

**Executive Committee**  
**26 October 2004 Public Minutes**

Executive Committee  
Council Chamber, Town Hall, Lerwick  
Tuesday 26 October 2004 at 1.30 p.m.

Present:

**A J Cluness      L Angus**  
**J A Inkster      J C Irvine**  
**W H Manson    W A Ratter**  
**W N Stove**

Also:

**B P Gregson**

Apologies:

**F B Grains**

In attendance:

**M H Goodlad, Chief Executive**  
**G Spall, Executive Director Infrastructure Services**  
**J R Riise, Head of Legal and Administration**  
**J Smith, Head of Organisational Development**  
**D Irvine, Head of Business Development**  
**S Hughes, Financial Support Manager**  
**C McIntyre, Service Manager – Internal Audit**  
**A Priest, Principal Officer – Business Technical**  
**A Cogle, Service Manager – Administration**

**Chairperson**

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

**Circular**

The circular calling the meeting was held as read.

Members Attendance at External Meetings

Mr J C Irvine advised that he, along with the Executive Director Infrastructure Services, had attended a meeting of HITRANS yesterday (25 October) at which the Minister for Transport had been in attendance. Mr Irvine indicated that this second round of consultation on regional partnerships required comments by 19 January 2005 and, in that respect, a special meeting of the Infrastructure Committee would be scheduled for the second week of January.

In addition, Mr Irvine added that, with regard to the Ambulance Service, a meeting had also been held with the island authorities. In this regard, and in relation to Shetland, Mr Irvine said that the local MSP, NHS Shetland and the Council would be seeking written confirmation that dedicated use of the Scatsta Super Puma helicopter would be ensured. Mr Irvine indicated that consultation on the ambulance service concluded on 30 November, and this would be considered at the next meeting of the Infrastructure Committee.

Minutes

The minute of meeting held on 7 September 2004 was confirmed.

101/04      **Abstract of Accounts 2003/04**

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

Mr Gordon Jack, PricewaterhouseCoopers, gave a summary of each of the action points raised in the Annual Report, preceding

this with confirmation that the accounts were unqualified. During his summary of the actions required, Mr Jack referred to the general financial performance of the Council, highlighting the known concerns with regard to the funding deficit, and the need for the Council to address these matters.

Mr Jack also drew attention to the issues regarding Following the Public Pound, in particular the establishment of objectives, financial controls and monitoring arrangements for the Shetland Development Trust. Although he acknowledged that part of this had been addressed in relation to the funding limit of £250,000 above which the Trust must refer to the Council, Mr Jack advised that further improvement could be made in those areas highlighted.

The requirements for Group Accounts was also raised by Mr Jack, who said that this was an area that would require substantial research and study, but acknowledged that this was an area already being addressed by the Chief Executive.

The Convener thanked Mr Jack for his summary of the Annual Report, and said that whilst it showed considerable improvement by the Council, there were some areas in which further improvement could be made. The Convener said that the deficit of £3m was a serious consideration for the Council at present, and efforts would have to be made to improve that situation. However, the Convener said that the Council had also taken on board the External Auditors comments regarding Following the Public Pound, and the Council would work hard to improve in that area as well.

Mr W A Ratter referred to the FTR (failure to report) and X (lack of information) gradings received on some performance indicators. He said that these were not earth-shattering, and should be easily rectified for the future. Mr Ratter said that consideration of Group Accounts, in relation to the 'arms length' organisations, would be an enormous exercise requiring considerable resources.

Mr L Angus said that, as the present Chairman of the Shetland Development Trust, he welcomed the comments made in the Annual Report, and believed the Council, and the Trust, were well on the way to meeting the recommendations made in the Annual Report, and financial compliance and monitoring was being developed at the present time. He added that he did not foresee any problems with the requirements to produce consolidated accounts.

