

Shetland Islands Council



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Date: 20 June 2018

Dear Sir/Madam

You are invited to the following meeting:

Shetland Islands Council
Auditorium, Shetland Museum and Archives, Lerwick
Wednesday 27 June 2018 at 10.00am or immediately thereafter [following the conclusion of the Pension Fund Committee]

Apologies for absence should be notified to Lynne Geddes at the above number.

(Please note the venue for this meeting)

Yours faithfully

Executive Manager – Governance and Law

Convener: M Bell
Depute Convener: B Wishart

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 meetings held on (i) 14 February 2018, (ii) 9 May 2018 and (iii) 23 May 2018 (enclosed).
1. Managing Exclusions in Shetland Schools Policy
SIC-0627-CS-27
Joint Chairs' Report:
Education and Families Committee – 12 June 2018
Policy and Resources Committee – 18 June 2018
 2. Anti-Bullying in Shetland Schools Policy
SIC-0627-CS-28
Joint Chairs' Report:
Education and Families Committee – 12 June 2018
Policy and Resources Committee – 18 June 2018
 3. Review of School Transport Policy 2018
SIC-0627-CS-17
Joint Chairs' Report:
Education and Families Committee – 12 June 2018
Environment and Transport Committee – 14 June 2018
Policy and Resources Committee – 18 June 2018
 4. Asset Investment Plan – Business Case – Multratug 30
SIC-0627-CPS-05
Chair's Report:
Policy and Resources Committee – 18 June 2018
 5. Appointment to Committees: Policy and Resources and Environment and Transport
GL-13-18
 6. Appointments to External Organisations – SVA Ltd
GL-14-18
 7. Shetland's Partnership Plan 2018-28
DV-26-18
 8. Zetland Educational Trust: Annual Report and Financial Statements for the Year to 31 March 2018
F-054
 9. Shetland Islands Council Unaudited Accounts 2017/18
F-053
 10. ***The following item contains EXEMPT information***
Office Accommodation
Copy to follow



Shetland Islands Council

MINUTES

A&B - PUBLIC

Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 14 February 2018 at 10.00am

Present:

M Bell	P Campbell
A Cooper	S Coutts
J Fraser	C Hughson
S Leask	E Macdonald
R McGregor	A Manson
D Sandison	D Simpson
C Smith	G Smith
T Smith	R Thomson
A Westlake	B Wishart

Apologies:

M Burgess	A Duncan
A Priest	I Scott

In Attendance (Officers):

S Bokor- Ingram, Director of Community Health and Social Care Services
H Budge, Director of Children's Services
N Grant, Director of Development Services
J Belford, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
M Sandison, Executive Manager – Infrastructure Services
R Sinclair, Executive Manager – Capital Programmes
C Anderson, Senior Communications Officer
L Geddes, Committee Officer

Chairperson

Mr Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

The Convener ruled that in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Duncan Simpson during the proceedings would be permitted by telephone link.

The Convener advised that he intended to move Agenda Item 1 "SIC Budget Book 2018/19" so that it would be the final item on today's agenda.

Declarations of Interest

None

3/18 **2018/19 Housing Revenue Account Budget and Charging Proposals**

The Council considered a report by the Executive Manager – Finance (F-013-F) presenting the controllable budget proposals for the Housing Revenue Account (HRA) for 2018/19.

The Executive Manager – Finance summarised the main terms of the report, advising that the budget covered the costs associated with running and managing the Council's housing stock and the capital investment in the housing stock. The recommendations in the report were based on the five-year business plan which the Council had approved last year, and that was underpinned by a 30-year financial model. The budget had been updated to reflect the higher than anticipated pay award and included the housing stock modernisation programme. The planned investment in housing stock was supported by a £1million draw from HRA balances. The HRA also proposed to increase rents by an inflation rate of 2%, plus an additional £1 per week for one and two bedroom properties, and tenants had been consulted on the proposed changes.

Responding to questions, the Director of Development Services and Executive Manager – Finance advised that void turnover times were monitored and benchmarked against national figures, and local statistics would be circulated to Members. Collection rates for rents and Council Tax sat at below the benchmark of 98.5%, but this information would also be circulated to Members.

On the motion of Mr Cooper, seconded by Mr C Smith, the Committee approved the recommendation in the report.

Decision:

The Council APPROVED the budget proposals for 2018/19 for the Housing Revenue Account included in the report and the proposed charges detailed at Appendix 1 of the report.

4/18 **Five Year Asset Investment Plan 2018-23**

The Council considered a report by the Executive Manager – Finance (F-016-F) setting out the proposed sustainable capital budget for the Council over a five-year period from 2018-23, in line with the Capital Investment Planning policy set out in the 2017-22 Medium Term Financial Plan.

