.38	1.75
3 Apartment	Lerwick	72.77	74.23	1.46
2 Apartment	Lerwick	58.68	60.85	2.17
1 Apartment	Lerwick	43.82	45.69	1.87
8 Apartment	Non Lerwick	138.63	141.40	2.77
6 Apartment	Non Lerwick	111.12	113.34	2.22
5 Apartment	Non Lerwick	97.00	98.94	1.94
4 Apartment	Non Lerwick	83.25	84.92	1.67
3 Apartment	Non Lerwick	69.13	70.52	1.39
2 Apartment	Non Lerwick	55.74	57.86	2.12
1 Apartment	Non Lerwick	41.63	43.46	1.83
AVERAGE RENT LEVELS		72.04	73.94	2.64%

NOTES

A 2% inflationary uplift is proposed to all properties, together with £1 per week additional charge added to all one and two apartment properties to address the disparity in pricing between small and large property rentals against appropriate benchmarks.

Appendix 1 – Proposed Charging 2016-17

Garages, Sheds and Site Charges 2016-17

TYPE OF CHARGE	2015/16 CHARGE £	2016/17 CHARGE £	VARIANCE %
GARAGES:			
Garage Rents (no electricity)	10.00	10.25	2.50
Garage Rents (electricity)	14.50	14.86	2.50
Double Garage (electricity)	22.00	22.55	2.50
Garage Site Rent	2.50	2.56	2.50
SHEDS:			
Soldian Court and Voderview, Lerwick	1.50	1.54	2.50



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

2016/17 Budget and Charging Proposals Social Services Committee

F-077-D1

**Report Presented by Executive Manager –
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to enable the Policy and Resources Committee to consider the controllable budget proposals for the services within the Social Services Committee's remit, which will in turn contribute towards ensuring that the Community Health & Social Care Directorate meet its target operating budget, as set out in the proposed Medium Term Financial Plan for 2015-2020.
- 1.2 The summary budget proposals for the services under the remit of Social Services Committee are £20.598m, split by service area as follows:

Service	2016/17 Proposed Budget £000
Director of Community Care	904
Adult Services	5,030
Community Care Resources	10,105
Criminal Justice	29
Adult Social Work	3,112
Occupational Therapy	1,418
OVERALL TOTAL	20,598

2.0 Decision Required

- 2.1 That the Policy and Resources Committee RECOMMEND to the Council that they approve the budget proposals for 2016/17 included in this report and set out in detail in the Budget Activity Sheet (Appendix 1) and Charging Sheet (Appendix 2).

3.0 Background

- 3.1 The proposed Medium Term Financial Plan, setting out an integrated budgeting and reserves strategy for the period 2015-2020, is to be considered by Council on 18 November 2015. This report has been written subject to approval of that Plan.
- 3.2 As part of the budgeting strategy, each of the Council's directorates was provided with a target operating budget. Each Director has subsequently developed their directorate budget proposals within these targets for 2016/17. The proposals in this report show how this will be delivered.
- 3.3 The Target Operating Budget for 2016/17 was set as follows:

Directorate	Original Target 2016/17 £000	Cost Pressures £000	Revised Target 2016/17 £000
Community Health and Social Care Services	19,359	1,300	20,659

The cost pressure figures in the table above relate to the nationally agreed pay award and other nationally agreed pay related adjustments eg changes to employers' national insurance liabilities.

- 3.4 By adhering to the target operating budget, Members will ensure that the organisation is now achieving a financially sustainable budget for 2016/17 with the use of reserves at a sustainable level.
- 3.5 The Community Health and Social Care Services set its budget by under-taking an incremental budget approach, using previous years' outturns, and in year financial information, adjusted for anticipated changes in the coming year.
- 3.6 In August this year the Council undertook a building budgets engagement exercise, which included a series of public meetings throughout Shetland and the use of an interactive on-line budget planning model, to gauge the views of the public on where the 2016/17 budget savings should be made. There were 244 people who participated in this exercise which is approximately 1% of the Shetland public.
- 3.7 The Director has reviewed the results of the building budgets exercise and have taken the views submitted into consideration when creating their 2016/17 budgets.
- 3.8 Community Health and Social Care Services have implemented overall savings of 2.3% and developed their budget in consideration of the following:
- 3.8.1 the new Corporate Plan priorities of:

- people will be supported to look after and improve their own health and well-being, helping them to live in good health for longer;
 - our integrated Health and Social care services will be providing the services we need in a more efficient way, improving standards of care and keeping people healthier for longer;
 - our staff will have the highest possible standards of leadership and management, helping to create a culture that makes sure we achieve the things set out in this plan;
 - older people and people living with disabilities (including learning disabilities) or long term conditions will be getting services they need to help them live as independently as possible;
 - increased use of technology will be helping us provide care for the most vulnerable and elderly in our community;
 - the needs of the most vulnerable and hard-to-read groups will be identified and met, and services will be targeted to those that need them most;
 - more people will be able to get the direct payments and personal budgets that they want, so they can make the best choices for their own lives;
- 3.8.2 the desire of the building budgets exercise to see resources aimed at health, vulnerable groups, older people and children;
- 3.8.3 the proposed Medium Term Financial Plan recognising expected increased demand for care services arising from changing population demography;
- 3.8.4 to maintain the delivery of statutory service to a level that satisfies external scrutiny from regulators and inspectors.
- 3.9 The results of this detailed budget work have been captured in a detailed Budget Activity Sheet - Appendix 1.
- 3.10 The proposed charging structure included in the budget proposals for the Community Health and Social Care Services is attached as Appendix 2.

4.0 2016/17 Budget Proposals

The following section describes the changes proposed in the Community Care Services budget for 2016/17.

- 4.1 The Spend to Save Project which has enabled the linkage of Edward Thomason and Taing House and included the creation of one central kitchen will be completed in 2015/16. The budget reflects the closure of Viewforth Care Home, which was part of this project, showing the associated reduction in staffing and operating costs as a result of this.
- 4.2 Services formerly provided by Viewforth Care Home have now been re-provided, primarily within Edward Thomason House, and budgets to

cover the additional staffing requirements at that location have been included.

- 4.3 A reduction in staffing within Supported Living and Outreach has been recognised. Furthermore the borrowing costs required for the new Eric Gray Building from are also contained within the Community Health and Social Care Directorate budgets in this year.
- 4.4 Provision has been made to establish an additional 2 FTE posts to administer Self Directed Support.

Strategic

5.1 Delivery On Corporate Priorities

The budget has been produced to deliver the Directorate Plan which will contribute to meeting the Corporate Plan's Vision that the Council wants to be known as an excellent organisation that works well with its partners to deliver sustainable services for the people of Shetland. The budget has also been produced bearing in mind the specific achievement in Corporate Plan of continuing to keep to a balanced and sustainable budget, and living within our means.

5.2 Community /Stakeholder Issues

Consultation and communication with relevant groups and individuals as appropriate to the proposals have been considered as part of this report, including the development of the Older Peoples Strategy; the Dementia Strategy; and the Strategic Plan 2016-19 for the Integrated Joint Board.

5.3 Policy And/Or Delegated Authority

The Social Services Committee has delegated authority to advise Policy & Resources Committee and the Council in the development of service, objectives, policies and plans concerned with service delivery. Approval of the revenue budget requires a decision of the Council, in terms of Section 2.1.3 of the Council's Scheme of Delegations.

5.4 Risk Management

Any failure to meet the reductions in overall budget spending levels will result in the Council using its reserves unsustainably.

The main specific financial risks for the services in this Committee area are:

- increased demand for care services as a result of the changing demographic of Shetland's population;
- unexpected demand for care services which may be costly depending on the circumstances;
- the level of charging income received can vary significantly, as it is dependent on the individual financial circumstances of those in care at any time;
- difficulty in attracting and retaining qualified care staff.

These risks are mitigated by the Directorates using a realistic approach and the latest data when setting the budget, and the inclusion in the overall Council budget of a corporate contingency budget to support cost pressures which may arise during the year.

The Council also has a strong balance sheet and available usable reserves which ensures that the Council is prepared for significant unforeseen events. Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments and this situation would require to be addressed quickly to ensure no long term erosion of the investments.

5.5 Equalities, Health And Human – None.

5.6 Environmental – None.

Resources

5.7 Financial

This report presents budget proposals that are consistent with the budget strategy included in the proposed Medium Term Financial Plan for 2015-2020 which is being presented to Council for approval on 18 November 2015. Any decision to recommend changes to the proposals in this report will result in an increased or decreased draw on reserves, and may result in not meeting the targets in the proposed Medium Term Financial Plan. This will require a formal amendment and be fully quantified in the Committee decision.

5.8 Legal – None.

5.9 Human Resources – None.

5.10 Assets And Property

A risk based approach will be taken for the management of property assets to minimise the deterioration and potential failure of assets over the life of the proposed Medium Term Financial Plan. The focus of the Plan in relation to Assets and Property is effective asset management across the Council's estate. Where possible unused assets will be disposed of to reduce ongoing revenue costs and maximise capital receipts for the Council.

6.0 Conclusions

6.1 The proposals contained in this report meet the Target Operating Budget as set out in the proposed Medium Term Financial Plan 2015-2020 for the services under the remit of the Social Services Committee.

6.2 These proposals will enable the Community Health & Social Care Directorate to deliver its Directorate Plan as well as to move towards meeting the requirements of the Medium Term Financial Plan in future years.

For further information please contact:
Jonathan Belford, Executive Manager-Finance
01595 744607

List of Appendices

Appendix 1 - 2016/17 Community Health & Social Care Budget Activity Sheet

Appendix 2 - 2016/17 Community Health and Social Care Schedule of Charges

END

2016/17 Community Health & Social Care Directorate Budget Activity Sheet

F-077 Appendix 1

Service	Activity	Links to Corporate Plan	FTE SIC	FTE NHS	JOINT BUDGETS		Proposed Set Aside Budget	Red Amber Green	Proposed Changes To Service Level
					Proposed Budget SIC	Proposed Budget NHS			
					£	£	£		
Health and Social Care Integration Plans	Mental Health	People will be supported to look after and improve their own health and well-being, helping them to live in good health for longer	28.94	21.50	1,060,488	1,513,469	0	Green	Closure of Viewforth Care Home has been recognised within the budget, with reprovion of some residential beds within Community Care Resources.
	Substance Misuse	Our integrated services will be providing the services we need in a more efficient way, improving standards of care and keeping people healthier for longer	1.05	8.50	257,163	567,836	0	Green	SADP to agree budget for 16/17, ensuring best value and to cover alcohol detox from within core allocation rather than through top up from NHS.
	Oral Health	Links to NHS Shetland's Board Objectives	0	67.73	0	3,382,294	0	Green	No change. The opening of an NHS committed independent practice is likely to result in a reduction to this budget.
	Pharmacy & Prescribing	Links to NHS Shetland's Board Objectives	0	9.08	0	5,483,641	1,017,083	Green	Budget to be uplifted in 16/17 as local prescribing costs follow the national 15/16 upwards trend.
	Primary Care	Links to NHS Shetland's Board Objectives	0	30.08	0	4,402,320	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Community Nursing	Links to NHS Shetland's Board Objectives	0	47.45	0	2,312,966	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Directorate	Our staff will have the highest possible standards of leadership and management, helping to create a culture that makes sure we achieve the things set out in this plan.	3.35	1.00	424,680	92,228	0	Red	SIC No Change. The savings target for the NHS will sit with the Director in this budget.
	Pensioners	N/A Statutory provision	0	0.00	78,029	0	0	Green	No Change
	Sexual Health	Links to NHS Shetland's Board Objectives	0	0.56	0	0	38,137	Green	No Change
	Adult Services	Older people and people living with disabilities (including learning disabilities) or long term conditions will be getting the services they need to help them live as independently as possible	136.39	1.00	5,201,063	70,240	0	Green	No overall change. Budget savings identified within Support Living and Outreach staffing to cover the expected borrowing costs for the new Eric Gray Resource Centre
	Adult Social Work	More people will be able to get the direct payments and personal budgets that they want, so they can make the best choices for their own lives	19.29	0.00	1,664,586	0	0	Green	No overall change. Proposed establishment of 2 FTEs to deliver Self Direct Support. These posts were previously funded by ring-fenced Scottish Government Funding and carry-forward.

	Community Care Resources	Older people and people living with disabilities (including learning disabilities) or long term conditions will be getting the services they need to help them live as independently as possible	396.31	0.00	10,511,789	0	0	Green	Closure of Viewforth Care Home has led to reprovision of some residential beds within ET/Taing House, with staffing levels increased.
	Criminal Justice	The needs of the most vulnerable and hard-to-reach groups will be identified and met, and services will be targeted at those that need them most	7.37	0.00	29,149	0	0	Green	No change.
Allied Health Professionals	Speech & Language Therapy	Links to NHS Shetland's Board Objectives	0	3.29	0	88,135	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Dietetics	Links to NHS Shetland's Board Objectives	0	2.84	0	118,839	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Podiatry	Links to NHS Shetland's Board Objectives	0	4.40	0	224,917	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Orthotics	Links to NHS Shetland's Board Objectives	0	2.00	0	143,363	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Physiotherapy	Links to NHS Shetland's Board Objectives	0	12.89	0	602,664	0	Green	Efficiency targets in 16/17, but no change in base budget allocation at this stage.
	Occupational Therapy	Increased use of technology will be helping us provide care for the most vulnerable and elderly in our community and links to NHS Shetland's Board Objectives	16.29	4.42	1,370,630	192,187	0	Green	No Change
	Health Improvement	Links to NHS Shetland's Board Objectives	0	6.13	0	0	340,494	Green	No Change
	Unscheduled Care	Links to NHS Shetland's Board Objectives	0	58.19	0	0	3,183,445	Green	No Change
	Renal	Links to NHS Shetland's Board Objectives	0	3.50	0	0	144,699	Green	No Change
			608.99	284.56	20,597,577	19,195,099	4,723,858		

2016/17 Community Health & Social Care Directorate Schedule of Charges

F-077 Appendix 2

Activity	Charge	Unit	2015/16 Charge £	2016/17 Charge £	Variance %	VAT*
Social Work Establishments	Permanent Residents - All Establishments - single room	per week	1090.00	1144.00	5.0	NB
	Temporary Residents - All Establishments - single room	per week	272.00	277.00	1.8	NB
	Financial Assessment for Temporary Residential Care - Disregarded Home Commitments Allowances: - Person Living Alone		37.25	38.00	2.0	NB
	Financial Assessment for Temporary Residential Care - Disregarded Home Commitments Allowances: - Person Sharing a Home		24.80	25.30	2.0	NB
	Financial Assessment for Temporary Residential Care - - Disregarded Home Commitments Allowances: - Sheltered Housing Tenant Living Alone		24.80	25.30	2.0	NB
	Financial Assessment for Temporary Residential Care - - Disregarded Home Commitments Allowances: - Sheltered Housing Tenant Sharing a Home		18.63	19.00	2.0	NB
	Supported Living - Supported Living Service	per week	56.00	56.00	0.0	NB
	Supported Living Transition Experience Flat	per night	11.00	11.00	0.0	NB
	Personal Care Charge (under 65s)	per hour	16.77	17.53	4.5	NB
	Domestic Home Care Charge	per hour	11.78	12.33	4.7	NB
	Day Care Attendance Charge	per day	5.00	5.00	0.0	NB
	Day Care Meal Charges	per meal	6.00	6.00	0.0	NB
	Meals on Wheels	per meal	6.00	6.00	0.0	NB
	Community Alarm Response Service	per week	1.05	1.15	9.5	NB
	Social Work Premises - room hire rate	per hour	10.00	10.25	2.5	NB
Cross Reach	Negotiated price inclusive of enhancements for all client groups	per week	848.00	880.00	3.8	NB
Mainland Placements	Negotiated price will be on an individual basis in line with COSLA's benchmark figures		Negotiable	Negotiable	n/a	NB
Direct Payment Rates	Personal Care	per hour	16.77	17.53	4.5	NB
	Domestic Tasks per hour (including Laundry and Meal preparation)	per hour	11.78	12.33	4.7	NB

* VAT code explanation

ZR = Zero Rated (VAT Code 0)

SR = Standard Rated (Vat code 1)

NB = Non Business (VAT code 3)

EX = Exempt (VAT code 2)

OS = Outwith Scope (VAT code 8)



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

**Chair's Report – Education and Families Committee 23 November 2015 –
2015-16 Budget Proposals**
Report No. P&R–2511-E&FC

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendations from the Chair of the Education and Families Committee in relation to a report requiring a Council decision, via a recommendation from the Policy and Resources Committee. All of the recommendations have been factored into the overall budget setting report.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee recommends that the Council approves the recommendations from the Education and Families Committee, as part of the overall budget setting exercise.

3.0 Report

- 3.1 2016-2017 Budget Proposals Education and Families Committee
The Committee considered a report from the Executive Manager – Finance [F-079]. The Committee was asked to consider the controllable budget proposals for the services within the Committee's remit, which will in turn contribute towards ensuring that the Children's Services & Development Directorates meet their target operating budgets, as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 3.2 The summary budget proposals for the services under the remit of Education & Families Committee are £41.738m, split by service area as follows:

Service	2016/17 Proposed Budget £000
Children's Services Directorate	1,860
Children & Families	1,152
Children's Resources	3,463
Quality Improvement/Schools	32,290
Library	995
Sport & Leisure	1,442
Total Children's Services	41,202
Train Shetland	208
Community Planning & Development	328
Total Development Services	536
OVERALL TOTAL	41,738

3.3 The Committee **recommends** approval of the budget proposals for 2016/17 included in this report and set out in detail in the Budget Activity Sheet and Charging Sheet.

