

Executive Manager: Jan-Robert Riise
Director: Christine Ferguson

Governance and Law
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Date: 28 February 2018

Dear Sir/Madam

You are invited to the following meeting:

Policy and Resources Committee
Council Chamber, Town Hall, Lerwick
Tuesday 6 March 2018 at 10am

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: Cecil Smith
Vice-Chair: Steven Coutts

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
- (d) Confirm minutes of the meeting held on 12 February 2017 (enclosed)

Items

1.	Executive and Corporate Services Department - Performance Overview Report 3rd Quarter 2017/18 <i>CRP-03-18</i>
2.	Executive and Corporate Services Directorate Plan (<i>Report to follow</i>)
3.	Management Accounts for Community Health and Social Care Directorate 2017/18 – Projected Outturn at Quarter 3 <i>F-020</i>
4.	Management Accounts for Policy & Resources Committee: 2017/18 – Projected Outturn at Quarter 3 <i>F-029</i>
5.	SIC Overall Management Accounts 2017/18 Projected Outturn at Quarter 3 <i>F-022</i>
6.	Council Investment Review for Quarter to December 2017 <i>F-023</i>
7.	Annual Investment and Treasury Strategy for 2018/19 <i>F-025</i>
8.	Insurance Project <i>GL-07</i>
9.	Business Transformation Programme Update – Quarter 3 2017/18 <i>CRP-01-18</i>
10.	Accounts Commission and other External Audit Reports – Best Value Reports - Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire <i>CRP-02-18</i>
11.	Asset Investment Plan - Progress Report <i>CPS-02-18</i>
<i>The following item contains Exempt Information</i>	
12.	Hjaltland Housing Association – Bridging Finance <i>DV-11</i>



Meeting(s):	Policy & Resources Committee	6 March 2018
Report Title:	Executive and Corporate Services Department Performance Overview Report 3rd Quarter 2017/18	
Reference Number:	CRP-03-18-F	
Author / Job Title:	Christine Ferguson Director of Corporate Services	

1.0 Decisions / Action required:

That the Policy & Resources Committee:

- 1.1 REVIEW the information presented in this report; and
- 1.2 COMMENT on progress made with regard to Corporate Plan and Service development priorities, performance in service delivery and the targets currently being measured.
- 1.3 REVIEW the current suite of Performance Indicators advising of any changes required.

2.0 High Level Summary:

- 2.1 This report summarises the activity and performance of the Executive and Corporate Services Department for the 3rd Quarter of 2017/18.
- 2.2 Appendix A shows Corporate Plan headings and commitments and a summary of progress against some of the projects and work programmes in Corporate & Executive Services which support those commitments.
- 2.3 Appendix B shows Council-wide and Directorate Specific Performance Indicators. Appendix C is omitted as there are no complaints recorded this quarter. Appendix D contains the Departmental risk register.

3.0 Corporate Priorities and Joint Working:

- 3.1 Effective planning and performance management are key features of Our Plan 2016-20.

4.0 Key Issues:

- 4.1 Significant work commitments in Q3 include:

Audit Risk & Improvement

- Risk Management section on course to deliver 2017/18 Risk Check Programme;

- Internal Audit 2017/18 annual plan on target to deliver 90% of planned audit work;
- Joint working with NHS Shetland to share SIC Performance system;

Capital Programme

- Ongoing work to resolve the issues at 8 North Ness;
- New Eric Gray project ongoing;
- Work to deliver Year 1 of Early Learning and Childcare well advanced;
- Knab Masterplanning underway;
- Procurement exercises have been concluded for:
 - Promote Shetland
 - Inter-Island Air Services
 - Blacksness Pier Cathodic Protection.

Executive Services

- Customer First – survey completed, draft strategy and charter prepared;
- Islands Bill – oral evidence to REC Committee;
- Crown Estate – further developing Council's approach;
- Review of Local Governance – developing Council's approach;
- Islands deal – engagement with Scottish and UK Governments and refinement of draft proposals;
- In Touch staff magazine produced.

Finance

- Financial advice and guidance provided to Members and officers in relation to the lobbying efforts for fair funding for ferries;
- 2018/19 Budget setting preparatory work completed;
- 2018/19 Budget engagement sessions carried out with Members and IJB finances discussed with members of the IJB, NHS Shetland Board and Members;
- Briefing and analysis of the 2018/19 local government financial settlement circulated to Members and Corporate Management Team;
- Financial input and advice was provided to support business cases for the likes of Early Learning and Childcare Expansion, LED Streetlight replacement and Toft Pier;
- Prepared the first Pension Forum, an engagement event on the subject of the Triennial Valuation and Funding Strategy Statement, for Pension Fund employers held on 23 January 2018;
- Increased participation in the viewpoint survey from finance staff, up 21% from 2015.

Governance & Law

- Insurance Project ongoing;
- General Data Protection Regulation Project initiated;
- Monitoring and inputting into the development of the Islands Bill;
- Review of Licensing Statement commenced;
- Information Management Improvement Project progressing, as per agreed project schedule and targets.

Human Resources

- Council-wide implementation of Vor training admin and online booking system following testing and pilot phases;
- CHRIS7 and HR21 health check took place, action plan developed by HR and

Finance and implementation is underway. This has identified efficiencies and self-service opportunities;

- Policy Reviews approved by Committee:
 - Travel at Work / ECU
 - Temporary Higher Duties
 - Maximising attendance – includes delivering programme of management coaching delivered by HR Advisers
 - Joint Organisation and Workforce Development Protocol for SIC / NHS (approved by IJB)
 - Chief Executive Recruitment & Selection exercise – approved and recruitment advertising live before Christmas
 - Completed 12 full months of implementation of 3rd Edition of SJC Job Evaluation Scheme.

Information & Communication Technology

- Installation of new and existing ICT equipment at the new AHS and hostel;
- Completion of this year's Security Remediation Plan leading to successful PSN CoCo registration;
- Installation and configuration of Firm step, as part of the Business Transformation Digital First project.

4.2 Appendix A gives further detail on the following topics:

- Work to improve broadband
- Workforce strategy
- Constitutional reform and “Our Islands, Our Future”
- New HR ICT system
- Information management & improvement
- Commissioning and procurement framework
- Complete Commissioning Guidance
- Digital first
- Paperless Council
- Customer first
- Communications
- Insurance Project
- General Data Protection Regulation (GDPR)
- Future use of AHS site

4.3 The Director of Corporate Services is the Programme Sponsor for the Business Transformation Programme (BTP). Managers in Corporate & Executive Services are leading on 7 of the 8 supporting work streams:

- Customer First
- Commissioning/Procurement Framework
- Workforce Strategy
- Asset Strategy
- Information Management & Improvement
- Digital First
- Paperless Council

and these are included in service plans and the performance report at Appendix A. The eighth work stream in the BTP is Broadband and Connectivity, which is led by Development Services. A number of aspects of this work stream are a major feature in the ICT service plans and performance reports.

An update report was provided to Policy & Resources Committee on 6 December 2017.

5.0 Exempt and/or confidential information:	
5.1 <i>None.</i>	
6.0 Implications	
6.1 Service Users, Patients and Communities:	Effective performance management and continuous improvement are important duties for all statutory and voluntary sector partners in maintaining appropriate services for the public.
6.2 Human Resources and Organisational Development:	There are no issues arising directly from this report. The commentary on overtime figures in Appendix B shows the reasons for peaks in overtime and the current situation.
6.3 Equality, Diversity and Human Rights:	The Council is required to make sure our systems are monitored and assessed for any implications in this regard. An Equal Pay Audit was completed in 2014/15. This contributes towards the work on equalities, which is a priority in Our Plan 2016-2020.
6.4 Legal:	None arising directly from this report.
6.5 Finance:	The actions, measures and performance management described in this report have been delivered within existing approved budgets. Budget monitoring is the subject of a separate report.
6.6 Assets and Property:	None arising directly from this report.
6.7 ICT and new technologies	Future work programmes for Corporate and Executive services will include projects to support on line services and access to services and the use of ICT to streamline back office functions.
6.8 Environmental:	None arising directly from this report.
6.9 Risk Management:	The Council has a comprehensive Risk Management Framework in place.
6.10 Policy and Delegated Authority:	<p>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:</p> <p>“Monitor and review achievement of key outcomes in the Service Plans within their functional area by ensuring –</p> <ul style="list-style-type: none"> (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.”

6.11 Previously considered by:	<i>None</i>	
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Contact Details:

Christine Ferguson, Director of Corporate Services

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21 February 2018

Appendices:

Appendix A - Projects and Actions

Appendix B - Performance Indicators

Appendix C - No complaints recorded for Q3

Appendix D - Corporate Services Risk Register

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



Generated on: 26 February 2018

OUR PLAN 2016-2020

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	Long-term Outcome	Dates		Progress	Progress statement	
DP075 Work to improve broadband availability and bandwidth to SIC sites	By liaising and coordinating the activities of the ICT Service, Economic Development's "Shetland Telecom" Project, HIE BDUK Next Generation Broadband Project and Community Broadband Scotland through the ICT Network Strategy Programme Board	High-speed broadband availability will ensure that Shetland businesses can compete on a global basis and Shetland households can have full use of the increasing number of bandwidth-intensive services that use broadband as a delivery mechanism.	Planned Start	01-Apr-2014		We (along with Development) are producing a strategy for lobbying Scottish and National Governments, and a digital strategy. 3G/4G mobile phone provision is becoming more widely available, both through the EE "Blue Light" Contract and the upgrades done by Vodafone and O2. BT will continue making some additional cabinets live, the majority of this contract is now complete. Schools Aith, Whalsay and Whiteness are now using Fibre Broadband. The Reaching 100% (R100) initiative from the SG is being tendered with the results expected summer 2018, however at a meeting held with SG R100 team members in September the indications were that this round of funding would still not reach the remote areas, and there is an acceptance from SG that further work and funding will be required.	
Lead			Actual Start	01-Apr-2014	<div><div></div>40%</div>		
Corporate Services Directorate			Original Due Date	31-Mar-2015	Expected success		
			Due Date	31-Mar-2020	 Experiencing issues, risk of failure to meet target		
			Completed Date				

F) OUR "20 BY '20"



01) Leadership & Management

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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP153 Implement Workforce Strategy	Implement the strategy across the council and to carry out a review of the workforce requirements in corporate and executive services.	Long-term profile and plans for workforce taking into account increased financial pressures and changes to service demand.	Planned Start	01-Apr-2017		The HR deliverables within the workforce strategy are being delivered through the Business Transformation Programme. Progress has been made on approximately 60% of the Improvement Actions within the Strategy.
			Actual Start	25-Oct-2016		
			Original Due Date	31-Mar-2020	Expected success	
			Due Date	31-Mar-2020		
Lead			Completed Date		Likely to meet target	
Human Resources						

03) Shetland's "voice"

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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
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.	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.	Planned Start	01-Apr-2013		Involved in Islands Bill preparation, research and evidence-giving session. Participating in Islands Strategic Group. Developing potential Islands Deal with engagement with civil servants and Ministers to be explored and progressed.
			Actual Start	01-Apr-2013		
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	31-Mar-2018		
Lead			Completed Date		Likely to meet target	
Executive Services						

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	Long-term Outcome	Dates		Progress	Progress statement
DP078 New HR ICT system	Implement new HR CHRIS 8 system	Ensuring our Council-wide workforce information system can fully support our business	Planned Start	01-Apr-2015		Ongoing problems with the latest versions of the CHRIS system have meant that the supplier, Frontier Software, has agreed that Scottish local authorities can delay upgrade and will release a year end version of the current system at no cost to SIC. There will be no further testing until a more robust system is confirmed by Scottish local authorities.
			Actual Start	10-Apr-2015		
			Original Due Date	30-Apr-2017	Expected success	
			Due Date	01-Oct-2018		
Lead			Completed Date		Experiencing issues, risk of failure to meet target	
Corporate Services Directorate						

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	Long-term Outcome	Dates		Progress	Progress statement
DP156 Information Management & Improvement			Planned Start	01-Apr-2017		First meeting of the Information Governance Board was held on 17/10/17 and quarterly meetings agreed for 2018. Board approved the IMIP Project Initiation Document, Years 1 to 5 high level outputs and the detailed Action Plan. PID was signed off by the Client and the SRO on 20 November 2017. The SRO and Project Manager have attended all Directorate Teams to provide an update on the Project and commitments. Joint presentation made to Community Health and Social Care Management Team in relation to information management project work for both SIC and NHS. Departmental Leads. Project Team Members have been agreed, first Team meeting planned for Jan 18 to commence work on the Information Asset Register. Year 1 high level objectives are substantially complete.
			Actual Start	20-Mar-2017	<div><div>85%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	31-Mar-2018		
			Completed Date		Likely to meet target	
Lead	Information Management Improvement Programme	A cohesive approach to the management of records and information.				
Governance & Law						

07) Procurement

Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP152 Commissioning & Procurement Framework	Establish new procedures to maximise efficient procurement	Embed a culture of robust, effective and efficient procurement and commissioning that delivers best value in relation to the goods and services the council needs	Planned Start	16-Apr-2018		Not yet started
			Actual Start		<div><div>0%</div></div>	
			Original Due Date	22-Mar-2019	Expected success	
			Due Date	22-Mar-2019		
			Completed Date		Likely to meet target	
Lead						
Capital Programme						

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP216 Complete Commissioning Guidance	Create concise commissioning and procurement guidance	Embed a culture of robust, effective and efficient procurement and commissioning that delivers best value in relation to the goods and services the council needs	Planned Start	01-Mar-2017		All background research complete. This is now with the Executive Manager to compile guidance from research.
			Actual Start	01-Mar-2017	<div><div>20%</div></div>	
			Original Due Date	27-Jun-2018	Expected success	
			Due Date	27-Jun-2018		
			Completed Date		Likely to meet target	
Lead						
Capital Programme						

08) Efficient

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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP155 Digital First Lead Information & Communication Technology	Investigate enablers for Digital Service Delivery and implement	We will be working in a more effective way, allowing us to cope with reduced resources. We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.	Planned Start	01-Apr-2017		Firmstep Customer Experience platform has been procured, user and technical training delivered, payment integration with the Council's financial system has been completed,
			Actual Start	11-Apr-2017	<div><div>40%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	31-Mar-2018		
			Completed Date		Likely to meet target	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP157 Paperless Council Lead Information & Communication Technology	Identify processes that can be automated or made paperless and implement solutions.	Maximum use of technology to minimise overheads, eliminating "no-value" processes where possible.	Planned Start	01-Apr-2017		Further progress in this work stream is closely allied with the implementation of Firm Step, in the Digital First stream. As processes are identified which can be done on-line rather than on paper (both internally and publicly), we should start to see a decrease in the need for paper copies of information.
			Actual Start	11-Apr-2017	<div><div>40%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	31-Mar-2018		
			Completed Date		Likely to meet target	


09) Customer care

People who use our services will experience excellent standards of customer care.


Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP151 Customer First Lead Executive Services	Agree strategy to ensure that the Council is a customer focused organisation	People who use our services will experience excellent standards of care.	Planned Start	01-Apr-2017		New strategy and charter in draft. Customer survey completed. Public performance reporting actions in progress. Project on track to deliver required outcomes. Target presentation to P&R on 30th April.
			Actual Start	01-Apr-2017	<div><div>75%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	30-Apr-2018		
			Completed Date		Likely to meet target	



10) Communication

Our staff and the public will feel more informed about the council's activities, through excellent communications systems.



Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP206 Communications	Deliver the Communications Team Action Plan 2017-18	Our staff and the public will feel more informed about the Council's activities, through excellent communications systems.	Planned Start	01-Apr-2017		Business Bulletin produced every second month and Member Bulletin monthly. Staff magazine produced twice a year - next issue mid 2018.
			Actual Start	01-Apr-2017	<div><div>75%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2018		
Executive Services			Completed Date		Likely to meet target	

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	Long-term Outcome	Dates		Progress	Progress statement
DP220 Insurance project	Implement the decision of the Council to redesign their insurances	Systems are in place for the efficient operation of the Councils insurance arrangements from 1/4/18	Planned Start	30-Aug-2017		The tender has been issued for the redesigned programme with bids sought by 3.3.18 Other workstreams progressing satisfactorily
			Actual Start	30-Aug-2017	<div><div>70%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2018		
Governance & Law			Completed Date		Likely to meet target	

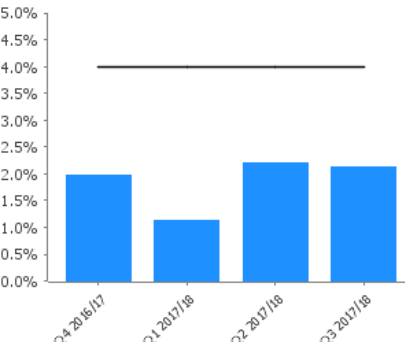
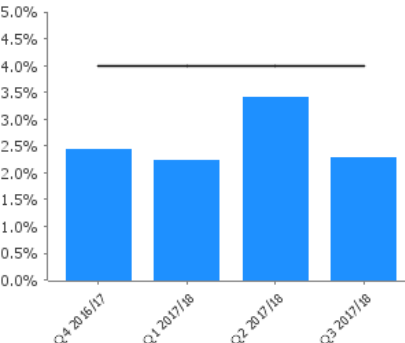
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP221 General Data Protection Regulation (GDPR)	Prepare the council for the implementation of the General Data Protection Regulation in May 18	People who use our services know what personal information we hold and how it will be used	Planned Start	01-Dec-2017		PID has been developed and initial scoping work undertaken. Plan for implementation has been prepared and initialised
			Actual Start	01-Dec-2017	<div><div>15%</div></div>	
			Original Due Date	30-May-2018	Expected success	
Lead			Due Date	30-May-2018		
Governance & Law			Completed Date		Likely to meet target	

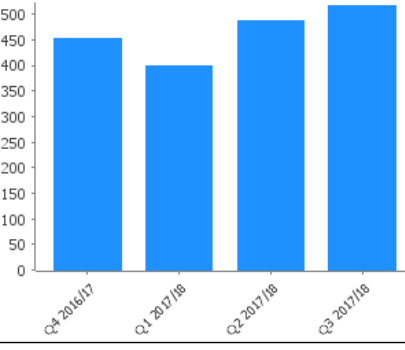
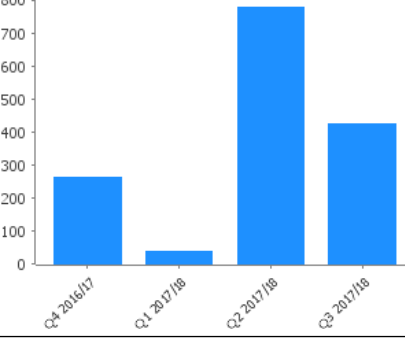
15) Assets We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in.

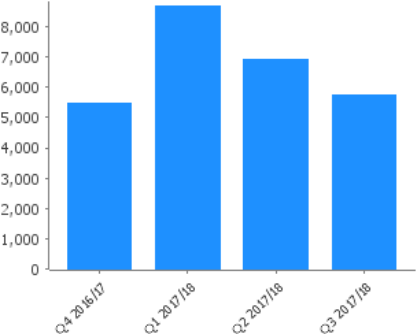
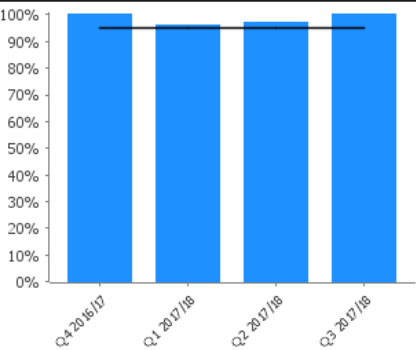
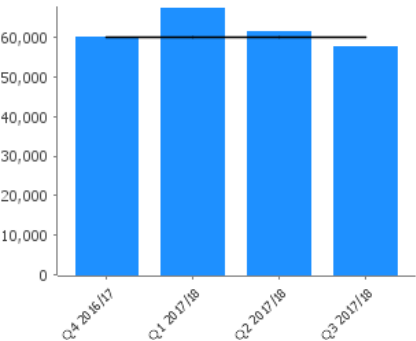
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress statement
DP035 Future use of existing AHS site at Knab Lead Capital Programme	Investigate options for future use of existing AHS site at Knab	Continuity of use of site and retained buildings	Planned Start	01-Apr-2014		Legal issues clarified. Masterplanning consultant appointed and work underway.
			Actual Start	10-Apr-2015	<div><div>50%</div></div>	
			Original Due Date	31-Mar-2016	Expected success	
			Due Date	31-May-2018		
			Completed Date		Likely to meet target	

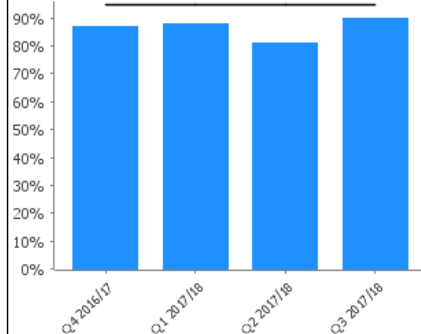
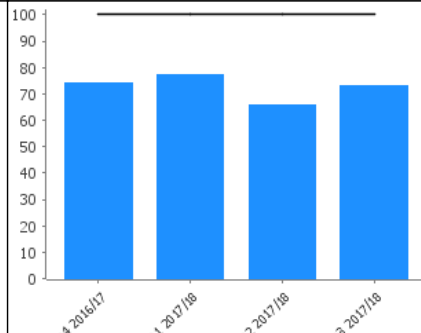
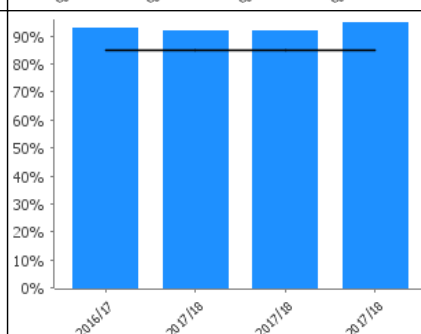
Appendix B - PPMF Performance Indicators (Quarterly)- Chief Executive and Corporate Services Directorate