The Executive Manager – Finance summarised the main terms of the report, advising that the focus remained on maintaining existing assets and ensuring that they remained fit for purpose. A number of key projects were currently going through the gateway process and would require decisions by the Council. There was substantial provision for the ferry and terminal replacement programme, based on the assumption that external funding would be received to support this work, and it was important that the Council continued to press the Scottish Government on this matter. The Fair Isle ferry remained the first priority in the ferry and terminal replacement programme. The Scottish Government had not specified the level of core capital grant over the next five years, but it was likely that there would be a reduction of the level of grant. There was an initial increase in 2019/20 which related to a lump sum of funding which had been delayed from

previous years. Year one of the Plan would require a draw from reserves but over a five-year period, income and expenditure should balance.

The Executive Manager – Finance, Executive Manager – Infrastructure Services, Director of Development Services, and Executive Manager – Capital Programmes then responded to questions, and the Council noted the following:

- The Scottish Government had not intimated any specific reason for withholding capital funding in 2016/17, but it was understood that it was related to other capital commitments the Scottish Government had at the time. It should now be received in 2019/20.
- The sum in relation to the Anderson High Halls of Residence related to the retention period.
- The Scottish Government had committed to fully funding the expansion of early learning and childcare. The profiling was based on the plan which the Council had submitted to the Scottish Government in September 2017, and the profiling may have to be amended. The Scottish Government would not provide confirmation of what its financial contribution would be until the new financial year, and local authorities had recently been asked to submit further financial information.
- Now that the Anderson High School had moved, Infrastructure Services was carrying out work to look at the walking routes to the school and to consider changes to the traffic flow which had resulted from the move. Pedestrian crossings were also being reviewed, and some may change from pelican crossings to zebra crossings. A report would be presented to the Environment and Transport Committee for decision on any changes proposed.
- The business cases for the inter-island ferry routes were now being prepared, and discussions were taking place with the MSP and the Scottish Government regarding financial commitments for each of the business cases. The inter-island ferry routes would have to be prioritised, but it was likely that Fair Isle and Whalsay would be amongst the first. Work on the business cases would be carried out over the next year, and there would be a significant amount of consultation before reports were presented for decision.
- The figures used for the ferry replacement programme had not been prepared on a like-for-like basis as current design requirements for new ferries were different, but they were based on equivalents. Because the new ferries would be larger, works would be required to ferry terminals as well.
- An outline business case had been developed in respect of Toft Pier which had identified that rebuilding was the best option. It had been presented to the Harbour Board and the Policy and Resources Committee. A full business case was now being prepared which would look at the feasibility and funding options. A decision from the Policy and Resources Committee regarding the rebuilding of the pier was required prior to being able to tender the project. A bid for EMFF funding had already been submitted, which indicated that the

project was eligible for the scheme. However it would not be considered fully until August, when the project had been fully designed and tendered.

- The LED replacement programme for streetlights had been presented to the Policy and Resources Committee. It was intended to replace all of the heads and a substantial number of columns. The programme would be subject to a tendering exercise, so the contractor appointed would be responsible for delivering the work on time.
- The reference to the Shetland Public Sector Network in Appendix 1 of the report related to the infrastructure to support the Council's IT network. It was a rolling budget as it required changes and upgrades each year.

It was commented that it was vital that the Council continued its efforts to secure funding for the inter-island ferries.

Mr C Smith advised that a commitment had been given to keeping the door open for discussions, and the Council would continue to follow this up. He went on to move that the recommendations in the report be approved, and Mr Cooper seconded.

Decision:

The Council RESOLVED to:

- approve the capital budget proposals for 2018/19 included in the report, and set out in detail in Appendix 1 of the report
- adopt Appendix 1 as the Council's 5 Year Asset Investment Plan 2018-23, subject to any requirements of the Council's Gateway Process for the Management of Capital Projects

5/18 SIC Budget Book 2018/19

The Council considered a report by the Executive Manager – Finance (F-014-F) setting out a summary of the spending plans for Shetland Islands Council in the next financial year.

The Executive Manager – Finance gave a PowerPoint presentation to the Council (copy of slides attached as Appendix 3a), which outlined the core assumptions on which the budget had been based; the budget proposals; the contribution to the Integration Joint Board; and went on to consider the financial context for the future and action required for medium-term planning. During his presentation, he highlighted the proposed increases to Council Tax and his reasons for making these recommendations. He went on to speak about Council resources, advising that a total of £17.9million top up would be required on top of the Scottish Government grant and Council Tax. This should be an affordable draw on reserves based on the investment returns. He pointed out that the Scottish Government's settlement was a one-year settlement, and it was better than had initially been anticipated. However the Scottish Government grant was on a downward trend, and there was no indication that additional funding would be received in future. Alongside this, the Council was facing increasing costs - particularly in relation to pay settlements - so it must start addressing the

underlying challenges and redesign its services to address the continuous improvement and financial challenges that lie ahead.