3.4 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.

3.5 The Chair will present any further information to the Committee as to the debate or issues that the Committee considered.

4.0 Implications

4.1 Detailed information concerning the proposals is contained within the report already circulated to Members, including the strategic and resources implications for the Council.

4.2 The impact of the recommendations presented by the Education and Families Committee are contained in the report SIC Budget Book 2016-17 (Report No. F-078) which is on the agenda today.

For further information please contact:
Ms V Wishart, Chair of Education and Families Committee
18 November 2015

List of Appendices

None

Background documents:

Education and Families Committee – 25 November 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18623>

END



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

**Chair's Report – Development Committee 23 November 2015–
2016-17 Budget Proposals**
Report No. P&R-2511-DC

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendations from the Chair of the Development Committee in relation to a report requiring a Council decision, via a recommendation from the Policy and Resources Committee. All of the recommendations have been factored into the overall budget setting report.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee recommends that the Council approves the recommendations from the Development Committee, as part of the overall budget setting exercise.

3.0 Report

- 3.1 2016-17 Budget Proposals Development Committee
The Committee considered a report from the Executive Manager – Finance [F-074]. The Committee was asked to consider the controllable budget proposals for the services within the Committee's remit, which will in turn contribute towards ensuring that the Development Service meets its target operating budget, as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 3.2 The summary budget proposals for the services under the remit of Development Committee are £8,918m, split by service area as follows:

Service	2016/17 Proposed Budget £000
Development Directorate	3,059
Community Planning & Development (part only)	929
Economic Development	1,836
Housing	1,789
Planning	1,305
Proposed Budget Total	8,918

- 3.3 The Committee **recommended** approval of the budget proposals for 2016-17 included within the report and as set out in detail in the Budget Activity Sheet and Schedule of Charges.
- 3.4 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.5 The Chair will present any further information to the Committee as to the debate or issues that the Committee considered.**

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 The impact of the recommendations presented by the Development Committee are contained in the report SIC Budget Book 2015-16 (Report No. F-078) which is on the agenda today.

For further information please contact:

Mr A Cooper, Chair of Development Committee
18 November 2015

List of Appendices
None

Background documents:
Development Committee – 23 November 2015
<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18645>

END



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

**Chair's Report – Environment and Transport Committee 24 November 2015 –
2016-17 Budget Proposals**
Report No. P&R–2511-E&TC

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendations from the Chair of the Environment and Transport Committee in relation to a report requiring a Council decision, via a recommendation from the Policy and Resources Committee. All of the recommendations have been factored into the overall budget setting report.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee recommends that the Council approves the recommendations from the Environment and Transport Committee, as part of the overall budget setting exercise.

3.0 Report

- 3.1 2016-17 Budget Proposals - Environment and Transport Committee
The Committee considered a report from the Executive Manager – Finance [F-071]. The Committee was asked to consider the controllable budget proposals for the services within the Committee's remit, which will contribute towards ensuring that the Infrastructure & Development Directorates meet their target operating budgets, as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 3.2 The summary budget proposals for the services under the remit of Environment & Transport Committee are £26.493m, split by service area as follows:

Service	2016/17 Proposed Budget £000
Infrastructure Directorate	1,106
Environmental Services	3,096
Estate Operations	843
Ferry Operations	11,472
Roads	4,084
Sub-Total Infrastructure Services	20,601
Transport Planning	5,892
Sub-Total Development Services	5,892
Overall Total	26,493

- 3.3 The Committee **recommended** that the Council approve the budget proposals for 2016-17 set out in detail in the Budget Activity Sheet and Charging Sheet.
- 3.4 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.5 The Chair will present any further information to the Committee as to the debate or issues that the Committee considered.**

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 The impact of the recommendations presented by the Environment and Transport Committee are contained in the report SIC Budget Book 2016-17 (Report No. F-078) which is on the agenda today.

For further information please contact:
Mr M Stout, Chair of Environment and Transport Committee
18 November 2015

List of Appendices
None

Background documents:
Environment and Transport Committee – 24 November 2015
<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18653>

END



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

Chair's Report – Harbour Board 25 November 2015
2016-17 Budget Proposals
Report No. P&R-2511-HB

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendations from the Chair of the Harbour Board in relation to a report requiring a Council decision, via a recommendation from the Policy and Resources Committee. All of the recommendations have been factored into the overall budget setting report.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee recommends that the Council approves the recommendations from the Harbour Board, as part of the overall budget setting exercise.

3.0 Report

- 3.1 2016-17 Budget Proposals - Harbour Board
The Committee considered a report from the Executive Manager – Finance [F-072]. The Committee was asked to consider the budget proposals for services within the Board's remit, which will in turn contribute towards ensuring that the Harbour Board meets the surplus target as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 3.2 The summary budget proposals for the services under the remit of the Harbour Board is a surplus of £7.485m on harbour activity, internal Council contributions of £3.189m, and £693k from the Shetland Gas Plant, split by activity area as follows:

Service	2016/17 Proposed Budget £000
Ports Management & Engineering	64
Sullom Voe	13,188
Scalloway	890
Other Piers	817
Jetties & Spur Booms	2,083
Terminals	1,090
Total Expenditure	18,132
Harbour Fees & Charges	(23,534)
Jetties & Spur Booms	(2,083)
Total Income	(25,617)
Harbour Activity - Net Surplus	(7,485)
Internal contribution from the General Fund for terminal berthing charges	(3,045)
Internal contribution from the Marine Fund for pension costs	(144)
Contribution to the Reserve Fund	10,674
Balanced Budget	0

Service	2016/17 Proposed Budget £000
Shetland Gas Plant contribution	(693)

3.3 The Board **recommended** approval of the budget proposals for 2016-17 included in the Budget Activity Sheet and Table of Dues.

3.4 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.

3.5 **The Chair will present any further information to the Committee as to the debate or issues that the Committee considered.**

4.0 Implications

4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.

- 4.2 The impact of the recommendations presented by the Harbour Board are contained in the report SIC Budget Book 2016-17 (Report No. F-078) which is on the agenda today.
-

For further information please contact:

Ms A Manson, Chair of Harbour Board
18 November 2015

List of Appendices

None

Background documents:

Harbour Board – 25 November 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18640>

END



Policy and Resources Committee
Shetland Islands Council

25 November 2015
2 December 2015

**Chair's Report – Shetland College Board 25 November 2015 –
2016-17 Budget Proposals**
Report No. P&R-2511-SCB

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendations from the Chair of the Shetland College Board in relation to a report requiring a Council decision, via a recommendation from the Policy and Resources Committee. All of the recommendations have been factored into the overall budget setting report.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee recommends that the Council approves the recommendations from the Shetland College Board, as part of the overall budget setting exercise.

3.0 Report

- 3.1 2016-17 Budget Proposals - Shetland College Board
The Committee considered a report from the Executive Manager – Finance [F-076]. The Committee was asked to consider the budget proposals for Shetland College, which will in turn contribute towards ensuring that the Development Service meets its target operating budget, as set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 3.2 The summary budget proposals for Shetland College are as follows:

Shetland College	2016/17 Proposed Budget £000
Income:	
Scottish Further Education Funding Council	1,711
Tuition Fees, Contracts & Grants	602
Other Income	209
TOTAL INCOME	2,522
Expenditure:	
Employee Costs	2,267
Premises Costs	466
Operating Costs	438
Grants to Individuals	4
Professional Fees/Recharges	147
Travel/Vehicle Expenses	31
TOTAL EXPENDITURE	3,353
TOTAL DEFICIT	831
SIC Contribution	709
Remaining Deficit*	122

* The remaining deficit will be funded by a contribution from Reserves, for which provision has been made in the overall Council budget.

- 3.3 The Board **recommended** that the Council approve the budget proposals for 2016/17 included in this report, and the Schedule of Charges.
- 3.4 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.5 **The Chair will present any further information to the Committee as to the debate or issues that the Committee considered.**

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.

- 4.2 The impact of the recommendations presented by the Shetland College Board are contained in the report SIC Budget Book 2016-17 (Report No. F-078) which is on the agenda today.
-

For further information please contact:

Mr P Campbell, Chair of Shetland College Board
18 November 2015

List of Appendices

None

Background documents:

Shetland College Board – 25 November 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18634>

END



**Policy and Resources Committee
Shetland Islands Council**

**25 November 2015
2 December 2015**

Proposed 5-Year Asset Investment Plan 2016-21

F-081-F

**Report Presented by Executive Manager –
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to set out the proposed sustainable capital budget for the Council over a five year period from 2016-2021 in line with the Capital Investment Planning Policy set out in the proposed Medium Term Financial Plan for the period 2015-2020.
- 1.2 The capital budget proposals for the Council for the period 2016-2021 are summarised in the following table:

Description	2016-21 Budget £000
New Developments	25,407
Maintenance of Existing Assets	34,778
Spend to Save Projects	91
Housing Revenue Account Projects	13,493
Sub-Total Expenditure	73,769
Scottish Government General Capital Grant	(30,000)
Capital Receipts (General Fund & HRA)	(2,262)
External Funding (General Fund)	(500)
Funded from Revenue (Harbour & HRA)	(17,976)
Draw on Reserves – Spend to Save Projects	(91)
Draw from Reserves - 2nd Homes Council Tax	(60)
External Borrowing	(22,000)
Sub-Total Funding	(72,889)
Net Total Funding Deficit	880

2.0 Decision Required

- 2.1 That the Policy and Resources Committee RECOMMENDS that the Council resolves to:
 - 2.1.1 approve the capital budget proposals for 2016/17 included in this report, and set out in detail in Appendix 1; and
 - 2.1.2 adopt Appendix 1 as the Council's 5 Year Asset Investment Plan 2016-2021, subject to any requirements of the Council's gateway process and continuing efforts to resolve the net deficit funding position.

3.0 Detail

- 3.1 The proposed Medium Term Financial Plan for the period 2015-2020, setting out an integrated budgeting and reserves strategy for the Council including a Capital Investment Planning Policy, is to be considered by the Council on 18 November 2015. This report has been written subject to approval of that Plan.
- 3.2 The Capital Expenditure Policy criteria in the proposed Medium Term Financial Plan recommends that:
 - 3.2.1 there will be no growth in the asset base;
 - 3.2.2 all capital expenditure is to be focussed on maintaining the existing assets with the exception of the previously approved new Anderson High School and digital connectivity;
 - 3.2.3 a gateway process will ensure strategic fit is demonstrated early and decisions are taken at key stages. This will be supported by a full business case, including projected future demand, and options and investment appraisal process, before a project can be considered for inclusion in the Asset Investment Plan;
 - 3.2.4 no project will be considered for inclusion in the Asset Investment Plan, and existing projects will be removed, unless they have a robust financial estimate of cost. The Executive Manager – Finance will determine whether the financial estimate of cost is robust;
 - 3.2.5 all capital projects must clearly demonstrate the revenue consequences arising from a capital spending decision to assist Elected Members in understanding the full financial impact;
 - 3.2.6 the focus will be on effective asset management, driven forward through the Asset Strategy and Implementation Plan. This will ensure that the Council occupies a reduced number of properties in the future; and

- 3.2.7 the Executive Manager – Capital Programme will determine the opportunities for the maximisation of income from the Council's property estate, which may be in the form of revenue income or capital receipts.
- 3.3 A report will be presented to Members at the end of the current financial year, which will address any proposals for carry forward of existing approved 2015/16 budgets due to project slippage, and they are therefore not addressed in this report.
- 3.4 The focus of this Plan is on the maintenance and life extension of existing assets as recommended in the Capital Expenditure Policy, with the exceptions for 2016/17 being the new Anderson High School and the new Eric Gray Resource Centre.
- 3.5 In presenting the projects for inclusion, each one has been assessed in line with the Capital Expenditure Policy criteria noted at paragraph 3.2 above.

4.0 Balancing the 5 Year Asset Investment Plan

- 4.1 The Scottish Government has not specified the level of core capital grant that it will provide to the Council over the next five years, but the indications are that there will be a reduction in the level of the grant over the 5 year period. Therefore, a figure of £6m per year has been forecast for the purposes of the proposed 5 Year Asset Investment Plan. Members will be provided with updates on the level of capital grant as part of the annual review of the Asset Investment Plan.
- 4.2 As set out in the table at paragraph 1.2 above and the detailed proposed 5 Year Asset Investment Plan attached as Appendix 1, there is a funding deficit amounting to £880k over the five year duration of the Plan. The following options have been identified which may individually or collectively resolve this shortfall.

- 4.2.1 As approved by Environment & Transport Committee (Min Ref: 34/15) a detailed service need case is being developed for consideration under the Council's gateway process for an LED street lighting replacement programme to deliver energy savings which includes the replacement of existing failing infrastructure.

In line with the Council's Borrowing Policy, if the business case demonstrates that adequate revenue savings can be made, the Executive Manager - Finance will recommend a decision to borrow to Council. This would result in all or part of the existing streetlighting replacement programme being funded from borrowing instead of capital grant which would reduce the Plan deficit.

- 4.2.2 A total of £5.3m has prudently been included in the Plan for ferry vessel life extension works. Until detailed assessment reports are prepared for each of these life extensions it is difficult to accurately assess the value of works required. Anticipated possible savings on these life extension works may close the funding gap.

- 4.2.3 A positive outcome from the Shetland Inter Islands Transport project and subsequent discussions with Transport Scotland may secure further funding for transport infrastructure to reduce the deficit requirement.
- 4.2.4 History suggests that capital project plans can be subject to changes once projects are underway, which can result in savings, and these could be used to balance the Plan.
- 4.3 Members are asked to approve the 5-year Asset Investment Plan attached as Appendix 1 to this report on the basis that one of, or a combination of, the measures described at 4.2 be used to balance the funding of the Plan.

5.0 Implications

Strategic

- 5.1 Delivery On Corporate Priorities – The Asset Investment Plan has been produced to align with the Corporate Plan's aim that "We will have a better understanding of the number of assets we can afford with the resources available."
- 5.2 Community/ Stakeholder Issues – None.
- 5.3 Policy and/ or Delegated Authority – The Policy & Resources Committee is required to make recommendations to the Council as to the estimates of capital and revenue expenditure. The decisions required in this report may only be determined by the Council, in accordance with Section 2.1.3 of the SIC Scheme of Administration and Delegations.
- 5.4 Risk Management – The main risks for the delivery of the Asset Investment Plan are:
- the level of Scottish Government capital grant that will be received during the five years of the Plan, as there has been no specific forecast from the Scottish Government and a prudent estimate has been used;
 - none of the options at paragraph 4.2 are realised to fund the net deficit in the 5 year Plan;
 - the anticipated level of capital receipts from the sale of existing assets is not realised;
 - a negative outcome from the Scottish Government on the Shetland Inter Islands Transport Study relating to funding for terminal and vessel replacements;
 - cost projections for future year projects are adversely affected by external factors such as construction inflation and contractor availability.
- 5.5 Equalities, Health And Human Rights – None.
- 5.6 Environmental – None.

Resources

5.7 Financial –

- 5.7.1 The 5 Year Asset Investment Plan has been produced in line with the Capital Investment Planning Policy in the proposed Medium Term Financial Plan 2015-2020.
- 5.7.2 Appendix 1 to this report sets out the capital expenditure budgets for 2016/17 totalling £14m which is fully funded in-year. The indicative budgets for the following years are not fully funded in the Plan and there is a net deficit of £880k over the remaining four years. Suggested options to meet the shortfall deficit are set out in paragraph 4.2 above. The full 5 year Asset Investment Plan expenditure budget totals £73.8m.
- 5.7.3 The main funding source for capital expenditure in the Plan is from the Scottish Government General Capital Grant. There have been no indications of the level of this grant from Scottish Government and therefore a prudent estimate of £6m per year has been used for the Plan.
- 5.7.4 The two new development projects in the first year of the Plan (2016/17) are mainly funded from borrowing in line with the Capital Funding Policy in the proposed Medium Term Financial Plan, and have the following revenue borrowing implications:
- the new Anderson High School creates a revenue pressure of £1.256m per year for 25 years to be funded corporately; and
 - the new Eric Gray Resource Centre creates a revenue pressure of £166k per year for 30 years to be funded from Community Health & Social Care budgets.
- 5.7.5 After the first year, there is also a projected borrowing requirement over the remaining four years of the Plan for ferry terminal and vessel replacements which, if realised, will create a revenue pressure of approximately £1.3m per year for 25 years to be funded by Infrastructure budgets. This is subject to the outcome of the Shetland Inter Islands Transport Study regarding possible funding for transport operations and assets.
- 5.7.6 The overall revenue pressure for borrowing associated with the proposed 5 Year Asset Investment Plan totals approximately £2.7m per year over a 25-30 year period.
- 5.7.7 It is proposed that capital expenditure will also be partially funded from capital receipts generated from the sale of vehicles and property over the life of the Plan totalling £2.3m.
- 5.7.8 All other expenditure will be funded by specific ring-fenced reserves, external grants and funding from revenue budgets.