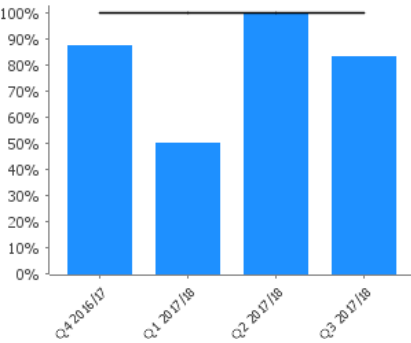
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Code & Short Name	Previous Years		Quarters				Q3 2017/18 Target	Graphs	(past) Performance & (future) Improvement Statements
	2015/16	2016/17	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18			
	Value	Value	Value	Value	Value	Value			
OPI-4C-A Sick %age - Chief Executive's "Directorate"	3.5%	1.2%	2.0%	1.1%	2.2%	2.1%	4.0%		<p>Performance can be impacted upon by a single longer-term absence. However, these figures are at a positive level and well below the Council target that we expect to maintain.</p> <p>Improvement: We will continue to monitor closely and hope to maintain these good results.</p>
OPI-4C-F Sick %age - Corporate Services Directorate	1.8%	1.9%	2.4%	2.2%	3.4%	2.3%	4.0%		<p>Performance: Slight decrease in Q3 sickness levels since last Q3 (2.3% compared to 2.5%).</p> <p>Improvement: We continue to apply the Council's "maximising attendance" policies and procedures and we predict that the levels in the Directorate will remain below target and well below the average for the Council for 17/18.</p>

	Previous Years		Quarters						
Code & Short Name	2015/16	2016/17	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q3 2017/18	Graphs	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
OPI-4E-A Overtime Hours - Chief Executive's "Directorate"	642	187	16	22	39	39			<p>Performance The change in this year is due to the Town Hall being closed as a venue while work on the windows is undertaken.</p> <p>Improvement These hours relate to overtime that is necessary to provide staff for evening hires at the Town Hall. The cost of these hours is covered through income.</p>
OPI-4E-F Overtime Hours - Corporate Services Directorate	1,541	1,262	453	398	488	517			<p>Performance: Increases in Q3 are mainly due to the extra work of the new Anderson High project.</p> <p>Improvement: Current action is cost effective and no improvement action is planned.</p>
OPI-4G-A Employee Miles Claimed - Chief Executive's "Directorate"	1,667	1,732	261	38	776	424			

Code & Short Name	Previous Years		Quarters				Q3 2017/18 Target	Graphs	(past) Performance & (future) Improvement Statements
	2015/16	2016/17	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18			
	Value	Value	Value	Value	Value	Value			
OPI-4G-F Employee Miles Claimed - Corporate Services Directorate	30,804	24,414	5,470	8,669	6,928	5,751			<p>Performance Extra mileage due to the move from 8 North Ness, the situation is being monitored.</p> <p>Improvement The increased mileage due to the North Ness move is being monitored. Mileage claimed is within budget and only used when necessary to deliver the service. Managers continue to follow the council's policy on employee mileage.</p>
AX04 % of press releases featured in the local media	99.25%	97.5%	100%	96%	97%	100%	95%		<p>Performance: The figure for % of press releases featured in the local media remains consistently above target.</p> <p>Improvement: Continue to produce high quality press releases that attract coverage.</p>
AX05 Number of unique visits to the Council's internet site (1000s)	231,932	231,344	60,095	67,317	61,507	57,582	60,000		<p>Performance: In Q3, December slightly exceeded target with a peak of visits to the adverse weather page during Storm Caroline.</p> <p>Improvement: Continue efforts to drive traffic to our website to not only meet but continue to exceed 20,000 unique visits per month. Our web coordinators meet regularly to improve website access and content.</p>

	Previous Years		Quarters						
Code & Short Name	2015/16	2016/17	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q3 2017/18	Graphs	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
F01 FOISA responded to within 20 day limit - Corporate & Executive Services	89.75%	88.75%	87%	88%	81%	90%	95%		Performance: The complexity and level of FOISAs, and the number of staff involved remains steady. Improvement: There are no specific plans to add any further resources to this process, but we remain committed to keeping our rating as high as possible.
FA10 Performance System Usage - Number of individual users actively using the Council's Performance System	88.5	76	74	77	66	73	100		Performance: Recent increases in Performance System usage due to increased awareness of Complaints monitoring and individual Services developing specific suites of Performance Indicators (e.g. Ferries) Improvement: Current capacity in the Service is reduced due to maternity leave. Further development and promotion of the performance system will continue once staffing levels return to full compliment.
FI02 Percentage % of ICT projects which are on time and within budget	92%	93.5%	93%	92%	92%	95%	85%		Performance: 85% of projects to be completed within project tolerance with regard to both budget and timescale. 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	2015/16	2016/17	Q4 2016/17	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q3 2017/18	Graphs	(past) Performance & (future) Improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
FL01 Data Subject Requests - % responded to within 40 days	81%	81.38%	87.5%	50%	100%	83%	100%	 <p>100% 90% 80% 70% 60% 50% 40% 30% 20% 10% 0%</p> <p>Q4 2016/17 Q1 2017/18 Q2 2017/18 Q3 2017/18</p>	<p>Performance: 2 out of 4. Two cases were complex and requestors were kept advised of progress.</p> <p>Improvement: The number and increasing complexity of some requests in addition to the existing workload of staff in Committee Services impacts on the ability to respond within the timescales required. Staff in other areas are gaining more experience in these areas with a view to the workload being shared in future.</p>

Appendix B (cont) - Sickness Absences - All Directorates (for comparison)

NOTE: Sickness absences are very seasonal, therefore this quarter is compared to the same quarter last year (rather than compared to the previous quarter).

Generated on: 26 February 2018

Short Name	Previous Years				Last year	This year
	2013/14	2014/15	2015/16	2016/17	Q3 2016/17	Q3 2017/18
	Value	Value	Value	Value	Value	Value
Sickness Percentage - Whole Council	3.6%	4.2%	3.7%	3.1%	3.3%	3.3%
Sick %age - Chief Executive's "Directorate"	1.4%	2.4%	3.5%	1.2%	1.0%	2.1%
Sick %age - Children's Services Directorate	2.8%	3.7%	2.9%	2.5%	2.6%	3.3%
Sick %age - Community Health & Social Care Directorate	6.0%	6.0%	5.6%	5.2%	5.2%	4.6%
Sick %age - Corporate Services Directorate	1.6%	2.4%	1.8%	1.9%	2.5%	2.3%
Sick %age - Development Directorate	2.7%	4.2%	3.5%	2.9%	3.4%	2.3%
Sick %age - Infrastructure Directorate	3.4%	4.0%	3.8%	2.4%	2.4%	2.8%

Risk Register - Corporate Services

Risk & Details	Current			Current and Planned Control Measures	Probability	Target		Responsible Officer			
	Likelihood	Impact	Risk Profile			Impact	Risk Profile				
Category	Directorate										
Corporate Plan	F1. Our "20 by '20" - Leadership & Management										
<p>It is recognised that there is a risk across the Council that work will not be scheduled or completed timeously as there is an anticipated increase in workload across all departments in the coming months. This is due to additional work needed on service redesign projects and the activities associated with budget setting for 2017/18 and future years. The outcome of the EU Referendum is likely to have a significant impact in the months and years to come. There may be an opportunity cost should other planned work be displaced.</p> <p>Trigger : Additional work needed on service redesign projects and the activities associated with budget setting for 2017/18 and future years. The outcome of the EU Referendum is likely to have a significant impact in the months and years to come. Work will also be required to identify potential implications for the Council following the sale of part of BP 's stake in Sullom Voe.</p> <p>Consequences : There may be an opportunity cost should other planned work be displaced.</p> <p>Risk type : Deadlines - failure to meet</p> <p>Reference - B0009</p>	Likely	Significant	High	• Corporate Services management team will keep work programmes under review and report issues to CMT and P&R Committee as appropriate. Redesign work e.g. work to implement the Commissioning and Procurement Framework, the actions from the Third Sector Review and the implementation of the Community Empowerment Act will be supported by additional project resources funded by the Funding for Change budget.	Possible	Significant	Medium	Christine Ferguson Corporate Services			
Corporate Plan	F10. Our "20 By '20" - Communication										

<p>The bulk of Corporate Services' staff are based at 8 North Ness along with Planning and Building Control Service. On 20th September, and at short-notice, the building required to be vacated because of concerns re the structural integrity of the building- staff are currently at various locations through Lerwick in temporary accommodation.</p> <p>Trigger : North Ness building was vacated on 20th Sept 2016 at short notice</p> <p>Consequences : Impact on efficient operations - it is challenging to maintain communications when staff previously took advantage of sharing a building and where discussions, both formal and informal, were straight-forward. There is therefore an opportunity cost. There will be further work required to plan the return to North Ness. The move has also impacted upon Planning and Building Control who are now based at Gremista and are less accessible for members of the public.</p> <p>Risk type : Communications poor</p> <p>Reference - B0010</p>	Possible	Significant	Medium	<p>• Plans will be prepared in advance of the return to North Ness, staff are kept informed, and discussions ongoing in order to resolve any issues. Plans will be reviewed and implemented as appropriate.</p>	Unlikely	Minor	Low	Robert Sinclair Corporate Services
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Corporate Plan

F8. Our "20 by '20" - Efficient

<p>Potential for a reduction in financial resilience due to the failure to deliver the current year budget.</p> <p>Trigger : Overspending. Making inappropriate spending / resource decisions. Income from customers lower than anticipated.</p> <p>Consequences : Draw from Council reserves, ultimately if not addressed, reserves run out. No flexibility to address unexpected or unplanned situations that might arise.</p> <p>Risk type : Economic / Financial - Other</p> <p>Reference - B0006</p>	Unlikely	Extreme	High	<p>• 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.</p> <p>Engagement with Councillors through seminars and individual meetings as required is a feature of the process.</p>	Unlikely	Major	Medium	Jonathan Belford Corporate Services
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<p>Historic cash investment in Shetland's infrastructure, pressure now on capital funding for future 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 progressively need to be replaced. However, the financial situation is now tighter which means funding is not readily available.</p> <p>Trigger : Failure to approve an affordable capital investment programme. Expenditure overruns on capital projects. Inappropriate decision making and failure to prioritise use of scarce funding.</p> <p>Consequences : Challenging to finance the replacement of various assets. A return to budget deficits and crisis management of assets/properties. Budgets reduced in other areas due to having to maintain too many operational assets/properties.</p> <p>Risk type : Economic - Other</p> <p>Reference - B0007</p>	Unlikely	Extreme	High	<p>• Council adopted gateway process and building better business cases approach to capital investment project approval.</p> <p>• MTFP, budget monitoring and scrutiny, clear and robust roles and responsibilities for managers and financial procedures & regs. A report on Long Term Asset Investment planning has been prepared and presented to the Council. It identifies the extent of future programmes, which will inform funding options. LTAI planning highlights the significant challenges - for example fair funding for ferries is a challenge that is larger than is manageable by the SIC and requires national input and support. Lobbying of Scottish Govt to be undertaken.</p>	Unlikely	Major	Medium	Jonathan Belford Corporate Services
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Risk Register - Executive Services

<p>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.</p> <p>A comprehensive induction programme was well attended by Councillors in May 2017 and additionally various controls have since been implemented to manage this risk.</p> <p>Trigger : Members demonstrating lack of skills / raising concerns / challenge to decisions taken or Member performance.</p> <p>Consequences : Significant reputational damage</p> <p>Risk type : Best Value - failure to evidence</p> <p>Reference - XCE0022</p>	Unlikely	Minor	Low	<p>• Member Development Members continue to attend seminars and the training events provided. Numbers are monitored on an ongoing basis. Development opportunities and resources are highlighted in each monthly newsletter, to raise awareness.</p> <p>A comprehensive induction programme was well attended by Councillors in May 2017. A Development Programme was subsequently created, following individual training needs analysis. The programme has prioritised essential training, such as Licensing, Planning, Audit etc., and seeks to make best use of external and internal expertise. Sessions have been well attended. Members also receive training material on a monthly basis, through their newsletter.</p>	Unlikely	Minor	Low	Peter Peterson Executive Services
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Meeting(s):	Policy and Resources Committee	6 March 2018
Report Title:	Management Accounts for Community Health and Social Care 2017/18 – Projected Outturn at Quarter 3	
Reference Number:	F-020	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Policy and Resources Committee RESOLVES to review the Management Accounts for the Community Health and Social Care Directorate showing the projected outturn position at Quarter 3.
- 1.2 The Policy and Resources Committee RECOMMEND to the Council that it approves an increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m, recognising the transfer of Cost Pressure and Contingency budget held by the Council and miscellaneous budget changes, as detailed at 4.2 below. This will increase the payment for 2017/18 to £20.783m.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Policy and Resources Committee to monitor the financial performance of services within the Community Health and Social Care Directorate 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 consequences of the service performance detailed in the Community Health and Social Care Directorate performance report (reported to the Integration Joint Board (IJB)) 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 year-end.
- 2.2 On 15 February 2017 (SIC Min Ref: 7/17) the Council approved the 2017/18 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 £12.252m. 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.
- 2.3 This report forms part of the financial governance and stewardship framework which 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.

2.4	Since the approval of the 2017/18 budget, revisions to the budget have been incorporated for the Council's budget carry-forward scheme and the application of Cost Pressure and Contingency Budgets. Therefore this report refers to the revised budget that is now in place for each of the services.
2.5	The Council delegated the functions of the Community Health and Social Care Directorate to the IJB. The Council and NHS Shetland approve a contribution to the IJB, and then receive a distribution of those resources from the IJB to carry out services as directed by it. Management accounts showing the financial position for all delegated functions of the IJB are prepared and presented by the Chief Financial Officer (CFO) to the IJB on a quarterly basis to ensure adequate financial monitoring can be performed by the IJB.
3.0 Corporate Priorities and Joint Working:	
3.1	There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that 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.
3.2	The IJB's vision, aims and strategic objectives are set out in the Integration Scheme and the Strategic Plan 2017-20. The IJB is provided with quarterly Financial Monitoring Reports to enable the IJB to manage in year financial performance of the integrated budget and to monitor performance against the Strategic Commissioning Plan.
4.0 Key Issues:	
4.1	This report presents the projected outturn position for 2017/18 against the revenue budgets distributed by the IJB as at the end of the third quarter. The report also presents the projected capital outturn position for the Community Health and Social Care Directorate as at the end of the third quarter. The capital budgets are not delegated to the IJB. The forecasts have been determined by Finance Services after consultation with the relevant budget responsible officers.
4.2	The Council has approved a contribution to the IJB of £19.216m in February 2017, forecasting that it would receive £20.494m in order to deliver the range of services, as defined by the IJB's Strategic Plan. In June 2017, a further contribution of £620k was agreed in respect of revenue budget carry-forwards. Provision was also made within the central cost pressure and contingency budget for other costs not known with certainty when the 2017/18 budget was set. A further increase to the contribution of £932k is now proposed based on the application of cost pressure and contingency budget and various other minor budget changes, which will increase the contribution to the IJB to £20.783m.
4.3	The projected revenue outturn position against the revised budgets delegated to the IJB is an overspend of £14k, after anticipated cost pressure and contingency budget is applied.
4.4	The projected capital outturn position for the Community Health and Social Care Directorate is an underspend of £18k for 2017/18 with a requirement for slippage

of £53k to 2018/19 resulting in an overall projected overspend position of £35k, which will be funded as part of the Edward Thomason and Taing House Extension Spend to Save Project.

- 4.5 See appendices 1 and 2 attached for detailed information on the revenue and capital outturn positions.
- 4.6 Provision was made in the Council's 2017/18 Budget for cost pressures and contingencies. It is held centrally by the Executive Manager - Finance.
- 4.7 Cost pressures are recurring in nature and increase the base cost of the service being delivered, eg pay awards, whereas contingency items are deemed non-recurring and likely to vary year on year, eg sleepover payments.
- 4.8 This approach assists the Council to mitigate any spending risks. However, it is expected that services will endeavour, in the first instance, to meet any additional costs from within existing resources.
- 4.9 It is proposed that Cost Pressure and Contingency budget of £879k be applied to Community Health and Social Care Directorate's overall budgets, to recognise the costs of the pay uplift, £467k, holiday pay, £307k and reduction in Shetland Charitable Trust funding for 2017/18, £105k.
- 4.10 During the year-to-date there have also been minor budget changes within the Community Health and Social Care Directorate for 2017/18, which amount to a total increase in the budgets of £53k.
- 4.11 The strategic planning and distribution of funding for the services of the Community Health and Social Care Directorate for 2017/18 has been delegated to the IJB. The focus of this report is to allow Members to understand the Council's performance in managing the financial aspects of service delivery. This is different from the overall financial position of the IJB. The overall position of the IJB is relevant however in terms of the impact that the financial position might have on the Council. An example of this is where overspending has occurred by one, or both of the partners, then with reference to the Integration Scheme there is a process that requires to be followed. This is of relevance to the Council, as a partner and a funder.
- 4.12 The projected outturn position for Q3 for the IJB overall is attached at Appendix 3 for reference.
- 4.13 Members will note there is a projected overspend in the NHS Shetland (NHSS) arm of the IJB budget (£3.276m) and a projected overspend in the Council arm of the IJB budgets (£0.014m).
- 4.14 The Integration Scheme sets out how over/under spends affecting the budgets allocated for the delegated functions will be addressed.
- 4.15 The IJB has a Recovery Plan in place (see Appendix 4) to address the efficiency savings required within NHSS delegated budget in 2017/18. It should be noted that, despite the overspend forecast in the NHSS arm of the IJB budget at the end of quarter three, NHSS still expects to breakeven overall and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.

4.16	The Council will provide a one-off payment to balance its arm of the budget should the projected overspend in the Council arm of the IJB budgets come to fruition.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.2 Human Resources and Organisational Development:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.3 Equality, Diversity and Human Rights:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.4 Legal:	<p>Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.</p> <p>There are legal implications with regard to the delegation of statutory functions of the Council and NHSS to the IJB by each Party in order to deliver the delegated functions for that Party. These are set out in the Public Bodies (Joint Working) (Scotland) Act 2014, the associated Regulations and Guidance. The Council, NHSS and the IJB must adhere to the terms of the Integration Scheme approved by the Scottish Government under the terms of the Public Bodies Act. This includes a section on Finance with details regarding the treatment of under/overspends.</p>
6.5 Finance:	<p>The 2017/18 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. To achieve this, a one-off underspend from the 2016/17 budget has been used to balance the General Fund. This is a one-off solution for 2017/18.</p> <p>For every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £73k each year in the future as a result of not being able to invest that £1m with fund managers to make a return.</p> <p>It is therefore vital that the Council delivers its 2017/18 budget. This report demonstrates that the services within the Community</p>

	Health and Social Care Directorate are collectively projecting an overspend position of £14k against their Council approved budget, after cost pressure and contingency budget have been applied. The Council will provide a one-off payment to meet this projected outturn overspend should it come to fruition.
6.6 Assets and Property:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.7 ICT and new technologies:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.8 Environmental:	Any implications in relation to the actions and service provision in this report will be included in the Director of Community Health and Social Care Performance Management report also presented at this meeting.
6.9 Risk Management:	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>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.</p> <p>The main financial risks for services within the Community Health and Social Care Directorate will often relate to unexpected demand for services, which may be costly depending on the circumstances.</p> <p>There are other risks, which arise from the integrated approach that is now required, particularly where it may impact on the Council financially.</p> <p>The recovery plan, put in place due to the overspends that are inherent in NHSS delegated functions, poses a risk to the Council as a partner, because the level of savings required has not been achieved in successive years, with reliance required on non-recurring savings in-year in order for NHSS to breakeven. This risk was mitigated in 2016/17 as NHSS have agreed to make an additional contribution to cover this overspend, however NHSS have indicated that they may not be able to do so in future years.</p> <p>There is also a risk to the Council that the redistribution of resources from service redesign projects, transferring care from acute hospital services within NHSS to community care, will not happen.</p>

	<p>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.</p> <p>The Council makes provision within its budget for cost pressures and contingencies that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.</p> <p>A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for significant unforeseen events.</p> <p>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.</p> <p>The Community Health and Social Care Directorate maintains its own Risk Register and includes consideration of the actions which may be used to mitigate the risk not achieving full use of the Integrated Care Fund.</p> <p>The Integration Scheme includes a dispute resolution mechanism which should be followed where either of the Parties fails to agree with the other on any issue related to the Integration Scheme, including financial issues.</p>	
6.10 Policy and Delegated Authority:	<p>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 2017/18 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.</p> <p>The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Sheila Duncan, Management Accountant, sheila.duncan@shetland.gov.uk, 24 November

2017

Appendices:

Appendix 1 - Community Health and Social Care Directorate Projected Revenue Outturn Position for 2017/18

Appendix 2 - Community Health and Social Care Directorate Projected Capital Outturn Position for 2017/18

Appendix 3 - Overall Draft Outturn Position for the Integration Joint Board for 2017/18

Appendix 4 - Projected Outturn Position for the IJB Recovery Plan

Background Documents:

SIC Budget Book 2017/18, SIC 15 February 2017

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520>

Community Health and Social Care

1. Projected Revenue Outturn Position 2017/18

2017/18 Approved Delegated Budget £000	Carry-forward Funding Approved Qtr 1 £000	Cost Pressure & Contingency Budget Applied Qtr 3 £000	Misc Budget Changes Qtr 3 £000	IJB Service Heading	2017/18 Revised Delegated Budget £000	2017/18 Projected Outturn Qtr 3 £000	Outturn Variance Qtr 3 £000
619	0	0	(103)	Mental Health	516	515	1
180	0	0	43	Substance Misuse	223	234	(11)
441	620	4	1	Directorate	1,066	915	151
78	0	0	1	Pensioners	79	78	1
4,944	0	191	(57)	Adult Services	5,078	5,032	46
2,386	0	27	59	Adult Social Work	2,472	2,403	69
10,032	0	634	48	Community Care Resources	10,714	11,031	(317)
18	0	7	1	Criminal Justice	26	13	13
1,370	0	16	60	Occupational Therapy	1,446	1,413	33
426	0	0	0	Scottish Government Additionality Funding	426	426	0
20,494	620	879	53	Total Controllable Costs	22,046	22,060	(14)

The above table shows the projected outturn variance as at Quarter 3, after the application of Cost Pressure and Contingency Budgets to the Community Health and Social Care Directorate and reflecting the impact of other minor budget changes increasing the overall budget by £879k and £53k, respectively. There were a number of costs provided for centrally under the Cost Pressure and Contingency Budget in the 2017/18 Budget. The services have been unable to meet these costs from within existing resources, so it is proposed that Cost Pressure and Contingency Budget is applied to the Community Health and Social Care Directorate based on the estimated costs of pay inflation, the 1% increase in pension contributions and holiday pay for the year.