The Executive Manager – Finance and the Director of Children's Services then responded to questions, and the Council noted the following:

- The one-off grant for the inter-island ferries was not separately visible in the General Fund budget. However it was included in the table at Section 4.01, where the total for Infrastructure would have read £24.864million if the grant had not been received.
- The Environment and Transport Committee had agreed to recommend to the Policy and Resources Committee that the review of the Gritting Service should be undertaken with no financial target set, and the Council today was considering the recommendations from the Policy and Resources Committee.
- An agreement had been reached with Shetland Recreational Trust regarding school use of its facilities. As well as substantial access to the Clickimin Leisure Complex, the agreement also related to school use of SRT's other facilities across Shetland.
- Interest rates and decisions around appropriate times to borrow money was something that was regularly considered and discussed with financial advisers. The Council's investments focused on growth rather than income-generation. There was an expectation that the value of investments would rise and fall, and the budget had been based on the value of current investments. There was a mechanism in place for selling recurring returns assumed on the investments, but the Council did not instruct brokers which specific stocks to sell. There were three fund managers with different portfolios, and the decision on which to use depended on a number of factors such as the funds required, the value of the holding, and how close to benchmark it was.
- Funding from the Pupil Equity Fund had been delivered directly from the Scottish Government to the schools that qualified, and the Education and Families Committee had no jurisdiction over how it was spent. Children's Services had encouraged clusters to come together to look at how the funding could be best used to support young people and close the attainment gap. Some schools had spent the funding on additional resources or staffing in developing programmes. While there would be some short-term benefits, it was likely that any outcomes would only be apparent in the longer-term. How the funding was used did have to be reported back to the Scottish Government, and it would also be reported to the Education and Families Committee.

During the discussion that followed, some Members expressed concern at the proposal to remove £200,000 from the Mental Health social care budget, and it was questioned what effect this would have on front-line services and the vulnerable in the community.

The Director of Community Health and Social Care Services explained that a project had been set up to look at how mental health services could be made more efficient. Over the course of the last few years, money had been taken out of social care budgets, but not for mental health. This was due to the fact that the service did not have management capacity to integrate social care mental health elements with health care elements, but a number of people had now been appointed to posts who would be able to take the redesign project forward. It would be challenging, but there was a good track record of being innovative, outcome-focused and efficient when carrying out service redesign. The project looking at redesign of services would initially report to the Integration Joint Board, as it was an area that was delegated to the Board. But the social care element of the service was provided by the Council, so the Policy and Resources Committee would also have the opportunity to look at it.

The Director of Development Services and Executive Manager - Finance added that the business cases for the redesign projects referred to in Section 4 of the report would come back for further decision before implementation. The sums set out were targets, and the business cases would have to illustrate any impacts of the proposals.

It was questioned where the business case for mental health services would be benchmarked from, given that there had been difficulty in improving mental health facilities in the past and people had been waiting a long time for services.

The Director of Community Health and Social Care Services advised that there had been significant improvement in mental health services recently, and waiting times had reduced. A benchmarking approach using key performance indicators would be used to illustrate how the service was operating in the future.

It was pointed out that the information presented to the Policy and Resources Committee had indicated that the budget would be reducing from £1.4million to £600,000, which was substantially more than the amount referred to in this report.

The Director of Community Health and Social Care Services advised that this figure related to shifting where the budget sat with the current management arrangements in place, and the crossover between services. Savings had already been made in terms of where staff were positioned, but staff were still in place. It was one of the things that would be picked up in the redesign project.

In response to a question, he explained that it was the case that some mental health services were delivered through the Council's social care service, and others were delivered via the NHS mental health services. This had an impact on efficiencies that could be achieved, and the redesign project would look at making improvements by integrating health and social care elements of mental health, and it would take cognisance of risks, benefits and unintended consequences from any changes to the provision of services. He was of the view that the indicative target set was around the right amount. If it was not possible to achieve all of it, it was not intended that the service would be denigrated.

He went on to say that the approach taken in mental health services was very holistic, whether it related to adults or children. Staff were very aware of the

safeguarding agenda, and there was good evidence of this with the number of referrals that came through from different groups of professionals.

It was pointed out that whilst the local Council Tax would be the fourth-lowest in Scotland, this figure took no account of the higher cost of living in the islands. Work already carried out had indicated that there were a large number of families experiencing poverty locally, and the increase in Council Tax would have a detrimental effect on these families. However it was also commented that while it was accepted that it may make things difficult for some families, the risks in not implementing the proposed increases was greater if services were to be maintained. The Council would have to carefully monitor the position when Universal Credit was introduced, as there may be an interim period between applications being submitted and benefits being received that would cause difficulties for some families.