5.8 Legal – None.

5.9 Human Resources – None.

5.10 Assets and Property – This Plan has been created predominantly to ensure that existing assets are repaired and maintained to extend their useful life and/or increase the level of performance of the assets over their existing useful life. The Plan limits capital expenditure to a programme that is deliverable and affordable whilst contributing to effective asset management in line with the Council's Asset Strategy and Implementation Plan.

6.0 Conclusions

6.1 The proposed 5 Year Asset Investment Plan aims to focus on maintaining existing assets whilst delivering on new developments such as the replacement of the Anderson High School and the Eric Gray Resource Centre.

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List of Appendices

Appendix 1 Asset Investment Plan 2016-21

END

Directorate	Project	Year 1 16/17	Year 2 17/18	Year 3 18/19	Year 4 19/20	Year 5 20/21	5-year Total
Development	24/25 Leaside Conversion	60,000					60,000
Infrastructure	Building Maintenance Capital Works	384,020	1,000,000	1,000,000	1,000,000	1,000,000	4,384,020
Infrastructure	Town Hall Windows	403,617	80,000				483,617
Infrastructure	Lerwick Library Refurbishment	50,000	800,000	50,000			900,000
Infrastructure	Bells Brae Primary School Refurbishment	125,000	300,000				425,000
Infrastructure	Sound Primary School Refurbishment	300,000					300,000
Infrastructure	Landfill Capping	230,000		250,000			480,000
Infrastructure	Energy Recovery Plant	50,000	50,000	50,000	50,000	50,000	250,000
Infrastructure	Vehicle & Plant Replacement Programme	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	6,000,000
Building Maintenance & Vehicle Replacement		2,802,637	3,430,000	2,550,000	2,250,000	2,250,000	13,282,637
Corporate	PC & LAN Replacement	150,000	150,000	150,000	150,000	150,000	750,000
Corporate	Schools ICT Equipment	194,000	194,000	194,000	194,000	194,000	970,000
Corporate	Photocopier Replacement	75,000	75,000	75,000	75,000	75,000	375,000
Corporate	Shetland Public Sector Network	256,000	256,000	256,000	256,000	256,000	1,280,000
ICT Equipment		675,000	675,000	675,000	675,000	675,000	3,375,000
Infrastructure	Fivla Life Extension	500,000	0	0	0	0	500,000
Infrastructure	Hendra life extension				1,000,000		1,000,000
Infrastructure	Linga Conversion			2,000,000			2,000,000
Infrastructure	Leirna life extension		800,000				800,000
Infrastructure	Geira Life Extension		200,000		800,000		1,000,000
Ferry Vessel Maintenance		500,000	1,000,000	2,000,000	1,800,000	0	5,300,000
Infrastructure	Bridge Repairs/Replacement - Trondra Bridge Painting	300,000	5,000				305,000
Infrastructure	Bridge Repairs/Replacement - Vatsetter Bridge, Yell	35,000					35,000
Infrastructure	Bridge Repairs/Replacement - Red Burn Bridge	35,000					35,000
Infrastructure	Bridge Repairs/Replacement - Muckle Roe Bridge Painting	25,000	200,000	3,000			228,000
Infrastructure	Bridge Repairs/Replacement - Stongness Bridge, Cullivoe, Yell	10,000	10,000	300,000	6,000		326,000
Infrastructure	Bridge Repairs/Replacement - Tresta Retaining Wall		180,000				180,000
Infrastructure	Bridge Repairs/Replacement - Will Houll		20,000				20,000
Infrastructure	Bridge Repairs/Replacement - Breiwick Loch Bridge, Eshaness			40,000			40,000
Infrastructure	Bridge Repairs/Replacement - Kirkabister Bridge, Bressay			35,000			35,000
Infrastructure	Bridge Repairs/Replacement - Burn of Lungatou, Walls				30,000		30,000
Infrastructure	Bridge Repairs/Replacement - Houb of Scatsta				50,000		50,000
Infrastructure	Bridge Repairs/Replacement - Loch of Kirkigarth, Walls				45,000		45,000
Infrastructure	Bridge Repairs/Replacement - Scattlands Loop, West Sandwick				30,000		30,000
Infrastructure	Bridge Repairs/ Replacement - Future Years					200,000	200,000
Bridge Repairs/Replacement		405,000	415,000	378,000	161,000	200,000	1,559,000
Infrastructure	Streetlighting Replacement - A970 Cunningsburgh	40,000	40,000		40,000		120,000
Infrastructure	Streetlighting Replacement - A970 Lerwick	40,000	40,000				80,000
Infrastructure	Streetlighting Replacement - A970 Brae	40,000	40,000				80,000
Infrastructure	Streetlighting Replacement - Various Throughout Shetland	40,000	40,000	20,000	30,000	40,000	170,000
Infrastructure	Streetlighting Replacement - Smuggabank, Mossbank	15,000					15,000
Infrastructure	Streetlighting Replacement - B9076, Brae		40,000				40,000
Infrastructure	Streetlighting Replacement - A969 Lerwick			50,000	40,000	43,000	133,000
Infrastructure	Streetlighting Replacement - Sound			35,000			35,000
Infrastructure	Streetlighting Replacement - Scalloway			25,000	25,000	25,000	75,000
Infrastructure	Streetlighting Replacement - Lerwick Crescents			25,000			25,000
Infrastructure	Streetlighting Replacement - A970 Voe			20,000			20,000
Infrastructure	Streetlighting Replacement - Sandwick				20,000		20,000
Infrastructure	Streetlighting Replacement - North Road, Lerwick				20,000		20,000
Infrastructure	Streetlighting Replacement - A970 Boddam					48,000	48,000
Infrastructure	Streetlighting Replacement - Cunningsburgh Housing Estates					20,000	20,000
Infrastructure	Streetlighting Replacement - Nedersund Road, Sound					20,000	20,000
Streetlighting Replacement		175,000	200,000	175,000	175,000	196,000	921,000
Infrastructure	Streetlighting Removal - Steenbrae, Aywick	6,000					6,000
Infrastructure	Streetlighting Removal - Beach Road, Haroldswick	5,000					5,000
Infrastructure	Streetlighting Removal - Hillside, Voe	5,000					5,000
Infrastructure	Streetlighting Removal - Voehead Weisdale	5,000					5,000
Infrastructure	Streetlighting Removal - The Strand, Tingwall		6,000				6,000
Infrastructure	Streetlighting Removal - Voeseide, Bressay		5,000				5,000
Infrastructure	Streetlighting Removal - Hamilton Park, Bressay		5,000				5,000

Directorate	Project	Year 1 16/17	Year 2 17/18	Year 3 18/19	Year 4 19/20	Year 5 20/21	5-year Total
Infrastructure	Streetlighting Removal - Upper Glebe, Bressay		5,000				5,000
Infrastructure	Streetlighting Removal - Fullaburn, Bressay		5,000				5,000
Infrastructure	Streetlighting Removal - Dalsetter Wynd, Dunrossness			10,000			10,000
Infrastructure	Streetlighting Removal - Burrapark, Mid Yell			6,000			6,000
Infrastructure	Streetlighting Removal - Park Wynd, Sandwick			5,000			5,000
Infrastructure	Streetlighting Removal - Saeter, Symbister			5,000			5,000
Infrastructure	Streetlighting Removal - Colonial Place, Scatness				5,000		5,000
Infrastructure	Streetlighting Removal - Swinister Cul-de-sac				5,000		5,000
Infrastructure	Streetlighting Removal - Midgard, North Roe				5,000		5,000
Infrastructure	Streetlighting Removal - Ferry View, Ullsta				3,000		3,000
Infrastructure	Streetlighting Removal - Harlidsdale, Whalsay				3,000		3,000
Infrastructure	Streetlighting Removal - Sunnybank, Burra				3,000		3,000
Infrastructure	Streetlighting Removal - Housing Estate to be identified					3,000	3,000
Streetlighting Removal		21,000	26,000	26,000	24,000	3,000	100,000
Infrastructure	Road Reconstruction - A970 Scord Brae	30,000					30,000
Infrastructure	Road Reconstruction - A970 Urafirth to Hillswick Edge	25,200					25,200
Infrastructure	Road Reconstruction - B9071 Laxo to Vidlin Reconstruction Overlay	78,737					78,737
Infrastructure	Road Reconstruction - North Road Phase 1	195,000					195,000
Infrastructure	Road Reconstruction - Reafirth Burn to Cattle Grid North of Lussetter Quarry	77,000					77,000
Infrastructure	Road Reconstruction - Herra Road Section 2, Mid Yell	94,360					94,360
Infrastructure	Road Reconstruction - Seawall Repairs, Springbank Pier Road, Baltasound	25,850					25,850
Infrastructure	Road Reconstruction - Gardistaing to Mid Yell	17,600					17,600
Infrastructure	Road Reconstruction - Commercial Street Reflagging	40,000					40,000
Infrastructure	Road Reconstruction - Future Years		590,000	590,000	590,000	590,000	2,360,000
Road Reconstruction		583,747	590,000	590,000	590,000	590,000	2,943,747
Infrastructure	Pelican Crossings Lk, repl complete installations	32,500	35,000	20,000	20,000	20,000	127,500
Infrastructure	Road Safety Barrier Replacement	120,000	120,000	120,000	120,000	120,000	600,000
Infrastructure	Traffic Management	50,000	50,000	50,000	50,000	50,000	250,000
Infrastructure	Road Accident Investigation & Prevention	35,000	35,000	35,000	35,000	35,000	175,000
Infrastructure	Scord Quarry Plant Replacement	249,000	195,000	245,000	160,000	200,000	1,049,000
Other Roads Projects		486,500	435,000	470,000	385,000	425,000	2,201,500
Infrastructure	P&H Plant, Vehicles & Equipment	70,000	70,000	70,000	70,000	70,000	350,000
Infrastructure	P&H Navigational Aids	70,000	70,000	70,000	70,000	70,000	350,000
Infrastructure	Hamarsness Ferry Terminal Painting	150,000					150,000
Infrastructure	Toft Ferry Terminal Painting	150,000					150,000
Infrastructure	Ullsta Ferry Terminal Painting	150,000					150,000
Infrastructure	Cathodic Protection - Cullivoe Original Finger Pier	250,000					250,000
Infrastructure	Cathodic Protection - Scalloway East Finger Pier		350,000				350,000
Infrastructure	Cathodic Protection - West Burrafirth			250,000			250,000
Infrastructure	Cathodic Protection - Collafirth				250,000		250,000
Infrastructure	Cathodic Protection - Baltasound Pier					220,000	220,000
Infrastructure	Scalloway Old Fishmarket Quay West - Pile Repairs	250,000					250,000
Infrastructure	Baltasound Old Pier - Pile Repairs	250,000					250,000
Infrastructure	Hydrographic Survey - Sullom Voe	125,000					125,000
Infrastructure	VTs Radar Replacement	1,000,000					1,000,000
Infrastructure	Tug Jetty - Cathodic Protection		500,000	500,000			1,000,000
Ports & Harbours Projects		2,465,000	990,000	890,000	390,000	360,000	5,095,000
TOTAL MAINTENANCE OF EXISTING ASSETS		8,113,884	7,761,000	7,754,000	6,450,000	4,699,000	34,777,884
Children's Services	Anderson High School Replacement	0	818,985	43,670			862,655
Children's Services	Anderson High School Halls of Residence		969,509	206,048			1,175,557
Children's Services	Anderson High School - Clickimin Works	500,000	6,924				506,924
Community Care	Eric Gray Replacement	3,022,916	2,338,884				5,361,800
Infrastructure	Upgrade Fair Isle Terminal		1,000,000	500,000			1,500,000
Infrastructure	Upgrade Grutness Terminal			500,000			500,000
Infrastructure	Upgrade Laxo Terminal				2,500,000	2,500,000	5,000,000
Infrastructure	New Whalsay Vessel					1,800,000	1,800,000
Infrastructure	New Fair Isle vessel		200,000	1,250,000	1,250,000		2,700,000
Infrastructure	New Papa Stour Vessel			1,800,000	2,400,000	1,800,000	6,000,000
TOTAL NEW DEVELOPMENTS		3,522,916	5,334,302	4,299,718	6,150,000	6,100,000	25,406,936
Infrastructure	Market Street Store Redevelopment	91,000					91,000
TOTAL SPEND TO SAVE PROJECTS		91,000	0	0	0	0	91,000
Development	Heating Replacement Programme	660,000	660,000	660,000	660,000	660,000	3,300,000

Directorate	Project	Year 1 16/17	Year 2 17/18	Year 3 18/19	Year 4 19/20	Year 5 20/21	5-year Total
Development	Pitt Lane Demolition	100,000					100,000
Development	Housing Quality Standard	1,482,500	2,152,500	2,152,500	2,152,500	2,152,500	10,092,500
TOTAL HOUSING REVENUE ACCOUNT PROJECTS		2,242,500	2,812,500	2,812,500	2,812,500	2,812,500	13,492,500

TOTAL ASSET INVESTMENT PLAN EXPENDITURE	13,970,300	15,907,802	14,866,218	15,412,500	13,611,500	73,768,320
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Area	Funding Source	Year 1 16/17	Year 2 17/18	Year 3 18/19	Year 4 19/20	Year 5 20/21	5-year Total
General Fund	Scottish Government General Capital Grant	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(30,000,000)
General Fund	Capital Receipts (Properties)	(250,000)	(300,000)	(200,000)	(200,000)	(200,000)	(1,150,000)
General Fund	Capital Receipts (Vehicles)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)
General Fund	Second Homes Ctax Reserve (Leaside Conversion)	(60,000)	0	0	0	0	(60,000)
General Fund	Sports Scotland Grant (Anderson High School - Clickimin Works)	(500,000)					(500,000)
Spend to Save	Spend to Save Reserve (Market Street Store)	(91,000)	0	0	0	0	(91,000)
Harbour Account	Harbour - Capital from Current Revenue	(2,465,000)	(990,000)	(890,000)	(390,000)	(360,000)	(5,095,000)
HRA	HRA - Capital from Current Revenue	(1,630,500)	(2,812,500)	(2,812,500)	(2,812,500)	(2,812,500)	(12,880,500)
HRA	HRA - Capital Receipts	(612,000)	0	0	0	0	(612,000)
FUNDED BY GRANTS AND RESERVES		(11,708,500)	(10,202,500)	(10,002,500)	(9,502,500)	(9,472,500)	(50,888,500)
General Fund	Anderson High School Replacement	0	(1,788,494)	(249,718)	0	0	(2,038,212)
General Fund	Eric Gray Resource Centre Replacement	(2,261,800)	(200,000)	0	0	0	(2,461,800)
General Fund	Terminal Replacements	0	(1,000,000)	(1,000,000)	(2,500,000)	(2,500,000)	(7,000,000)
General Fund	Ferry Vessel Replacements	0	(200,000)	(3,050,000)	(3,650,000)	(3,600,000)	(10,500,000)
FUNDED BY BORROWING		(2,261,800)	(3,188,494)	(4,299,718)	(6,150,000)	(6,100,000)	(22,000,012)

TOTAL ASSET INVESTMENT PLAN FUNDING	(13,970,300)	(13,390,994)	(14,302,218)	(15,652,500)	(15,572,500)	(72,888,512)
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NET TOTAL BALANCE OVERALL	0	2,516,808	564,000	(240,000)	(1,961,000)	879,808
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**Policy & Resources Committee
Shetland Islands Council**

**25 November 2015
2 December 2015**

Shetland Islands Council Budget Book 2016/17

F-078-F

Report Presented by Executive Manager – Finance

Corporate Services

1.0 Summary

- 1.1 The purpose of the Council Budget Book 2016/17 is to set out the spending plans for Shetland Islands Council in the next financial year.
- 1.2 The budget adheres to the Medium Term Financial Plan and contributes towards the strategic aim of realigning resources towards Corporate Priorities.
- 1.3 A balanced budget has been proposed for 2016/17 with the use of reserves at an affordable level.

2.0 Decision Required

The Policy and Resources Committee RECOMMENDS that the Council RESOLVES to approve the 2016/17 budget by:

- 2.1 Approving the Council Budget Book 2016/17 (Appendix 1);
- 2.2 Adopting the Formal Resolutions (Appendix 2);
- 2.3 Agreeing to freeze the Council Tax at the current level; and
- 2.4 Note the analysis of the 2015 Building Budgets exercise, which will continue to provide information to Directors who will be planning the future delivery of Council Services in line with the Medium Term Financial Plan.

3.0 Detail

- 3.1 The Council Budget Book 2016/17 and the Formal Resolution are attached as Appendices 1 and 2 respectively to this report. Appendix 3 sets out the results of the 2015 Building Budgets engagement exercise which was carried out in August and September 2015.

- 3.2 The Council Tax Band D for 2016/17 will remain at £1,053.00. This budget assumes a 98.5% in year collection rate.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

The 2016/17 budget will contribute towards delivering the Medium Term Financial Plan and the corporate objective of remaining sustainable and financially responsible in the use of resources. It will contribute to meeting the Corporate Plan's Vision that the Council wants to be known as an excellent organisation that works well with its partners to deliver sustainable services for the people of Shetland. The 2016/17 budget also achieves the Corporate Plan objective of continuing to keep to a balanced and sustainable budget, and living within our means.

4.2 Community/Stakeholder Issues

Each individual service will be responsible for addressing community/stakeholder issues prior to making any changes to the existing level of service delivery.