The Council delegated a budget of £20.494m to the IJB in February 2017, as detailed in Column 1 of the table. Carry-forward funding was approved in quarter 1 increasing the budget by £620k.

1.1 Directorate – projected outturn underspend of £151k (14%)

The projected underspend mainly relates to:

- the inability to use the full 2016/17 carry-forward funding due to delays in getting projects and recruitment underway, £139k.

All savings are deemed one-off.

1.2 Adult Social Work – projected outturn underspend of £69k (3%)

The projected underspend mainly relates to:

- a projected underspend on employee costs due to maternities not back-filled, a vacant post within the Admin Team and the impact of staff who are new to posts starting on a lower grade than budgeted, £96k.

All savings are deemed one-off.

1.3 Community Care Resources – projected outturn overspend of (£317k) (3%)

The projected overspend is mainly due to:

- projected overspend in employee costs in many of the care homes (£286k), notably Edward Thomason House (£132k) and Wastview (81k) due to long-term staff sickness. This has been off-set by smaller projected underspending in employee costs at Overtonlea, Isleshavn and Nordalea, totalling £85k, due to less demand for care at home services at times allowing these staff to be used to back-fill residential shifts, avoiding the use of relief staff. Difficulty in recruiting staff has

also led to temporary bed closures during the year at both Wastview and Isleshavn, also impacting on staffing costs;

- projected underspend in employee costs in Care At Home Central, £194k, due to vacant posts which have proved difficult to recruit to. Demand for care at home services have been less than budgeted during the year, but the vacancies have led to some unmet need, particularly in home help services;
- projected cost of agency staff employed in areas where we are having difficulty recruiting and have experienced significant sickness levels, (£201k);
- projected underachievement of Board and Accommodation income which can vary significantly from budget as it is dependent on the financial circumstances of those receiving care, (£87k).

1.4 Scottish Government Additionality Funding – projected outturn breakeven

The IJB was allocated £1.474m 'Additionality Funding' from the Scottish Government (SG) for 2017/18. As per SG guidance, £852k of the overall funding will be used to help meet a range of continuing cost pressures faced by local authorities in the delivery of effective and high quality health and social care services. This allocation represents a reduction to the proposed payment to the IJB from the SIC for 2017/18. The remaining £622k is provided to support additional spend on expanding social care to support the objective of integration. To date, £426k of the remaining funding has been allocated to the Council.

It was agreed that £348k of this funding would be used to support the increased demand for Self-Directed Support packages. Based on the current packages in place, this is expected to be fully spent. This is however difficult to predict as packages can vary greatly in value, so the addition of further packages, or changes to existing packages can have a significant financial impact.

A further £78k allocation of this funding has been allocated to cover the cost of one full-time social worker and one full-time administration worker who specifically focus on expediting timely hospital discharges. It is anticipated that this funding will be fully spent.

Community Health and Social Care

2. Projected Capital Outturn Position 2017/18

Outturn Variance Qtr 2 £000	Service	Revised Budget Qtr 3 £000	Projected Outturn Qtr 3 £000	Projected Variance Qtr 3 £000	Required in 2018/19 £000	Outturn Variance Qtr 3 £000
0	Director of Community Care	8	8	0	0	0
0	Adult Services	2,757	2,704	53	53	0
(12)	Community Care Resources	0	35	(35)	0	(35)
(12)	Total Controllable Costs	2,765	2,747	18	53	(35)

An explanation for the main draft outturn variances by service are set out below.

2.1 Adult Services – projected outturn underspend £53k (2%)

The projected underspend relates to an amendment required to the original phasing of the project. Slippage to next year is required.

2.2 Community Care Resources – projected outturn overspend of (£35k) (100%)

The projected overspend relates to Capital Projects time allocated to the Edward Thomason and Taing House Extension project for snagging and preparation of the final account. The overspend is to be funded as part of the spend to save project.

Community Health and Social Care

3. Projected Overall Outturn Position for the Integration Joint Board

Service Headings	2017/18 Approved Delegated Annual Budget £000	2017/18 Revised Delegated Annual Budget £000	Projected Outturn at Quarter 3 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
Mental Health	1,972	1,914	2,173	(259)
Substance Misuse	676	625	636	(11)
Oral Health	3,123	3,317	3,317	-
Pharmacy & Prescribing	6,698	6,349	6,349	-
Primary Care	4,571	4,472	5,310	(838)
Community Nursing	2,330	2,656	2,656	-
Directorate	535	1,159	1,008	151
Pensioners	78	79	78	1
Sexual Health	38	40	40	-
Adult Services	5,010	5,132	5,086	46
Adult Social Work	2,386	2,472	2,403	69
Community Care Resources	10,032	10,714	11,031	(317)
Criminal Justice	18	26	13	13
Speech & Language Therapy	83	85	85	-
Dietetics	112	104	104	-
Podiatry	225	223	223	-
Orthotics	143	140	140	-
Physiotherapy	603	562	562	-
Occupational Therapy	1,555	1,632	1,599	33
Health Improvement	310	232	232	-
Unscheduled Care	3,190	2,946	3,471	(525)
Renal	145	188	188	-
Scottish Government Additionality 16/17	512	512	512	-
Scottish Government Additionality 17/18	110	110	110	-
Integrated Care Funding	410	419	419	-
Recovery Plan	(2,529)	(2,529)	(876)	(1,653)
Total Controllable Costs	42,336	43,579	46,869	(3,290)

3.1 Projected outturn overspend at 31 December 2017 (£3.290m) (8%)

The current projected outturn to the end of March 2018 for the IJB is an overall adverse variance of £3.290m which represents a projected overspend of (£14k) in the Council arm of the budget, and a projected overspend in NHS Shetland arm of (£3.276m).

Community Health and Social Care

4. Projected Outturn Position for the IJB Recovery Plan at Quarter 3

	Directly Managed Services £000	Set-Aside Services £000	TOTAL £000
Full savings required by Recovery Plan	2,079	450	2,529
Projected savings	(426)	(450)	(876)
Unachieved savings	1,653	0	1,653

- 4.1 Of the £876k savings identified above, £758k represents recurring savings and £118k are non-recurrent.
- 4.2 The IJB has a Recovery Plan in place to address the efficiency savings required within NHSS delegated budgets in 2017/18. Despite the projected overspend forecast in the NHSS arm of the IJB budget at the end of quarter two, NHSS still expects to breakeven overall and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.



Meeting(s):	Policy & Resources Committee	6 March 2018
Report Title:	Management Accounts for Policy & Resources Committee: 2017/18 – Projected Outturn at Quarter 3	
Reference Number:	F-029-18-F	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Policy & Resources Committee RESOLVES to review the Management Accounts showing the projected outturn position at Quarter 3.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Policy & Resources Committee to monitor the financial performance of services within its remit to ensure that Members are aware of the forecasted 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 Services Directorate performance report, and allows the Committee the opportunity to provide instruction to officers to address any forecast overspends in order that the budget is delivered by year-end.
- 2.2 On 15 February 2017 (SIC Min Ref: 7/17) the Council approved the 2017/18 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 £12.252m. 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.
- 2.3 This report forms part of the financial governance and stewardship framework which 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.
- 2.4 Since the approval of the 2017/18 budget, revisions to the budget have been incorporated for the Council's budget carry-forward scheme. Therefore this report refers to the revised budget that is now in place for each of the services.

3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that 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.

4.0 Key Issues:

- 4.1 This report presents the projected outturn position for 2017/18 as at the end of the third quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant budget responsible officers.
- 4.2 The projected revenue outturn position for the Policy & Resources Committee is an underspend of £423k (3.4%) in controllable revenue, which means the services in this Committee area are collectively projected to spend less than their approved budget. There are no recurring savings identified at this time. Fund Manager Fees are non controllable and are projected to be £825k (7.8%) under spent.
- 4.3 The projected capital outturn position for Policy & Resources Committee is an underspend of £578k (25%), with slippage of £578k into 2018/19.
- 4.4 The projected revenue outturn position of the collective Council budgets for insurance, training and office recharges are included in this report for review by the Policy & Resources Committee. Although these budgets are dispersed throughout all service areas of the Council, including the Harbour Account and HRA. They are budgeted, monitored, and the outturn projected by Corporate Services.
- 4.5 See appendices 1 and 2 attached for detailed information on the revenue and capital outturn positions.
- 4.6 Provision was made in the Council's 2017/18 Budget for cost pressures and contingencies. It is held centrally by the Executive Manager - Finance.
- 4.7 Cost pressures are recurring in nature and increase the base cost of the service being delivered, e.g. pay awards, whereas contingency items are deemed non-recurring and likely to vary year on year, e.g. ferry breakdown costs.
- 4.8 This approach assists the Council to mitigate any spending risks. However, it is expected that services will endeavour, in the first instance, to meet any additional costs from within existing resources.
- 4.9 The following allocations have been made from the cost pressures budget:
 - £153k 1% pay inflation
 - £1k holiday pay

The following allocations have been made from the contingency budget:

 - £17k Trainee Accountant
 - £5k Island Games 2017 funding
- 4.10 No other cost pressure or contingency budget has been applied to date as the Executive and Corporate Services Directorate's overall budgets are projecting to meet the additional costs from within existing underspends and increased income.

5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.2 Human Resources and Organisational Development:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.3 Equality, Diversity and Human Rights:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.4 Legal:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.5 Finance:	<p>The 2017/18 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. To achieve this, a one-off underspend from the 2016/17 budget has been used to balance the General Fund. This is a one-off solution for 2017/18.</p> <p>For every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £73k each year in the future as a result of not being able to invest that £1m with fund managers to make a return.</p> <p>It is therefore vital that the Council delivers its 2017/18 budget. This report demonstrates that the services under the remit of the Policy and Resources Committee are collectively projecting to spend less than their Council approved budget.</p>
6.6 Assets and Property:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.7 ICT and new technologies:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate Services Performance Management report also presented at this meeting.
6.8 Environmental:	Any implications in relation to the actions and service provision in this report will be included in the Executive and Corporate

	Services Performance Management report also presented at this meeting.	
6.9 Risk Management:	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>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.</p> <p>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.</p> <p>The Council makes provision within its budget for cost pressures and contingencies that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.</p> <p>A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for significant unforeseen events.</p> <p>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.</p>	
6.10 Policy and Delegated Authority:	<p>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 2017/18 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.</p> <p>The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

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21 February 2018

Appendices:

Appendix 1 – Policy & Resources Committee Projected Revenue Outturn Position for 2017/18

Appendix 2 – Policy & Resources Committee Projected Capital Outturn Position for 2017/18

Background Documents:

SIC Budget Book 2017/18, SIC 15 February 2017

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520>

END

Policy & Resources Committee

1. Projected Revenue Outturn Position 2017/18

Budget v Proj. Outturn Variance Q2 £000	Service	Revised Annual Budget 2017/18 £000	Projected Outturn at Quarter 3 (Adv)/Pos £000	Budget v Proj. Outturn Variance at Quarter 3 (Adv)/ Pos £000
	(4) Executive Services	1,174	1,141	33
	2 Council Members	616	574	42
	0 Director of Corporate Services	279	279	0
	(3) Capital Programmes	(179)	(222)	43
	3 Finance	2,752	2,566	187
	(2) Joint Valuation Board	313	307	6
	5 Governance & Law	887	876	11
	6 Human Resources	1,392	1,378	14
	9 ICT	1,463	1,403	60
	9 Audit, Risk & Improvement	381	354	27
	Collective Council Budgets:			
	0 Insurance	1,378	1,378	0
	10 Training	645	645	0
	0 Office Recharges	2,025	2,025	0
	Less: Collective Council Budgets recharged to Harbour Account,			
	(10) Pension Fund, HRA & VJB	(516)	(516)	0
25	Total Controllable Costs	12,610	12,188	423
	Carried Forward Specific Grants:			
	Finance		54	(54)
25	Total Controllable Costs	12,610	12,241	369
39	Fund Manager Fees	895	825	70
39	Total Non-Controllable Costs	895	825	70

Included in the above table are the projected variances presented as at Quarter 2. The main differences are explained as follows:

- Finance - £184k difference due to ongoing vacancies and long-term sickness, revised outturns for ring fenced revenue grant funding (DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments), and delays in the upgrade of IT systems in Payroll.
- ICT - £51k difference due to ongoing staffing vacancies and a review of agency charges.

An explanation of the significant projected outturn variances by service at Quarter 3 are set out below:

1.1 Finance - projected outturn underspend £187k (6.8%)

This variance is due to:

- Employee Cost savings due to long term sick leave, staff members reducing their contracted hours and a post that has been unfilled - £61k
- Some upgrade projects have not progressed as planned due to technological, or staffing issues - £60k.
- Spending on specific ring fenced revenue grant funded projects such as DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments is less than budget, however it is required to be carried forward into the new financial year - £54k.
- Delays in relation to the update of an IT system in Payroll, which has now slipped into 2018/19 - £13k.

1.2 ICT - projected outturn underspend £60k (4.1%)

This variance is due to:

- Staffing vacancies within the service - £41k.
- Additional income from agency charges to external services due to a review of the number of computers covered by the arrangements - £11k.

1.3 All other service areas have no significant variances

1.4 Fund Manager Fees - projected outturn underspend £70k (7.8%)

Fund Manager Fees are based on the value of the full range of managed investments the Council has for the year, and reflect market valuations and fund manager performance. For financial management purposes they are defined as non-controllable.

Policy & Resources Committee

1. Projected Capital Outturn Position 2017/18

Variance at Quarter 2 £000		2017/18 £000	Quarter 3 £000	at Quarter 3 (Adv)/ Pos £000
582	Capital Programme	1,954	1,375	578
0	ICT	352	352	0
582	Total Controllable Costs	2,305	1,727	578

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

1.1 Capital Programme – projected outturn underspend £578k (31%)

The projected underspend relates to the Lerwick Library redevelopment which will slip into next year once current office accommodation issues are resolved.

1.2 ICT – projected outturn breakeven

This project is expected to be on budget.



Meeting(s):	Policy & Resources Committee Shetland Islands Council	6 March 2018 7 March 2018
Report Title:	SIC Overall Management Accounts 2017/18 Projected Outturn at Quarter 3	
Reference Number:	F-022-F	
Author / Job Title:	Jonathan Belford Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Policy & Resources Committee RECOMMENDS that the Council RESOLVE:
- 1.1.1 To review the Management Accounts showing the overall projected outturn position at Quarter 3.
 - 1.1.2 To note the actions proposed set out in the report, and approve the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m, recognising the transfer of Cost Pressure and Contingency budget held by the Council and miscellaneous budget changes. This will increase the payment for 2017/18 to £20.783m.

2.0 High Level Summary:

- 2.1 The report sets out the overall Council projected financial position as at quarter 3.
- 2.2 On 15 February 2017 (SIC Min Ref: 7/17) the Council approved the 2017/18 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 £12.252m. 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.
- 2.3 This report forms part of the financial governance and stewardship framework which 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.
- 2.4 Since the approval of the 2017/18 budget, revisions to the budget have been incorporated for the Council's budget carry-forward scheme and spend to save, this amounts to £5.633m for both revenue and capital. Therefore this report refers to the revised budget that is now in place for each of the services.

3.0 Corporate Priorities and Joint Working:

3.1	There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that 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.
3.2	The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.
4.0 Key Issues:	
4.1	At quarter 3 the revenue projections suggest that for the Council 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 £4.774m (Appendix 1).
4.2	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 £6.098m, however £5.907m has been identified as being required in future years to complete projects (Appendix 2).
4.3	From the cost pressures and contingency items budget, £3.387m has been applied to meet cost pressures and contingency items in directorates, this has been mainly on pay pressures (Appendix 3).
4.4	The projected draw from reserves for both revenue and capital expenditure is under the revised budgeted draw by £7.378, at £10.507m. This is lower than the original budget of £12.252m (Appendix 4).
4.5	This includes the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m. This increases the payment for 2017/18 to £20.783m (detailed in para 4.2 of the Management Accounts for Community Health and Social 2017/18 – Projected Outturn at Quarter 3 report on today's agenda).
4.5	Appendices 1-4 set out this information in detail. Analysis of the variances have been included in Service Committee reports.
4.6	However, circumstances may change between now and the year end which may adversely or favourably alter the outturn position. The risks are set out in Section 6.9 below.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	There are no implications arising from this report.

6.2 Human Resources and Organisational Development:	There are no implications arising from this report.
6.3 Equality, Diversity and Human Rights:	There are no implications arising from this report.
6.4 Legal:	There are no implications arising from this report.
6.5 Finance:	<p>Overall the Council is projected to be under the 2017/18 revised budget, on revenue by £4.774m and capital by £6.098m. Included in this underspend is capital slippage of £5.907m which will be required in 2018/19.</p> <p>The overall draw on reserves at quarter 3 is projected to be sustainable with a draw of £10.507m. This is £7.378m less than the revised budgeted draw of £17.885m. The projected draw equates to a daily draw on reserves of £29k.</p> <p>This includes the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m to a total of £20.783m.</p> <p>The Director of Children's Services is to continue to monitor the budget position with her Executive Managers. The Director of Infrastructure will take remedial action for any losses on the harbour operations into future years' budgets.</p>
6.6 Assets and Property:	There are no implications arising from this report.
6.7 ICT and new technologies:	There are no implications arising from this report.
6.8 Environmental:	There are no implications arising from this report.
6.9 Risk Management:	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>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.</p>

	<p>The main variable assumptions are around anticipated income levels, returns on investments and cost pressures and demands.</p> <p>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.</p> <p>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.</p>	
6.10 Policy and Delegated Authority:	<p>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 2016/17 financial year.</p> <p>The Policy & Resources Committee has delegated authority for securing the co-ordination, control and proper management of the financial affairs of the Council, and has referred authority to make recommendations to the Council as to the level of any expenditure not provided for in the annual budgets.</p> <p>The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this.</p>	
6.11 Previously considered by:	n/a	n/a

Contact Details:

Hazel Tait, Team Leader Accountancy, Hazel.Tait@Shetland.gov.uk, 12 February 2017

Appendices:

Appendix 1 - Overall SIC Projected Revenue Outturn Position for 2017/18

Appendix 2 - Overall SIC Projected Capital Outturn Position for 2017/18

Appendix 3 - Contingency and Cost Pressure Budget 2017/18

Appendix 4 - Use of Reserves 2017/18

Background Documents:

SIC Budget Book 2017/18, SIC 15 February 2017

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520>

1. Revenue - Projected Outturn Position for 2017/18

2017/18 Projected Variance Qtr 2 £000	General/Support/Recharged	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
(2)	Chief Executive	1,790	1,716	75
(456)	Children's Services	40,197	40,601	(404)
(723)	Community Care	19,374	19,368	6
28	Corporate Services	7,288	6,941	347
505	Development	14,465	14,035	430
88	Infrastructure	18,860	18,335	526
39	Fund Managers Fees	895	825	70
(5)	Energy	2,463	2,497	(34)
1	Water	322	330	(8)
62	Building Maintenance	2,217	2,202	15
0	Grass Cutting	146	146	0
37	Fleet Management Unit	725	680	45
0	Insurance	946	946	0
	Training	574	574	0
0	Office Building Charge	2,013	2,013	0
1,142	Contingencies & Cost Pressures	3,379	2,451	929
154	Economic Development Investment Income	(900)	(1,258)	358
0	Interest on Revenue Balances	(27)	(27)	0
0	Spend to Save (Unallocated)	123	0	123
9	Net Recharges to Other Fund	(1,991)	(2,000)	9
881	Total Net Expenditure/(Income)	112,861	110,376	2,485
	<i>Funded by:</i>			
0	Government Grants	(79,941)	(80,262)	321
0	Council Tax	(9,003)	(9,003)	0
0	Spend to Save	(250)	0	(250)
(881)	Contribution from General Fund Reserve	(23,667)	(21,111)	(2,556)
(881)	Total Funding/Contribution	(112,861)	(110,376)	(2,485)
0	Balanced Budget	0	0	0

1. Revenue - Projected Outturn Position for 2017/18

2017/18 Projected Variance Qtr 2 £000	Harbour Account	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
(190)	Sullom Voe	(7,796)	(7,538)	(258)
332	Scalloway	272	(73)	345
155	Other Piers	118	(114)	232
260	Terminals	(1,419)	(1,793)	374
556	Total Ports & Harbours Net Expenditure/(Income)	(8,826)	(9,518)	692
28	Shetland Gas Plant	(550)	(790)	240
28	Other Income	(550)	(790)	240
(585)	Contribution to Reserve Fund	9,376	10,308	(933)
(585)	Total Contribution	9,376	10,308	(933)
0	Balanced Budget	0	0	0

2017/18 Projected Variance Qtr 2 £000	Housing Revenue Account	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
888	Expenditure	7,299	5,962	1,337
31	Income	(6,815)	(6,835)	19
919	Total Net Expenditure/(Income)	484	(872)	1,356
(919)	Contribution from HRA Reserve	(484)	872	(1,356)
(919)	Total Contribution	(484)	872	(1,356)
0	Balanced Budget	0	0	0

GF/HARBOUR/HRA REVENUE COMBINED NET SPEND TOTAL

103,969	99,195	4,774
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2. Capital - Projected Outturn Position for 2017/18

Overall Projected Outturn Variance Qtr 2 £000	Service Area	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000	Slippage Required in 2018/19 £000	Overall Projected Outturn Variance Qtr 3 £000
0	Children's Services	7,136	6,389	747	747	0
(12)	Community Care	2,765	2,748	18	53	(36)
0	Corporate Services	2,305	1,727	578	578	0
(30)	Development (GF)	161	223	(62)	0	(62)
39	Development (HRA)	2,913	2,874	39	0	39
(45)	Infrastructure (GF)	6,639	4,649	1,990	1,747	243
(45)	Infrastructure (Harbour Account)	12,989	10,201	2,788	2,781	7
(48)	Total Costs	34,909	28,811	6,098	5,907	191
	Funded by:					
0	General Capital Grant	(7,177)	(7,177)	0	0	0
0	Capital Grants Unapplied (General Fund)	(46)	(46)	0	0	0
10	External Grants	(783)	(583)	(200)	0	(200)
	External Borrowing	(7,807)	(7,168)	(639)	0	(639)
72	Spend to Save Reserve	(491)	(298)	(193)	0	(193)
30	Council Tax Second Homes Reserve	(161)	(223)	62	0	62
2,746	Capital Fund Reserve	(2,126)	0	(2,126)	(5,907)	3,781
	Capital Receipts (General Fund)	(379)	(231)	(148)	0	(148)
(34)	CFCR (General Fund)	(36)	(9)	(27)	0	(27)
910	Capital Receipts (HRA)	(221)	(1,549)	1,328	0	1,328
(949)	CFCR (HRA)	(2,692)	(1,325)	(1,367)	0	(1,367)
(1,343)	CFCR (Harbour Account)	(3,424)	(2,081)	(1,343)	0	(1,343)
(714)	Harbour Account Other Govt Grants	(985)	(271)	(714)	0	(714)
(680)	Harbour Account External Borrowing	(8,580)	(7,849)	(731)	0	(731)
48	Total Funding & Financing	(34,909)	(28,811)	(6,098)	(5,907)	(191)
0	Balanced Budget	0	0	0	0	0

3. Cost Pressure and Contingency Budget for 2017/18

Service Area	2017/18 Budget inc Cfwd 2017/18 £000	2017/18 Budget Allocated 2017/18 Qtr 3 £000	2017/18 Revised Budget 2017/18 Qtr 3 £000
Cost Pressures:			
Pay Award	1,000	984	16
Holiday Pay/Sleepovers/Living Wage	739	726	13
Superannuation Increase	478	470	8
Pension Auto Enrolment	800	0	800
Apprenticeship Levy	474	0	474
AHS Maintenance/Lifecycle Costs	350	338	12
Capital Financing Charge	1427	0	1,427
Funding for Change	848	305	543
TOTAL COST PRESSURES:	6,116	2823	3,293
Contingency:			
General Contingency	1,579	564	1,015
Reduction based on risk of events occurring (67%)	(929)	0	(929)
TOTAL CONTINGENCIES:	650	564	86
OVERALL TOTAL	6,766	3,387	3,379

4. Use of Reserves for 2017/18
(included General Fund/Harbour Account/Housing Revenue Account/Spend to Save reserves)

Draw on Reserves	2017/18 Original Budgeted £000	2017/18 Carry Forwards from 2016/17 £000	2017/18 Revised Budgeted Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
Revenue Draw on Reserves	12,222	2,803	15,025	9,930	5,095
Capital Draw on Reserves	30	2,830	2,860	577	2,283
Total Budgeted Draw on Reserves	12,252	5,633	17,885	10,507	7,378



Meeting(s):	Policy and Resources Committee	6 March 2018
Report Title:	Council Investment Review for Quarter to December 2017	
Reference Number:	F-023-F	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 This report is a review of the Council's external investments over the quarter to December 2017, and as such the Policy and Resources Committee RESOLVE to consider the outcome of this quarterly review.