The Executive Manager – Finance advised that he could not comment about the impact the rise may have on individual families, but that during his presentation he had set out the reasons for recommending an increase in Council Tax. One of these was the need for the Council to try and support and sustain a budget which provided millions to support the most vulnerable in the community, and to maintain the level of these services in the future. In response to a query, he also advised that he was not aware of any proposals to revalue all properties for Council Tax purposes in the near future.

Some Members commented that the budget illustrated the work that the Council had carried out during the budget-setting seminars to review the choices available to it, and to avoid any hasty decisions which may have an effect in the future. It was important to continue to work with partners when considering service redesign and the longer-term picture in order to ensure that services could be maintained, and that there were no detrimental impacts on the community.

It was pointed out that the Council would continue to lobby and negotiate with the Scottish Government and work with the MSP to get a fairer deal for the islands, and there had already been some successful negotiations that had taken place.

In moving that the recommendations in the report be approved, Mr C Smith thanked all staff involved for their work in producing the budget.

Mr Coutts seconded.

The Convener recorded the Council's thanks to all those involved for their hard work in producing the budget. It had taken a long time to get to this stage, and had required a lot of input from Members and officers. Work now had to begin on delivery, and there would be some difficult times ahead.

Decision:

The Council CONSIDERED the information provided by the Chair of Policy and Resources Committee in relation to the 2018/19 Budget recommendations made by the Committee and contained in the Budget Book.

The Council RESOLVED to approve the 2018/19 Budget by:

- Approving the Council Budget Book (Appendix 1 of the report, and including the recommendation from the Environment and Transport Committee that a review of the Gritting Service be undertaken with no financial target set)
- Adopting the Formal Resolutions (Appendix 2)
- Agreeing to increase the Council Tax by 3%

The Council RESOLVED to instruct 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 three months (mid-May).

The meeting concluded at 11.45pm.

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Convener



MINUTES

A&B - PUBLIC

**Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 9 May 2018 at 10am**

Present:

M Bell	M Burgess
P Campbell	A Cooper
S Coutts	J Fraser
C Hughson	S Leask
E Macdonald	A Manson
A Priest	D Sandison
I Scott	D Simpson
C Smith	G Smith
T Smith	R Thomson
A Westlake	B Wishart

Apologies:

R McGregor

In Attendance (Officers):

M Sandison, Chief Executive
C Ferguson, Director of Corporate Services
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Capital Programme
A Cogle, Team Leader – Administration
H Tait, Team Leader – Accountancy
C Anderson, Senior Communications Officer
B Kerr, Communications Officer
L Adamson, Committee Officer

Chairperson

Mr Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

The Convener ruled, in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Mark Burgess during the proceedings be permitted by telephone link.

Declarations of Interest

None

Minutes

The minutes of the meeting held on 21 February 2018 were approved on the motion of Mr Leask, seconded by Mr Fraser.

The minutes of the meeting held on 28 February 2018 were approved on the motion of Mr Campbell, seconded by Mr G Smith.

The minutes of the meeting held on 7 March 2018 were approved on the motion of Mr Leask, seconded by Mr Thomson.

23/18 Appointment of Leader

The Council considered a report by the Executive Manager – Governance & Law (GL-09-18-F) concerning the appointment of a Leader and Depute Leader as provided for within the Council's Constitution.

The Executive Manager – Governance & Law introduced the report.

The Convener sought nominations for the role of Leader. Mr G Smith nominated Mr S Coutts, and Mr Thomson seconded.

There were no further nominations, and Mr Coutts was duly appointed as Leader of the Council.

The Convener congratulated Mr Coutts on his appointment. He also thanked Mr C Smith, former Leader, for his leadership during the first year of the Council, for his service to this Council and during the previous two Councils. The Council concurred.

In confirming his acceptance of the position as Leader, Mr Coutts referred to the contribution made by Mr C Smith, during his leadership of the Council. In that regard, he inherits the Council in a good position going forward, while he acknowledged there will be challenges but also opportunities ahead. Mr Coutts also thanked Members for their support during his time as Depute Leader.

The Executive Manager – Governance and Law reported on the consequence of the Leader appointment, in that there is now a vacancy for the Depute Leader position. He advised however, that the Council is first to decide whether or not to appoint to the position, and if so, to then proceed to nominations.

Mr Coutts advised on the pleasure in serving as Depute Leader to Mr C Smith during the first year of this Council, and advised on the importance of the role for the Council going forward. Mr Coutts moved that the Council appoint to the position of Depute Leader. Mr Fraser seconded. There was no one otherwise minded.

Mr Coutts moved that Ms E Macdonald be appointed, and Ms Wishart seconded.

There were no further nominations.

Ms Macdonald advised that she accepted the position as the Depute Leader.

Decision:

The Council RESOLVED to approve the appointment of Councillor Steven Coutts as Leader.

The Council RESOLVED to elect a Depute Leader, and approved the appointment of Councillor Emma Macdonald as Depute Leader.