4.3 Policy And/Or Delegated Authority

The Policy & Resources Committee is required to make recommendations to the Council as to the estimates of capital and revenue expenditure. The decisions required in this report may only be determined by the Council, in accordance with Section 2.1.3 of the Council's Scheme of Administration and Delegations, including the power to fix the Council Tax.

The budget fits within the policies included in the Medium Term Financial Plan. The Chief Executive and Directors will deliver the Council's budget in accordance with the Scheme of Delegations and Financial Regulations.

4.4 Risk Management

There are a number of assumptions around anticipated income levels, returns on investments and cost pressures within the budget that are based on the latest information available and these may vary throughout the year.

A significant financial risk exists in relation to the income projections from the Harbour Account and from the Shetland Gas Plant as a result of the volatility around levels of throughput and the price of oil and gas. For example, the oil and gas price has had a significant impact on the level of income the Council is expecting to receive from the Shetland Gas Plant. By revising the value of income downwards the robustness of the Budget is improved, removing overoptimistic values and any complacency that may arise from having unachievable income levels.

The budget provides for a net 5.2% return on reserves annually which results in an estimated return of £12m. Taking a long term view of investment returns is vital to providing assurance that this level of

return can be achieved as the value of investments will go down as well as up. A net 5.2% return has been based upon a gross return of 7.3% per annum, and is at the upper end of a range over the last 21 years that has seen longer term rates of between 3.56% and 8.19% per annum. Managing the Council's investments through a diversified investment strategy and monitoring performance ensures the Council remains in a position to achieve this level of investment return over the long term.

The budget contains savings of £3.097m; there is a risk that should savings not be achieved it will result in an increased draw on reserves.

The 2016/17 budget will require a net draw on reserves of £7.106m.

- 4.5 Equalities, Health And Human Rights – Each individual service will be responsible for assessing the equalities, health and human rights issues prior to making any changes to the existing level of service delivery.
- 4.6 Environmental – Each individual service will be responsible for assessing environmental issues prior to making any changes to the existing level of service delivery.

Resources

- 4.7 Financial
The Council is setting a budget which is within the resources available as set out in the Medium Term Financial Plan. The Council has reached a positive position through responsible decision making and taking action on unsustainable costs. This has enabled it to reconsider the support that the investments can provide to the revenue budget. An affordable draw from reserves has been calculated at approximately £12m.

This increase of £4.5m from the 2015/16 budget has helped the Council to offset the predicted reduction in income from the Scottish Government grant, the impact of which has been compounded by rising costs.

It is possible for the Council to have a higher cost base for service delivery than mainland councils because of the reserves, which are invested so the returns can be used to support the additional costs. This budget seeks to ensure that the real value of the reserves is protected during 2016/17.

It is important that the Council continues this responsible budgeting approach into the future and starts planning how to meet future years' budget targets as set out in the Medium Term Financial Plan.

A decision to recommend changes to the budget proposals in this report that would result in an increased or decreased draw on the reserves would mean the affordable draw from reserves would have to be reconsidered. Changes to the budget proposals will require a

formal amendment and would have to be fully quantified in the Committee decision.

4.8 Legal

Each individual service will be responsible for addressing legal issues prior to making any changes to the existing level of service delivery.

4.9 Human Resources

Each individual service will be responsible for addressing human resource issues prior to making any changes to the existing level of service delivery.

4.10 Assets And Property

The Medium Term Financial Plan recommends that the Council focus on effective asset management and a reduction in the number of properties occupied. The Executive Manager – Capital Programme will determine the opportunities for maximising revenue income and capital receipts from the property estate.

5.0 Conclusions

5.1 The report, and related appendices, presents the Council with a proposal for a balanced revenue budget for 2016/17, based on a freeze on the level of Council Tax applied to Band D properties.

5.2 It is recommended that the Policy and Resources Committee recommend to the Council adoption of the proposed budget for the financial year 2016/17.

For further information please contact:

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List of Appendices

Appendix 1 – The Council Budget Book 2016/17

Appendix 2 – Formal Resolutions

Appendix 3 – Building Budgets 2015

Shetland Islands Council



The Council Budget Book 2016/17

Corporate Plan Vision:

By the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland.

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Executive Summary

- 1.01 Shetland Islands Council's 2016/17 budget will ensure that public services in Shetland continue to be better funded than any other local authority in Scotland. This is because the Council will top up its Council Tax income and core Scottish Government grant with an additional £19.285m, which is affordable as a result of the budgeted Harbour Account surplus, budgeted income from the Shetland Gas Plant and drawing from expected long-term investment returns.
- 1.02 The Council is setting a sustainable budget that requires a draw from investment returns (underpinned by Council reserves) of £7.106m which is an affordable amount, and will protect the capital value of reserves. This enables the Council to offset the anticipated significant reductions in government funding and rising costs that will impact in 2016/17.
- 1.03 This budget seeks to ensure that the real value of the reserves is protected during 2016/17, by ensuring that only an affordable draw from reserves is included in the proposals.
- 1.04 It is important that the Council continues its responsible budgeting approach into the future as this represents the greatest benefit over the long-term for the delivery of Council services in Shetland.
- 1.05 The 2016/17 budget adheres to the Medium Term Financial Plan, by delivering the required savings of £2.985m and contributing towards the strategic aim of realigning more available resources towards corporate priorities.
- 1.06 Financial sustainability needs to be reviewed in light of the latest data and forecasts available, therefore Elected Members will need to continue to receive updates to the Medium Term Financial Plan annually and set future budgets in line with it to ensure that the responsible and positive approach taken in recent years continues into the future.

Progress to Date & Future Challenges

- 1.07 The Council can take comfort with regard to the deliverability of the 2016/17 Budget. At present it is currently on course to deliver its 2015/16 Budget which included £2.145m of savings. When added to the £12.7m of savings delivered in 2014/15, the £12.5m in 2013/14, the £15m in 2012/13 and £11.5m in 2011/12, the Council is demonstrating a track record of budget delivery.
- 1.08 However, it is anticipated that there will be further significant cash reductions in the general revenue grant from the Scottish Government over the forthcoming years, and simultaneously the Council will have to manage an ever increasing demand for Council services, such as in Community Care, and manage cost pressures that apply to the models of service delivery, such as pay awards and national policy changes.
- 1.09 This budget will keep the Council on track to manage the financial situation forecast for 2016/17 as well as prepare for the significant challenges that it faces in the medium term.

Building Budgets Engagement

- 1.10 In August this year the Council undertook a building budgets engagement exercise, which included a series of public meetings throughout Shetland and the use of an interactive on-line budget planning model, to gauge the views of the public on where the 2016/17 budget savings should be made. There were 244 people who participated in this exercise which is approximately 1% of the Shetland public. The response was good relative to that achieved last year but, the Council recognises that the exercise resulted in a proportionately low response, however the results do provide an idea of what the respondents felt was important. It was those services which are visible to the public which were most widely supported while those less visible, such as support and corporate services were identified for higher savings. Mental Health Services stood out as particularly important to respondents.
- 1.11 The Directors have reviewed the results of the building budgets exercise and have taken the views submitted into consideration when creating their 2016/17 budgets.
- 1.12 It is important that this feedback and the valuable comments contained therein are used by directors and services to add to the wealth of information available to help plan the future of Council services. The Council, in addition, continues to look at the way in which it can engage with the Shetland public in order to help understand the services and outcomes that are important and as such inform the prioritisation of service delivery and resources into the future. Continuing the dialogue and engagement will ensure that a better understanding is gained from a wider and more significant proportion of the population.
- 1.13 A full report on the outcomes of the exercise is attached as Appendix 3.

Draw on Reserves

- 1.14 The Council is asked to approve an affordable draw on reserves to balance the 2016/17 budget, shown in the table below:

Draw on Reserves	Budgeted Draw Contribution from/ (to) Reserves £m
General Fund	18.134
Spend to Save Improvement Fund	1.000
Asset Investment Plan	0.151
Harbour Account Surplus	(10.530)
Shetland Gas Plant	(0.693)
Housing Revenue Account	(0.956)
TOTAL NET BUDGETED DRAW ON RESERVES 2016/17	7.106

- 1.15 The total net budgeted draw on reserves for 2016/17 is £7.106m. This is affordable due to investment returns not having been included in the table and increased income being applied from

the Harbour Account surplus. The Medium Term Financial Plan outlines the challenges that the Council faces in relation to the next 5 years in terms of delivering a balanced and affordable budget.

Key Budget Messages

1.16 The most significant budget proposals are as follows:

- The Council is freezing Council Tax for the ninth consecutive year so a Band D property continues to incur an annual charge of £1,053.00. This means that Shetland Islands Council is expected to continue to charge the 4th lowest level of Council Tax out of the 32 local authorities in Scotland whilst providing the best funded services.
- The budget contains total savings of £3.097m, exceeding the General Fund savings target of £2.985m as set out in the Medium Term Financial Plan. The over-achievement of budget reductions by directorates of £0.112m this year will be used to reduce their savings targets for 2017/18 in the Medium Term Financial Plan.
- The cost pressures and contingencies budget totalling £4.191m is lower than last year due to the cost pressure for pay inflation and associated employer costs i.e. national insurance and pensions contributions already allocated to service budgets. This budget ensures that there is a corporate budget to absorb any unplanned expenditure, as services were asked not to carry risk/contingency budgets in their budget proposals.
- The Shetland Gas Plant is expected to be operational by 2016/17 and it has been estimated that there will be income of £0.693m during the year. This income stream is welcome for the Council, albeit lower than originally anticipated due to current low gas and oil prices. It is anticipated that this, and future income, will be utilised to supplement current expenditure on Council services.
- The Harbour Charges at Sullom Voe are due to increase by 83%. This will enable the Council to continue to generate the surplus it requires (subject to actual tanker numbers), in line with the Medium Term Financial Plan, to support Council service expenditure. The remainder is required to address under-investment in Port infrastructure which requires urgent life extension works. The charges will also enable the Council to re-coup the projected loss on harbour activity in the current year, in line with Council policy. This projected loss relates to updated projections on tanker numbers from the Sullom Voe Terminal operators of a 26% reduction in tanker traffic in 2015/16.
- The Housing Revenue Account budget has been prepared in line with the proposed HRA 30 Year Business Plan and seeks to increase rents in 2016/17 by an inflationary sum of 2%, plus an additional £1 per week on all one and two bedroom properties.
- The Asset Investment Plan budget provides significant investment in the Council's infrastructure and will require borrowing of £2.262m in 2016/17 to meet the funding shortfall. This borrowing is required to finance the new Eric Gray Resource Centre.

Introduction to the Budget Report

Medium Term Financial Plan

2.01 The Medium Term Financial Plan is the Council's strategic finance document which focuses on the next five year period. The financial strategy included within the plan is:

- To take a prudent approach to core Scottish Government funding projections for the next five years; to take a cautious approach to the benefits that may be generated from rising oil and gas prices; and to take a measured approach to the long-term investment returns that will be generated, to determine the overall value of Council income;
- To treat all non-specific grants received as a corporate resource despite the implied treatment described in funding award letters / Scottish Government circulars;
- To take action on costs over the life of this Plan on the basis that Scottish Government funding will not increase for years to come and that it is likely to never return to the funding level (in real terms) that it has now to deliver services;
- To structure services in a way that maximises productivity and operates as efficiently and effectively as is possible;
- To prioritise service delivery that is identified as being most likely to successfully achieve the Corporate Plan objectives and outcomes in the long term or is required to fulfil the Council's statutory duties, and to agree to stop discretionary services that do not contribute to that achievement;
- To build upon the financial management improvements that have already been made, and continue to base decision making on evidence based reporting, following the building better business cases methodology, demanding fully costed options and recognition that the use of Council resources all come with a cost;
- To capture savings from improved and robust procurement and commissioning processes, including the re-negotiation of contracts;
- To improve the consistency and application of charging policies to take account of the principles outlined in the Plan;
- To focus investment returns on supporting revenue expenditure;
- To limit capital expenditure to a programme that is deliverable and affordable based on the estimated level of Scottish Government Capital Grant, supplemented by capital receipts;
- To borrow in specific circumstances for capital investment, that cannot be funded from Capital Grant or capital receipts, the cost of which will be borne by the service that the investment benefits. Borrowing will be carried out under the Prudential Code framework of prudence, sustainability and affordability in line with the Council's Borrowing Policy;

- To seek all opportunities to enter into dialogue with the Scottish Government in relation to services for which the Council does not receive its fair share of funding, or where inconsistency exists between Shetland and other local authorities;
- To commit resources to ensure that the Island Proofing provisions within the current Consultation on Provisions for a Future Islands Bill¹ adequately reflect funding and financial aspects. The consultation refers to the concept of placing a duty on Scottish Ministers and other relevant public bodies to 'island proof'

The 2016/17 Budget

- 2.02 The 2016/17 Council budget is a tactical financial plan that complements the strategic Medium Term Financial Plan and will ensure that the Council moves towards delivering its strategic financial objectives.
- 2.03 The Budget encapsulates all aspects of the Council's business; the General Fund, the Housing Revenue Account, the Harbour Account and the Capital Programme. This means it is clearer for Elected Members to see the full impact that the spending proposals will have on the Council's reserves during the financial year. This is important because the Council relies upon drawing an affordable sum from its invested reserves to fund the delivery of services.

The Approach to Setting the Budget

- 2.04 The Council has a rolling programme for selecting one directorate to use a zero-based budgeting approach each year while the remainder of directorates use traditional incremental budgeting. This year the directorate chosen to do zero-based budgeting was Infrastructure Services.
- 2.05 The outcome of this budgeting exercise is that the aggregated budget proposals put forward by directorates are under the budget reduction targets that were set within the Medium Term Financial Plan, and those proposals are aligned to the Council's priorities and outcomes as set out in the Corporate Plan.

Other Aspects of the Budget Report

- 2.06 The objective of the Shetland Islands Council Budget Book 2016/17 is to provide a high level summary of the proposals and their contribution towards delivering the Medium Term Financial Plan, and their impacts on the Council's reserves.
- 2.07 The detailed budget proposals for each area of the Council are set out in separate reports which were presented to Service Committees during November 2015. This report guides Elected Members to those other reports where more detailed information can be found on the General Fund services, the Harbour Account, the Housing Revenue Account and the Asset Investment Plan.

¹ Consultation on Provisions for a Future Islands Bill, Scottish Government, September 2015

Spend to Save and Improvement Fund

- 2.08 A target of £1m is proposed to fund Spend to Save and Improvement projects in 2016/17.
- 2.09 The Council has in place a Spend to Save scheme. The purpose of the scheme is to provide up front funding to a service in order to effect a change that will result in recurring savings in the future. It is expected to work in conjunction with the funding for change included in the revenue budget contingency.
- 2.10 Due to the requirement for savings now and into the future the scheme has been reviewed to take a longer term view of how quickly the savings achieved from the use of the scheme are recouped. The underlying principle of the scheme therefore is that any funding awarded has to have a payback period no greater than 5 years.
- 2.11 The Executive Manager – Finance has the authority to increase this payback period to 7 years in exceptional circumstances, which may exist where additional resource benefits beyond financial savings or where the evidence of the impact on priority outcomes is compelling.
- 2.12 It is possible to apply for Spend to Save funding to undertake specific feasibility and option identification work if the revenue ‘Funding for Change’ is fully committed. In this circumstance any expenditure will be included in any subsequent request for Spend to Save funding and factored into the payback calculation.
- 2.13 The Spend to Save funding can be used to support Revenue or Capital expenditure.
- 2.14 Due to the requirement for the Council to deliver actual savings in the revenue budget the Spend to Save funding will be provided on the following basis
- That no interest will apply when repaying the sum invested by the Spend to Save fund;
 - Where payback is calculated as 2 years or less, 100% of the sum invested will be repaid to the Spend to Save fund; and
 - Where payback is calculated as more than 2 years, 50% of the sum invested will be repaid to the Spend to Save fund.
- 2.15 An example would be £0.5 million Spend to Save application for investment will generate £0.125 million of savings per annum. Payback period 4 years. If the full value of the investment has to be repaid into the fund then the saving that has been generated will only impact in year 5. By repaying into the fund half of the investment the service will be able to impact on the revenue budget in year 3. This enables the timescales for generating an impact on the revenue budget to be substantially improved, providing an incentive to effect the savings quickly.
- 2.16 The other impact is that the Spend to Save fund will reduce and not be self sustaining meaning that fewer future opportunities will be able to be funded.

Linking the 2016/17 Budget to the Council's Corporate Plan

- 3.01 The 2016/17 General Fund budget proposes to incur net expenditure of £111.878m on services to the people of Shetland during the next financial year.
- 3.02 Although budgets have reduced in recent years to move the Council to a position where it is closer to a sustainable footing, Shetland Islands Council is still able to provide some of the highest funded services to the public of any local authority in Scotland.
- 3.03 During that time the Council has sought to maximise the potential impact of the available funding for services by targeting resources towards the key priorities of the Council as set out in its Corporate Plan. In line with the new Medium Term Financial Plan the opportunity should be taken by Directors to prioritise the delivery of services that contribute most effectively to the successful delivery of the Corporate Plan objectives and outcomes in the long term or are required to fulfil the Council's statutory duties. This should be taken forward by Directors in planning for the future beyond 2016/17.
- 3.04 Further detail on how these priorities will be delivered in the 2016/17 financial year can be found in the five Directorate Plans. These set out how the budgets of each directorate will be used to contribute towards the delivery of the Corporate Plan. These reports were presented to the Special Service Committee meetings. These can be found on the Council's website.

