



MINUTES

A&B - PUBLIC

Policy and Resources Committee
Council Chamber, Town Hall, Lerwick
Wednesday 18 November 2015 at 10am

Present:

G Robinson	B Fox
G Cleaver	A Cooper
S Coutts	C Smith
G Smith	T Smith
M Stout	V Wishart

Apologies:

None

In Attendance:

M Boden, Chief Executive
C Ferguson, Director of Corporate Services
J Belford, Executive Manager – Finance
K Adam, Solicitor
B Kerr, Communications Officer
L Adamson, Committee Officer

Also in attendance:

R Henderson

Chairperson

Mr Robinson, Leader, as Chair of the Committee presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

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Shetland Islands Council Medium Term Financial Plan

The Committee considered a report by the Executive Manager – Finance (F-073-F), which set out the financial framework within which Shetland Islands Council is expected to operate over the next five years and presented a financial strategy that will help the Council to deliver its services within the financial constraints that have been forecast.

In introducing the report, the Executive Manager – Finance said that he was pleased to deliver to Members the latest version of the Medium Term Financial Plan (MTFP), which brings together the most recent data on income as an assessment of expenditure to present a plan for the next five years of the Council.

The Executive Manager – Finance gave a presentation to the Committee “Shetland Islands Council Medium Term Financial Plan 2015/16 – 2020/21”. He reported to Members on the key aspects of the MTFP, which included the UK/Scottish Context, Income Projections, Expenditure and Cost Pressures, the Forecast, the Plan, Risk Management, Capital and the Financial Strategy. *(Copy of the slides is attached as Appendix A).*

The Leader thanked the Executive Manager – Finance for the information provided.

(Mr Cleaver attended the meeting).

In response to a question from the Leader, the Executive Manager – Finance advised that the costs associated with the pay award of 1.5% in 2015/16 and of 1% in 2016/17 could be in the region of £0.7 - £0.8m per annum, with an associated impact on pension costs. In response to a further question, the Executive Manager – Finance confirmed that should no action be taken by the Council during the next 3 years in terms of savings, the funding gap would be £32m, where funding would be needed from an alternative source to meet that deficit.

A Member questioned, as a means to limit service and staff reductions, whether any consideration had been given to reduce the working week from 37 hours to 35 hours, which he said could achieve a 5.4% saving on the pay bill. The Chief Executive advised on the illusory benefit from such an approach, as the end result is less staff hours and therefore a reduction in the services that can be provided. There would also be disbenefits in regard to employee and industrial relations, and any unilateral change to contracts would be an enormous piece of work. The Director of Corporate Services reported from an earlier process when each vacant post was assessed with a view to reduce the hours from 37 to 35 per week, where this was at all possible. She advised, however that there are certain posts where the reduction in hours could not apply, for example where there is a need to maintain shift patterns. In response to a question, the Director of Corporate Services could clarify that 37 hours per week is the Scottish Joint Council's national standard week, and therefore any employee working 35 hours would technically be a part-time worker. She advised however that some Local Authorities have started to make announcements for 2016/17 to meet budget targets in terms of reducing staff hours, and she would endeavour to source that information for reporting to the Council meeting this afternoon.

In response to a question from a Member on the suggestion that reducing the working week to 35 hours could achieve a 5.4% saving, the Executive Manager – Finance could not confirm this was possible, and made comment on additional impacts relating to employees terms and conditions, being both financial and non-financial.

In response to questions from Members, the Executive Manager – Finance advised on how the MTFP sets out the challenges and the financial environment expected over the next five year period for the Council, however he confirmed that it does not deliver the solutions. He advised that he has had discussions with the Directors in regard to the approach recommended in the MTFP for 3.3% recurring savings, and on the commitment in early 2016, that Directors will get together to look towards the future and ensure they are prepared from 2016/17 onwards, for actions to be in place to deliver services. A Member commented that he welcomed this approach.