24/18 **Notice of Motion re. Introduction of Car Parking Charges at Sumburgh Airport**

The Council considered a Notice of Motion, in the following terms, "The Shetland Islands Council expresses its extreme disappointment that no consultation was undertaken by HIAL prior to its announcement to introduce car parking charges at Sumburgh Airport.

The Council believes the proposal will have a disproportionately negative impact on Shetland residents and calls for an Islands Impact Assessment.

The Council requests that HIAL stop the implementation until it can demonstrate a proper assessment of the proposed change. This must demonstrate the alternatives HIAL considered to provide a balanced budget.

The Council calls on the Transport and Islands Minister for his support to ensure that this happens".

Mr Coutts introduced his motion, advising on the importance to pause the implementation of car parking charges to allow for further discussion, and for collaboration between the Council and all stakeholders to provide a sustainable airport that meets the needs of the island community. Mr Coutts moved that the Council adopt the motion. In seconding, Mr Thomson advised on the need for clarity in a number of areas, for HIAL and the Scottish Government to reconsider the funding of Sumburgh airport, and to allow a full Islands Impact Assessment to be carried out on Shetland's lifeline service.

During the discussion, some Members spoke in support of the motion, advising on the need for the Council to support HIAL, for HIAL to consider their commitment and responsibilities to provide airports across the Highlands and Islands, and to impress on the Government their responsibilities to support HIAL in that regard. Comment was also made for engagement with HIAL, the Scottish Government and all stakeholders to take place to realise the implications and impact of imposing car parking charges and to work together to achieve solutions.

During further discussion, reference was made to the Scottish Government's recent commitment to Island Proofing. With HIAL being an agency of the Scottish Government, cognisance of this issue, being of relevance to the islands, would have been expected, rather than an imposition on Shetland as a detrimental action. There was also agreement among Members on the need for support from the Minister for Transport and the Islands.

Decision:

The Council RESOLVED to adopt the following motion:

The Shetland Islands Council expresses its extreme disappointment that no consultation was undertaken by HIAL prior to its announcement to introduce car parking charges at Sumburgh Airport.

The Council believes the proposal will have a disproportionately negative impact on Shetland residents and calls for an Islands Impact Assessment.

The Council requests that HIAL stop the implementation until it can demonstrate a proper assessment of the proposed change. This must demonstrate the alternatives HIAL considered to provide a balanced budget.

The Council calls on the Transport and Islands Minister for his support to ensure that this happens.

25/18 **Appointment of Data Protection Officer**

The Council considered a report by the Chief Executive (CE-01-18-F) that sought approval for the appointments of a Data Protection Officer (DPO) and Data Controller, being a requirement of the new General Data Protection Regulation (GDPR), and to amend the Scheme of Delegations for Officers accordingly.

The Chief Executive summarised the main terms of the report.

In responding to questions, the Chief Executive advised on work currently being undertaken within the Council in response to the new legislation, including Action Plans and the collection of data held within the organisation, to be compliant by 25 May 2018. Regarding the proposal that the Scheme of Delegations for Officers would be updated by October 2018, she advised that a full review was being undertaken, and not only to be relevant to the GDPR. She confirmed however that the existing Scheme of Delegations with the decisions being made today is sufficiently robust to support the new Data Protection legislation until that time.

During debate, Members referred to the significant amount of work involved to meet the new legislative requirements, and on the critical importance of the GDPR to the community in terms of data safety.

On the motion of Mr C Smith, seconded by Mr Cooper, the Council approved the recommendations in the report.

Decision:

The Council RESOLVED to:

- Appoint the Executive Manager – Governance & Law as the Council's Data Protection Officer;
- Appoint the Director of Corporate Services, as the Senior Information Risk Owner, to act on behalf of the Council as Data Controller; and

- Amend the Scheme of Delegations for Officers accordingly, noting that a refreshed Scheme of Delegations will be submitted to the Council in October 2018.
- NOTE that these decisions will also extend to the relevant functions carried out by the Shetland Islands Area Licensing Board and ZetTrans.

26/18 **Asset Investment Plan – Business Cases**

The Council considered a report by the Executive Manager – Capital Programme (CPS-03-18-F) seeking approval for two asset investment proposals. One being a Business Justification Case for a replacement hangar door at Tingwall Airport, and the other a Full Business Case for an LED Upgrade of Shetland's Streetlighting Network.

In introducing the report, the Executive Manager – Capital Programme provided an overview of the two projects, and Members noted that the works had been undertaken to replace the hanger door at Tingwall Airport.

In responding to questions relating to the upgrade of streetlighting, the Chief Executive explained that streetlighting columns that have been removed as they were in poor repair and unsafe would be replaced as part of this project, but columns that have been removed following community consultation would not be replaced as standard. She added however that should circumstance change within communities streetlighting could be revisited in terms of safety risks.