Community Health & Social Care Directorate	CC-056-F Community Health & Social Care Directorate Plan 2016/17 http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4974
Development Services Directorate	DV-063-F Development Services Directorate Plan 2016/17 http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4746
Children's Services Directorate	CS-035-F Children's Services Directorate Plan 2016/17 http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4716
Infrastructure Services Directorate	ISD-027-F Infrastructure Services Directorate Plan 2016/17 http://www.shetland.gov.uk/coins/agenda.asp?meetingid=4736
Corporate & Chief Executive Directorates	CRP-025-F Corporate and Chief Executive's Directorate Plan 2016/17 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4755

The 2016/17 General Fund Budget

4.01 The 2016/17 General Fund budget is set out in the table below:

Line No.	Description	2016/17 £000	2016/17 £000
1	Chief Executive & Cost of Democracy	1,919	
2	Children's Services	41,202	
3	Community Health & Social Care Services	20,598	
4	Development Services	15,341	
5	Infrastructure Services	20,601	
6	Corporate Services	8,480	
7	Corporate Services (Fund Manager Fees)	875	
8	GENERAL FUND SERVICES NET EXPENDITURE (equals lines 1-7)		109,016
9	Contingencies and Budget Pressures	4,191	
10	Borrowing Support Costs funded corporately for AHS Replacement	1,256	
11	Support Recharges to Harbour Account , HRA and Capital	(1,758)	
12	Interest on Revenue Balances	(27)	
13	Economic Development Investment Income	(800)	
14	TOTAL NET GENERAL FUND EXPENDITURE (equals line 8 plus lines 9-13)		111,878
	Funded by -		
15	General Revenue Grant/NNDR (Scottish Government Allocation)	(85,239)	
16	Council Tax	(8,505)	
17	TOTAL CORE FUNDING (equals lines 15-16)		(93,744)
	Deficit to be funded from Reserves		
18	Draw on Reserves – Core Expenditure General Fund	(12,024)	
19	Draw on Reserves – Equivalent to Harbour Account Surplus	(5,417)	
20	Shetland Gas Plant Contribution	(693)	
21	TOTAL FUNDING FROM RESERVES (equals lines 18-20)		(18,134)
22	TOTAL FUNDING (equals line 17 plus line 21)		(111,878)
23	BALANCED BUDGET (line 14 plus line 22)		0

4.02 The proposals in the 2016/17 General Fund budget fall within the agreed Directorate Target Operating Budgets as set out in the Medium Term Financial Plan 2015-2020.

4.03 The table below shows Directorate proposals compared to revised Target Operating Budgets:

	2016/17 Target £000	Cost Pressures £000	2016/17 Revised Target £000	2016/17 Actual Budget £000	Variance £000
Corporate & Chief Executive Services	9,833	609	10,442	10,399	43
Children's Services	38,599	2,573	41,172	41,202	(30)
Community Health & Social Care Services	19,359	1,300	20,659	20,598	61
Development Services	14,781	555	15,336	15,341	(5)
Infrastructure Services	19,826	818	20,644	20,601	43
Total Directorate budgets	102,398	5,855	108,253	108,141	112

The main cost pressures applied in 2016/17 have been for nationally agree pay inflation, UK Government changes to employer national insurance contributions and pension rate changes amounting to £5.109m. This cost pressure takes account of the pay award for 2015/16 and for 2016/17. The remaining items were for cost pressures identified in the 2015/16 budget exercise which have been realised i.e. free school meals for primary 1-3, ICT licences etc.

Expenditure

4.04 The General Fund services net expenditure is budgeted to be £109.016m in 2016/17 (as shown at Line 8 in the table at 4.01) which represents the spending on day to day Council services. The table below shows how the Directorate Target Operating Budgets reconcile to the detailed budget proposal reports that have been through the five Special Committee meetings in November 2015:

Directorate	Development Committee £000	Social Services Committee £000	Education & Families Committee £000	Environment & Transport Committee £000	Policy & Resources Committee £000	Total £000
Executive & Corporate					10,399	10,399
Children's			41,202			41,202
Community Health & Social Care		20,598				20,598
Development	8,918		531	5,892		15,341
Infrastructure				20,601		20,601
TOTAL	8,918	20,598	41,733	26,493	10,339	108,141

4.05 The detailed General Fund budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Reports (including appendices) which were presented to Special Service Committee Meetings:

Development Committee 23 November 2015	F-074-F 2016/17 Budget and Charging Proposals Development Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18645
Education & Families Committee 23 November 2015	F-079-F 2016/17 Budget & Charging Proposals Education and Families Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18623
Social Services Committee 24 November 2015	F-077-F 2016/17 Budget and Charging Proposals Social Services Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18676
Environment & Transport Committee 24 November 2015	F-071-F 2016/17 Budget and Charging Proposals Environment and Transport Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18653
Shetland College Board 25 November 2015	F-076-F 2016/17 Budget Proposals for Shetland College http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=1863
Policy & Resources Committee 25 November 2015	F-075-F 2016/17 Budget and Charging Proposals Policy & Resources Committee http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18674

Contingencies and Cost Pressures

4.06 A figure of £4.191m has been included in the General Fund budget to cover contingencies and cost pressures (as set out in Line 9 of the table at 5.01). This figure has been calculated based on the best information known as at November 2015.

4.07 This budget line generally covers Council-wide issues and therefore will be held centrally by the Executive Manager – Finance. It will only be released when the Executive Manager – Finance is satisfied that the cost pressure has materialised or the conditions exist to legitimately release contingency monies.

4.08 The following tables show how the figure of £4.191m (£1,341k for cost pressures and £2,850k for contingencies) has been calculated:

Cost Pressures	Description	Allowance in 2016/17 budget (£000)
Living Wage	This is to meet the additional cost of the 2016/17 living wage hourly rate.	74
Holiday Pay	This is to meet the estimated cost of holiday pay relating to overtime and additional hours.	300
Sleep-Over Payments	ICJ ruling has resulted in increased cost of providing sleep-overs.	365
Non-Residential charges	To off-set the reduction in income as a result of changes to COSLA's charging policy for community care.	150
Waiving of Charges for Carers	To off-set the potential loss in income from respite care charges as a result of the Social Care (Self-Directed Support) Scotland Act 2013 and the Carers Bill.	78
Health & Social Care Integration	To take account of any additional costs as a result of the new Health and Social Care Integration Board.	15
Free School Meals	Increased take-up of free school meals for primary 1-3.	32
Free Nursery Meals	Government policy to provide meals where children are in full day nursery.	13
Fee Paid Carers	Estimate for fee paid carers to address a shortage in voluntary foster carers.	94
Kinship Allowances	To support potential for new kinship placements.	31
Windybrae	To provide for 2 social care workers in order to meet Care Inspectorate regulations to fully utilise Windybrae.	88
External Audit Fees	The estimated additional cost of external audit fees.	20
Air/Bus/School Transport Inflation	To cover the cost of inflationary increases in contracts for air, bus and school transport services.	81
TOTAL COST PRESSURES		1,341

Contingencies	Description	Allowance in 2016/17 budget (£000)
Off-Island Placements (Community Health & Social Care & Children's Services)	The need for off-island placements varies significantly from year to year. It is an unpredictable demand led activity.	1,052
Children's Resources	To meet contingent demand across Children's Resources as requested by the service which cannot be met from within budget.	292
Schools/Quality Improvement	To meet contingent demand across Schools/QI as requested by the service which cannot be met from within budget.	354
Supply Teachers/Reliefs in Schools	The need for supply teachers/reliefs varies year to year. This is to meet potential additional demand which cannot be met from within budget.	258

Contingencies	Description	Allowance in 2016/17 budget (£000)
Demographics Pressures	Based on Shetland's ageing population and the increasing number of people living with disabilities, including learning disabilities, autism or long term conditions, it is anticipated that there may be extra demand on Community Health & Social Care resources in 2016-17.	300
Ferry Vessel & Other Fuel	Cost pressure arising from anticipated increases in the price of fuel.	274
Ferry Staffing Shortages	There may be a need to use agency electrical engineers to do essential ferry maintenance.	210
Ferry Staff Revalidation Cover	To meet the potential cost of ferry cover to carry out MCA training.	115
Infrastructure Equipment Failure	To meet unexpected high cost equipment failure throughout Infrastructure Services.	350
Winter Maintenance	Contingency to meet any unforeseen costs due to a severe winter.	110
Bitumen Supplies	To meet an increase in the cost of bitumen.	102
Extreme Weather Events	To meet the cost of extreme weather events such as storms, flash floods, landslides and coastal damage.	100
CIPFA Trainee Programme	The programme has been put into contingency to use only that required.	70
Valuation Joint Board	The Board has increasing IER costs and a Best Value review is to take place to ensure that the current delivery is the most efficient and effective method of delivery.	50
Funding for Change	In line with the MTFP there is a commitment to including funding to facilitate the change of services to address the medium term forecast position of the Council. This provides capacity to deliver that change.	500
External Recruitment for Senior Officers	To meet the estimated cost of a number of senior posts for which recruitment is anticipated to be required in 2016/17.	124
Payroll Officer	To meet the potential cost of implementing the change from Webroster to timesheets.	27
Homeless Accommodation Costs Inflation	The price of accommodation for homelessness is currently inflated and may require additional resources until prices return to normal levels.	60
Foula Ferry – Contract Increase	To meet the cost of the one-off uplift on the Foula Ferry contract.	60
TOTAL CONTINGENCIES		4,408
	Reduction based on risk of events occurring - 35%	(1,558)
REVISED TOTAL CONTINGENCIES		2,850
TOTAL FUNDING IN MTFP	COST PRESSURES AND CONTINGENCY	(4,191)

Funding

- 4.09 The Scottish Government is estimated to provide £85.239m of funding for General Fund services to Shetland Islands Council in 2016/17. This funding represents the Council's General Revenue Grant and includes the level of income that the Council will receive from the National Non-Domestic Rates Pool.
- 4.10 The Council is freezing Council Tax for the ninth consecutive year so a Band D property will incur an annual charge of £1,053.00. This means that Shetland Islands Council is expected to continue to charge the 4th lowest level of Council tax out of the 32 local authorities in Scotland whilst providing the best funded services. At this rate of taxation it is expected that the Council will generate £8.505m from Council Tax during 2016/17. It has been assumed that a 1% increase in the property base will occur.
- 4.11 The remainder of the funding required to balance the General Fund will come from the Council's reserves. This is budgeted to total £18.134m in 2016/17 (Line 21 in the table at 4.01).

The 2016/17 Harbour Account Budget

5.01 The proposed budget for the Harbour Account is as follows:

Line No.	Description	2016/17 £000
	<i>Expenditure</i>	
1	Ports Management	64
2	Sullom Voe	13,188
3	Scalloway	890
4	Other Piers	817
5	Jetties & Spur Booms	2,083
6	Terminals	1,090
7	TOTAL EXPENDITURE (equals lines 1-6)	18,132
	<i>Income</i>	
8	Harbour Fees & Charges	(23,534)
9	Jetties & Spur Booms	(2,083)
10	TOTAL INCOME (equals lines 8-9)	(25,617)
11	HARBOUR ACTIVITY NET SURPLUS (equals lines 7-10)	(7,485)
12	Internal contribution from the General Fund for terminal berthing charges	(3,045)
13	TOTAL SURPLUS (equals line 11 plus line 12)	(10,530)
	<i>Contributions to/(from) Reserves</i>	
14	Contribution from the Marine Fund	(144)
15	Contribution to the Reserve Fund	10,674
16	BALANCED HARBOUR ACCOUNT (line 13 plus lines 14 and 15)	0

5.02 The Sullom Voe Terminal operator requires a 24 hour, 7 day per week Harbour operation to facilitate tanker movements. From the point of view of the Council, this means that there is a requirement to continue to incur a high level of expenditure to maintain this level of service against reducing tanker numbers. Charges have required to be increased by 83%. This takes account of a reduction in tanker numbers but will generate the surplus required, in line with the proposed Medium Term Financial Plan, to support Council service expenditure. This level of increase is also required to address under-investment in Port infrastructure which require urgent life extension works and to re-coup the projected loss on harbour activity in the current year, in line with Council policy. This projected loss relates to updated projections on tanker numbers from the Sullom Voe Terminal operators of a 26% reduction in tanker traffic in 2015/16.

5.03 This has allowed the Council to budget for the surplus on Harbour activities that it required in the Medium Term Financial Plan. It is proposed to increase all other charges by 3%. The increase on other charges has been raised by 3% to increase the contribution to the maintenance and future investment in piers/equipment.

- 5.04 The net income for the berthing charge for the inter-island ferry use of shore-based ferry terminal assets results in net income of £3.045m.
- 5.05 Income from the Shetland Gas Plant throughput activity is anticipated to be £0.683m which is in addition to the surplus identified in the Harbour Account budget for 2016/17. This is lower than originally anticipated but reflects the current gas and oil prices.
- 5.06 The detailed Harbour Account budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendices) which was presented to the Harbour Board on 25 November 2015:

Harbour Board 25 November 2015	F-072-F 2016/17 Budget and Charging Proposals Harbour Board http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18640
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The 2016/17 Housing Revenue Account Budget

6.01 The 2016/17 Housing Revenue Account budget is set out in the table below:

Line No.	Description	2016/17 £000
	Expenditure	
1	Supervision & Management	725
2	Repairs & Maintenance	1,821
3	Void Rents & Charges	168
4	Garages	25
5	Capital Funded from Current Revenue	1,630
6	Capital Charges - Dwellings	1,621
7	TOTAL EXPENDITURE (equals lines 1-6)	5,990
	Income	
8	Interest on Revenue Balances	(2)
9	Rents - Dwellings	(6,763)
10	Rents - Other i.e. garages/sites etc	(181)
11	TOTAL INCOME (equals lines 8-10)	(6,946)
12	TOTAL SURPLUS (line 7 plus line 11)	(956)
	Surplus to contribute to Reserves	
13	Contribution to Housing Repairs & Renewals Fund (Reserves)	956
14	BALANCED HOUSING REVENUE ACCOUNT BUDGET (line 12 plus line 13)	0

6.02 The objective of the 2016/17 Housing Revenue Account (HRA) budget is to deliver a sustainable position and minimise rent increases for the year in line with the proposed HRA 30 Year Business Plan.

6.03 The proposal on rents is to remove the disparity in rents between smaller and larger properties as the distinction is no longer reasonable, and this is in line with tenant feedback. Rents are due to increase by 2%, with an additional £1 per week being added to rents for one and two bedroom properties for 2016/17.

6.04 The capital expenditure in the Asset Investment Plan is set at £2.242m in 2016/17. This is in line with the HRA 30 Year Business Plan.

6.05 The detailed HRA budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendices) which was presented to the Policy and Resources Committee on 25 November 2015:

Policy & Resources Committee 25 November 2015	<p align="center">F-080-F</p> <p align="center">2016/17 Housing Revenue Account Budget and Charging Proposals</p> <p align="center">http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18675</p>
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The 2016/17 Asset Investment Plan (Capital Programme)

7.01 The 2016/17 Asset Investment Plan is set out in the table below:

Line No.	Description	2016/17 Budget £000
1	New Developments	3,523
2	Maintenance of Existing Assets	8,114
3	Spend to Save Projects	91
4	Housing Revenue Account Projects	2,242
5	TOTAL EXPENDITURE (equals lines 1-4)	13,970
6	Scottish Government General Capital Grant	(6,000)
7	Other Capital Grants	(500)
8	Capital Receipts (General Fund and HRA)	(962)
9	Capital Funded from Current Revenue (Harbour and HRA)	(4,095)
10	Draw on Reserves – Spend to Save	(91)
11	Draw on Reserves – Second Homes Council Tax	(60)
12	TOTAL FUNDING (equals lines 6-11)	(11,708)
13	FUNDING SHORTFALL (equals line 6 plus line 12)	2,262
14	Borrowing for the Eric Gray Replacement	(2,262)
15	TOTAL BORROWING (equals lines 14)	(2,262)
16	TOTAL FUNDING AND FINANCING (equals line 12 plus line 15)	(13,970)
17	BALANCED ASSET INVESTMENT PLAN (equals line 5 plus line 16)	0

7.02 There are 13 key criteria for capital investment planning included within the Medium Term Financial Plan. These are:

- No growth in the asset base;
- All capital expenditure is to be focussed on the maintenance of existing assets (exception new Anderson High School and digital connectivity);
- A gateway process will ensure strategic fit is demonstrated early and decisions are taken at key stages. This will be supported by a full business case, including projected future demand, and options and investment appraisal process before a project can be considered for inclusion on the Asset Investment Plan;
- No project will be considered for inclusion on the Asset Investment Plan, and existing projects will be removed, unless they have a robust financial estimate of cost. The Executive Manager – Finance will determine whether the financial estimates of cost is robust;
- All capital projects must clearly demonstrate the revenue consequences arising from a capital spending decision to assist Elected Members in understanding the full financial impact;

- The focus will be on effective asset management, driven forward through the Asset Strategy and Implementation Plan. This will ensure that the Council occupies a reduced number of properties in the future.
- Scottish Government Capital Grant will be applied initially to short life assets (e.g. vehicles, ICT, certain maintenance);
- Capital Receipts will be targeted at core capital maintenance costs.
- Capital Funded from Current Revenue (CFCR) will be used where appropriate to fund low value, shorter life capital expenditure.
- Where available and determined as appropriate by the Executive Manager – Finance, other assets may be funded from Capital Grants, Capital Receipts and CFCR;
- All other capital expenditure will be financed by borrowing. If interest rates are lower than the return on the long-term investments described in the Medium Term Financial Plan, external borrowing will be undertaken. If interest rates are higher than investment returns, internal borrowing will be undertaken;
- The service(s) that benefit from the capital asset will be required to make sufficient revenue savings to free up budget to pay for the cost of capital (interest charges and principal repayments of debt) based on the amount borrowed. This will be calculated on the amount borrowed. The only exception to this will be in relation to the New Anderson High School as the agreement to borrow pre-dates this Policy;
- Capital financing products are affected by external and financial market factors and can develop in a way that may enable the Council to achieve its Corporate Plan outcomes through alternative means. Where new capital financial opportunities arise, such as Scottish Government Initiatives like the National Housing Trust models, then the Executive Manager Finance will give consideration to such products, subjecting them to financial viability, affordability and risk tests, and make a recommendation prior to proceeding.