During the discussion, a Member sought assurance that Directors will be able to provide Members with a good indication on how the projections in the MTFP will impact on their capacity to deliver services. The Chief Executive reported on the changes going forward in public sector services in the UK, Local Government and Council. However, he advised that the Council is in a good position to respond to the challenges as the Council delivers good quality services, and has a significant level of investments that are not common to other Local Authorities. He said that the proposals in the MTFP, put forward by the Executive Manager – Finance, are entirely reasonable, and it is not a pessimistic view taking into account the reduction in Government funding, the level being recommended from investments, and the projected increase in revenue funding in 2020/21. He said that in regard to moving forward there is very little change for 2016/17, which is planned. The critical year will be 2017/18, where there will be time for Members, Directors and Chairs to plan corporately and collectively for 2018/19. The Chief Executive added that the key is not to let time slip by in 2016, and to plan carefully for the changes for 2017/18, to have a clear picture going forward.

In response to a question, the Executive Manager – Finance reported that a number of alternatives models had been considered going forward, however with the information available and the potential uplift in year 5 allows a reasonable amount of smoothing.

(Mr C Smith left the meeting).

In response to questions from a Member, the Executive Manager – Finance explained the uncertainty and challenges in calculating the investment returns achieved as part of the equalisation fund.

In referring to the value for the spend to save funds of £8.3 million, a Member commented that while he welcomed the extended payback to 5 years, with authority to extend to seven years, he questioned whether, in exceptional circumstances, there would be any latitude to expand beyond seven years. The Executive Manager – Finance advised that any proposal to extend the payback beyond seven years would be quite exceptional, which could only be considered should a positive proposal come forward. He reported that while there are some external funding schemes that use longer payback period, he would prefer to focus on payback of seven years or less. He added however that there is discretion to review, monitor and change the scheme in the future. The Leader commented that he welcomed the changes made to the spend to save criteria, which he hoped will allow more use of the scheme into the future.

During debate, the Leader commented that the proposals are an evaluation over the last years of the MTFP, and while he acknowledged the key challenges moving forward as advised by the Executive Manager – Finance, he moved that the Committee approve the recommendations in the report.

A Member referred to his earlier suggestion in regard to a reduction in the working week for employees, where he advised that his intention was to explore every avenue to maintain services, and he considered that further work could be done to look at that option. He said that while he had some concern that the 2016/17 budget will be used as a baseline, he welcomed the assurance that the hard work will start now. He said that the 3.3% savings over the next four years will have a significant effect on Council services, and the sooner these are discussed and explained to communities the better. The Leader clarified that the work started

some time ago to look at next year's budget, and that in January 2016 the process will start to look at the budget for 2017/18, and he advised on the importance for engagement and dialogue among Officers, Directorates, Members, Chairs and Vice-Chairs to inform the process at an early stage. A Member said that he welcomed the assurance and intentions going forward, and advised on the need to be honest with the public of Shetland on what lies ahead in regard to cutting services and to be able to provide quite compelling reasoning on the challenges ahead. He went on to advise on the need for the Council to form a partnership with the community to assist and support the process.

A Member commented that the proposals in the MTFP were very good, under the circumstances, where he said that it is important to get the message across to the public of Shetland on the real affects of austerity. The Member said that the 3.3% cuts will be unachievable from some statutory services, and therefore there was a lot of practical and hard work to be done in an open manner going forward.

During the discussion, a Member commented that the message has to be that the situation could have been much worse had it not been for the reserves held by the Council. Another Member advised on his concerns in regard to the significant budget to the Integration Joint Board, the uncertainty in regard to the NHS budget contribution, and that the Council has no control over how services will be provided. The Leader confirmed that he is aware of such concerns at Local Authorities across Scotland through his attendance at CoSLA meetings, where CoSLA would support health to be under Local Government control, adding that opportunities should be taken to raise this matter at Government level. He advised that there is still merit in the single public authority model, and on the need to demonstrate to Scottish Government in that regard. However, a Member cautioned on the single public authority approach for the provision of health care, as the accountability deflects from national government to local level, but where local level can have no control over levels of funding.

Mr Stout seconded.

Decision:

The Committee **RECOMMENDED** that the Council resolve to adopt the Medium Term Financial Plan by:

- Approving the principles of the plan set out in Section 2.2 of the Plan;
- Approving the assumptions on income and expenditure which underpin the Plan set out in Sections 4, 5, 6 and 7 of the Plan;
- Approving the Financial Strategy set out in Section 13 of the Plan; and
- Approving the Target Budgets for Services as detailed in Appendix C to the report.

The meeting concluded at 11.15am.

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Chair