During the discussion reference was made to the proposal to dim streetlighting between midnight and 6am, and some concern was expressed should this lead to increased instances of criminal activity. The Chief Executive advised that the Police had been involved during the earlier consultation to remove certain streetlighting columns, and that should there be any issues within communities, a review would be undertaken by the Anti-Social Behaviour Working Group, where the Police are one of the agencies involved.

In responding to a question, the Chief Executive said that as part of the procurement process for projects, consideration is given to any cost benefits from the sale of scrap metal.

In response to a question regarding the funding for the streetlighting project, the Chief Executive explained that while external loan funding had been considered for the project, borrowing through the Council's spend to save scheme provided the best financial option.

In response to a question, relating the works already undertaken to the hanger at Tingwall airport, the Chief Executive confirmed the provision within the Council's Standing orders for officers to approve emergency works, and that all instances of emergency work costs over £50k are reported to the relevant Committees.

In referring to the recommendation from Policy and Resources Committee, Mr Coutts moved that the Council approve the proposal described in Section 4.3.2 of the report in respect of the LED Upgrade of Shetland's Streetlighting Network for implementation with immediate effect, and to homologate the actions already taken in respect of the proposal relating to the Replacement Hangar Door –

Tingwall Airport, as described in Section 4.3.1 of the report. Mr G Smith seconded.

During a brief discussion, comments were made on the need for ongoing consultation on street lighting provision, as certain areas could require more or less streetlighting as circumstances change in the future.

Decision:

The Council **RESOLVED** to:

- Approve the proposal described in Section 4.3.2 of the report for implementation with immediate effect.
- Homologate the actions already taken in respect of the proposal described in Section 4.3.1 of the report.

The meeting concluded at 10.55am.

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Convener



MINUTES

B - PUBLIC

Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 23 May 2018 at 2pm

Present:

M Burgess	P Campbell
A Cooper	S Coutts
A Duncan	J Fraser
C Hughson	S Leask
E Macdonald	R McGregor
A Manson	A Priest
I Scott	C Smith
G Smith	T Smith
R Thomson	A Westlake
B Wishart	

Apologies:

M Bell	D Sandison
D Simpson	

In Attendance (Officers):

M Sandison, Chief Executive
N Grant, Director - Development Services
J Belford, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
T Coutts, Project Manager, Business Development
J Thomason, Management Accountant
C Bain, Treasury Manager
B Kerr, Communications Officer
L Malcolmson, Committee Officer

Chairperson

Ms Wishart, Depute Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

The Depute Convener ruled, in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Burgess and Councillor Westlake during the proceedings be permitted by telephone link.

Declarations of Interest

Mr G Smith, Mr T Smith, Ms Macdonald, Mr Priest and Ms Wishart declared a non-pecuniary interest in item 4 "Effective and Sustainable Tertiary Education, Research and

Training Project - Strategic Outline Case” as Members of the Shetland College Board, but that they would take part in debate.

27/18 Fund Management Annual Investment Report 2017/18

The Council considered a report by the Executive Manager – Finance (F-039-F) that informed Members on the position and performance of the Council’s external investments with fund managers for the financial year 2017/18.

The Executive Manager – Finance outlined the main terms of the report and introduced each of the Fund Manager’s performance and outperformance as indicated in the report. The Executive Manager – Finance advised that the investment had risen since the report was written, to £352m as at 30 April 2018.

In responding to questions the Executive Manager – Finance explained that the Passive Fund used electronic systems and algorithms which is why the fees are as low as they are.

Reference was made to the Pension Fund being split between 5 Fund Managers and the Executive Manager – Finance was asked if the Council’s fund was overexposed by having fewer Fund Managers. The Executive Manager – Finance said that diversification was important to spread the risk, however the Council sought a positive “bullish” return requirement of 7.3% which cannot be achieved by investing in certain asset classes. He said that the Council’s investments was being reviewed by KPMG and discussion on what modifications the Council might need to make will come back to the Council at the end of the summer for further consideration.

The Executive Manager – Finance responded to a question on Investor presentations to the Council and he explained that traditionally Fund Managers were invited to present each year in May. However this had been rearranged for the autumn which would allow Members to meet with the Fund Manager in late October and report on Quarter 2 of the financial year.

Mr Coutts moved that the Council approve the recommendations contained in the report, seconded by Mr Thomson.

Decision:

The Council:

- APPROVED the Annual Investment Report for 2017/18 for the purposes of the consent issued by the Scottish Ministers by virtue of section 40 of the Local Government in Scotland Act 2003;
- NOTED the outperformance of the benchmark and target by Baillie Gifford in 2017/18;
- NOTED the performance of BlackRock which was close to the benchmark in 2017/18;
- NOTED the outperformance of the benchmark but underperformance of the target by Insight in 2017/18.

28/18 **Management Accounts for Community Health and Social Care 2017-18 - Draft Outturn**

The Council considered a report by the Executive Manager – Finance (F-034-F) presenting the draft outturn position for 2017/18 against the revenue budgets distributed by the IJB as at the end of the financial year.