7.03 The level of borrowing required to finance the Asset Investment Plan is called the Capital Financing Requirement (CFR). The Council will be able to manage limits for borrowing based on what it thinks is prudent, affordable and sustainable through annually agreeing Prudential Indicators as part of the Annual Borrowing & Investment Strategy.

Asset Investment Plan 2016/2021

- 7.05 The Asset Investment Plan proposes to spend £73.768m over the next five years which represents a significant investment in the Council's infrastructure and this will require borrowing of £22m to meet the funding shortfall. The borrowing is required to finance the new Anderson High School, the new Eric Gray Resource Centre, Terminal and Ferry Vessel Life extensions.
- 7.07 The focus of the Asset Investment Plan over the five years is on the maintenance of existing assets rather than the creation of new assets. The main exceptions to this rule are the building of a new Anderson High School and the new Eric Gray Resource Centre.
- 7.08 The detailed Capital Programme (Asset Investment Plan) budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendices) which was presented to the Policy & Resources Committee on 25 November 2015:

Policy & Resources Committee 25 November 2015	<p style="text-align: center;">F-081-F</p> <p style="text-align: center;">Proposed 5 Year Asset Investment Plan 2016-21</p> <p style="text-align: center;">http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18683</p>
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END

Shetland Islands Council – Budget Estimates 2016/17**The Formal Resolutions Required:****Recommendation**

It is recommended that to provide for the expenses foreseen in the Budget Estimates for 2016/17, the Council RESOLVE THAT:-

1. they IMPOSE and LEVY the following assessments for the period from 1 April 2016 to 31 March 2017.

NON DOMESTIC RATES

- (a) **THE SHETLAND ISLANDS COUNCIL DO DECERN AND ORDAIN** the whole occupiers in Shetland Islands liable for the aforesaid assessments, to make payment thereof to the Executive Manager - Finance, either by ten instalments, as near equal amounts as practicable, the first on or before 1 April 2016 and at monthly intervals thereafter, or in a single payment on or before 30 September 2016.

COUNCIL TAX

- (a) **Council Tax:** Council Tax of £1,053.00 – Band D equivalent, on all chargeable dwellings in Shetland and to be paid by the persons liable therefor under the Local Government Finance Act 1992, as amended by the Local Government etc. (Scotland) Act 1994.
- (b) **THE SHETLAND ISLANDS COUNCIL DO DECERN AND ORDAIN** the persons liable as described in the Local Government Finance Act 1992, in respect of chargeable dwellings referred to in paragraph (ii) (a) for the aforesaid assessments to make payment thereof to the Executive Manager - Finance, either by 10 monthly instalments, as near equal in amount as practicable, the first on or before 1 April 2016 and at intervals thereafter, or in a single payment before 1 June 2016.

2. NON DOMESTIC RATES APPEALS

- (a) The Council adopt the following regulations with regard to the lodging and hearing of appeals against rates, in terms of Section 238 of the Local Government (Scotland) Act 1947, viz:
 - (b) persons complaining that they have been improperly charged, must lodge their appeals with the Executive Manager - Finance not later than 28 days after receipt of a rates demand note and these appeals will be heard by Council on a date to be notified to appellants. Appellants may appeal personally in support of their appeals or be represented by an agent.
 - (c) no appeal against the valuation entered in the valuation roll is competent.
3. The de minimis sum (used to establish whether expenditure of a capital nature should be charged to capital or revenue) for the year commencing 1 April 2016 should be set equal to £10,000.

Building Budgets

2015

This report covers the findings of Building Budgets 2015, provides analysis of the comments and appropriate context to assist elected members and NHS Shetland board members in their consideration of budget proposals

**Shetland
Islands Council
and NHS
Shetland**

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Summary

This report covers the findings of Building Budgets 2015, provides analysis of the comments, and appropriate context, to assist councillors and board members in their consideration of budget proposals.

This year's approach to budget engagement set out to engage the public in a meaningful way, using a new interactive online budget planner. It has been successful in achieving a high response rate, generating 244 responses.

The feedback suggests that the public have taken a rational approach to their responses in balancing the budget, with a greater understanding and appreciation of the challenges. This has been made possible through real time information and the consequences of budget options presented in an accessible format.

Feedback indicates that most residents support a position of protecting the direct delivery of services for health, in particular mental health; vulnerable adults and vulnerable children.

This report deals with issues that relate to the general themes of the budget as set out in the planner. Respondents used the budget process to suggest ideas, to praise, to express dissatisfaction or to make comments about services.

All ideas for budget savings and improvements to the engagement process will be sent to appropriate service areas for consideration. A full list of comments made in relation to the budget will be made available to all councillors and board members.

Financial position

Shetland Islands Council, like all local authorities is expected to continue to deliver year on year savings, through efficiencies and better use of its resources, to take account of 3% targets set by the Scottish Government. These efficiency targets apply similarly to NHS Shetland and are incorporated into the financial settlement that local government and NHS receives on an annual basis.

In addition to this, national austerity measures are expected to continue impacting on the value of funding flowing through to Scottish local government for a number of years to come.

Current projections carried out by Council officers show that grant funding to the Council will reduce by 6.3% from current levels over the next four years. With added risk around the fees and charges that have a direct relationship to the price of oil and gas there are depleting resources to deliver our services. While NHS Shetland forecast small cash increases for the future these will not keep up with rising costs, meaning that in real terms resources are depleting too.

Both the Council and the Board must take action to produce balanced budgets and meet the financial challenges and constraints that they face.

Priorities are set in the context of the Council's Corporate Plan, the Board's Vision, Values and Objectives and the Shetland Partnership's Community Plan, therefore, become very important to shaping the future distribution of resources. Public engagement is an element of that process, it is hoped that involvement of Community Planning Partners can be extended in the future.

Background

In late 2011, the Council carried out its first public budget engagement – have YOUR say – with seven public meetings held in various locations throughout Shetland.

Building Budgets 2014 developed this approach with the addition of an interactive computer programme.

This is now the third year that the Council has conducted a budget engagement exercise, and the first year that a joint approach between the Council and NHS Shetland has been taken.

These exercises have attempted to help people understand the pressures, the choices and the opportunities created by the Council, and to communicate their priorities for their family and for Shetland.

On 24 August 2015 the Council and NHS Shetland officially launched both strands of their budget engagement process: a series of local area drop-in sessions and public meetings; and an online planner allowing the public to set their own priorities for Council spending. The planner closed on 6 September after a two-week period.

In order to meaningfully engage with a larger and more diverse group, the Council and NHS Shetland used an online planner at <https://shetland.budgetsimulator.com> to show where they expect to incur costs in 2016/17, to demonstrate the impacts of increasing or decreasing spending in all of its services, and to give respondents the opportunity to express what they feel the Council and NHS Shetland's priorities should be.

Descriptions were included in the planner that indicated the impacts of making changes to the budgets.

This report deals with the response to the Building Budgets 2015 engagement exercise.



Overall response and demographics

The level of response received to the Council and NHS Shetland's budget engagement activities in 2015 exceeded the previous year.

The total number of responses, in all formats, was 244 and was around three times greater than all feedback received from all formats in 2014. 2015 feedback included:

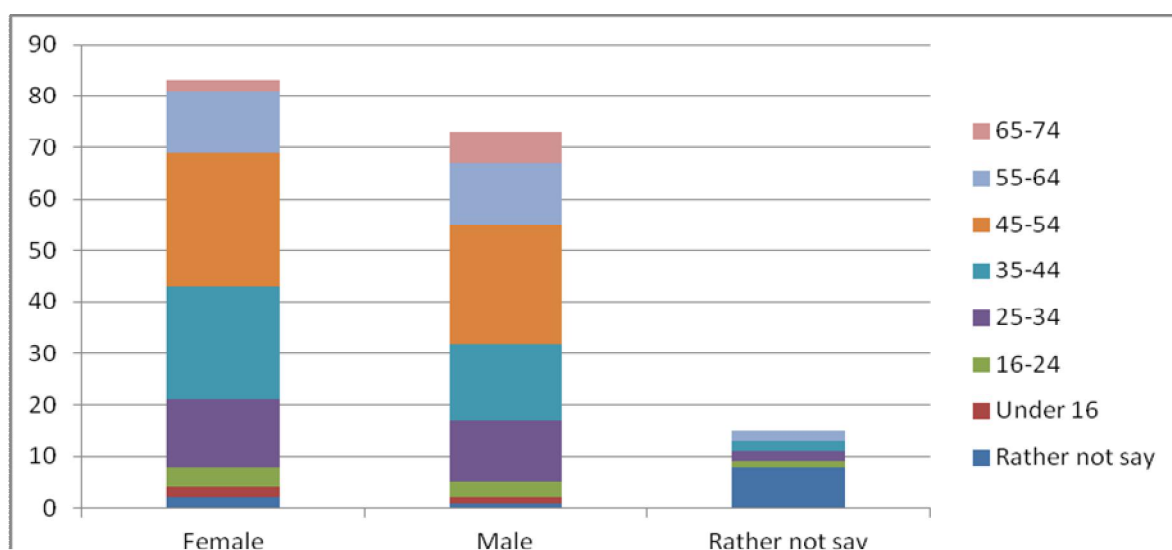
- 191 completed budgets submitted through the online planner (of these 46 included further comments on the budget)
- 3 submitted online planner feedback forms
- 1 email response
- 14 group activities with residents (these involved 53 individuals)

This can be compared against the Council's 2014 Building Budgets response of 77 – which used an interactive computer programme.

The graph below shows the age and gender breakdown of all 2015 respondents using the online planner who have a Shetland post code (this number excludes any other forms of submission where no demographic information is asked for).

More detailed information about respondent demographics is included in **Appendix 1**, and **Appendix 2** includes notes on the interpretation of the results.

Overall Demographic Data – Building Budgets 2015



Communications strategy

A proactive and sustained communications campaign began on 13 August to ensure that as many residents and stakeholders as possible were aware of the budget engagement and encouraged to have their say before it closed on 6 September 2015.

A wide range of communication tools were used throughout the two-week engagement period to target different audiences. More information about the approach to Communications is included in **Appendix 3**.

This approach ensured that as many people as possible had the opportunity to have their say about changes which may affect them by using a broad range of communication channels to target the demographics of Shetland's population.

Where possible no or low-cost tools were used, but to make sure the campaign was an inclusive and engaging as possible some paid-for communications were required. The communications campaign cost £462 excluding staff time. As a result more than three times the number of people took part in the budget engagement compared to last year.

General priorities

The following table summarises the results of the online planner, showing the percentage change in budget for each directorate.

Directorate	All respondents average reduction per directorate
Community Health & Social Care	-2.18%
Executive & Corporate	-5.75%
Development	-5.26%
Infrastructure	-4.98%
Children's Services	-3.20%

The tables on the following two pages summarise the results of the online planner, showing the percentage change in budget for each of the service areas discussed.

The first table shows the percentage change for all respondents, for parents / guardians, council employees, NHS employees and by age groups (weighted).

On average, all service areas receive a reduction in their budget, on average. The reductions by all respondents vary from a minimum of 0.2% for Mental Health, to a maximum of 8.9% for Executive Services.

This protection of front-line services for vulnerable groups matches with the feedback provided through other mechanisms and the comments provided.

The second table on page 10 summarises the results of the online planner for respondents with a Shetland postcode by ward area, showing the average percentage change in budget for each of the service areas discussed. Again, nearly all service areas receive a reduction in their budget, on average, with the exception of Mental Health (NHS).

The approximate £3.7m budget reduction respondents needed to create was equivalent to around 3% of all service budgets. In this context, it is reasonable to consider services which have received an average reduction of less than 3% as being favoured, or 'protected', by respondents.

It is not clear that service size has resulted in any real bias, since larger services being protected are those services which qualitative feedback confirms people believe should be protected – older people / residential care, general health and education.

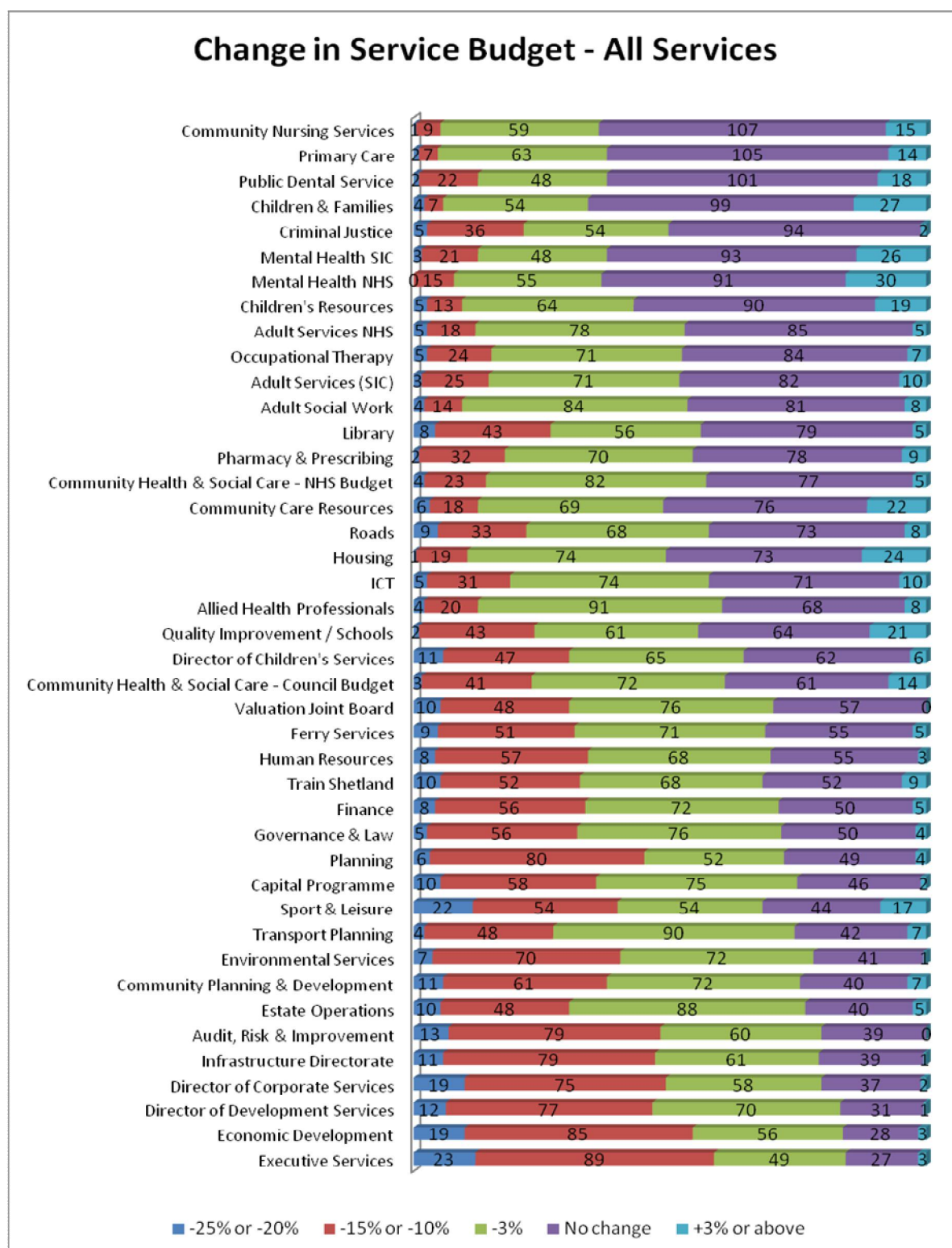
Qualitative feedback indicates that respondents felt some budgets were too large and should be split down further to aid a more specific response. If repeated, the Council and NHS Shetland should consider sub-dividing services into smaller blocks of spending.