2.0 High Level Summary:

- 2.1 This report will allow the Policy and Resources Committee to review the investment position and performance of the Council's long term external investments, managed on its behalf by fund managers, for the quarter to December 2017.
- 2.2 The Council's investments increased in value by £14 million over the quarter and now has an overall value at the end of December 2017 of £358 million.
- 2.3 Over the quarter to December 2017 Baillie Gifford and Insight outperformed their benchmarks, and BlackRock achieved their aim of equalling the benchmark. The combined investment return for the Council over the three month period was 4.2%, which was 0.3% above the benchmark return. See additional information in Appendix 1.
- 2.4 The conclusion of the quarterly review is that the Fund Managers have, over the very short 3 month period, achieved a performance in line with or better than the target set for them and there is no immediate action recommended to be taken. A review of the overall investment strategy is in progress and the findings and recommendations from that review will be reported later in the year.

3.0 Corporate Priorities and Joint Working:

- 3.1 The Council's overall investment strategy is important to the Council's Investments, 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.

4.0 Key Issues:

- 4.1 This report is only a three month snapshot of how the markets and fund managers have performed. Over the remainder of the financial year the performance of the

Council's investments could easily increase or decrease depending on economic and investment circumstances.	
5.0	Exempt and/or confidential information:
5.1	<i>None</i>

6.0 Implications :	
6.1 Service Users, Patients and Communities:	The performance of the Council investments has a direct impact on the level and volume of services that it can afford to provide to the people and communities of Shetland. Therefore monitoring of performance provides assurance that the additional funding that is created through the investments is sustainable.
6.2 Human Resources and Organisational Development:	<i>None</i>
6.3 Equality, Diversity and Human Rights:	<i>None</i>
6.4 Legal:	<i>None</i>
6.5 Finance:	<p>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 investment objectives.</p> <p>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, alongside a diversified investment strategy, 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.</p>
6.6 Assets and Property:	Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for sustainable long term benefits. 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.	
6.7 ICT and new technologies:	<i>None</i>	
6.8 Environmental:	<p>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.</p> <p>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.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>All of the Council fund managers 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.</p>	
6.9 Risk Management:	All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.	
6.10 Policy and 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.	
6.11 Previously considered by:	<i>None</i>	

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Appendices:

Appendix 1 - Quarter to December 2017 Performance Review

Background Documents:

None

Quarter to December 2017 Performance Review

1.0 Investment Position and Market Performance

- 1.1 This report forms part of the Council's governance arrangements where the Policy and Resources Committee will receive a quarterly investment report on the external investments.
- 1.2 This report concentrates on the three month period from September to December 2017. The report looks at the performance of the Council's 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.
- 1.3 The Council has three fund managers with total investments under management at the end of December 2017 of £358 million. The funds, type of mandate and market values at the end of December 2017 are as follows:

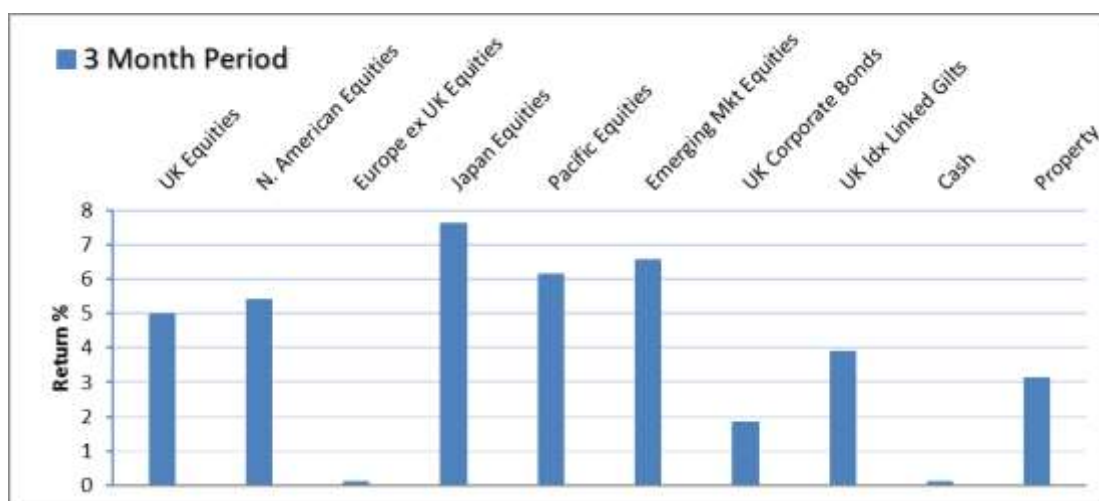
Manager	Mandate	% of Reserves	Market Value (£m)
Baillie Gifford	Equity and Diversified Growth	51%	183
BlackRock	Equity	37%	134
Insight	Bonds	12%	41

- 1.4 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 three month period. For comparison the nine month figures from the start of the 2017/18 financial year are shown.

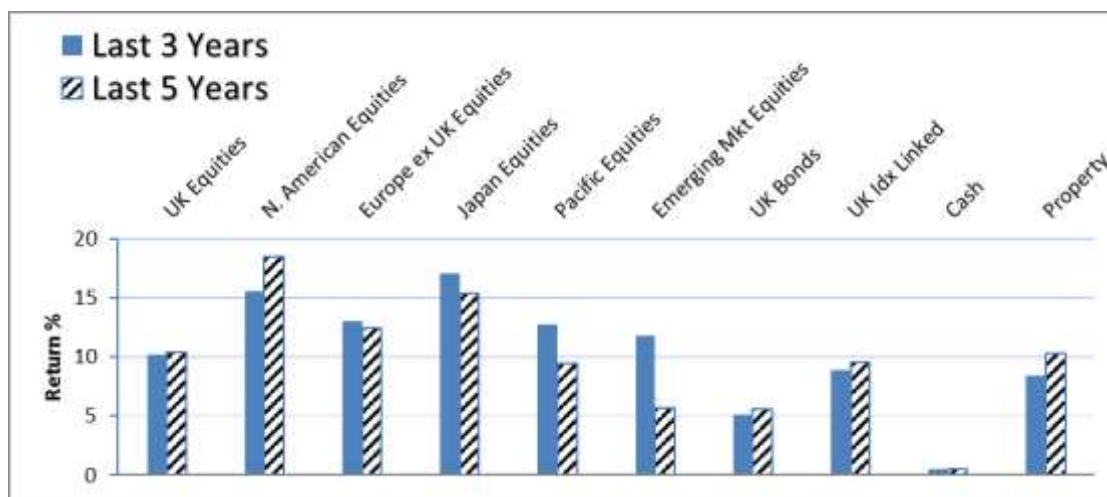
	3 Months Oct – Dec	9 Months Apr – Dec
	£m	£m
Opening Market Value	344	334
Additions / (Withdrawals)	0	(5)
Investment Return	<u>14</u>	<u>29</u>
Market Value Dec 2017	<u>358</u>	<u>358</u>

- 1.5 The figures show over the three month period a £14 million positive investment return. The increase in investment returns is due mainly to the return from equity markets over the period.

- 1.6 Over the three month period to December 2017 almost all major economies saw strong economic growth. The US President passed a tax bill into law which saw a substantial corporate tax cut in the US. In Japan Prime Minister Abe scored a strong victory following his decision to call a snap election, and the Japanese market delivered impressive gains. Europe though was plagued by uncertainty; in Germany Angela Merkel struggled to form a new coalition government, while in Spain the region of Catalonia attempted to gain independence after its referendum. The UK market was helped by the long awaited breakthrough in the first phase of the Brexit negotiations with the European Union.
- 1.7 Looking from the start of the financial year at the nine month period to December 2017 the Council's investments have returned £29 million, which is a return of 8.7% over the period. This was during a period where the UK, France and Germany all had elections. North America and the UK have increased their interest rates. A war of words between North America and North Korea increased the tension between the two countries and the uncertainty over the Brexit negotiations continued. The markets have shrugged off most of these events, and the nine month period has seen most investments rise.
- 1.8 The investment markets performance by asset class over the three month period looks like this:



- 1.9 This is only a three month snapshot of how the various investment classes and sectors have performed and unusually it shows a period of positive return for all asset classes, but over the short term you can have volatility that produces both positive and negative returns. History shows that investments in these asset classes over the long term are usually 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 but with returns per annum over the last three and five years.



- 1.10 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.

2.0 Fund Manager Performance

- 2.1 This report looks at the performance of the fund managers, and the investment return over a three month period, although the Council invests in various asset classes for the long term, generally five years or more.
- 2.2 In this environment the Council's fund managers have, over the three month period to the end of December 2017, performed as follows:

Manager	Fund Return	Benchmark Return	% Return Against Benchmark
Baillie Gifford	4.0	3.4	0.6
BlackRock	5.1	5.1	0.0
Insight	2.2	1.9	0.3

- 2.3 Baillie Gifford's fund is split between an active global equity fund (30%), an active UK equity fund (30%) and a Diversified Growth Fund (40%). Over the three months to the end of December the UK equity fund and the diversified growth fund were above their respective benchmarks, with the global fund

equal to the benchmark. The UK equity fund was the best performing investment sector returning 6.1% over the quarter. The diversified growth fund has as expected produced a lower less volatile return, and outperformed its cash plus benchmark over the three month period. The overall combined fund returned 4.0% over the three month period which outperformed the benchmark by 0.6%.

- 2.4 The fund with BlackRock is invested passively, so the fund is aiming to equal the benchmark return. BlackRock achieved this aim over the three month period, with the fund returning 5.1% which was the same as the benchmark return.
- 2.5 The fund with BlackRock is split between developed world equities 75% and emerging market equities 25%. Over the three month period developed equities returned 4.7% compared to emerging market equities which returned 6.6%.
- 2.6 The bond fund with Insight is invested equally in three sub funds, which are corporate bonds, index linked bonds and a bonds fund with a cash plus benchmark. Insight outperformed the benchmark but this was in a low returning bond market. All of the three funds produced positive returns and were above their individual benchmarks, with UK index linked bonds producing the highest return of 4.1% over the three month period.
- 2.7 The overall Council investment return for the three month period to the end of December 2017 was 4.2%, which was 0.3% above the benchmark return.

3.0 After the end of December 2017

- 3.1 Throughout January 2018 the financial markets continued to rise, and the most up to date Council investment value is £365 million (unaudited) at the end of January 2018.
- 3.2 The month of February 2018 has seen a lot of volatility in global financial markets. This originated in North America on concerns about inflation and the Central Bank stating that they may have to raise interest rates faster than initially thought.
- 3.3 The Council's Investment consultants, KPMG LLP, are conducting an investment strategy review. This includes a review of the current strategy and proposals for any changes required to ensure the investment strategy remains fit for purpose over the next few years. This investment strategy review is ongoing at present, and it is envisaged that the review will be concluded during 2018.



Meeting(s):	Policy and Resources Committee Shetland Islands Council	6 March 2018 7 March 2018
Report Title:	Annual Investment and Treasury Strategy for 2018/19	
Reference Number:	F-025-F	
Author / Job Title:	Report Presented by Executive Manager - Finance	

1.0 Decisions / Action required:

1.1 That the Policy and Resources Committee RESOLVE to:

- a) Review the Borrowing Policy to be followed for the financial year 2018/19, as set out in Appendix 1, section 4.
- b) Review the four clauses within the CIPFA Code of Practice as set out in Appendix 1, section 6.
- c) Review the Treasury Management Policy Statement as set out in Appendix 1 section 7, and
- d) Review the Statement of Treasury Management Practices as set out in Appendix 1 section 8.

1.2 That the Policy and Resources RECOMMEND that the Council RESOLVES to:

- a) Approve the Annual Investment Strategy Statement to be followed for the financial year 2018/19, as set out in Appendix 1, section 2.
- b) Approve the Treasury Management Strategy to be followed for the financial year 2018/19, as set out in Appendix 1, section 3.
- c) Approve the Treasury Management Prudential Indicators for 2017/18 to 2020/21, as set out in Appendix 1, section 5.

2.0 High Level Summary:

2.1 The purpose of this report is to propose an Annual Investment and Treasury Strategy for the Council for the financial year 2018/19.

2.2 This report will address the requirements of the Scottish Minister's consent and the CIPFA Code of Practice for Treasury Management in the Public Services 2017. There are various requirements attached to the Scottish Ministers' consent, with the production of an Annual Investment Strategy duly approved by the Council each year, being central to the consent.

2.3 One of the reporting requirements of the consent is to produce an Annual Investment Strategy Statement. The annual investment strategy is designed to give an integrated local authority strategy within which both its borrowing and

investments are considered. As such the Scottish Ministers recommended that there be a single strategy covering capital, treasury management, the setting of prudential indicators and the requirements of the investment regulations and consent. This strategy is in Appendix 1 at sections 2, 3, 4 and 5.

2.4 Other requirements of the consent involve the CIPFA Code. The CIPFA Code is intended to provide guidance on the best practice for treasury management. It defines treasury management as “The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.5 A key principle of the CIPFA Code is that “Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.”

2.6 In line with this principle, the CIPFA Code recommends the adoption of the CIPFA Code itself, adopted by the Council on 21 March 2012 (Min Ref 25/12), along with:

- an annual review of the four clauses within the CIPFA Code, that are seen as essential for the effective management and control of treasury management activities
- a Treasury Management Policy Statement, which defines the policies and objectives of the treasury management function, and
- a Treasury Management Practices Statement, which covers twelve specific areas that are relevant to the scope and powers of treasury management activities. They define and set out the general approach to be followed in treasury management.

2.7 The schedules complying with the clauses and the statements are covered in Appendix 1 to this report at sections 6, 7 and 8.

3.0 Corporate Priorities and Joint Working:

3.1 The Council’s overall investment strategy is important to the Council’s Investments, 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.

4.0 Key Issues:

4.1 This report includes at Appendix 1 the Annual Investment and Treasury Strategy for the Shetland Islands Council to be followed for the financial year 2018/19.

4.2 This investment strategy meets the requirements of the minister’s consent and complies with CIPFA’s Code of Practice for Treasury Management in the Public Services 2017.

4.3 The CIPFA Code also suggests that the Council should review its approved clauses, its Treasury Management Policy Statement and its Treasury Management Practices Statement which are included in Appendix 1.

4.4 There are no changes to the Borrowing Policy at section 4 in Appendix 1, but the Prudential Indicators at section 5 in Appendix 1 have been updated to reflect the revised Prudential Code (2017) and the 2018-2023 Council asset investment plan. This provides the framework for the internal control and self-management of capital finance in line with the Prudential Code, and in turn the key items of expenditure that will normally govern the bulk of the authority's potential need to borrow. Reviewing and revising the prudential indicators to take account of additional borrowing requirements allows the Council to be assured that the decisions they have made or are about to take are affordable.

5.0 Exempt and/or confidential information:

5.1 *None*

6.0 Implications :

6.1 Service Users, Patients and Communities:	<i>None</i>
6.2 Human Resources and Organisational Development:	<i>None</i>
6.3 Equality, Diversity and Human Rights:	<i>None</i>
6.4 Legal:	As required by the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010 the investment strategy should be approved by the local authority (i.e. full Council or Board).
6.5 Finance:	<p>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.</p> <p>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, alongside a diversified investment strategy, 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.</p>

	<p>The updating of the Prudential Indicators itself does not have an immediate financial impact on the Council however it provides the framework for complying with proper practices in managing capital expenditure and treasury management. The Executive Manager - Finance is able to respond to the financial circumstances that the Council faces and can take decisions based on this.</p>
6.6 Assets and Property:	<p>Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for sustainable 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.</p>
6.7 ICT and new technologies:	<p><i>None</i></p>
6.8 Environmental:	<p>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.</p> <p>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.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>All of the Council Fund Managers 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</p>

	decision-making and ownership practices, and so better align their objectives with those of society at large.	
6.9 Risk Management:	<p>The annual investment strategy employed by the Council will impact on the long-term projected investment returns of the Council's reserves, and have consequences for the daily operating cash capabilities of the Council.</p> <p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.</p>	
6.10 Policy and Delegated Authority:	<p>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.</p> <p>The Annual Investment Strategy is a specific plan contained within the Council's Policy Framework set out in the Council's constitution (Part A – 3(2)) to be prepared and performance managed by the Policy and Resources Committee. Approving, adapting or amending any plan within the policy framework is reserved to the Council (Part A – 3(1)), taking advice from the Policy and Resources Committee, in accordance with Section 2.2.1 of the Council's Scheme of Administration and Delegations.</p>	
6.11 Previously considered by:	None	

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Appendices:

Appendix 1 - Annual Investment and Treasury Strategy for 2018/19

Background Documents:

None

Shetland Islands Council



Annual Investment & Treasury Strategy 2018-19

Securing the best for Shetland

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Introduction

Regulatory requirements

- 1.01 This report addresses the requirements of the Scottish Minister's consent and the CIPFA Code of Practice for Treasury Management. There are various requirements attached to the Scottish Ministers' consent, with the production of an Annual Investment Strategy which requires approval by the Council each year, being central to the consent.
- 1.02 Other requirements of the consent involve the CIPFA Treasury Management Code of Practice. A key principle of the CIPFA Code is that "Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities."
- 1.03 In line with this principle the CIPFA Code recommends the adoption of the code itself, which was adopted by the Council on 21 March 2012 (Min Ref 25/12), along with an annual review of the four clauses within the code, a Treasury Management Policy Statement and a Treasury Management Practices Statement. All of these requirements are covered by this report.

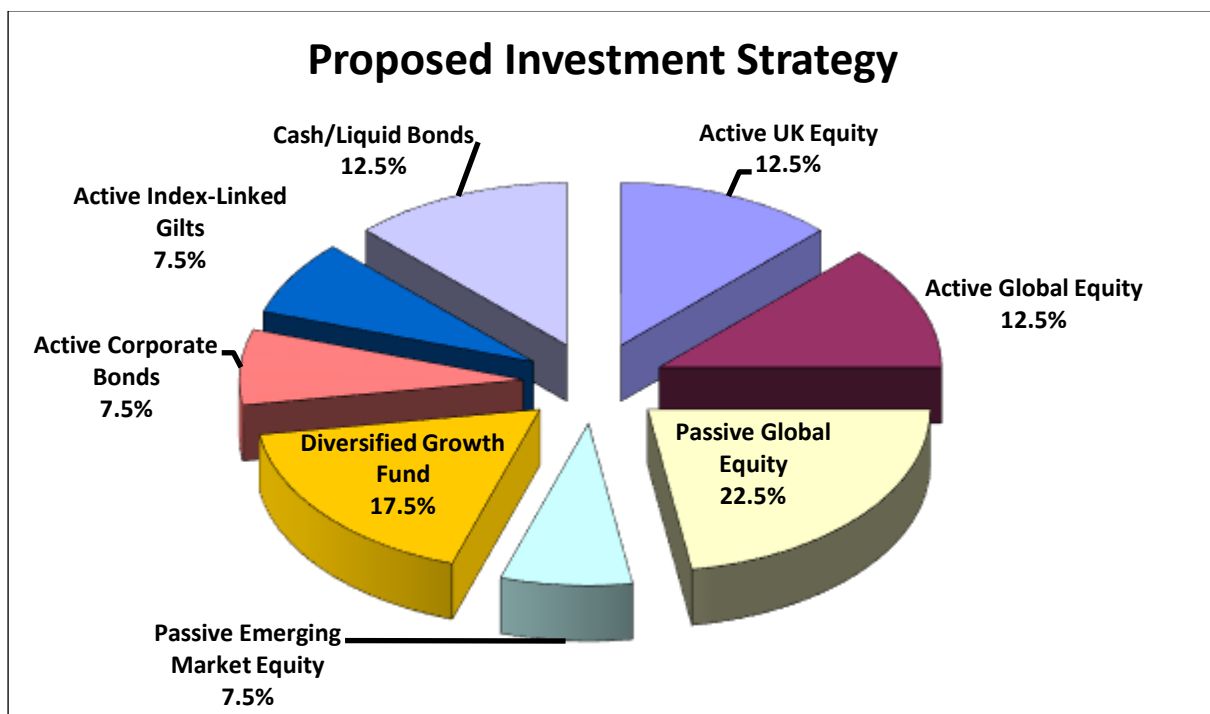
Investment and Treasury Management Strategies

- 1.04 The Council adopted a strategic 5-year Investment Strategy for the Council's reserves in June 2013. This annual report compliments that overarching strategy and sets out the Council's approach during 2018-19 that will contribute towards the overall 5 year strategy.
- 1.05 In addition, this report sets out the wider Treasury Management Strategy for 2018-19 which also includes the management of cash and borrowing. The parameters around the Council's borrowing activity are set out in the Borrowing Policy and the Prudential Indicators sections of this report.