The Executive Manager – Finance outlined the main terms of the report and commented on the underspend position but highlighted the carry forwards required. He advised that the IJB would consider the overall expenditure for the Community Health and Social Care Services.

In responding to questions, the Executive Manager – Finance referred to section 2 of Appendix 1 where detail was given on the underspends within training budgets and the staffing challenges in Adult Services. During further questions on whether the Council can deliver the level of service identified given the difficulties in recruiting staff and whether this report affected that further, the Chief Executive advised that these were important questions for the IJB to be asked but the Council is working on assessment criteria for providing services. She said that the Council was focused on delivering care at home, while the Council's strategy had been about care homes but this had been changed. The Chief Executive said that there is also a strategy on enablement which would support people who had a fall to get quickly back to doing care for themselves safely. The Chief Executive offered to meet with the Member to discuss the Council's position on care in more detail outwith the meeting.

Reference was made to paragraph 4.3 of the report and to the word "anticipated" underspend. The Executive Manager – Finance explained that money had been set aside for anticipated costs such as the pay award that was applied after the start of 2017/18 as well as other adjustments that are mostly pay related. He added that it was an exercise for the IJB to reflect actual costs, and keep it in line with other Council services in 2017/18.

During discussion Officers were asked if there was a recruitment strategy in place or whether recruitment was an area used to make savings. The Chief Executive explained that there is an active strategy and where budget is set there is an intention to recruit, whilst she acknowledged there are difficulties in recruiting to certain areas. The Chief Executive went on to advise that there is a workforce planning event scheduled to look at a drive to change how recruitment is done for example career grades and modern apprenticeships, so that staff can be trained on the job particularly in the hard to recruit areas. The Executive Manager – Finance advised that he had discussion with Human Resources who advised that a recent recruitment exercise had been successful so there were encouraging signs that progress was being made.

Concern was expressed that Brexit was having an impact on Eastern European workers applying for work in Britain. The Chief Executive said that it was important to keep a close eye on the consequences in this sector as it was very supported by a transient workforce in the EU. She said that the UK was not the most attractive place for EU workers at the moment due, to the uncertainty.

Mr Duncan moved that the Council approve the recommendation contained in the report. Mr Coutts seconded.

Decision:

The Council:

- APPROVED an increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.140m, recognising the transfer of Cost Pressure and Contingency budget held by the Council in respect of Apprentice Levy costs and other minor budget changes, as detailed at 4.2 below. This will increase the payment for 2017/18 to £20.924m.

29/18 **Overall SIC Management Accounts for 2017/18 - Projected Outturn at Quarter 4**

The Council considered a report by the Executive Manager – Finance (F-038-F) presenting the overall draft outturn position for Shetland Islands Council for 2017/18.

The Executive Manager – Finance outlined the main terms of the report and highlighted the main variances detailed in the Appendices. He commented on the underspends and carry forwards required for some projects to proceed.

Comment was made on the hard work and leadership of the Executive Manager – Finance and that Shetland's loss was Aberdeen's gain as Mr Belford moves to a new post in the coming months.

Reference was made to the projects that had been put on hold and the Executive Manager – Finance was asked whether this was a project management or process issue and whether the projects would be reassessed or superceded. The Executive Manager – Finance said that the reason was not a Project Management issue but a resources one. He explained that the project delays were as a result of the decant from the North Ness Office and other properties had been used for office space, such as the Old Library. In terms of the Old Library the Executive Manager – Finance said that the expectation would be that a report would be presented to reaffirm the way forward. He reassured Members that projects on hold were not a failure of Project Management but of capacity in responding to the circumstance the Council found itself in, and that projects are reviewed on an annual basis. .

In response to a question regarding delays on projects, the Chief Executive advised that the Asset Investment Plan sits in Infrastructure Services and she explained that the procurement process can take longer in some cases. There has also been much focus recently on the Anderson High School (AHS) including changes in the road maintenance plan to give priority to getting the roads infrastructure in place for the AHS. Other reasons could be around contract writing for more complicated projects and also procurement legislation changes. The Chief Executive added that there are project structures in place for each project and Managers provide updates quarterly.

Reference was made to the £200k proposed additional funding to the Development budget and Officers were asked if this was sufficient to stimulate the economy. He advised that there had been an impact on the economy as a result of the Gas Plant but there had been more interest recently in the Business Gateway process. The Director of Development Services added that the Economic Development Policy report would be presented in June 2018. The Chief Executive reported on the work on the Islands Deal with the Western Isles and Orkney colleagues seeking funding around infrastructure to help prepare the community for the future and put Shetland in the best position to support its diverse community.