Average budget changes for all service areas	All respondents (191)	Parent / guardian (62)	Council employee (98)	NHS employee (15)	Weighted by age (171)
Adult Services (NHS)	-2.70%	-1.60%	-2.20%	-3.70%	-2.94%
Adult Services (SIC)	-2.70%	-2.60%	-2.20%	-5.80%	-2.86%
Adult Social Work	-2.30%	-2.30%	-2.20%	-4.60%	-2.55%
Allied Health Professionals	-2.60%	-2.20%	-3.10%	1.60%	-2.36%
Community Care Resources	-2.30%	-2.50%	-1.90%	-4.90%	-2.29%
Community Health & Social Care – Council Budget	-3.40%	-3.70%	-3.60%	-6.00%	-3.06%
Community Health & Social Care – NHS Budget	-3.00%	-2.60%	-2.80%	-3.10%	-3.20%
Community Nursing Services	-1.10%	-1.00%	-0.70%	-3.20%	-1.13%
Criminal Justice	-3.30%	-3.30%	-3.50%	-6.00%	-3.59%
Mental Health (NHS)	-0.20%	-0.50%	-0.40%	3.30%	-0.43%
Mental Health (SIC)	-1.30%	-1.50%	-0.80%	-2.60%	-1.12%
Occupational Therapy (SIC)	-2.90%	-2.50%	-2.30%	-7.90%	-3.09%
Pharmacy & Prescribing	-2.80%	-3.30%	-2.80%	-3.20%	-3.27%
Primary Care	-1.40%	-1.50%	-1.10%	-3.90%	-1.22%
Public Dental Service	-1.70%	-1.70%	-1.30%	-4.70%	-1.90%
Audit, Risk and Improvement	-7.00%	-7.50%	-7.20%	-5.10%	-8.65%
Capital Programme Service	-5.80%	-6.40%	-5.60%	-4.20%	-7.72%
Director of Corporate Services	-7.50%	-7.30%	-6.50%	-7.60%	-9.00%
Executive Services	-8.90%	-10.00%	-8.90%	-7.50%	-10.59%
Finance	-5.20%	-6.10%	-4.90%	-5.00%	-6.89%
Governance & Law	-4.80%	-4.60%	-4.30%	-4.60%	-6.91%
Human Resources	-5.10%	-5.40%	-4.60%	-4.60%	-6.84%
Information and Communications Technology (ICT)	-3.20%	-2.70%	-2.60%	-3.50%	-5.49%
Valuation Joint Board	-5.20%	-5.00%	-5.10%	-3.70%	-7.06%
Community Planning & Development	-5.80%	-7.40%	-6.40%	-2.50%	-7.09%
Director of Development Services	-7.20%	-7.40%	-6.90%	-5.00%	-8.04%
Economic Development	-8.20%	-10.30%	-8.30%	-3.30%	-8.65%
Housing	-1.40%	-2.70%	-1.10%	-1.30%	-1.41%
Planning	-6.00%	-7.10%	-6.30%	-4.10%	-7.49%
Train Shetland	-4.90%	-5.20%	-4.80%	-3.00%	-6.46%
Transport Planning	-4.50%	-5.30%	-4.40%	-1.90%	-5.95%
Environmental Services	-6.00%	-6.80%	-5.90%	-6.60%	-6.68%
Estate Operations	-5.20%	-5.70%	-5.30%	-4.60%	-6.00%
Ferry Services	-5.00%	-5.60%	-5.80%	-3.60%	-5.21%
Infrastructure Directorate	-6.90%	-6.70%	-6.60%	-5.10%	-7.81%
Roads	-3.60%	-3.40%	-3.60%	-3.80%	-5.18%
Children & Families	-0.90%	-0.70%	-0.30%	0.00%	-1.87%
Children's Resources	-1.70%	-2.20%	-1.50%	-0.20%	-2.47%
Director of Children's Services	-5.00%	-4.80%	-4.60%	-2.60%	-5.36%
Library	-4.30%	-4.50%	-4.80%	-4.00%	-5.49%
Quality Improvement/Schools	-3.20%	-1.90%	-3.10%	-2.60%	-3.16%
Sport & Leisure	-5.70%	-8.00%	-5.90%	-3.40%	-7.69%

Service Area	Central Mainland	Lerwick & Bressay	North Isles	North Mainland	South Mainland, including Fair Isle	West Mainland, including Foula and Papa Stour
Adult Services (NHS)	-2.9%	-2.2%	-1.8%	-1.6%	-2.0%	-4.2%
Adult Services (SIC)	-2.8%	-2.3%	-2.3%	-2.3%	-1.9%	-4.3%
Adult Social Work	-1.8%	-1.9%	-2.2%	-3.9%	-1.5%	-4.9%
Allied Health Professionals	-0.6%	-3.3%	-1.5%	1.2%	-2.7%	-3.0%
Community Care Resources	-1.9%	-2.5%	-0.1%	-2.6%	-2.1%	-3.5%
Community Health & Social Care – Council Budget	-3.2%	-3.0%	-2.2%	-2.6%	-3.1%	-7.3%
Community Health & Social Care – NHS Budget	-3.6%	-2.5%	-4.8%	-0.8%	-2.7%	-4.4%
Community Nursing Services	-1.7%	-0.7%	-0.6%	-0.8%	-0.9%	-2.7%
Criminal Justice	-4.4%	-3.3%	-3.6%	0.5%	-3.8%	-4.7%
Mental Health (NHS)	2.8%	-1.0%	-1.8%	1.5%	0.3%	-1.8%
Mental Health (SIC)	1.3%	-0.6%	-2.3%	0.9%	-1.7%	-4.1%
Occupational Therapy (SIC)	-3.4%	-2.5%	-5.2%	-1.4%	-1.8%	-5.5%
Pharmacy & Prescribing	-4.0%	-2.9%	-2.0%	-1.1%	-2.5%	-4.2%
Primary Care	-2.3%	-1.2%	-1.1%	-1.1%	-1.2%	-1.8%
Public Dental Service	-2.3%	-1.8%	-1.9%	-0.9%	-0.6%	-3.6%
Audit, Risk and Improvement	-6.7%	-6.6%	-9.1%	-6.5%	-8.3%	-5.1%
Capital Programme Service	-5.4%	-6.1%	-6.2%	-6.9%	-6.4%	-3.9%
Director of Corporate Services	-8.0%	-7.1%	-10.8%	-8.1%	-7.3%	-6.4%
Executive Services	-11.1%	-9.2%	-9.9%	-8.8%	-8.9%	-7.9%
Finance	-5.6%	-5.1%	-8.4%	-4.7%	-5.1%	-4.2%
Governance & Law	-5.0%	-4.8%	-6.5%	-3.8%	-5.1%	-4.2%
Human Resources	-5.8%	-4.9%	-7.9%	-3.3%	-5.2%	-3.3%
Information and Communications Technology (ICT)	-3.1%	-2.8%	-7.1%	-4.9%	-2.7%	-2.1%
Valuation Joint Board	-4.3%	-4.7%	-6.4%	-5.7%	-6.5%	-5.0%
Community Planning & Development	-5.3%	-5.9%	-7.5%	-5.5%	-4.9%	-7.0%
Director of Development Services	-7.6%	-7.6%	-7.4%	-5.6%	-6.4%	-7.2%
Economic Development	-6.4%	-8.4%	-11.0%	-10.8%	-7.2%	-7.5%
Housing	-1.8%	-0.5%	-3.2%	0.6%	-2.3%	-1.6%
Planning	-7.1%	-5.6%	-9.4%	-5.8%	-6.2%	-6.1%
Train Shetland	-5.3%	-5.0%	-8.1%	-3.6%	-5.0%	-3.6%
Transport Planning	-4.7%	-3.2%	-5.3%	-7.1%	-5.5%	-4.0%
Environmental Services	-6.3%	-5.3%	-8.7%	-9.0%	-5.7%	-5.4%
Estate Operations	-4.2%	-5.3%	-6.9%	-6.5%	-5.3%	-5.1%
Ferry Services	-5.7%	-5.3%	0.7%	-6.8%	-6.8%	-4.5%
Infrastructure Directorate	-7.7%	-6.6%	-7.0%	-6.3%	-7.3%	-6.2%
Roads	-3.6%	-4.8%	-2.5%	-2.1%	-4.2%	-3.6%
Children & Families	0.4%	-0.3%	-3.7%	-1.1%	-0.7%	-0.4%
Children's Resources	0.2%	-1.8%	-3.9%	-2.3%	-1.1%	-1.6%
Director of Children's Services	-4.4%	-5.4%	-6.1%	-4.7%	-4.6%	-4.0%
Library	-3.6%	-5.2%	-7.3%	-3.6%	-3.2%	-3.5%
Quality Improvement/Schools	-3.8%	-3.7%	-2.8%	-2.4%	-3.2%	-0.7%
Sport & Leisure	-5.6%	-7.3%	-6.2%	-5.6%	-5.6%	-4.4%

Looking at the level of funding reduction made in each service area, the following graph shows some clustering of spending. Services generally aimed at health, vulnerable groups, older people or children received the lowest level of reductions at 20% or 25%.

By contrast a range of senior managerial, technical or professional services received a much higher proportion of larger reductions.



More information about the broad priorities of respondents in relation to Council and NHS Shetland spending is included in **Appendix 4**. This appendix brings together in depth analysis of qualitative and quantitative information from budget respondents, demographic analysis of budget priorities and relevant key performance indicators.

The intention of the section is to provide useful context around expressed priorities.

Implications

Delivery on Corporate Priorities – This report links to the Council’s corporate priorities, as defined in its new [Corporate Plan](#). Specifically this report contributes towards the Council’s priorities on encouraging community strength.

Community/Stakeholder Issues – This year there has been more extensive engagement with the community and stakeholders on the allocation of resources to Council and NHS Shetland services than in any previous year. The number of responses, the detail of feedback and the discussions held with the community is valued and are capable of making a positive contribution to the budget setting process. By continuing to develop this, our understanding of the priorities and issues that are important to the community and stakeholders will be more fully incorporated into Council and NHS Shetland financial planning.

The approach was informed by lessons learned and good practice from Building Budgets 2014.

Equalities, Health and Human Rights – The Council has taken all reasonable steps to ensure wide awareness and access to this process by people of all ages, abilities and backgrounds. A better understanding of groups that did not take part has been gained this year, through the use of a demographic survey. This will allow improved targeting of communication and public events in future years. Separate reports on the impact of budget proposals on equalities groups will be presented during the budget setting process, and beyond.

Financial – It is estimated that £5,612 from existing budgets was spent on promotion, communications and the development of the online planner. Approximately 596 hours of staff time were spent on the process from staff in all departments. No additional staff were recruited to support this exercise.

Appendix 1 - Respondents' demographics

This is the first year that demographic information has been requested therefore it is not possible to compare demographics for this year with previous years. The total number of responses was 191, with 172 respondents completing the demographic survey.

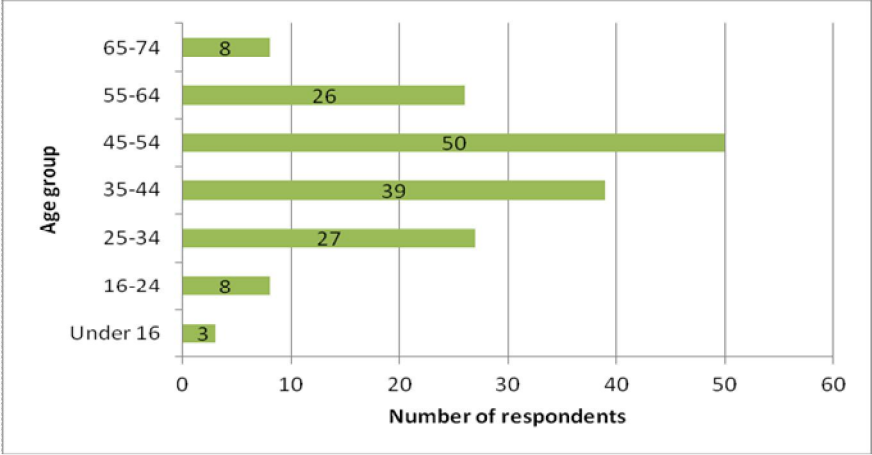
	Female	Female %	Male	Male %	Total	Total %
Under 16	2,062	18.04%	2,247	19.04%	4,309	18.55%
16-24	1,141	9.98%	1,262	10.70%	2,403	10.34%
25-34	1,321	11.56%	1,369	11.60%	2,690	11.58%
35-44	1,472	12.88%	1,546	13.10%	3,018	12.99%
45-54	1,702	14.89%	1,777	15.06%	3,479	14.98%
55-64	1,511	13.22%	1,588	13.46%	3,099	13.34%
65-74	1,202	10.52%	1,262	10.70%	2,464	10.61%
75 and over	1,020	8.92%	748	6.34%	1,768	7.61%
Total by gender	11,431		11,799		23,230	

Shetland Population 2014 (from NRS mid-term estimates 2014)

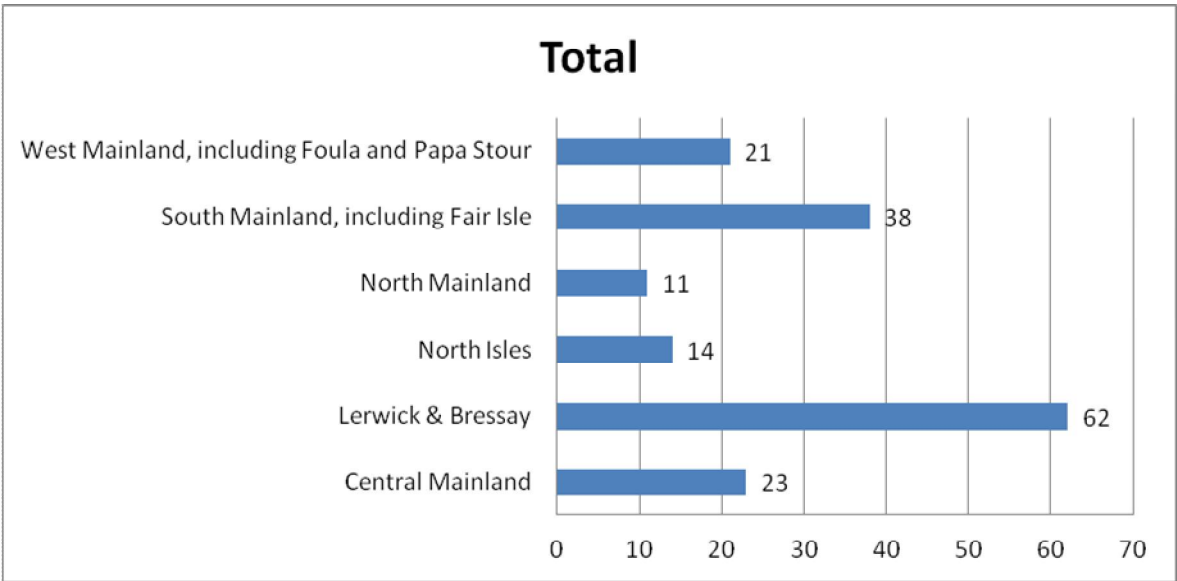
	All respondents using the online planner				Respondents to the online planner with Shetland postcodes			
	Gender unstated	Female	Male	Total by age	Gender unstated	Female	Male	Total by age
Age unstated	27	2	1	30	8	2	1	11
Under 16	0	2	1	3	0	2	1	3
16-24	1	4	3	8	1	4	3	8
25-34	2	13	12	27	2	13	12	27
35-44	2	22	15	39	2	22	15	39
45-54	0	26	24	50	0	26	23	49
55-64	2	12	12	26	2	12	12	26
65-74	0	2	6	8	0	2	6	8
75 and over	0	0	0	0	0	0	0	0
Total by gender	34	83	74	191	15	83	73	171

More than half of all respondents (55.3%) were aged 35-54. 7% of respondents were aged less than 24, 5% were aged 65-74, and no one over the age of 75 responded or completed a demographic survey.

Number of budget respondents by age group



A total of 171 respondents supplied a postcode and ward area that placed them as living in Shetland, with one response received for a respondent who gave a non-Shetland postcode. Two respondents did not supply a postcode, but did provide their ward area. The following table shows the number of respondents from each of Shetland’s wards.



Of the 191 respondents, 85 had unique full postcodes, while 44 respondents shared their postcode with only one other respondent. 15 respondents supplied none or only partial postcodes, but 13 of those respondents provided their ward area.

Distribution across Shetland was even with respondents from every ward area. Shetland Central, North Mainland and North Isles were under represented when compared with general population figures. The highest number of responses came from the Lerwick & Bressay areas and the South Mainland ward areas, with a proportionately high response from West Mainland.

	Shetland Population by CC Area 2013 ¹ (est.)		Respondents to the online survey		
	Number	%	Number	%	Variance
Shetland Central	4,050	17%	23	14%	-4%
Lerwick & Bressay	7,276	31%	62	37%	5%
North Mainland	3,239	14%	11	7%	-7%
North Isles	2,804	12%	14	8%	-4%
South Mainland	4,254	18%	38	22%	4%
West Mainland	1,578	7%	21	12%	6%
Total	23,201		169		

A number of additional respondent characteristics are summarised in the table below. The engagement exercise appears to have generated higher responses among Council employees and people working full time than would be expected in a general population survey.

