

Executive Committee
28 June 2004 Public Minutes

Special Executive Committee
Council Chamber, Town Hall, Lerwick
Monday 28 June 2004 at 10.30 a.m.

Present:

A J Cluness **L Angus**
F B Grains **J A Inkster**
W A Ratter **W N Stove**
W H Manson

Apologies

J C Irvine

In attendance:

M H Goodlad, Chief Executive
J Watt, Executive Director Community Services
A Hamilton, Head of Planning
G Johnston, Head of Finance
D E S Lamb, Senior Special Projects Officer
I Millar, Projects Manager
J R Riise, Head of Legal and Administration
J Smith, Head of Organisational Development
A Cogle, Service Manager, Administration

Chairperson

Mr A J Cluness, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Apologies

J C Irvine

72/04

Capital Programme Review – June 2004

The Committee considered a report by the Head of Finance (Appendix 1).

The Head of Finance said that whilst the report was seeking a reshaping of the Capital Programme under existing constraints, the final item on today's agenda would, if approved, alter those policy constraints. However, the Committee was asked to consider this report under the current circumstances.

Mr L Angus referred to paragraph 4.1, and said that, related to this matter, was the need to have a closer look at the strategic needs of Primary School provision in Lerwick, and the Services Committee had agreed that a report be submitted on that matter in October. Mr Angus said if that report recommended that in the longer term a replacement school was required, there was no provision for this within the Capital Programme. He said there was no doubt that primary school provision in Lerwick remained a pre-occupation of Lerwick Members, and it should be given proper consideration, and should not be set against any other projects such as the Cinema and Music Venue.

The Head of Finance acknowledged that Council decisions may affect the size and shape of the new Anderson High School, and that this may release capacity for other projects, as well as the proposed financial restructuring arrangements being proposed later in the meeting. He said there could be a number of ways that Primary School facilities could be funded, which would not necessarily bring it into direct competition with anything else on the Capital Programme.

The Committee agreed the recommendations in the report on the motion of Mr W A Ratter, seconded by Mr A J Cluness.

73/04

2003/2004 Outturn

The Committee considered a report by the Head of Finance (Appendix 2).

The Head of Finance summarised the terms of the report, explaining that the Council had operated under budget on support and recharged services, which was largely due to the pressure to reduce overheads and headquarter costs. However, referring to paragraph 3.2 and the General Fund, the Head of Finance advised that this was much more serious, with departmental expenditure some £700k over budget, and therefore a £1.7m deficit existed on the General Fund, compared to an estimate of £1m in December. The Head of Finance said that the primary conclusion to draw from this was that considerable effort would have to be made towards reducing General Fund expenditure in 2004/05. He said that the onus would be on Budget Responsible Officers in all corporate and service areas to make this a priority and act more effectively than in the past. The Head of Finance went on to explain the remainder of the report, highlighting in particular the reduced income to the Harbour Account.

Members noted the summary given, and agreed the recommendations contained in the report, on the motion of Mr L Angus, seconded by Mr A J Cluness.

74/04

Abstract of Accounts 2003/04: Progress Report

The Committee considered a report by the Head of Finance (Appendix 3). The Head of Finance pointed out that the Abstract would be available for Members at the Council meeting on 30 June. He went on to say that his main concern was in relation to the increase in the Shetland College deficit. The Head of Finance said that the Council had previously agreed to write off the deficit, which at that time had stood at £1.3m, but this had now increased to £1.7m, despite a call from the Council to constrain it.

Members noted that the Shetland College estimates would be considered later in the meeting and noted the report.

75/04 **General Fund Revenue Estimates**

The Committee considered a report by the Head of Finance (Appendix 4).

After hearing the Head of Finance briefly summarise the report, Mr L Angus referred to paragraph 4.4, and said that consultation with Members was very important and necessary at an early stage.

The Chief Executive agreed, adding that whilst costs had been driven down, there was a need to do better, and this would be assisted by changes in financial management.

The Committee otherwise approved the recommendations in the report, on the motion of Mr A J Cluness, seconded by Mr L Angus.

76/04 **Shetland College Budget Estimates 2004/2005**

The Committee considered a report by the Principal, Shetland College (Appendix 5).

Mr W A Ratter said that the report proposed the establishment of three members of staff, however, he said that it was likely that the need for a third post would be reviewed further by the Management Board. Mr Ratter said that the post would be reconsidered as part of the proposed Shetland Energy Study Centre in Unst, and the post could become project funded from within that.

The Head of Finance said that he had some concern regarding the establishment of further posts at this stage, as there appeared to be conflicting issues. He said that the College's deficit up to 31 March was higher than anticipated, and now it was being suggested that there would be surpluses to fund these posts.

Mr W A Ratter moved that, given the concern raised by the Head of Finance, the report be referred back to the Board of Management for further consideration. Mr L Angus seconded.

Members noted that it would be necessary for the report to be considered again by the Executive Committee, and if necessary a special meeting could be called during the Summer recess. Mr Ratter suggested that following consideration by the Board, the decision could be delegated to the Chief Executive and the Head of Finance, in consultation with himself. Mr Angus agreed to accept this as a change to the motion.

Mr A Inkster said that the Board of Management had been established in order to get the College back on track. He said that

the work done so far by the Board had to be appreciated, and they had obviously identified these staffing needs.

Mr Ratter said that the number of staff at the College had been greatly reduced over the past year or two, and it was recognised that there were some areas where posts may have to be established, but that issues relating to funding were different.

The Committee accepted that the motion, as amended, be recommended to Council.

77/04

Financial Restructure Proposals

The Committee considered a joint report by the Head of Finance and the Chief Executive (Appendix 6).

The Head of Finance said that this report was asking whether now was the time for the Council to utilise capital from its reserves for long term benefits, or to hold and build on them for some future date. He said that the Council's strategy had always been to hold on to the capital of those reserves up to a point at which general structural difficulties were being experienced in the Shetland economy. He said that resources were used to compensate those, and that Members now had to consider whether, given the significant run down of oil, the downturn in traffic at Sullom Voe and difficulties in other sectors and economies, whether this was now a turning point. The Head of Finance said that the second point to consider was whether the Council would get control of revenue spending. He said that whilst that was perhaps debatable, there had been some successes achieved on central overheads, and the Council would need to roll out tighter control to service delivery areas.

Mr A Inkster said that he supported the proposals in the report, but said that phasing the Capital Programme would be important. He added that if the Council was proceeding with more capital projects, it had to be sure about the capacity of the construction industry in Shetland to cope. The Head of Finance said that the important issue was that whilst advocating an increase in investment in the medium term, there would be no immediate increase in spending. He added that measuring the capacity of the construction industry would be undertaken and, if necessary, measures could be taken to increase that capacity in order to ensure a short to medium term boost to the economy did not have inflationary consequences.

Mr W H Manson said he was also supportive of the general thrust of the proposals, and agreed that given the difficulties with aquaculture and whitefish industries, the time was right. He said that he was pleased to read assurances in the report that these

proposals would take time to realise. Referring to paragraphs 3.1.24 and 3.1.25, Mr Manson said that some debate would be needed with regard to this programme. The Chief Executive said that was fully expected.

Mr W N Stove said that the Council needed to be careful about the public perception with regard to these proposals, and agreed that further debate would be required.

After further discussion, Mr W H Manson moved that the Committee recommend that the Council approve the recommendations, but that these be subject to the terms of paragraphs 3.1.6, and that with regard to recommendation 7.1.3.2, to confirm that there will be a debate as to the financial measures to be included in the programme to be approved.

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A J Cluness
Chairperson