Annual Investment Strategy Statement 2018-19

Long-Term Investments

- 2.01 Following the adoption of the Medium Term Financial Plan (MTFP) in 2012 the Council undertook a review of its Investment Strategy during 2013/14 in order to ensure that it was aligned to the objectives of the MTFP.
- 2.02 As a result a new Strategic Investment Strategy 2013-2018 was adopted by the Council in June 2013, which resulted in changes in the way the Council invested its reserves with fund managers.
- 2.03 The Investment Strategy continues to follow the asset allocation agreed in June 2013, with the following asset allocation:



- 2.04 The percentages above are the initial benchmark percentages agreed after the reorganisation in October 2013. Throughout 2017/18 these percentages varied depending on withdrawals, market movements and investment returns. These fluctuations are expected over the short term.
- 2.05 There is no intention to rebase back to the initial percentages, as this would incur additional transaction costs. Any large variations from the benchmark can be controlled when making withdrawals and injections of funds. The fund managers invest as per their investment percentage position and these are constantly monitored by the Council's Treasury function.

- 2.06 In addition, it should be noted that the cash/liquid bond allocation was designed as the asset class that would be targeted for withdrawals when cash was needed to meet current council expenditure. This is because it is guaranteed not to lose its capital value, thus eradicating the risk of incurring losses when selling investments to meet current expenditure needs. This cash/liquid bond allocation was used for withdrawals and came to an end during 2016/17.
- 2.07 Investment consultants KPMG have been approached to conduct a new investment strategy review. KPMG were asked to review the current strategy and propose any required changes to ensure the investment strategy remains fit for purpose over the next few years. It is envisaged that the investment review and any required changes will be concluded during 2018/19.
- 2.08 The current percentage of funds under management for each fund manager at 31 December 2017 was:

General Fund	%
Active UK Equities – Baillie Gifford	15.0
Active Global Equities – Baillie Gifford	15.8
Passive Emerging Market Equities – BlackRock	9.5
Passive Global Equities - BlackRock	27.9
Diversified Growth Fund – Baillie Gifford	20.3
Active Bonds – Insight	11.5
TOTAL	100

- 2.09 All long-term investments that are managed externally by fund managers are held for the purpose of achieving an investment return. To this end all investments are managed in a way that minimizes the risk to the capital sum and optimises the return on the investment consistent with those risks. This involves setting benchmarks for each fund and for each unitised product within the funds. These benchmarks (market indexes, cash plus percentage return) are used to evaluate the performance of each investment against their investment market or set return, with large deviations both above and below these benchmarks questioned similarly.
- 2.10 All of the long-term investments with “active” mandates require the fund manager to have an investment return target above the benchmark return. The target is a level of outperformance above the benchmark that is seen as achievable with a low level of

measured risk on a given mandate. The Manager will actively seek to produce investment returns in order to achieve the stated target. Performance at or above target is desirable but any returns above the benchmark will add value to the fund above the market return.

2.11 In addition to these long term investments, the Council also has a portfolio of local investments. These investments predominantly take on the form of loans to local businesses. The Medium Term Financial Plan sets out the criteria for awarding these loans which states that the Director of Development Services and Executive Manager – Finance must agree that –

- The loan will generate the Council a rate of return at least equal to the 20 year average fund manager investment returns (net of fees and inflation) in which the Council currently invests. and
- Due diligence work has been undertaken to ensure that any loan granted is at an acceptable risk level to the Council.

2.12 The proposed investment strategy for 2018-19 proposes to continue to adhere to the principles of the Medium Term Financial Plan, with a minimum interest rate set at 5.2% for the forthcoming financial year, which is equal to the 20 year average fund manager returns (net of fees and inflation).

2.13 In addition the Economic Development Department will ensure compliance with the State Aid Regulations.

Short-Term Investments

2.14 Short-term investments are held in cash, either with the Council's bank or on short-term deposits. These are managed by the Council's Treasury function on a daily basis and reviewed monthly to ensure the efficient operation of Council activities.

Permitted Investments

2.15 Every mandate the Council awards to a fund manager is finalised by both the Council and the fund manager entering into an Investment Management Agreement. This agreement covers all aspects of the mandate, including the type of investments to be held and the minimum and maximum investment levels allowed. Any breach of these set levels must be reported immediately by the fund manager and rectified as soon as practical. No rebasing of the asset class allocation split shall take place during 2018/19 unless with the approval of the Council.

2.16 On an annual basis each fund manager makes available their internal controls report. These reports are produced by their respective external auditors, and review all aspects of the fund manager's operating controls, with any concerns and weaknesses reported. The

reports are reviewed by Treasury within Finance annually, with any concerns or issues identified that may impact on the Council reported accordingly.

- 2.17 The Council does not impose ethical views on fund managers within the Investment Management Agreement. The Council does not place constraints on a fund manager in relation to actual investment decisions, as it would affect the long-term projected investment returns, and the budget set by the Council. The fund manager, within the criteria stated in the Investment Management Agreement, makes investment decisions.
- 2.18 The Council's current investment strategy set general investment asset class levels, though these are flexible due to money movements and investment income.

Responsible Investment

- 2.19 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.
- 2.20 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.
- 2.21 The fund managers, who will act in accordance with this policy, will exercise voting.
- 2.22 All of the Council fund managers 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.

Risk Management

2.23 The authority's investments and financial activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

2.24 The authority's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Service, under policies approved by the Council in the Investment Strategy Statement.

Credit Risk

2.25 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks or financial institutions unless they meet one of the following categories:

- A Bank or Building Society with at least a A- long term Fitch rating
- Bank of Scotland – Council's own bank
- Any bank which is a wholly owned subsidiary of the above
- Any Local Authority

2.26 The A- long term rating is defined by Fitch as "High credit quality with a low expectation of default risk. The capacity for payment of financial commitments is considered strong." An approved lending list of the financial institutions that meets the criteria will be maintained in Treasury.

2.27 In addition the following guidelines will apply:

- No more than £3 million to be lent to any single organisation from one account, apart from the Council's own bank.
- No more than £6 million to be lent to any one organisation in total from all accounts, apart from the Council's own bank.

2.28 At the 31 December 2017 the Council had deposits and short-term loans with the Council's own bank, amounting to £2.0 million. The Council's exposure to credit risk on these current deposits is very low based on the last five financial years' experience, where no default or loss has occurred.

Liquidity Risk

- 2.29 The authority has external investments with fund managers amounting to £358 million at the 31 December 2017. The authority has ready access to these funds, so there is no significant risk that it will be unable to meet its daily operating commitments.

Market Risk

- 2.30 The authority is exposed to significant risk in terms of its exposure to cash interest rates, the bond market and the equity markets. Movements in interest rates, bond values and share prices have a complex impact on the authority's investments. To limit the effect of these movements the investment portfolio is diversified to reduce exposure to any one market. The investment portfolio at the 31 December 2017 was diversified between the following main markets:

UK Equities

Overseas Equities

Index Linked Gilts

Corporate Bonds

Cash

The Diversified Growth Fund with Baillie Gifford was invested in 14 different asset classes at 31 December 2017.

- 2.31 The largest investment is in the Equity markets, about 68% of the Council's Reserves.

Foreign Exchange Risk

- 2.32 The authority has overseas equities and bonds that are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates can be reduced by the fund managers, through the use of currency hedging strategies to specifically negate any currency movement impact.

Treasury Management Strategy 2018-19

Treasury Management

- 3.01 Treasury Management is defined as the management of an organisation's investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.02 The Treasury Management Strategy details the activities and guidelines to be followed by the Treasury Section for all areas of cash management in the forthcoming financial year 2018/19. Its production and submission to the Shetland Islands Council is a requirement of the CIPFA Code of Practice for Treasury Management in the Public services 2017.

Cash and Bank

- 3.03 Cash Management for the Shetland Islands Council is carried out within the Treasury Section of Finance Services, and consists of the daily management of various bank accounts and any associated short-term lending.
- 3.04 The Treasury Section of Finance Services seeks to retain a daily working cash balance in order to ensure that there is sufficient cash available to meet all liabilities as they fall due. The balances on the Council's current account earn an annual return currently 0.45%, and as such it is important to ensure that no excess balances are held in the Council's current account as the returns are far lower than those that can be earned with fund managers.
- 3.05 There is an agreed overdraft facility with the bank of £800,000 that can be used to cover the accounts managed by Treasury, for any short-term situations if required. However, the Treasury Section seeks to avoid such situations as bank charges will be applied should the current account balance become overdrawn.

Debt Management

- 3.06 Debt Management is also carried out within the Treasury Section, and this will be undertaken in line with the Borrowing Policy as set out in section 4, and the Prudential Indicators as set out in Section 5 of this report.
- 3.07 This report also seeks Council approval to provide the Executive Manager – Finance delegated authority to undertake short term borrowing of no longer than 364 days in order to provide greater flexibility to the Treasury Section for managing cash-flow efficiently for payments as they fall due.

- 3.08 The limits requested for short term borrowing of up to 364 days are included in the Prudential Indicators (Indicator 4 *Authorised Limit for External Debt* and Indicator 5 *Operational Boundary for External Debt*).
- 3.09 At present it is possible to obtain short term borrowing from other local authorities at an annual interest rate of less than 1%. There may be times during the year that it is more cost effective for the Council to borrow in order to meet a cash shortfall, such as the payment of salaries, rather than automatically recall the money from the externally invested reserves. The Executive Manager – Finance will determine if and when this is the most appropriate course of action.

Shetland Islands Council Borrowing Policy

Treasury Management

- 4.01 The definition of Treasury Management at 3.01 is intended to apply to all public service organisations in their use of capital project financings, borrowings and investments.
- 4.02 The Council's Borrowing Policy was produced so that the Council could in future use borrowing as a tool within its overall Treasury Management arrangements.

Internal Borrowing versus External Borrowing

- 4.03 The economic case for borrowing externally or using the Council's own reserves to finance capital expenditure is essentially down to whether interest rates are higher or lower than the long term average return on the Council's external investments (with fund managers).
- 4.04 If interest rates are higher than the long term rolling average return on the Council's investments (currently 5.2%) then it means the cost of borrowing is higher than the lost income forgone by using reserves, so it would make financial sense to use reserves for capital expenditure.

- 4.05 For example, if interest rates were 10% for a £1m loan -
Annual interest payable on £1m at 10% = £100,000
Investment income of 5.2% generated on £1m = £52,000

In this example to borrow would cost £100,000 a year, and to use reserves would present an opportunity cost of £52,000 in lost investment income. In this example, using reserves would present a saving of £48,000 per year over using borrowing.

- 4.06 However, the reverse is true if interest rates are lower than the long term average return on the Council's investments (currently 5.2%). For example if interest rates were 2% for a £1m loan -

Annual interest payable on £1m at 2% = £20,000
Investment income of 5.2% generated on £1m = £52,000

In this example, to borrow would cost £20,000 a year and to use reserves would present an opportunity cost of £52,000 in lost investment income. In this example borrowing would save the Council £32,000 per year.

- 4.07 Therefore when interest rates are lower than long term investment returns, the default position of the Council should be to borrow in order to achieve a Best Value outcome.

The Cost of Borrowing

- 4.08 Shetland Islands Council has been in the unique position of having significant reserves which in the past it has used to fund its capital expenditure. This has in effect meant that from a service perspective point of view, new assets have essentially been a “free good”. When borrowing is used to finance capital expenditure the service is required to make provision for debt charges (principal debt repayment and interest costs), which is a significant difference to the previous practice for General Fund capital expenditure where no service paid for its assets financing costs. This should be borne in mind when a decision to borrow is taken.
- 4.09 In order to secure Best Value in the financing of capital expenditure, the Council should use its statutory powers to consider borrowing as an option to do this. In order to regulate and monitor Council borrowing, the Council has a borrowing policy and a set of prudential indicators to set the financial parameters for borrowing.

Shetland Islands Council Borrowing Policy

The Council's borrowing policy will be as follows:

- Borrowing should only be considered as a financing option when the interest rate obtainable is lower than the 20-year average return on the Council's external investments (i.e. Fund Manager returns);
- Borrowing will only be undertaken for capital projects, with a presumption against funding of short life assets (i.e. assets with less than a 5 year useful economic life);
- Borrowing should only be considered for priority capital projects that are supported by a full business case;
- Members must be fully advised of the ongoing revenue implications arising from each recommendation to borrow before a decision is taken by Council;
- If Members decide to borrow, they must also agree how the relevant Council directorate will be able to fund the borrowing costs (i.e. interest and principal repayments) within its existing Target Operating Budget as set out in the Medium Term Financial Plan;
- Borrowing can only be undertaken within the parameters of the Prudential Framework and the Prudential Indicators which will be agreed annually by Council;
- Borrowing may be undertaken up to 2 years in advance of its deployment to finance agreed capital expenditure if expectations on future versus current interest rates make it financially advantageous for the Council to do so;
- The Council will never borrow for the purposes of investing to make a profit;
- The Executive Manager – Finance as Section 95 Officer is the only officer of the Council who may recommend a decision to borrow to Council;
- When a decision to proceed to borrow has been taken by Council, the details of the loan(s) will be delegated to the Executive Manager – Finance who will determine the institution, the type, the timing, and the length of the loan after seeking advice from external Treasury Management specialists as to the most economically advantageous transaction;

Treasury Management Prudential Indicators 2017/18 to 2020/21

Prudential Framework

- 5.01 The Local Government in Scotland Act 2003 repealed Section 94 of the Local Government (Scotland) Act 1973. Sections 35 to 37 of the 2003 Act introduced a responsibility for local authorities to locally determine the level of capital investment. Regulations introduced under the Act required that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities.
- 5.02 The Prudential Code was introduced in April 2004, effectively replacing the Capital Expenditure controls within section 94 where ministerial consent was required before any capital expenditure could be incurred. In addition, there was a restriction on the commitment to capital expenditure for future years and a control over the actual financing of the capital expenditure. The 'prudential framework' (or prudential regime) is the collective term for legislation, regulation and the Code under which local authorities will operate.
- 5.03 The introduction of the Prudential Code brought much greater flexibility for Councils to develop capital expenditure programmes to support their local communities. The key watchwords within the Prudential Code are:
- Affordability
 - Prudence
 - Sustainability
- 5.04 The Prudential Code provides a framework for the internal control and self-management of capital finance, and in turn the key items of expenditure that will normally govern the bulk of an authority's potential need to borrow. It does also refer to the fact that forward estimates of external debt, defined in part as actual external borrowing, will follow on from an authority's capital plans and revenue forecasts, under their treasury management strategy. The Prudential Code also requires that the underlying commitment to finance leases and similar contracts is recognised when setting the indicators.
- 5.05 It is understandable that the Prudential Code seeks to concentrate primarily upon a need for an authority to ensure that its capital spending plans are affordable, as it is these plans that will, in general, be the main driver of an authority's need to undertake or increase the amount of external borrowing. The opening paragraph of the Executive Summary makes clear its overriding objective, namely "The Prudential Code plays a key role in capital finance in local authorities", whilst paragraph 7 of its Objectives states that it focuses on capital finance and effective capital planning. The Prudential Code perhaps sums up the overall situation regarding the consideration of affordability in paragraph E18, wherein it states – "In considering affordability, the authority is required to consider all of the resources

currently available to it and those estimated to be available in the future, together with the totality of its capital plans and income and expenditure forecasts”.

5.06 The Council’s capital expenditure plans are the key driver of treasury management activity. The outputs from the capital expenditure plans are reflected in Prudential Indicators, which are designed to assist Members overview and confirm capital expenditure plans.

5.07 In setting their prudential limits, Members must have regard to:

- Affordability e.g. implications of capital plans for council tax and council housing rents.
- Prudence and sustainability, e.g. risk, implications for external debt and whole life costing.
- Value for money, e.g. option appraisal.
- Stewardship of assets, e.g. asset management planning.
- Service objectives, e.g. strategic planning for the authority.
- Practicality, e.g. achievability of the forward plan.

Prudential Indicators

5.08 It is proposed that the Prudential Indicators for Shetland Islands Council for 2017-18 to 2020-21 should be as follows:

1. Ratio of Financing Costs to Net Revenue Stream

Definition

General Fund - The proportion of the General Fund income from the Council’s General Revenue Grant (including NNDR), Council Tax income and sustainable contribution from Reserves and Harbour Account to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

Housing Revenue Account - The proportion of income to the HRA (substantially housing rents) to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

Harbour Account - The proportion of Harbour Account income (mainly fees & charges) reduced by the planned sustainable contribution to underpin General Fund services, to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

Ratio of Financing Costs to Net Revenue Stream					
	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund	1.2%	2.9%	4.7%	4.8%	4.8%
HRA	22.6%	19.7%	19.2%	18.3%	17.7%
Harbour Account	0.0%	1.8%	4.7%	5.0%	5.0%

2. Capital Expenditure

Definition

Actual capital expenditure for 2016/17 and estimated capital expenditure for the current year and the next three years, as set out in the Council's Asset Investment Plan 2018-23.

Capital Expenditure					
	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
General Fund	17,467	57,446	14,072	13,433	12,924
HRA	2,519	2,874	3,512	4,512	6,032
Harbour Account	903	10,201	12,410	12,676	16,979
Total	20,889	70,520	29,994	30,621	35,935

3. Gross Debt and the Capital Financing Requirement

Definition

The CFR reflects the authority's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. As the Council should only borrow for a capital purpose, the debt should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

Capital Financing Requirement					
	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
General Fund	18,957	67,055	66,521	64,571	62,555
HRA	16,420	15,593	14,785	13,976	13,168
Harbour Account	13	7,857	16,947	19,770	19,031
Total CFR	35,390	90,505	98,253	98,318	94,754
Gross External Debt		98,318	98,318	98,318	

4. Authorised Limit for External Debt

Definition

Limit for total external debt that should not be breached. This excludes investments and is based on future capital plans and variations in cash flow.

Authorised Limit for External Debt					
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	29,484	43,215	52,046	53,256	50,907
Other Long Term Liabilities	5,906	47,290	46,207	45,062	43,847
25% Margin	8,847	22,626	24,563	24,579	23,688
Total	44,237	113,131	122,816	122,897	118,442

5. Operational Boundary for External Debt

Definition

A boundary for total external debt based on the estimate of total projected external debt to be monitored against during the year. It may be breached temporarily for variations in cash flow but a sustained or regular breach would require investigation.

Operational Boundary for External Debt					
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	29,484	43,215	52,046	53,256	50,907
Other Long Term Liabilities	5,906	47,290	46,207	45,062	43,847
Total	35,390	90,505	98,253	98,318	94,754

6. Actual External Debt at 31 March 2017

Definition

The actual external debt taken from the Balance Sheet as at 31st March 2017.

Actual External Debt	
	31 March 2017 £000
Borrowing	31,093
Other Long Term Liabilities	5,906
Total	36,999

7. Upper limit on Interest Rate Exposures

Definition

Ranges within which the Council will manage its exposures to fixed and variable rates of interest. Whilst the Council could obtain more favourable interest rates with a variable rate, it increases the longer term risk of rates rising beyond a fixed rate.

It is calculated as a percentage of total net outstanding principal sums of debt.

	2016/17 Actual £'000	2017/18 Indicative £'000	2018/19 Indicative £'000	2019/20 Indicative £'000	2020/21 Indicative £'000
Fixed interest rate exposures	100%	100%	100%	100%	100%
Variable interest rate exposures	0%	40%	40%	40%	40%

8. Maturity Structure of Borrowing

Definition

Upper and lower limits to assist the Council to avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time. This is the fixed rate debt maturing in each period as a percentage of total projected borrowing that is fixed rate.

	2016/17 Actual	Lower Limit	Upper Limit
Under 12 months	0%	0%	25%
12 months and within 24 months	0%	0%	30%
24 month and 5 years	0.07%	0%	50%
5 year and within 10 years	0.16%	0%	70%
10 years and above	99.77%	0%	100%

CIPFA Code of Practice

- 6.01 The CIPFA Code of Practice for Treasury Management in the Public Services (2017) states as a key principle, “Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.”
- 6.02 The following four clauses as recommended by the CIPFA Code were adopted by the Council on 21st March 2012 (Min Ref: 25/12). These clauses reinforce the Code’s key principle for effective management and control. As per the CIPFA Code it is recommended that these clauses are reviewed annually.

Clauses

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code’s key principles.

2. Shetland Islands Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. Shetland Islands Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Policy and Resources Committee, and for the execution and administration of treasury management decisions to the Executive Manager – Finance, who will act in accordance with the organisation’s policy statement and TMPs and, if he/she is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management.
4. This organisation nominates the Policy and Resources Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury Management Policy Statement

- 7.01 As part of the adoption of the CIPFA Code of Treasury Management in the Public Services the Council is required to produce and approve a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities. This policy statement follows a form of words as recommended by CIPFA in its Code of Practice for Treasury Management in the Public Services, and is subject to annual review.
- 7.02 The Shetland Islands Council defines its treasury activities as:
- “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 7.03 The Shetland Islands Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 7.04 The Shetland Islands Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 7.05 The Prudential Code 2009 removed limits on Council’s on borrowing to finance capital expenditure, though this is balanced by additional responsibility to act prudently, and to take account of affordability when making decisions on borrowing. The Shetland Islands Council in compliance with the Prudential Code has set borrowing indicators at section 4.08.
- 7.06 All investments are held for the purpose of achieving an investment return. To this end all investments are managed in a way that minimises the risk to the capital sum, and optimises the return on the investments consistent with those risks.