The Convener agreed, but added that the concern was that the Trusts were created to ensure that, with the run down of Sullom Voe, there would be sufficient funds available for future investment in the infrastructure and economy of Shetland. He said that the Council had to look at consolidation of accounts, and whilst he did

not consider the Trust funds to be Council money, it related to overall expenditure of public funds, and had to be seen to be Following the Public Pound. The Convener agreed with Mr Ratter that this would be a considerable task, and the Council would have to appoint experts in this field.

Mr Jack agreed with comments that the risk of exposure of the Trust funds would be an important consideration.

Mr A Inkster said he very much welcomed the report and in particular agreed with the recommendations relating to economic development, and the need for improved reporting.

Mr W N Stove referred to the eight recommendations from the 2002/03 Annual Report which had not been implemented. Mr Jack advised that these had been included within the action plan for this year.

The recommendations in the report were approved, on the motion of Mr J C Irvine, seconded by Mr W A Ratter.

The Convener thanked Mr Jack and Mr Thomson for their presentation.

(Mr Jack and Mr Thomson left the meeting.)

102/04 **Long Term Financial Planning – Financial Prospects and Budget Strategies**

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

After hearing a short summary of the report by the Financial Support Manager, reference was made to the existing housing debt, and the transfer proposals of housing stock to the Council. The Committee noted that the Head of Housing Services would be arranging a meeting with the Scottish Executive at the appropriate time, in order to take this matter forward.

With regard to the Scottish Executive's spending review, and in particular to the possible effects of changes in the Revenue Support Grant mechanism, the Financial Support Manager confirmed that the outcome of the consultation on this aspect was not known at this stage. The Chief Executive advised that the RSG mechanism would be stable for the next 3 years, and there would be a continuing strong emphasis on making efficiency savings.

Mr W H Manson referred to paragraph 3.5, and stated that the Council needed to keep in close contact with the negotiations on

this review, and determine what leverage the Council could exercise.

Regarding paragraph 4.13, Mr Manson said that it was important to retain the influence of the Executive Committee in the budgetary process, but in addition he suggested that Spokespersons should be involved with Budget Responsible Officers and Heads of Service in prioritising lists of cuts in long term spending. In this regard, Mr Manson suggested that "...and Spokespersons around the Council" be added to recommendation 9.1, ensuring Member involvement earlier in the process.

Mr J C Irvine referred to last year's review of spending, and said that officers had not produced enough in respect of recommendation for rationalisation or reduction in staffing. He said that many of the proposed reductions had centred on the voluntary sector and Community Councils. Mr Irvine referred to the notional loan charges, much of which he said was directed towards expenditure in Education. Mr Irvine went on to refer to the recent debate on the Best Value Review of Education, and that savings should have been made in the Education service, comparing the number of teachers in Shetland with those in Orkney. He suggested that the Chief Executive be tasked again with ensuring that officials do not come forward with similar ridiculous suggestions, and make a big effort to make the £6m savings.

The Chief Executive said that the Executive Committee last year had accepted the recommendations from officials, but this had been voted against by the Council. He said he accepted that the participation and involvement of Members was crucial with regard to identifying areas in which savings could be made, and a clear determination was needed from this Committee, and from the Council.

Mr W H Manson said that suggestions of savings in Education, in some areas, was unjustified when comparing with other Councils, in particular with Orkney Islands Council. He agreed that the Council needed to look very closely at the process this time, and ensure the involvement and direction from Members.

Mr A Inkster agreed that the Council was facing a very serious financial problem, with £3m per annum likely to get worse. He said that looking at areas within the Education Service would be required, in particular the cost of providing the service in relation to the cost per pupil, in comparison with the Scottish average. Mr A Inkster moved that the Committee approve the recommendations in the report, subject to the suggestion from Mr Manson being included in recommendation 9.1, namely to ensure Spokesperson involvement in meetings with Budget Responsible Officers and Heads of Service. Mr A J Cluness seconded.