Other demographic characteristics of respondents

Base is the number of respondents who answered each question

	Number	Base	%
Parent/guardian of a child at nursery, primary or secondary school	62	172	36%
Adult family member receiving care	22	172	12.8%
Child family member receiving care	3	172	1.7%
Employee of Shetland Islands Council	98	172	57%
Employee of NHS Shetland	15	172	8.7%
Ethnicity			
White any British group	151	154	98%
White any other	2	154	1.3%
All other groups	1	154	0.7%
Employment			
Student	3	161	1.9%
Long term illness / disabled	1	161	0.6%
Looking after home / children	1	161	0.6%
Retired	8	161	5%
Self-employed	4	161	2.5%
Unemployed	1	161	0.6%
Working full time	120	161	74.5%
Working part time	22	161	13.7%

¹ Figures based on an estimate of population by community council area using 2011 Census and 2013 Small Area Population Estimates, GRO Scotland

Appendix 2 - Notes on interpretation of results of the online planner

While every effort has been made to provide a good indication of Shetland resident opinion about the budget, it is important to note several factors when assessing the extent to which respondents represent the residents of Shetland:

- Consultation respondents are highly self-selecting – in general this means that only individuals who are interested or believe they have something to say about a subject will take part. For this reason all consultations are unrepresentative.
- The actual proportion of respondents in the 24 and under and the 65+ age categories is small, and also small relative to the proportion of Shetland residents who are aged 24 and under or 65+. This means that the weighting process in the table on page 9 of the main report gives additional emphasis to the views of a small number of respondents who may be very different from other residents in those age groups.
- There is no way of logically testing the weighted model. If, for example, the model were trying to form a representative picture of car ownership, personal health or favoured holiday destinations, then it would be possible to use actual data to corroborate the model. No such verification is possible in this case as no data exists against which the model can be tested.
- Response to the online planner was much higher than the previous year – and this should be recognised as a significant achievement in engaging residents meaningfully in the prioritisation of services in the budget.

However because the only way to feed into the planner was online, it is likely that it was less accessible to those without internet access, who are predominantly individuals on lower incomes or those living in more remote areas without reliable internet access.

To address this, the process as a whole included a variety of formats that did not require internet access at home e.g. the drop in sessions and public meetings. However, it should be noted that access to these sessions may still have been difficult for people without their own transport.

The following table shows: the demographics of Shetland according to the National Records of Scotland (NRS) 2014 mid-year population estimates, the responses to the online planner, and the weighting applied to the sample.

Weighting has been applied using the following principles:

- Where age information is available, an individual response in the sample is weighted to ensure the overall sample matches the overall demographics of Shetland
- Where no age information is supplied, a group is unweighted (has a weight of 1).

	Shetland Population		Online planner respondents with Shetland postcodes		
	Number	%	Number	%	Weighting applied
Age unstated	0		11	6%	1.00
Under 16	4,309	18.5%	3	2%	9.25
16-24	2,403	10.3%	8	5%	2.06
25-34	2,690	11.6%	27	16%	0.73
35-44	3,018	13.0%	39	23%	0.57
45-54	3,479	15.0%	49	29%	0.52
55-64	3,099	13.3%	26	15%	0.89
65-74	2,464	10.6%	8	5%	2.12
75 and over	1,768	7.6%	0	0%	0.00
	23,230		171		

The following table shows the demographics of Shetland according to the 2011 census and small area population figures, the responses to the online planner and the weighting applied to the sample.

Weighting has been applied using the following principles:

- Where ward information is available, an individual response in the sample is weighted to ensure the overall sample matches the overall demographics of Shetland
- Where no ward information is supplied, a group is unweighted (has a weight of 1).

	Shetland Population by CC Area 2013 ² (est.)		Respondents to the online survey		
	Number	%	Number	%	Weighting applied
Ward unstated			2	1.2%	1.00
Shetland Central	4,050	17.5%	23	13.5%	1.30
Lerwick & Bressay	7,276	31.4%	62	36.3%	0.86
North Mainland	3,239	14.0%	11	6.4%	2.17
North Isles	2,804	12.1%	14	8.2%	1.48
South Mainland	4,254	18.3%	38	22.2%	0.83
West Mainland	1,578	6.8%	21	12.3%	0.55
	23,201	100%	171	100%	

² Figures based on an estimate of population by community council area using 2011 Census and 2013 Small Area Population Figures, GRO Scotland

While the express purpose of the planner was to ensure respondents made meaningful choices based on their priorities for the provision of Council and NHS Shetland services, a number of respondents felt that this was too difficult. Some respondents wanted to create efficiencies or look at cross-service efficiencies rather than make a choice to reduce services. The consequences of spending cuts in the planner were felt to overstate the likely result of making cuts.

These constructive comments are not exceptional for any Council consultation, and suggestions to improve the Council's approach have been noted and will be considered when planning consultation exercises in future years.

Appendix 3 - Communications approach

Digital Channels

The online budget planner was created at <https://shetland.budgetsimulator.com/> to provide the core budget information. 721 people visited the webpage. The online planner also incorporated one short film featuring Council Leader Gary Robinson and Executive Manager – Finance Jonathan Belford, which explained the challenges the Council faces, the current financial position and encouraged people to get involved.

The Council's webpage at www.shetland.gov.uk included a link to the online planner, which resulted in 174 people accessing the online planner.

One tweet was posted, which appeared on Twitter feeds 2,577 times. This resulted in three retweets, three favourites and 15 people clicking on the links to the website or the planner.

Media and events

A press release was issued in advance of the budget engagement period. BBC Radio Shetland also covered the story, and Councillor Robinson gave two interviews about the exercise.

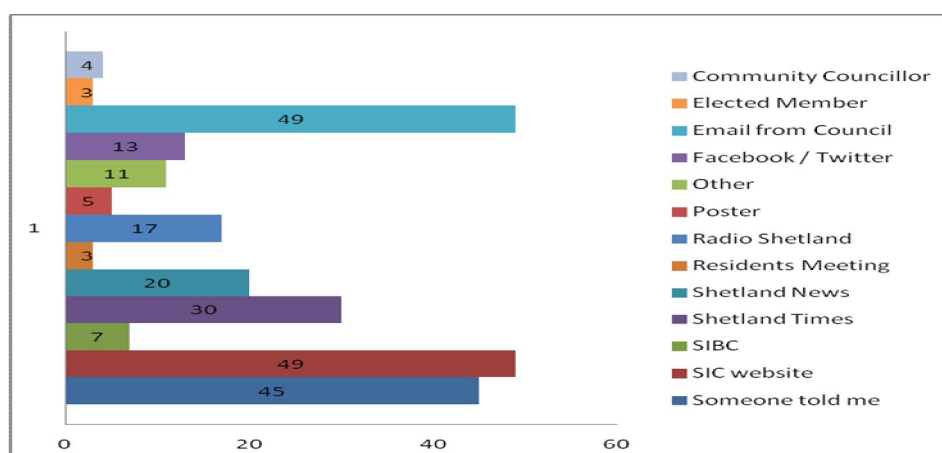
Marketing

In addition to promoting the online planner through the Council's website, coverage was also achieved using a Shetland News banner advert resulting in 103 people accessing the planner. Adverts were also carried by SIBC to promote the online planner and public meetings.

To ensure people who do not use or have access to online channels were also made aware, an advert was placed in the Shetland Times the week before the online planner went live and during the engagement period. Posters were created for each event and widely circulated to shops, GP surgeries and other public places throughout Shetland.

Emails were also sent to all staff and as a reminder at the end of the first week. Council and NHS Shetland staff provided around 59% of the overall budget feedback.

The following table shows where respondents heard about Building Budgets 2015:



Appendix 4 - General priorities for Council and NHS Shetland budgets

Community Health & Social Care

Services for adults and older people, especially mental health services, were the most protected area in the Council and NHS Shetland's budgets. Mental health services received an average reduction of only 0.73%, with 63% of respondents advocating no change or an increase in spending. Community nursing received an average reduction of 1.08%, while primary care received an average reduction of 1.36%. The average level of reduction for community health & care at 2.18% was well under the 3% overall budget pressure.

Respondents who were not working for a range of reasons advocated spending more on mental health services, with those in employment making a reduction, although this varied depending on whether the respondent was working part time, full time or was self employed. Generally age made a difference with young people aged 16-34 advocating more spending in this service area. Respondents stressed that lack of investment in this area reduces the opportunities to prevent mental health issues, which in turn they felt would impact on the acute setting and cost more in the longer term.

Overall mental health (NHS&SIC) budget change	-0.73% all respondents			
Employment status	2.48% student, unemployed, retired	-1.69% full-time, part-time, self-employed		
Employment status		-4.00% self-employed	0.23% part-time	-0.03% full-time
Age groups		2.67% 25-34 & 55-64	-1.14% 35-54	

Those respondents who have an adult family member receiving care from the Council or NHS Shetland advocated more spending in community nursing. Of those, respondents who were working full time, aged 16-24 or 55-64 advocated the biggest spending increase. Respondents who were working part time, or aged 35-54 made a larger service saving than average for this area. Respondents aged 55-74 made a smaller than average reduction to the community nursing budget.

Overall community nursing budget change	-1.08% all respondents		
Adult receiving care from the Council or NHS Shetland	-1.29% no	0.50% yes	
Employment status		1.21% full-time	-1.00% part-time
Age groups		4.17% 16-24 & 55-64	-3.25% 35-54

The main discriminating factor in allocation primary care budgets was having a long-term illness, disability or health problem. Those in this group made average reductions of 12.5% to primary care, while those without a long-term illness made average reductions of 1.46%. Among respondents who did have a long-term illness, those working full time advocated no change to primary care budgets. The importance of primary care was emphasised by older respondents who made a smaller than average reduction to this budget.

Overall primary care budget change	-1.36% all respondents		
Long term illness, disability or health problem	-1.46% no	-12.50% yes	
Employment status		0.00% full-time	-25.00% long-term illness

By 2037 the population of Shetland is projected to be 25,147, an increase of 8.3% compared to the population in 2012. Over the 25-year period, the age group that is projected to increase the most in size in Shetland is the 75+ age group, which is expected to increase by 131% from 1,680 in 2012 to 3,877 in 2037³.

Alongside other trends, including increased longevity and increased numbers of smaller and single person households, these factors are associated with likely increased demand for older people's services in Shetland.

³ National Records of Scotland, Shetland Islands Council Area – Demographic Factsheet Oct 2015

New medicines and greater technological advances will support people with complex conditions to be cared for in the community. Their care needs will also be more complex, and this will require staff from community health and social care to provide input to those individuals. While some of this will be offset by additional years of good health, for Shetland to manage this demographic change within anticipated budgets will require emphasis on services that ensure adults remain active, healthy and engaged for as long as possible.

Without preventative programmes the number of people requiring care earlier in their lives will increase. The importance of investment and looking at new and innovative ways of doing things to ensure that money goes as far as possible was emphasised by respondents.

Development Services

The budget for Development Services was reduced by 5.26% overall and reduced by the smallest on average amount by those aged 16-24. Housing received an average reduction of 1.43%, with only 10% of respondents suggesting reductions of more than 10%. Transport planning received an average reduction of 4.45%.

Housing Services were the most protected area in the Development Directorate and were among the most protected in the Council's spending overall. When deciding whether to prioritise housing, employment was important. The largest reductions were made by those respondents in work and by those under 16 or those aged 35+. Respondents with a long-term illness or who are disabled, and those aged 16-24 advocated a spending increase in this area.

Overall Housing budget change	-1.43% all respondents			
Employment status	3.00% student, unemployed, retired	-2.26% full-time, part-time, self-employed		
Age groups		-6.00% under 16	6.25% 16-34	-3.00% 35-74

In Transport Planning, those respondents not in work for a range of reasons, and generally younger people within this group, made the highest level of reductions in this area. Respondents noted that more transport services should be provided by the private sector.

Overall Transport Planning budget change	-4.45% all respondents		
Employment status	-4.93% full-time, part-time, self-employed	-8.54% student, unemployed, retired	
Age groups		-11.33% 24 and under	-3.83% 25-74

Economic development received an average budget reduction of 8.2%. Additionally 54% of respondents submitting a budget suggested that this area be reduced by 10% or more. Employment status seemed to be the main factor in determining the level of spending on the budget for Economic Development, with spending increasing among those working part time or being self employed. The budget also increased for generally younger and older respondents. The importance of protecting services for vulnerable people, older people and children may have resulted in larger reductions in other service areas.

It is important to note that a recent survey carried out by Economic Development in relation to the service review provided evidence of support for the aims and objectives developed as part of the review, and for the services currently provided to businesses throughout Shetland.

Overall Economic Development budget change	-8.16% all respondents		
Employment status	-11.73% student, unemployed, retired, full-time	-5.32% part-time, self-employed	
Age groups		-2.72% 34 and under, 55-74	-8.78% 35-54

Executive & Corporate Services

The budget for Executive and Corporate Services was reduced by 5.75% overall, with older age groups submitting the least reductions in this area. Information, communication and technology (ICT) received an average reduction of 3.2%, with 19% of respondents suggesting reductions of more than 10%. Governance and Law received an average reduction of 4.81%.

Respondents aged 35 and over favoured spending on ICT. Of those respondents aged 34 and under, those currently not working for a range of reasons made the largest reductions. Because respondents who are currently not working have protected health and care, housing and quality improvement / schools in their budgets, larger reductions in other service areas are likely.

Overall ICT budget change	-3.20% all respondents		
Age groups	-2.57% 35-74	-9.49% 34 and under	
Employment status		-2.54% full-time, part-time, self-employed	-18.67% student, unemployed, retired

Similar factors correlate with spending on Governance and Law. The overall budget reduction for this service was 4.81% but the largest reductions were made by respondents aged 34 and under who are not currently working for a range of factors.

Overall Governance & Law budget change	-4.81% all respondents		
Age groups	-4.04% 35-74	-10.92% 34 and under	
Employment status		-5.88% full-time, part-time, self-employed	-10.78% student, unemployed, retired

The 8.91% budget reduction in Executive Services was among the largest budget change identified in the budget engagement. Again, similar factors – age and employment – influenced budget reductions for this service. Generally, younger respondents who were not currently working for a range of factors made the highest level of reductions. The importance of protecting front-line services and some respondents wish to focus reductions on managerial posts within the Council may have influenced the results for this service. As stated above, because most respondents have protected front-line services where possible, larger reductions in other service areas are likely.

Overall Executive Services budget change	-8.91% all respondents		
Age groups	-8.34% 35-74	-14.76% 34 and under	
Employment status		-12.96% full-time, part-time, self-employed	-15.11% student, unemployed, retired

Infrastructure Services

The budget for Infrastructure Services was reduced by 4.98% overall. Roads received an average reduction of 3.64% with 22% of respondents suggesting a 10% or more reduction in Roads. Ferry Services received an average reduction of 4.99%.

When deciding whether to prioritise the Roads Service or not, the main influence appeared to be age, with those under 24 and those aged 65-74 making the most reductions in this area. Within those age groups, respondents who were in full- and part-time work, students or those with a long term illness/disability seemed to have some additional influence.

Overall Roads budget change	-3.64% all respondents		
Age groups	-3.33% 35-64	-8.92% 24 and under, & 65-74	
Employment status		-2.25% retired, self-employed, unemployed	-14.83% student, disabled, full-time & part-time

Ward area was the most significant influencing factor in terms of spending on ferry services, with respondents living in the North Isles (Fetlar, Yell, Unst, Whalsay and Skerries) advocating an increase in spending in this area. This was more important to the younger age group in this ward area. Generally the 35-44 age group made least reductions and a less than average reduction in ferry services at -3.72%.

Overall ferry service budget change	-4.99% all respondents		
Ward areas	-5.84% All other ward areas	0.71% North Isles	
Age groups		0.00% All other age groups	10.00% 16.24

Children's Services

Services for children, especially vulnerable children, young people and their families, were among the most protected areas in the Council's budget. The average level of reduction for the Children's Services Directorate at 3.2% was only slightly over the 3% overall budget pressure. Only 6% of respondents suggested a reduction of more than 10% in children and families, 9% suggested a reduction of more than 10% in children's resources and 24% suggested a reduction of more than 10% in Quality Improvement / Schools.

When deciding whether or not to prioritise the Children and Families Service, being a parent or guardian of a young child had some importance, as people without children made larger reductions on average. However, as shown in the summary below, the lowest level of reduction to Children & Families was made by those who had a child in their family that receives care from the Council. While a higher level of reductions were made by those who did not have a child in their family receiving care, and generally the younger age people within this group.

Overall children & families budget change	-0.87% all respondents		
Child receiving care from the Council	0.00% yes	-0.88% no	
Age groups		-5.31% 24 and under	-0.19% 25-74

The main influencing factor in allocating Children's Resources budgets was the same – having a child in the family in receipt of care, and a similar pattern of age groups was apparent – with younger age groups making a bigger average reduction to the service. Parents and guardians of a child under 18 made a higher than average reduction to this service of 2.21%.

Overall children's resources budget change	-1.73% all respondents		
Child receiving care from the Council	-1.00% yes	-1.74% no	
Age groups		-4.94% 24 and under	-1.32% 25-74

In Quality Improvement / Schools the smallest reduction to budgets on average was made by people who were not in work and were not students. The highest reduction was made by respondents who were full-time students aged under 16. This is the age group which is either currently receiving or has recently received secondary education. People without children made larger reductions on average than parents.

Overall quality improvement / schools budget change	-3.20% all respondents		
Employment status	-0.48% unemployed, retired	-3.39% full-time, part-time, self-employed	-6.00% student
Age groups		-0.00% 16.24	-9.00% 16 and under

By 2037 the population of Shetland is projected to be 25,147, an increase of 8.3% compared to the population in 2012. The population aged 16 and under in Shetland Islands is projected to decline by 2.8% over the 25 year period⁴.

⁴ National Records of Scotland, Shetland Islands Council Area – Demographic Factsheet Oct 2015