Statement of Treasury Management Practices

- 8.01 The Council Adopted the CIPFA Code of Treasury Management in the Public Services on the 21 March 2012 (Min Ref: 25/12), along with this code were four clauses, which were also formally adopted. Within these clauses the following was stated that this organisation will create and maintain, as the corner stones for effective treasury management, suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities."
- 8.02 The following TMP's are recommended by CIPFA as relevant to an organisations treasury management powers and the scope of its treasury management activities.

TMP1 Treasury Risk Management

The Executive Manager – Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting Requirements and Management Information Arrangements*.

In respect of each of the following risks the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. Credit and Counterparty Risk Management

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document.

2. Liquidity Risk Management

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

3. Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with TMP6 reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

4. Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

5. Legal and Regulatory Risk Management

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

6. Fraud, Error and Corruption and Contingency Management

The risk that a Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

7. Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect the Council from the effects of such fluctuations.

TMP2 Performance Measurement

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. There will be regular review of the scope for potential improvements.

TMP3 Decision-Making and Analysis

This Council will maintain full records of its major treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 Approved Instruments, Methods and Techniques

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Treasury Risk Management.

TMP5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

This Council considers it essential, for the purposes of effective control and monitoring of its treasury management activities, for the reduction of risk of fraud and error and for the pursuit of optimum performance that these activities are structured and managed in a fully integrated manner and that there is at all times clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with the implementing and controlling of these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

If the Council intends as a result of lack of resources or other circumstances to depart from these principles, the Executive Manager – Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

The Executive Manager – Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. They will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Executive Manager – Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

TMP6 Reporting Requirements and Management Information Arrangements

This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Executive Committee will receive:

- An annual report on the strategy and plan to be pursued in the coming year.
- A mid-year review.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and Treasury Management Practices.

TMP7 Budgeting, Accounting and Audit Arrangements

The Executive Manager – Finance will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute and regulation, together with such information as will demonstrate compliance with TMP1 Treasury Risk Management, TMP2 Performance Measurement, and TMP4 Approved Instruments, Methods and Techniques.

The Executive Manager – Finance will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting Requirements and Management Information Arrangements.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force.

This Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Executive Manager – Finance, and will be aggregated for cash flow and investment management purposes. Cash Flow projections will be prepared on a regular and timely basis to ensure that these are adequate for the purposes of monitoring compliance with TMP1 (1.2) Liquidity Risk Management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 Money Laundering

This Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP10 Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Training may also be provided on the job and it will be the responsibility of the Executive Manager – Finance to ensure that all staff under their authority receives the level of training appropriate to their duties. This will also apply to those staff who, from time to time cover for absences from the treasury management team. The Executive Manager – Finance will recommend and implement the necessary arrangements.

TMP11 Use of External Service Providers

This Council recognises that responsibilities for treasury management decisions remain with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such services providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed and properly agreed, documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Executive Manager – Finance, and details of the current arrangements are set out in the schedule to this document.

TMP12 Corporate Governance

This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be

achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key principles of the CIPFA Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Executive Manager – Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

The Executive Manager – Finance will maintain, separate from this document, schedules specifying the systems and routines to be employed and the records to be maintained to ensure adherence to these principles.



Meeting(s):	Policy and Resources Committee Shetland Islands Council	6 March 2018 7 March 2018
Report Title:	Insurance Project	
Reference Number:	GL-07-18	
Author / Job Title:	Susan Brunton – Team Leader - Legal	

1.0 Decisions / Action required:

That the Policy and Resources Committee RECOMMENDS that the Council:

- 1.1 Note the progress towards implementation of the Insurance Project; and
- 1.2 ADOPT the Statement of Principles and Policy Framework for the ongoing management of the insurance provisions for inclusion as part of the Council's Strategic Policy Framework to be managed by the Policy and Resources Committee.

2.0 High Level Summary:

- 2.1 This report sets out the progress being made towards fulfilling the Council's decision of 30 August 2017. The details of the progress are set out in Appendix 1.
- 2.2 The redesigned insurance services create a higher demand for clear direction on the administration of the insurance provisions in order to achieve the anticipated savings. A Statement of Principles and Policy Framework to provide that clear direction has been developed and is detailed in Appendix 2.

3.0 Corporate Priorities and Joint Working:

- 3.1 Shetland Islands Council's Our Plan 2016 -20 recognises the need for the Council to be committed to excellent financial management arrangements to keep a balanced and sustainable budget and ensure we are living within our means.

4.0 Key Issues:

- 4.1 The Council commissioned an in depth review of their provision and reserves for their insurance funds and sought advice about how the insurance arrangements might be structured in order to attract sufficient tenders for the new tendering exercise for a policy to start from 1 April 2018 and achieve best value. Historically there has been a low level of tenders received for the Council's insurance business and high level of premiums sought.
- 4.2 A key finding from the review was that the Council has had historically a very stable and predictable insurance claims record at the lower end of the range for local authorities, even when adjusted for the Council's size.
- 4.3 The Council's actuary recommended an Optimal programme designed to reduce the costs to the Council of insurance cover by reducing the amount of cover purchased

<p>4.4</p> <p>4.5</p> <p>4.6</p> <p>4.7</p> <p>4.8</p>	<p>from external providers and using the Council's own resources to meet claims under the excess level.</p> <p>The Council decided to adopt the Optimal programme for its insurances at its meeting on 30 August 2017.</p> <p>This decision had significant implications for the Council and a project team was established to take forward the work necessary to implement that decision.</p> <p>The key date for this first implementation phase is 1 April 2018 when the new insurance contract will begin and the new internal arrangements need to be in place. The workstreams for the project and the progress on those workstreams is set out in Appendix 1 to the report.</p> <p>There will be further work to be undertaken by the Insurance Section and others to ensure the new systems bed down successfully, but these will be dealt with in routine Service Planning.</p> <p>In order for the Council to successfully implement the redesigned insurance arrangements there has to be a clear understanding that the Insurance Fund is to operate in a business like manner. A set of principles designed to achieve this aim have been developed and are contained in Appendix 2 for approval by the Council.</p>
<p>5.0 Exempt and/or confidential information:</p>	
<p>5.1</p>	<p>None.</p>
<p>6.0 Implications :</p>	
<p>6.1 Service Users, Patients and Communities:</p>	<p>The proposals in this report will have no impact on the service to be received by members of the public.</p>
<p>6.2 Human Resources and Organisational Development:</p>	<p>The role of the Insurance Team will be expanded with the adoption of the optimal programme. Some of the tasks previously carried out by the Council's Insurers such as loss adjusting will be carried out in-house and there is a loss of the industry expertise available through the insurers. There is an increased need for staff training as the project beds in although no training was required for this first phase. The implications for staffing requirements is also a matter for post implementation consideration. Two members of the Council's legal team will have undergone additional training in preparation for carrying out legal work in this area in house.</p>
<p>6.3 Equality, Diversity and Human Rights:</p>	<p>None arising from this report</p>
<p>6.4 Legal:</p>	<p>The Council is exempt from the requirement to have compulsory insurance under the Employers' Liability (Compulsory Insurance) Act 1969 and the requirement for users of motor vehicles to have insurance against third party risks under the Road Traffic Act 1988. The Council has a legal obligation to manage its finances in a way which secures best value for the public of Shetland which includes</p>

	giving consideration to efficiency, effectiveness and economy in the management of its resources.	
6.5 Finance:	None arising from this report	
6.6 Assets and Property:	None arising from this report	
6.7 ICT and new technologies:	The Council currently uses the Local Authority Claims Handling System ("LACHS) to manage its insurance business and would continue to do so. A new unit for the system has been purchased to upgrade the system and meet any additional demands of the reorganised services.	
6.8 Environmental:	None arising from this report	
6.9 Risk Management:	It was highlighted at the time of the Council's initial decision on 30 August 2017, that the Council was in a position to pursue the Optimal Programme because of their good claims record which is based on sound risk management. The Council's risk management practices will require to remain robust, and ideally, should improve, as failure to do so would result in increasing claims which would have an immediate and negative impact on the Council's finances. This of course requires that the Council has in place systems for the effective identification and mitigation of emerging risks.	
6.10 Policy and Delegated Authority:	This report introduces a new Policy in the form of the Statement of Principles and Policy Framework and the adoption of new policy for inclusion in the Strategic Policy Framework requires approval by the Council in terms of the Section 2.1.3(2) of the Scheme of Administration and Delegations, having taken advice from the Policy and Resources Committee, Section 2.2.1(2).	
6.11 Previously considered by:	Shetland Islands Council (Minute Ref. 66/17)	30 August 2017

Contact Details:

Susan Brunton- Team Leader – Legal and Insurance
01595 744087

Appendices:

Appendix 1 – Progress Report
Appendix 2- Statement of Principles

END

Appendix 1

<u>Workstream</u>	<u>Tasks</u>	<u>Progress</u>
Workstream 1 - Tendering Exercise	(a) Appoint Broker	Completed
	(b) Design Tender to meet new insurance requirements in an EU compliant manner	Completed
	(c) Carry out tender procedure	Due to complete by 26/02/18, some slippage and now 03/03/18 is the date for receipt of bids
	(d) Prepare tender contingency plan	Completed
Workstream 2 - Development of Resources for in-house provision	(a) Assess immediate training needs	None identified for insurance. Legal staff need trained for new area of law.
	(b) Prepare self-insurance Policy Document	Due to be completed 31/03/18
	(c) Prepare Insurance Procedures	Completed
	(d) Self Insurance Statement of Policy	Submitted for approval of Council on 07/03/18
Workstream 3 - Identification and replacement of add-on services	(a) Five services identified as add on	<p>One of these services is a separate contract for engineering inspections. This is being rolled over for one year for full consideration.</p> <p>The “Risk Fund” service is out with the scope of the project and referred to management for consideration.</p> <p>The remaining three services are not required for immediate implementation but will be addressed in post implementation phase as they arise.</p>

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<u>Workstream</u>	<u>Tasks</u>	<u>Progress</u>
Workstream 4 - Preparation of Staff	(a) Training needs delivered which are required for implementation	One solicitor trained, another to undergo training before 31/03/18
	(b) Briefing CMT on changes	Completed
	(c) Briefing Senior Management on changes	Part completed - due to complete by 31/03/18
	(d) Delivering new procedures to operational staff	Scheduled for March 2018
Workstream 5 - Financial	(a) Position of specific budgets considered and addressed	How these budgets will be impacted is understood. The mechanism for calculation of contributions still requires further work.
	(b) Preparation of required budgets for post implementation	Budget codes for post implementation will be in place by 31/03/18.
Workstream 6 - Preparing Post Implementation Workstreams	Identification of issues which require work post implementation.	<p>A number of items have been identified including:</p> <ul style="list-style-type: none"> • Training requirements post implementation. • Three non- urgent add on items • Engineering Contract • Systems for monitoring claims and the level of the insurance provision

SHETLAND ISLANDS COUNCIL

STATEMENT OF PRINCIPLES AND POLICY FRAMEWORK FOR INSURANCE

Document Information		
Document Name/Description		
Version Number e.g. V1.1		
Author		
Lead Officer/Manager		
Final Approval Date		
Approved by – Council/Committee/Group/Manager		
Review Frequency		
Date of next planned review start		
Summary of changes to document		
New version number	Date Version updated	Brief description of changes

Introduction

Shetland Islands Council's Corporate Plan 2016 – 2020 notes that the Council will always face pressure to live within its means and needs to work in a smarter way to achieve that. The Council aims to make sure the resources it does have are spent in the most effective and sustainable way possible.

In this context the Council has identified Corporate aims which include:

6. Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget and are living within our means.
7. Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.
9. People who use our services will experience excellent standards of customer care.
11. Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high risk activities.

Policy Framework for Insurance

Applying these aims to the Council's insurance arrangements, the Council has adopted a bespoke Optimal Insurance Programme on 30 August 2017. This Policy Framework is designed to support the effective implementation of the Optimal Insurance Programme and ensure it delivers on the Council's aims.

1. The Council shall manage its insurance related business in a way which provides an effective and efficient service to people who have a legally justified claim against the Council. To deliver on this principle the Council shall:
 - provide a single point of contact for claimants which shall be the Council's Insurance Section;
 - adopt clear and accessible procedures for the handling of claims ;
 - ensure its staff are well trained
2. The Council shall manage the financial insurance provisions held by it for insurance purposes in a prudent and business-like fashion, as an insurer would. To deliver on this principle the Council shall:
 - consider annually the level of claims and ensure that sufficient funds are put aside for insurance purposes.
 - seek expert advice on its level of insurance provision at least five yearly;
 - only spend money held in the insurance provision on proper calls on the insurance fund in accordance with Schedule 3, Section 24(4) of the Local Government Scotland Act 1975 and the related Guidance issues by Local Authority (Scotland) Accounts Advisory Committee.
3. The Council shall administer its insurance related business in a prudent and business-like fashion, as an insurer would. To deliver on this principle the Council shall:
 - require all Council Officers to provide full and accurate information timeously to the Council's Insurance Section upon request.
 - require the Insurance Section to have full access to any data held by the Council that they deem necessary as part of a claim investigation and for Council Officers to fully co-operate in such investigations.
 - require all Council members and officers except those tasked with handling claims for the Council to refrain from discussing the details of claims with claimants.
 - require the Executive Manager - Governance & Law, or his nominee, to make decisions on liability, seeking appropriate legal advice where they deem it necessary to inform its decisions on liability.
4. The Council shall manage its activities in a prudent and business-like fashion and with a view to minimising its exposure to risks. To deliver on this principle the Council shall:
 - Apply its Risk Management Strategy;
 - Require all Council Officers to pay due regard to and act on the advice of the Council's Risk Management and Health and Safety Sections;
 - Avoid in engaging in high risk activities.

END



Meeting(s):	Policy & Resources Committee	6 March 2018
Report Title:	Business Transformation Programme Update – Quarter 3 2017/18	
Reference Number:	CRP-01-18-F	
Author / Job Title:	Christine Ferguson, Director of Corporate Services	

1.0 Decisions / Action required:

- 1.1 That the Policy & Resources Committee NOTE the information presented in this report and ADVISE the Director of Corporate Services of their views regarding:
- 1.1.1 The content of the Business Transformation Programme
- 1.1.2 The progress reported against each work stream.

2.0 High Level Summary:

- 2.1 The Business Transformation Programme aims to implement a range of measures that will revolutionise how we work with and for our community, responding to and anticipating a digital cultural paradigm.
- 2.2 The purpose of this report is to present an update on progress for the third Quarter of 2017/18.
- 2.3 The Business Transformation Programme comprises eight strands which are interlinked, to streamline processes using digital advances and strategic thinking. Whilst a proportion of the savings required will be realised as a result of the Business Transformation Programme, the majority of savings over the next five years will be the focus of the Service Redesign Programme.

3.0 Corporate Priorities and Joint Working:

- 3.1 Shetland Islands Council's "Our Plan 2016 – 2020" aspires for services to work together in a smarter way to achieve the highest possible standards. The Business Transformation Programme contributes towards the following objectives in the Plan:
- "Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively."
 - "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."
 - "People who use our services will experience excellent standards of customer care."

4.0 Key Issues:

Customer First

- 4.1 The Customer First strand has made significant progress in Quarter 3 of 2017/18. Highlights include:
- Engagement with senior managers at the Management Network has taken place as a key plank of the Customer First engagement strategy.
 - Second drafts of the new strategy and charter were prepared taking account of all feedback received from earlier engagement exercises.
 - The '*project action plan*' for this piece of work is currently on track, with both planned to be presented to Policy and Resources Committee on 30 April 2018.
 - A Customer Survey exercise to gather opinion from external customers was issued during November 2017. Responses are currently being analysed with high-level statistics from the findings to be incorporated into the strategy as a baseline to measure the difference Customer First has made in future years.

Commissioning/Procurement Framework

- 4.2 Highlights from the Commissioning/Procurement Framework strand include:
- The Council's Legal Service has been asked to provide comments on the online templates regarding compliance with the regulatory regime in Quarter 4.
 - Work is ongoing with commissioning officers in regard to training and implementing the framework. This is currently focused on a small number of commissioning officers with the aim to produce best practice documents.

Workforce Strategy

- 4.3 Highlights from the Workforce Strategy strand include:
- The Digital Learning Strategy project brief has been drafted and research is underway to identify options and possibilities.
 - Council-wide implementation of Vor training admin and online booking system following testing and pilot phases.
 - The Viewpoint Survey 2017-18 was issued to staff. Analysis and reporting are in progress.
 - Efficiencies and self-service opportunities have been identified following a CHRIS 7 and HR21 health check. System testing is underway for CHRIS 8.
 - Support sought from North East Regional Organisation regarding transformational change initiatives.

Asset Strategy

- 4.4 Highlights from the Asset Strategy strand include:
- Knab Masterplan expected to be complete in May 2018.
 - Load testing of 8 North Ness (8NN) was completed on 16 January 2018. The engineers report has been received and remediation work is in progress.
 - Regular meetings of the 8NN Steering Group have been held to discuss plans to return to the building.

Broadband and Connectivity

- 4.5 Highlights from the Broadband and Connectivity strand include:
- Assurances were sought from the Cabinet Secretary Fergus Ewing regarding the R100 implementation and timescales already publicised. A response was received which confirmed the commitment to the R100 approach.
 - A full business case has been completed for a public sector fibre network to Yell, Unst and Fetlar which forms part of a bid for funding to the UK Government Fibre Network Funding Programme. A response is due in March.

- However an outside in approach to broadband coverage is now unlikely. Further details will be available following the results of the Scottish Government tender exercise.

Information Management and Improvement

- 4.6 Highlights from the Information Management and Improvement strand include:
- The Information Governance Board met in October 2017 and agreed the Information Management and Improvement Project Initiation Document, Years 1 to 5 high level outputs and the detailed Action Plan.
 - The Senior Responsible Officer (SRO) and Project Manager have attended all Directorate Management Teams in order to provide an update on the Project and commitments given by the Information Governance Board.
 - A meeting of 30 Information Asset Administrators was held on 23 November 2017 which provided information on the Project and work streams. This meeting also began the process of identifying Departmental Lead Information Administrators and Working Group members to take forward the first work stream of producing an Information Asset Register. All departmental leads have been confirmed.
 - Year 1 high level objectives are therefore substantially complete (awaiting approval by the SRO of the completed first drafts of the Communications Plan and Risk Register); Quality Statement is being drafted; and the Action Plan for FOISA procedures and processes has been approved, and work has started on those deliverables. Completion is therefore expected to be on target. The ground work for achieving the Year 2 high level objectives started in January 2018.
 - Joint presentation made to Community Health and Social Care Management Team on the SIC and NHS information improvement projects.

Digital First

- 4.7 Highlights from the Digital First strand include:
- Initial setup and 'Proof of Concept' work on the Firmstep platform has been completed, representing the end of our initial engagement with the company.
 - The test system is available to staff and is being used to develop forms by a number of employees, following on from the training events held in September and November 2017.
 - Newly created forms have now been published on the test 'Self' component , with example works coming into 'Dash' to show the journey from public and staff perspectives when a piece of work is raised and actioned.
 - MyGov Scotland integration has been completed, allowing forms that will pre-populate with address and other relevant user information once members of the public have logged in.

Paperless Council

- 4.8 Highlights from the Paperless Council strand include:
- An opportunity has arisen to receive detailed printing reports from Xerox for a small fee. This will allow for detailed analysis of printing demands across the Council.
- 4.9 In order to support the BTP and to provide effective co-ordination of all the projects within the Programme the following allocations have so far been made from the contingency budget during 2017/18:
- £27k to provide overall administration support
 - £48k to support the Customer First Project Management strand of BTP.

5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Service users and their communities have an expectation that the Council will make best use of resources. A streamlined approach to service delivery will be enabled by the progression of the BTP.
6.2 Human Resources and Organisational Development:	There are no Human Resources or Organisational Development implications arising directly from this report.
6.3 Equality, Diversity and Human Rights:	There are no equality, diversity or human rights implications arising directly from this report.
6.4 Legal:	There are no legal implications arising directly from this report.
6.5 Finance:	<p>In order to create a sustainable budget, the Council must make savings of £20m over the next five years.</p> <p>As part of the budget setting process for 2018/19, service redesign savings of £1.9m were identified. These savings have either already been approved or will be taken forward for final decision making by the Council in due course.</p> <p>The BTP will also deliver processes and systems that will facilitate with the Service Redesign Programme. Further more detailed information will be available in future update reports and in budget proposals for 2018/19.</p>
6.6 Assets and Property:	There are no assets and property implications arising directly from this report.
6.7 ICT and new technologies:	There are no ICT implications arising directly from this report.