Mr L Angus said he shared the concerns being expressed by both Mr Manson and Mr Irvine, and agreed that the Education Service

was the biggest cost in comparison to other Council budgets, and consideration should be given to sharing costs between some of the Junior High Schools. Mr Angus also referred also to special initiative money that was received, which had led to around 70 additional staff in Education. Mr Manson, however, said that this funding was used to fund a variety of staff within Community Services, not only in Education. Mr Stove added that a recent report had been presented to the Services Committee, which indicated that initiative funding had been used to fund 60 full time equivalent staff, and that many of these were within the voluntary sector.

Mr W A Ratter asked that a list be produced setting out the number of voluntary sector organisation in Shetland, explaining what services they provide, and how they interacted or matched those services provided by the Council or the Shetland Charitable Trust. The Chief Executive agreed to ask the Executive Director Community Services to produce this for the information of Members.

103/04     **Internal Audit – Six Monthly Internal Audit Progress Report**

The Committee noted a report by the Service Manager Internal Audit (Appendix 3).

Mr L Angus referred to previous discussion at Committee regarding overspends on capital projects, and asked whether the performance of project management outcomes was being investigated by the Chief Executive, particularly with regard to keeping the capital programme within budget. The Chief Executive confirmed that he had commissioned a report, which was currently in draft, and would be presented to Committee in due course.

Mr L Angus also referred to the statement within the Action Plan to consider an increase in staff within the Internal Audit section, and said that whilst the report was noted, he could not endorse any increase in staff at this time. The Chief Executive pointed out that there was no current recommendation to increase Internal Audit staff. He confirmed that unless the Council required the Section to undertake additional work, the staffing level would remain at the current level.

104/04     **Policy Guidance for Investment in Aquaculture**

The Committee considered a report by the Head of Business Development (Appendix 4) and approved the recommendation contained therein, on the motion of Mr W A Ratter, seconded by Mr L Angus.

Mr A Inkster suggested that the investment criteria, listed on page 2 of the Policy Guidance, include a further requirement for

businesses to have a proven track record of sound business practice, where possible, recognising that some applications may be submitted by a new business. Mr W A Ratter, with the consent of his seconder, agreed to accept this suggestion, and the Committee concurred.

- 105/04     **Single Status Project Report**  
The Committee noted a report by the Single Status Project Manager (Appendix 5).
- 106/04     **Shetland College/Train Shetland Board of Management – 26 August 2004**  
The Committee noted the minute of the aforementioned meeting (Appendix 6).
- In response to a question from Mr L Angus, Mr Ratter indicated that whilst the deficit for the College had been written off in the previous year, the College had improved significantly, and no deficit was currently reported.
- 107/04     **Special Environment and Transport Forum – 23 September 2004**  
The Committee noted the minute of the aforementioned meeting (Appendix 7), including a summary of the meeting given by Mr A Inkster.
- 108/04     **Special Economic Development Forum – 28 September 2004**  
The Committee noted the minute of the aforementioned meeting (Appendix 8).
- 109/04     **Social Forum – 6 October 2004**  
The Committee noted the minute of the aforementioned meeting (Appendix 9).
- 110/04     **Special Environment and Transport Forum – 12 October 2004**  
The Committee noted the minute of the aforementioned meeting (Appendix 10).
- 111/04     **Busta Estate – Deferment of Rent Review**  
The Committee considered a report by the Head of Legal and Administration (Appendix 11) and agreed, on the motion of Mr W H Manson, seconded by Mr W N Stove, to approve recommendation 5.1.2, namely that the Committee would defer rent reviews on the Busta Estate until the wind farm development had been ruled out as a potential development in the short to medium-term future.

112/04     **Shetland Development Trust – Minute of Meeting held on 25 August 2004**

The Committee noted the minute of the Shetland Development Trust, held on 25 August 2004.

113/04     **Viking Energy Ltd – Underwrite Liability – Advance Service Agreement**

The Council considered a report by the Principal Officer – Business Technical Support.

After hearing an update on progress to date, the Committee adopted the recommendations contained in the report, on the motion of Mr W A Ratter, seconded by Mr A J Cluness.

.....  
A J Cluness  
Chairperson