6.8 Environmental:	There are no environmental implications arising directly from this report.	
6.9 Risk Management:	Risks have been identified and are actively monitored by SROs using the JCAD Core system. The Business Transformation Programme Risk Register is regularly updated and considered on a quarterly basis by the Business Transformation Board and the Business Transformation Programme Sounding Board.	
6.10 Policy and 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.	
Previously considered by:	N/A	

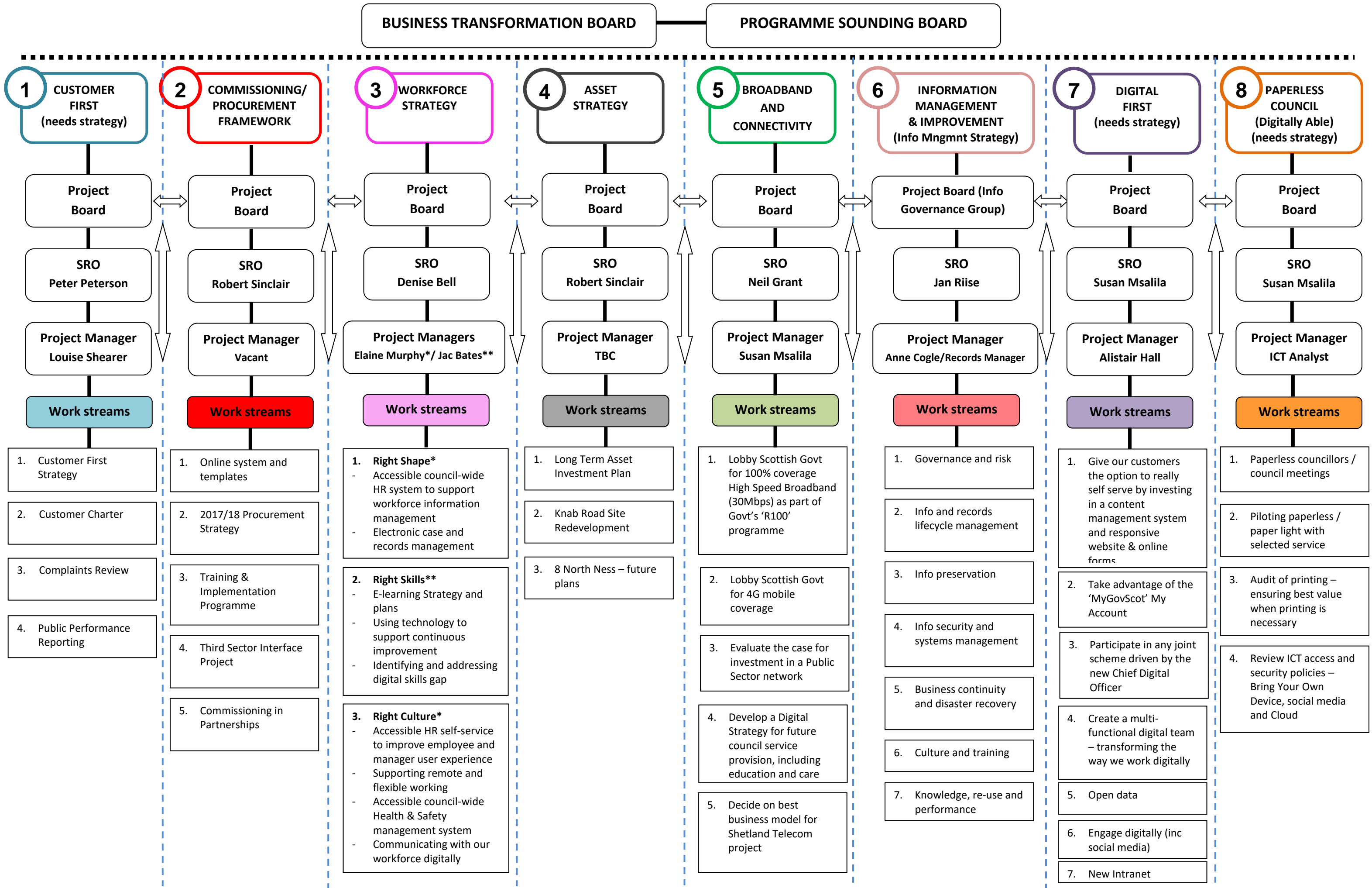
Contact Details:

Christine Ferguson, Director of Corporate Services, christine.ferguson@shetland.gov.uk
26 February 2018

Appendices

Appendix A: Business Transformation Programme Structure

BUSINESS TRANSFORMATION PROGRAMME 2016-20





Meeting(s):	Policy & Resources Committee	6 March 2018
Report Title:	Accounts Commission and other External Audit Reports – Best Value Reports - Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire	
Reference Number:	CRP-02-18-F	
Author / Job Title:	Christine Ferguson / Director of Corporate Services	

1.0 Decisions / Action required:

That the Policy and Resources Committee:

- 1.1 REVIEW and COMMENT on the contents of this report and its Appendices;
- 1.2 APPROVE the proposals in the Appendices:
 - 1.2.1 Agree to the establishment of a set of outcome indicators, to measure our progress and performance in delivering the forthcoming “*single high level set of priorities/outcomes*”
 - 1.2.2 Agree that current PPMF report layouts are reviewed and consideration be given to making more obvious links between performance information and investments in actions/projects.

2.0 High Level Summary:

- 2.1 Best Value (BV) is a statutory duty placed on all local authorities.
- 2.2 There is currently no date set for the Accounts Commission to report on Best Value for Shetland Islands Council; this will be April 2019 at the earliest. Other Authorities have devoted significant time and resources preparing for their BV audits.
- 2.3 In spring 2018 the Accounts Commission will announce the Councils that have been selected for Best Value audits in 2019/20.
- 2.4 This report presents key messages and local analysis from the recent Best Value reports for Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney, and Clackmannanshire Councils.
- 2.5 Common Themes – There are a number of common themes in these reports; these are:
 - Significant savings/funding gaps in the medium term;
 - Improved service performance

- Good progress since previous Best Value reports (Inverclyde, Renfrewshire)
- Effective financial management (Inverclyde, Renfrewshire)
- Clear/ambitious vision and strategic direction (East Renfrewshire, Renfrewshire, West Lothian, Orkney & Clackmannanshire)
- Lack of Councillor's scrutiny (East Renfrewshire, Renfrewshire & West Lothian)

2.6 Inverclyde –

- Significant change since 2005
- Has developed a positive culture of improvement
- Built a positive working culture
- Different sets of outcomes and indicators are confusing
- Should detail short, medium, & long-term measures for its wellbeing outcomes
- Uses performance information to target investment
- Detailed savings options for councillors developed
- Works well with partners
- Number of initiatives (shared services, arm's-length external organisations)
- Good involvement of community in decision-making

2.7 Renfrewshire –

- Long-term plan to address poverty and inequality
- Steady pace of change despite high levels of poverty
- Difficult working relationships between councillors
- Councillors not attending development/training opportunities
- Weak performance of Audit, Scrutiny & Petitions Board
- Reserves are earmarked for specific purposes
- Delivered initiatives, with partners, focussed on differences at local level
- Good at working with, and involving communities
- Works well with partners and delivers services differently

2.8 East Renfrewshire –

- Clear vision and strategic direction
- Councillors should take a more active role in scrutiny
- Corporate Management Team (CMT) provides clear direction & leadership
- Good working relationships between Councillors and CMT
- Ambitious programme of business transformation with risks to capacity of workforce
- Consistently underspends its revenue budget
- A better council-wide view of progress in delivering change programme is needed
- Well established approach to partnership working

2.9 West Lothian –

- Clear vision “to improve the quality of life for the people of West Lothian”
- Council has clear priorities to deliver the vision
- Effective processes to manage performance
- Scope to improve how Council monitors and reports what it does to improve outcomes
- Committed to involving local people in identifying priorities
- New governance & scrutiny arrangements...including Policy Development & Scrutiny Panels
- Committee structure provides limited opportunity for councillors outside decision making to scrutinise performance

2.10 Orkney–

- Clear priorities and ambition for the islands
- Improved planning framework
- Improved performance management & self-evaluation
- Senior Management Team has halved in size
- Slow to develop financial, asset and workforce plans
- Residents show high levels of satisfaction with Council
- Slower improvement in Service Performance compared to similar councils
- Good community engagement
- Do not yet measure, monitor and report progress against outcome priorities

2.11 Clackmannanshire–

- Acute financial situation, needs £29m savings over 3 years
- Yet to make transformational changes necessary
- Political instability...has affected its focus
- Members and officers work constructively on a day-to-day basis
- [With] budget reductions and service cuts ... has maintained service performance and customer satisfaction in a number of key areas
- Pace of improvement is slow in some areas and not evident in others
- Works well with its partners to identify local priorities and to help deliver services
- Since last BV audit, financial challenges are much more significant meaning that it now needs to take urgent and decisive action

2.12 Appendices 1-6 show each of the Audit Scotland “key messages” sections from the 6 reports, together with comments and recommendations reflecting the position in Shetland. Planning our actions and approach to the Best Value Strategic Audit Priorities to take into account the comments and recommendations will help to avoid similar criticisms at our Best Value audit.

2.13 These recommendations should be seen in the context of the findings of the external auditor in their 2016/17 Annual Audit report (Audit Committee, 20 September 2017: F-079-F) and the actions agreed as part of that process.

2.14 Where similar “key messages” appear in different reports, our local position is not duplicated.

3.0 Corporate Priorities and Joint Working:

3.1 Effective Planning and Performance Management are key aspects of Best Value. “Our Plan”, the Council’s Corporate Plan 2016-2020 sets out how we will achieve the Council’s priorities over the 5 years of the Plan in “20 things we aim to achieve by 2020; Our 20 by ‘20”. This includes :

- *“Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services. Poor performance will be dealt with, and good service performance will be highlighted and shared”.*

3.2 On 20 August 2014, the Council adopted a policy and procedure to monitor actions resulting from External Auditors'/Advisers' reports (Min ref 61/14).

3.3 The relevant points of the policy include:

- *"All Accounts Commission and other External Advisers' reports should be presented to the relevant Committee within 2 cycles of publication.*
- *It is expected that each report will require an action plan to be prepared.*

4.0 Key Issues:

4.1 Best Value is a statutory duty for each local authority and performance in this regard is monitored and reported nationally.

4.2 The recent Best Value reports for the six Councils identify the need for delivering services "differently" to address financial challenges whilst maintaining a clear customer focus in order to achieve Best Value. The reports emphasise the need to invest resources to deliver the Councils' change programmes

4.3 Locally, change will come from the Business Transformation Plan and Service Redesign Programme, which will bring together the key projects from each Directorate Plan, giving strategic focus to the activities that will be required to deliver the Corporate Plan outcomes and achieve Best Value

5.0 Exempt and/or confidential information:

5.1 None

6.0 Implications :

6.1 Service Users, Patients and Communities:	The Council must ensure Best Value in the delivery of services. Accounts Commission and other external scrutiny reports are sources of information that help the Council to identify improvement opportunities that will contribute to Best Value across public services in Shetland.
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6.2 Human Resources and Organisational Development:	None arising directly from this report however the Best Value reports highlight Organisational Development issues and the need to develop and implement coherent Workforce Strategies. Significant service changes are anticipated in the lifetime of the Council's Corporate Plan 2016-2020 and implementation of the Council's Workforce Strategy is a key element of the Business Transformation Programme. Care is taken to ensure that staff are involved and informed about changes that might affect them, that HR are closely involved and that all relevant Council policies are followed.
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6.3 Equality, Diversity and Human Rights:	None arising directly from this report. The Workforce Strategy implementation project will consider legal and other obligations on Equalities. These will be reported to the appropriate committees in due course as required.
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	An Integrated Impact Assessment will be completed for each change project ensuring that any equalities impacts are identified and considered.
6.4 Legal:	The Council has a statutory duty to deliver Best Value. A key element of Best Value is comparison with others and the consideration of the findings in Best Value reports for other Councils contributes to our activities in this regard. The actions identified in the Council's Directorate Plans that will make up the Service Redesign Programme include those that have been generated following consideration of the legislative drivers for change.
6.5 Finance:	None arising directly from this report. The Best Value reports emphasise the need for those authorities to make significant changes in the way they do things in order to address the severe financial challenges that they face. Shetland Islands Council, despite having access to its own substantial resources, is not protected from these challenges and has similar significant issues arising from the increasing pressure on local government finances. The BTP together with a Service Redesign Programme for the Council will seek to deliver transformational change by challenging the way we do things, in order to deliver a reduction in Council revenue spending of £20M by 2020.
6.6 Assets and Property:	Making the best use of our assets and property is a key component of Best Value and is a priority in the Council's Corporate Plan.
6.7 ICT and new technologies:	ICT will be an essential enabler of transformational change and of achieving Best Value for the Council. A number of Business Transformation Projects will have ICT implications; these will be reported to the ICT Management Board and appropriate committees in due course.
6.8 Environmental:	Service redesign projects using the Building Better Business Case methodology will consider the detailed environmental implications. These will include a consideration of carbon reduction targets.
6.9 Risk Management:	Audit Scotland and other external scrutiny reports provide useful information about best practice and areas for improvement that have been identified for other local authorities. This information is used by the Council to inform plans for improvements locally.
6.10 Policy and Delegated Authority:	In Section 2.6 of the Council's Scheme of Administration and Delegations, the remit of the Policy and Resources Committee includes: <i>"Ensure the effectiveness of the Council's planning and performance management framework "</i> and

	<p><i>“Review the overall effectiveness of the Council’s work and the standards and levels of service and ensure the Council discharges its functions relating to Best Value “</i></p> <p>Confirmation that these reports were considered by Policy and Resources Committee will be reported to the Council’s Audit Committee on 7 March 2017.</p>	
6.11 Previously considered by:	None	

Contact Details:

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 20 February 2018

Appendices:

Appendix 1 - Key messages – Inverclyde
 Appendix 2 - Key messages – Renfrewshire
 Appendix 3 - Key messages – East Renfrewshire
 Appendix 4 - Key messages – West Lothian
 Appendix 5 - Key messages – Orkney
 Appendix 6 - Key messages – Clackmannanshire

Background Documents:

Inverclyde full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/bv_170601_inverclyde.pdf

Renfrewshire full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/bv_170831_renfrewshire.pdf

East Renfrewshire full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/bv_171107_east_renfrewshire.pdf

West Lothian full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/bv_171123_west_lothian.pdf

Orkney full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2017/bv_171214_orkney.pdf

Clackmannanshire full report: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/bv_180125_clackmannanshire.pdf

Appendix 1 - Key messages - Inverclyde

AS1. Since the 2005 Best Value report Inverclyde Council has changed significantly, improving the way it manages services and developing a positive culture of improvement. Service performance has improved overall and improvement activity is happening across the council.

The Shetland Islands Council's Improvement Plan was a commitment to "*Fully embed [a] Planning and Performance Management Framework*" (PPMF) (Min Ref 07/11)

The Council has well-established procedures for reporting departmental performance at the quarterly Planning and Performance Management Framework (PPMF) meetings.

AS2. Inverclyde Council has made significant progress over the last ten years to address weaknesses highlighted in previous Best Value reports. In 2005, the Accounts Commission's findings highlighted extensive and fundamental weaknesses in leadership and direction, preventing the council from delivering Best Value. Since then, the council has built a positive working culture in the organisation that supports innovation. Key elements contributing to this include a clear vision and stable, effective leadership.

In 2010, the Accounts Commission issued a "Findings and Recommendations" report. This instructed Shetland Islands Council to "*...put in place a comprehensive programme of improvements as a matter of urgency...*"

In 2012, Audit Scotland issued a "Statutory Follow Up Report". This concluded "*The council has taken prompt action to address the issues highlighted in the audit reports... and made good progress to date on implementing...its improvement plan*"

Subsequent annual audit reports show the Council has made steady progress:

2014 Audit Scotland Assurance and Improvement Plan – "*...more recent developments [in financial control] have been notably positive and the council has recognised the need to focus on achieving a sustainable financial position.*"

2016 Audit Scotland Local Scrutiny Plan – "*...in recent years the council has focussed on achieving a sustainable financial position...The council still faces the difficulties of achieving its challenging savings targets, with a funding gap of £32 million over the four years to 2020/21 identified in the MTFP*"

"*Overall Education Scotland considers that the quality and effectiveness of self-evaluation activity at a local establishment level is good.*"

"*The LAN has assessed that the areas of performance management and improvement and social care services require no additional scrutiny beyond statutory/ongoing work.*"

AS3. A range of improvement activity takes place across the council but it needs to be clearer how this activity makes a difference to the outcomes the council and its partners want to achieve. All partners share the central vision, but the different sets of outcomes and indicators between the council and partners are confusing. The council needs to set out in more detail what achieving its wellbeing outcomes looks like in the

short, medium, and long term.

The external auditor's (Deloitte LLP) Annual Audit Report 2016/17 for Shetland Islands Council (Min Ref 11/17) contained a similar "Deloitte view" in relation to the outcomes in our Corporate Plan and Local Outcomes Improvement Plan:

"Shetland should consider adopting a single overarching vision shared by both the Council and community partners which is supported by a single high level set of priorities/outcomes, with KPIs and funding decisions linked to these priorities."

The following recommendation was accepted, with a target date of 31 March 2018:

"While the Council has multiple sets of outcomes, priorities and aims to deliver its vision, we recommend that these be reconsidered to ensure better alignment with outcomes."

It is recommended that as part of that process, a set of outcome indicators be established. These outcome indicators should be agreed by all parties as a definitive measure of progress in delivering the "single high level set of priorities/outcomes" over the short, medium, and long term.

These indicators would be reported internally and published externally, in a similar way to the national outcome indicators which can be seen here:

<http://www.gov.scot/About/Performance/scotPerforms/indicator>

AS4. The council has improved its service performance in many areas and has maintained the performance of its high-performing areas. There are good examples of the council using performance information to target investment at poorly performing areas, such as investment in roads to improve their condition.

All Directorate Plans and Service Plans are published and detail the actions/projects that show how they support the commitments contained in the Corporate Plan. These published Plans should be updated by managers throughout the year.

However, in PPMF reports Performance Indicators are given separately from the actions/projects and are not directly linked to the Corporate Plan commitments on the report.

It is recommended that the PPMF report layouts are reviewed and consideration be given to clearer links between performance information, which drives investment in actions/projects, which should then show performance results.

AS5. The council's financial management is effective, and it has a good medium to long-term financial strategy. It has built up its reserves over a number of years and the level of usable reserves is significant for the size of council. Like many councils, it faces a significant savings gap in the medium term. It has developed detailed savings options for councillors to consider following the local government election in May 2017. An element of reserves is being used to fill the funding gap in 2017/18.

The 2016/17 annual audit report by Deloitte LLP referred to "The budgeting process in place is detailed and robust. Service line budgets are approved at Directorate and Council level, and the Council prepares detailed short, medium and long term

financial plans addressing income and cost challenges faced. Alternative solutions are evaluated to overcome funding gaps identified to be addressed at a later point.”

The Council approved the budget for 2018/19 on 14 February 2018 and included a recommendation that instructed the Corporate Management Team to develop proposals and options for Service redesign/change in the form of Strategic Outline Cases to address the continuous improvement and financial challenges that lie ahead. That this should be done in the context of Council priorities and its contribution to local outcome aspirations, national policy and statutory duties, in a timescale of no more than 3 months (mid May).

This activity will move the Council forward to consider and make decisions on the allocation of resources and to address the future funding shortfalls anticipated.

AS6. The council has demonstrated a commitment to delivering services differently in Inverclyde. It has a history of working well with partners. Over the last ten years it has been involved in a number of initiatives, including shared services and arm's-length external organisations, to change the way it delivers services.

The citizens of the Shetland Islands benefit from the unique historical circumstances that mean a range of charitable trusts exist, delivering services that the Council would otherwise have permissive powers to deliver. Examples include the Shetland Recreational Trust and Shetland Art Development Agency, which are both receive substantial funding from the Shetland Charitable Trust to ensure provision exists at a local level in Shetland. The Council has no arm's length external organisations.

The Shetland Charitable Trust also provides funding to the Council to support rural social care, again a unique arrangement in Scotland, and one that reflects Shetland's long history of partnership working. Such arrangements mean the Council is able to focus resources on other aspects of work for which it has mandatory, permissive or regulatory powers.

The Council has not sought to out-source a large proportion of its services, and continues to be a significant deliverer of services. A predominant factor is this is the market conditions in Shetland. The Council has in place an overarching Commissioning and Procurement Strategy that set out the framework for making decisions on how Services are delivered.

AS7. The council has good examples of how it has actively sought the views of the community and involved the community in decision-making. It now needs to consider how to use this experience to help deliver the more demanding requirements of the Community Empowerment Act.

SIC has policies in place for the Parts 3 and 5 of the Community Empowerment Act – Participation Requests and Community Asset Transfer. Promotion to the community of the new provisions contained in the Act is being progressed through the Community Planning and Development Service.

Community Planning in Shetland has also been reviewed in line with Part 2 of the Act and a refreshed Shetland Partnership Plan will soon be in place overseeing the

delivery of an updated Local Outcomes Improvement Plan (LOIP). Community Participation will be at the heart of the new arrangements for Community Planning in Shetland, with a specific priority focused on creating a culture of expectation that communities will be able to participate in decision making. The Community Planning Partnership will also aim to develop, deliver and evaluate projects with direct community participation while also overseeing partners' practice in relation to upholding the National Standards for Community Engagement. A consultation on the LOIP priorities began in mid-December 2017.

Over the last three years the Council has engaged with communities in relation to its finances, and the directing of resources to a limited extent through the Community Choices and participatory budgeting exercises that have been facilitated and funded in part by the Council. The Council continues to work on the most appropriate methods of mainstreaming the engagement and active involvement of communities in the decision making. Local authorities in Scotland have a target of 1% of their budget being influenced by local/community decision making by 2020..

Appendix 2 - Key messages - Renfrewshire

AS9. The council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. It recognises that this vision can only be achieved over a long period of time. The council's partners share this vision and the council plan, management structures and performance management arrangements are well aligned with it.

See local response to Inverclyde AS3

AS10. Since the 2006 Best Value report, Renfrewshire Council has maintained a steady pace of change, supported by effective leadership that has allowed it to improve the way it plans, manages and delivers its business. It has made these improvements while dealing with financial constraints and challenging socio-economic issues such as high levels of economic deprivation, low population growth and an increasing elderly population.

AS11. The council has continued to make progress since the 2006 Best Value report to improve governance arrangements, although there have been difficult working relationships between the main political parties and limited cross-party working. Councillors have not made the most of the training and development opportunities available to them.

A comprehensive induction programme was well attended by Councillors in May 2017. A Development Programme was subsequently created, following individual training needs analysis. The programme has prioritised essential training, such as Licensing, Planning, Audit etc., and seeks to make best use of external and internal expertise. Sessions have been well attended. Members also receive training material on a monthly basis, through their newsletter.

AS12. In the past, the operation and performance of the Audit, Scrutiny and Petitions Board has been weak and has put at risk the overall effectiveness of scrutiny within the council. Following the 2017 local elections, the council has reviewed and revised the remits of its committees and established the Audit, Risk and Scrutiny Board.

In May 2014, the Audit & Scrutiny Committee was renamed as the Audit Committee, this was to reflect the change in roles of the Committees. Service Committees are now responsible for scrutinising performance and a part of the Audit Committee's role is to ensure Service Committees are fulfilling this role.

AS13. Since 2006, the council has steadily improved how its services perform. Renfrewshire's overall performance is improving and is comparable to similar councils within its family group. The council has implemented initiatives which have been delivered with partners and are focused on making a difference at a local level.

AS14. The council has effective financial management and a sound medium-term financial strategy. It has built up its reserves over a number of years which are earmarked for specific purposes and aligned to the council's strategic objectives. The level of

reserves is significant for the size of council. Like many councils, Renfrewshire faces a significant funding gap in the medium term.

See local response to Inverclyde AS5

AS15. The council and its partners are good at working with, and involving, communities and will need to continue to work together on joint priorities and to strengthen partnership working. Given the likely funding gaps in future budgets, the council will need to work with people who use council services to inform decisions about how those services will be delivered. This will provide a positive base for them to go further and fully implement the provisions of the Community Empowerment Act.

See local response to Inverclyde AS7

AS16. The council has a good record of delivering services differently. It works well with partners and has developed a number of new approaches to how it delivers services. To meet future challenges, it needs to agree a medium- and long-term workforce strategy and implement its organisational development strategy. This will be critical to managing how future services are delivered.

The Council's Workforce Strategy is a key component of the Business Transformation Programme.

Appendix 3 - Key messages – East Renfrewshire

- AS1.** The council's clear vision and strategic direction reflect its knowledge and understanding of the area. The vision is well supported by councillors, officers and the council's partners.
- AS2.** Councillors should have a more transparent and active role in scrutiny and challenge of decisions. They should have greater oversight of the transformation of the council. The Corporate Management Team (CMT) provides clear direction and leadership to the council, and there are good working relationships between councillors and the CMT.
- AS3.** Under the Council's Public Services Excellence programme during 2009-2015, there was a steady pace of change. Since 2015, the council has developed a more ambitious programme of business transformation, and the scale and rate of change have increased significantly. This presents risks to the capacity of the workforce and continuing service provision. Increasing demand from growing numbers of children and older people is already placing pressure on council services..
- AS4.** The council continues to perform well. Children's services and education continue to improve from an already high level. Other council services' performance is more varied, partly reflecting the council's range of policy priorities. Results from the Citizens' Panel indicate that most residents are satisfied with services.
- AS5.** The council has a well-established approach to partnership working. There are good working relationships with the Culture and Leisure Trust; well-established arrangements for integrated health and social care services; and promising examples of joint working with other public bodies.
- AS6.** The council is in a strong financial position, with high levels of reserves and low levels of borrowing. However, it consistently underspends its revenue budget, generating high levels of unplanned year-end balances. It forecasts it will need to save over £26 million from its budget by 2020/21. Options for achieving these savings have been developed by officers. Consultation with councillors, staff and the public begins in October 2017.

See local response to Inverclyde AS5

- AS7.** The council faces a period of accelerated change against a backdrop of demanding budget reductions and ambitious organisational development. A better view of council-wide progress in delivering its change programme is required, together with a fully integrated approach to financial and service planning. The council needs to consider different models of service delivery as part of its business transformation programme, to secure Best Value.

Appendix 4 - Key messages – West Lothian

AS1. The council has a clear vision ‘to improve the quality of life for the people of West Lothian’. This vision is shared by its partners and informed by local people through public consultation and ongoing engagement. The council has set clear priorities to support achieving this vision. The Executive Management Team (EMT) provides strong leadership to the council and there are good working relationships between councillors and officers. The council is currently refreshing its corporate plan, and has shown an awareness of the challenges it faces.

AS2. Since the 2005 Best Value report, the council has continued to demonstrate a number of strengths. Outcomes for local people are improving and the council continues to perform well when compared to others. It has effective processes to manage performance, a clear commitment to continuous improvement and a well-developed self-evaluation process. However, some areas for improvement identified in 2005 still remain.

See local response to Inverclyde AS2

AS3. There is scope to improve how the council monitors and reports what it does to improve outcomes for local people. By better articulating, monitoring and reporting how key performance indicators link to its priorities, the council will better be able to show if, and how, its actions have made a positive difference to the lives of people in West Lothian.

AS4. The council has been managing its finances effectively. However over the next five years it needs to address a significant budget gap of £73.5 million. Officers are currently identifying savings proposals and carrying out a public consultation as the council refreshes its financial strategy to align with the next five-year corporate plan. Councillors were not involved in determining priorities until the public consultation was issued in mid-October, four months before they need to agree the budget. Earlier involvement by councillors in identifying priorities sooner would have reduced the risk to the council of failing to deliver the savings in the required timescales, particularly in 2018/19.

See local response to Inverclyde AS5

AS5. The council is committed to involving local people in identifying priorities and determining how services are delivered in their area. It works well with partners to deliver services in a joined-up way. The council needs to develop new approaches to delivering services so that it can successfully deliver the savings required and it is important that it continues to work with local people while it does this. It needs to build on this to deliver the requirements of the Community Empowerment Act.

AS6. The council has introduced new governance and scrutiny arrangements since the last Best Value report, including new committees and Policy Development and Scrutiny Panels (PDSPs). While the PDSPs provide opportunity for councillors to scrutinise policy development and its impact on services, the council’s overall arrangements are less effective, in practice, in supporting scrutiny of council-wide performance. In addition, the formal committee structure provides limited opportunity for councillors from outside the decision-making structure to scrutinise council-wide performance. Councillors need to play a more active role in committees and PDSPs

to provide effective scrutiny. The council also needs to assure itself that governance arrangements for its leisure trust are appropriate.

Appendix 5 – Key Messages - Orkney

AS1. Orkney Islands Council is the smallest council in Scotland with a complex and challenging local context. The council has a very good understanding of the area and its communities and has clear priorities and ambition for the islands that reflect these. The council has stable, effective leadership with a strong focus on doing what is right for the communities of Orkney.

AS2. Since our 2008 Best Value report, the council has gradually improved how it plans and manages its activities. The council has improved its planning framework, performance management, its use of self-evaluation and the way it engages with communities. The pace of improvement in the council has increased over the past three years since it has focused its improvement work around a change programme and its medium-term financial planning.

See local response to Inverclyde AS2

AS3. The council has benefited from a strong financial position for many years. Income generated through marine port activities has contributed to substantial financial reserves. This has meant the council has been able to supplement local government funding, to some extent, to help protect front-line services. Nevertheless, certain cost-saving decisions have been taken and, for instance, the senior management team has been halved in size.

Shetland has a similar, if not even greater, ability to substantially supplement Scottish Government funding for the delivery of Services. However due to the scale of the Scottish Government grant on an annual basis (c. 75% of the total budget) the fact that it has been reducing since 2010/11 means that Shetland is not immune from challenging financial circumstances in the future.

The one year settlement for ferry funding from the Scottish government provides a moment of respite and it is essential that the Council achieves a long-term/permanent arrangement to secure these services. In doing so this would allow the Council to think about its funding for statutory services and to make decisions about how it much funding is directed towards Services that exist because of permissive powers.

The mechanism for this is ensure there is robust medium and long term financial planning to understand the constraints and a Service Redesign Programme, underpinned by a business transformation programme, which uses a business case methodology.

AS4. The council has been slow to develop some of the other essential tools for using resources efficiently. Examples include workforce planning, medium to long-term financial plans, asset management planning and digital and IT arrangements. The pace of progress has, however, picked up in recent years and it is important that the council maintains this increased pace to ensure it makes best use of public money. The council should prepare longer-term financial plans to ensure the sustainability, feasibility and practicalities of current spending plans, and to demonstrate that dependency on the Strategic Reserve Fund, to subsidise service delivery, is limited to the short term.

Shetland has had a Medium Term Financial Plan since 2012, which has been reviewed annually. This sets out the financial strategy for the Council in terms of revenue and capital.

The Council has also considered a range financial planning assumptions and scenarios, in the context of the long term financial plan. This was last reviewed in March 2017.

Workforce planning is a vital component of the Council's business transformation programme.

Also see local response to Inverclyde AS5 and Orkney AS3, above.

AS5. Orkney residents show very high levels of satisfaction with council services, including some of the highest levels across Scotland. In addition, external service inspections have been positive, especially within the education service. However, when measured against the Local Government Benchmarking Framework indicators, improvement in service performance has tended to be slower in Orkney Islands Council than comparable councils.

Scottish household survey 2016/17, very or fairly satisfied with quality of public services:

	Orkney	Shetland
Local health services	93%	80%
Local schools	96%	89%
Public Transport	69%	71%
Satisfied with all three	73%	59%

A full report on the recently published Local Government Benchmarking Framework results for 2016/17 will be presented in the next Committee cycle.

AS6. The council works well with its partners and local communities, with some examples of good community engagement and progress in empowering communities. However, the council and the Orkney Community Planning Partnership do not yet measure, monitor and report sufficient evidence to demonstrate how effectively they are making progress towards delivering their outcome priorities for the community.

See local response to Inverclyde AS7

Appendix 6 – Key Messages - Clackmannanshire

AS1. Clackmannanshire Council faces an acute financial position which requires it to achieve further savings of around £29 million over the next three years. This is a substantial saving in the context of the council's annual budget of £118 million. The council receives good quality information about its finances and has a clear understanding of the scale of the financial challenge.

AS2. The council has made significant savings over recent years but has yet to make the transformational changes necessary to secure its financial position. It has used reserves to balance budgets; this is not sustainable and the council must now make difficult decisions about the services it can afford to deliver. It is reviewing how it operates, and will have to balance the drive for savings with the need for sufficient officer time and skills to support change.

See local response to Inverclyde AS5 and Orkney AS3

AS3. The council has well-established strategic priorities. But political instability in recent years has affected its focus and ability to make the decisions needed for lasting progress. Recently there are signs of more effective working relationships across political groups; this will be tested as the council deals with the difficult decisions it faces. Members and officers work constructively on a day-to-day basis. There is less evidence of coherent, combined political and officer leadership necessary to implement and maintain change.

The Council's most recent Corporate Plan "Our Plan 2016 – 2020" established key priorities and core objectives for the Council and how it will ensure effective governance. This has proved to be a key focus for Councillors and officers alike, with reports being explicitly linked to the achievement of those outcomes. This has led to successful progress which will be reported to Council in due course.

Also see local response Inverclyde AS3

AS4. Clackmannanshire has several areas of comparatively high deprivation and economic activity is lower than the Scottish average. Over a period of budget reductions and service cuts, the council has maintained service performance and customer satisfaction in a number of key areas. But the pace of improvement is slow in some areas and not evident in others.

AS5. The council works well with its partners to identify local priorities and to help deliver services. It worked closely with stakeholders in developing the new local outcome improvement plan (LOIP), which will be implemented by community planning partners, the Clackmannanshire Alliance. The LOIP includes a more focused set of local priorities, including specific geographic areas and particular groups of people, such as children and women. These provide a clear basis for prioritising resources in future.

AS6. In our report on Best Value and Community Planning in 2007 we concluded that the council faced significant challenges with limited resources. The council has made improvements in some areas, but the financial challenges are much more significant meaning that it now needs to take urgent and decisive action. Only then will the

council be in a position to demonstrate the pace, depth and continuity of improvement associated with Best Value

See local response to Inverclyde AS7



Meeting(s):	Policy and Resources Committee Shetland Islands Council	06 March 2018 07 March 2018
Report Title:	Asset Investment Plan – Progress Report	
Reference Number:	CPS-02-18F	
Author / Job Title:	Robert Sinclair, Executive Manager – Capital Programme	

1.0 Decisions / Action required:

- 1.1 That the Policy and Resources Committee RECOMMENDS that the Council notes the progress of the projects within the Asset Investment Plan

2.0 High Level Summary:

- 2.1 This report advises the Council on the progress of the projects contained within its Asset Investment Plan which are currently underway in 2017/18.
- 2.2 It includes a summary of the financial status for the full life of each project.

3.0 Corporate Priorities and Joint Working:

- 3.1 This report forms part of the annual performance reporting arrangements on financial matters in support of the Financial Strategy, Reserves Policy and Budget Strategy. 'Our Plan 2016 to 2020' states that "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means" and that "We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan".

4.0 Key Issues:

- 4.1 This report provides an overview of the full life of those projects within the Council's Asset Investment Plan that are currently underway in 2017/18, based on the agreed budget.
- 4.2 Where projects take place over a number of financial years, this report summarises the position from the beginning to completion of the project. Capital maintenance is not included in this report.
- 4.3 Quarterly monitoring reports on capital expenditure are provided by the Executive Manager - Finance, detailing the progress of all capital projects within the current financial year; that report also covers expenditure on capital maintenance.
- 4.4 The detailed project information is attached as Appendix A.

5.0 Exempt and/or confidential information:		
5.1 None.		
6.0 Implications :		
6.1 Service Users, Patients and Communities:	Upon completion, the projects described in the appendix to this report will either enhance the quality and / or condition of the assets available to the people of Shetland, or add to them.	
6.2 Human Resources and Organisational Development:	No implications arising directly from this report.	
6.3 Equality, Diversity and Human Rights:	No implications arising directly from this report.	
6.4 Legal:	No implications arising directly from this report.	
6.5 Finance:	The Asset Investment Plan projects which are currently underway, in 2017/18, are detailed in Appendix A and are projected to be £464k under budget, resulting in a projected outturn cost of £57.7m. Of the total cost, £4.8m will be funded externally, with £52.9m to be funded by the Council.	
6.6 Assets and Property:	Upon completion, the projects described in the appendix to this report will either enhance the quality and / or condition of the Council’s existing asset base, or add to it.	
6.7 ICT and new technologies:	No implications arising directly from this report.	
6.8 Environmental:	All maintenance and new-build projects seek to address climate change and carbon management for example by embedding energy saving measures and environmentally friendly materials in their design. Where possible, assets are repaired and maintained where this reduces the carbon footprint associated with new-build. Environmental Impact Assessments are carried out where the nature or scale of the project dictates; the only such project(s) detailed in the programme are the new AHS and associated Halls of Residence.	
6.9 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.	
6.10 Policy and 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.	
6.11 Previously considered by:	N/A	

Contact Details:

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16 February 2018

Appendices:

Appendix A - Asset Investment Plan – Progress Report

Background Documents: None

END

Capital Projects - Full Life Project Costs

CPS-02-18 Appendix A

Directorate	Service Area	Budget			Funding	
		Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £
Corporate Service	Capital Programme Service	2,885,000	2,977,710	(92,710)	310,696	2,667,014
		2,885,000	2,977,710	(92,710)	310,696	2,667,014
Children's Services	Schools	21,579,020	21,585,447	(6,427)	1,220,500	20,364,947
		21,579,020	21,585,447	(6,427)	1,220,500	20,364,947
Community Care Services	Adult Service	9,555,312	8,462,804	1,092,508	0	8,462,804
		9,555,312	8,462,804	1,092,508	0	8,462,804
Development Services	Economic Development	0	0	0	0	0
	Housing	160,000	245,807	(85,807)	0	245,807
		160,000	245,807	(85,807)	0	245,807
Infrastructure Services	Environmental Services	966,951	966,951	0	130,000	836,951
	Estate Operations	1,550,000	1,966,633	(416,633)	0	1,966,633
	Ferry Operations	1,830,000	1,880,000	(50,000)	0	1,880,000
	Roads	1,662,203	1,591,149	71,054	315,588	1,275,561
	Ports & Harbours	18,016,747	18,064,735	(47,988)	2,881,780	15,182,955
		24,025,901	24,469,468	(443,567)	3,327,368	21,142,100
	Total All Funds	58,205,233	57,741,236	463,997	4,858,564	52,882,672

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
Market Street Store Redevelopment	305,000	397,710	(92,710)	0	397,710	Project complete with only retention to be paid. Records store and Trading Standards Lab in occupation. CPS officer time will not be processed until year end.
Lerwick Library Refurbishment	900,000	900,000	0	0	900,000	Production information underway, tender issue will depend on 8 North Ness, as Old Library still being used as decant. CPS officer time will not be processed until year end.
Town Hall Conservation Project	1,680,000	1,680,000	0	310,696	1,369,304	All building and restoration works complete. Interpretation works progressing.
Total	2,885,000	2,977,710	(92,710)	310,696	2,667,014	

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
Brae Nursery Extension	90,000	81,439	8,561	81,439	0	Works complete, officer time will not be processed until year end.
Dunrossness Nursery Extension	25,000	56,417	(31,417)	56,417	0	Substantially complete, two more weeks work to finalise.
Happyhansel Nursery Extension	50,000	20,000	30,000	20,000	0	Phase 1 complete. Phase 2 being designed for next year.
Whiteness Nursery Extension	23,000	30,144	(7,144)	30,144	0	Works complete.
Anderson High School Replacement	3,094,803	3,094,803	0	25,000	3,069,803	Works now complete apart from final snagging. Officer time will not be processed until year end.
Anderson High Clickimin Path Upgrade	1,015,000	1,015,000	0	507,500	507,500	SIC / Sustrans funded project. The remaining budget is required for completion of the rugby pitch link and the contract is about to be awarded.
Anderson High - Halls of Residence	13,740,000	13,740,000	0	0	13,740,000	Works now complete apart from final snagging. Officer time will not be processed until year end.
Clickimin Works	3,101,924	3,101,924	0	500,000	2,601,924	SIC / Sportscotland funded project. The indoor training facility is complete and operational. The internal works within the Clickimin Leisure Complex are complete and in school use. Alteration work to the main entrance is ongoing.
Anderson High ICT Equipment	439,293	445,720	(6,427)	0	445,720	Additional equipment ordered which will be funded from underspend in ICT equipment purchase rolling programme.
Total	21,579,020	21,585,447	(6,427)	1,220,500	20,364,947	

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
Eric Gray Replacement	6,055,312	6,055,312	0	0	6,055,312	Works currently ahead of programme, the internal works progressing well with second joinery fix commenced. Mechanical and electrical services first fix substantially complete with some sections of electrical services now moving onto second fix. Externally cladding to the building is now complete and landscaping works progressing well.
ET & Taing House Extension (Spend to Save)	3,500,000	2,407,492	1,092,508	0	2,407,492	Phase 1 complete. Phase 2 originally delayed as scope of project reduced. Phase 2 practical completion issued 12/08/16; additional works and final account still to be processed. Officer Time will not be processed until year end.
Total	9,555,312	8,462,804	1,092,508	0	8,462,804	

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
Landfill Capping	836,951	836,951	0	0	836,951	Landfill Capping Phase 2 complete, with only retention to be paid. Survey to be carried out this year with further phases programmed in future years.
Landfill Gas Testing	130,000	130,000	0	130,000	0	Contract for bore hole and gas testing completed, consultant fees still to be processed.
Bells Brae PS Refurbishment	950,000	1,172,897	(222,897)	0	1,172,897	Bells Brae works completed October 2017, some certificates and final A/C still to be processed. Overspend relates to additional mechanical works required when hidden services were uncovered.
Sound PS Refurbishment	600,000	793,736	(193,736)	0	793,736	Sound School site works are now complete, with final A/C still to be processed. Tender prices were higher than anticipated.
Clickimin Roundabout Works	1,063,110	1,063,110	0	17,745	1,045,365	All works complete. Final layer of bitmac has been laid to access road to new AHS. 3K retained pending completion of snagging works.
Cycling/Walking Safer Streets	32,000	32,000	0	32,000	0	£26K has been allocated to the Esplanade 20mph Traffic Calming Scheme as it meets the criteria Cycling / Walking Safer Streets. The remaining £6k has been allocated to bus shelters.
Flood Damage Works	38,062	38,062	0	38,062	0	The scheme has been carried over to next year.
Esplanade - 20mph Traffic Calming	301,031	328,767	(27,736)	227,781	100,986	Works now complete.
Muckle Roe Bridge Painting	228,000	129,210	98,790	0	129,210	Works completed in January, 2018, with only small retention to be paid.
Leirna Life Extension	800,000	800,000	0	0	800,000	Some external steelworks have taken place, further works unlikely to start before 2018/19; so slippage will be required.
Fivla Life Extension	900,000	950,000	(50,000)	0	950,000	Life extension works involve navigation, bridge, equipment and electrical upgrades with internal and external refurbishment. Anticipate this will be 50K over as additional equipment had to be replaced.
Dagri Radar Equipment Purchase	50,000	50,000	0	0	50,000	Business case being worked on - equipment to be purchased in 2017/18.
Ferry Life Saving Equipment	30,000	30,000	0	0	30,000	Business case being worked on, but may be incorporated into life extension budgets.

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
0	0	0	0	0	0	Main budget on hold pending further discussion with Scottish Government.
Dagalien Radar Equipment Purchase	50,000	50,000	0	0	50,000	Business case being worked on - equipment will not be purchased until 2018/19; so slippage will be required.
Lerwick Terminal Life Extension	150,000	150,000	0	0	150,000	Only 9K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Bressay Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Belmont Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Gutcher Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Ferry Terminal Access	188,107	188,107	0	81,780	106,327	Upgrade of disabled access to ferry terminals including some internal and external refurbishment works. Bressay, Belmont and Laxo have been completed with Gutcher and Toft to be completed during 17-18.
Ferry Terminal Security	60,000	60,000	0	0	60,000	Upgrade of ferry terminal security, the works will be completed in 2017/18.
Cathodic Protection - Cullivoe Pier	250,000	113,882	136,118	0	113,882	Works complete under budget.
Scalloway Quay West - Pile Repairs	250,000	250,014	(14)	0	250,014	Works complete.
Baltasound Old Pier - Pile Repairs	250,000	170,000	80,000	0	170,000	Works complete, but some payments still to be processed.

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
VTs Radar Replacement	1,000,000	1,000,000	0	0	1,000,000	Contract awarded and works ongoing, expect to be complete this financial year dependant on weather.
Scalloway Fishmarket Rebuild	5,600,000	5,600,000	0	2,800,000	2,800,000	Full business case presented to Council in October. Works out to tender now as external funding is tender dependent. The external funding is unconfirmed and only indicative at this time.
Piers - Cathodic Protection	1,204,000	1,244,011	(40,011)	0	1,244,011	Programme of cathodic protection to piers following condition survey reports. Scalloway East Finger to be completed in 2017/18, tenders returned under budget so underspend anticipated.
Tug Jetty - Cathodic Protection	1,000,000	1,000,000	0	0	1,000,000	Project delayed whilst detailed surveys and feasibility options are investigated. Outturn in 17/18 anticipated to be £100k, resulting in under spend of £400k this financial year. Outcome of these investigations will determine plan and spend for 18/19.
Tug Vessel Replacement	7,614,640	7,838,721	(224,081)	0	7,838,721	Overspend due to a lower exchange rate on completion date, brokerage and solicitors fees also included.
Total	24,025,901	24,469,468	(443,567)	3,327,368	21,142,100	

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
Leaside Conversion	160,000	245,807	(85,807)	0	245,807	Project complete - completion certificate issued, with retention still to be paid. Additional costs relate to enhanced soundproofing requirement. Keys handed over from contractor on 10/11/17.
Total	160,000	245,807	(85,807)	0	245,807	