During discussion, it was highlighted how successful the income from fishing quota had surpassed expectation this year as well as the return on Shetland Telecom and the opportunities for more income from both. The Leader commented that the Council had set a challenging budget for 2017/18 and delivered on budget whilst maintaining a high level of services to Shetland. In that regard he paid tribute to all staff across the Council.

Mr Coutts moved that the Council approve the recommendations contained in the report. Mr Leask seconded.

Decision:

The Council RESOLVED to:

- NOTE the 2017/18 draft outturn position; and
- APPROVE the 2017/18 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 "2017/18 Financial Review".

30/18 **Effective and Sustainable Tertiary Education, Research and Training Project - Strategic Outline Case**

The Council considered a report by the Director of Development Services (DV-21-18-F) that presented a Strategic Outline Case identifying the preferred way forward as being a merger of the services involved in delivering tertiary education, research and training in Shetland.

The Director of Development Services introduced the Project Manager, Business Development and the Management Accountant and outlined the main terms of the report. The Project Manager provided more detail on the analysis undertaken in considering the options. The Council were advised that staff had been working closely with the Scottish Funding Council (SFC) and the University of Highlands and Islands (UHI) who are in full support of bringing this project forward. It was noted that it would be a challenge but the intention is to prepare the full business case for mid September for reporting in October 2018.

The Council were informed of the commitment from the Chief Executive to ensure that the staff resources were in place over the next few months to progress the project to conclusion, the cost of which would to be fully funded by the SFC.

The Council adjourned at 2.55pm whilst the telephone link was re-established.

The Council reconvened at 3.05pm.

The Project Manager went on to explain that two options had emerged as preferable following a scoping exercise, namely option 5 “Host”, NAFC and option 6 New College.

(Mr C Smith left the meeting)

The Chair invited Mr Campbell, Chair of the Shetland College Board and Mr G Smith, Chair of the Education and Families Committee, to address the meeting, during which they both thanked the staff involved for their hard work over the last few weeks in preparing the report and commented on the financial commitment from the SFC and the staffing resources committed by the Chief Executive. Mr Campbell said that it was important to retain young people in Shetland and to increase Shetland’s population therefore it was essential that there is an active and sustainable tertiary education sector in place.

Mr Smith endorsed the comments of the Chair of the Shetland College Board and commented on the report presented to the Education and Families Committee and during discussions he said that the importance of this process could not be underestimated. Mr Smith commented on discussions outwith the Council where Tertiary Education was seen as a way of retaining jobs and young people in Shetland and the Council could not afford to fail the young folk and businesses of Shetland. He added that it was essential that Members come back in October and follow this project through into the future.

During discussion, comment was made that the role of industry leaders to know where gaps are in staff resources and for their involvement in the development of this case. It was also hoped that outsourcing would not take place as the third sector was an easy target for funding cuts and realistically funding is needed. It was also noted that redesign should be the right fit for Shetland and there is huge potential for the future.

Concern was expressed in regard to the research function and to the lack of detail in that area. It was suggested that research generally requires someone to buy the service and it could either be funded as an academic course or serve as a practical application, but that the Council has to decide how much it engages in and what value there would be in the research function. It was noted that there would be opportunities for research grants and that the function would be determined by the quality of the research provided. Comment was made that the Shetland Fisheries Training Centre Trust would ensure that the research function continues to be considered.

In considering the funding of the Strategic Outline Business Case clarity was provided by the Chief Executive in terms of the resources being provided and paid for. She explained that the Council’s staff involved in this work would be released from their day to day jobs and their posts would be backfilled using funding from the Scottish Funding Council who had agreed to fully fund the Strategic Outline Business Case process.

Mr Campbell moved that the Council approve the recommendations contained in the report at paragraph 1.1. Mr G Smith seconded.

Decision:

The Council RESOLVED to:

- APPROVE merger of tertiary education, research and training services as the preferred way forward as identified in the Strategic Outline Case (SOC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project (hereafter referred to as 'the Project'), attached as Appendix 1;
- NOTE: that the preferred way forward contains two options; namely Option 5 ('Host' NAFC) and Option 6 (New College);
- DELEGATE authority to the Chief Executive (or her nominee) to take any action and decisions required to develop the Full Business Case for the preferred option, which will be reported to Committees, Board and Council for a decision in October 2018;
- DELEGATE authority to the Chief Executive (or her nominee) to procure and engage any specialist legal or other services required to develop and finalise the Full Business Case;
- AGREE that the delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until September 2019; and
- DELEGATE authority to the Director of Development (or his nominee), in consultation with the Chair of Shetland Fisheries Training Centre Trust (SFTCT), to extend the Interim and Joint management arrangements up to the end of the 2018/19 academic term (July 2019).

31/18 Service Redesign Programme Update

The Council considered a report by the Director of Corporate Services (CRP-09-18-F) that presented information regarding the Council's Service Redesign Programme (SRP).

The Chief Executive introduced the report and advised that Corporate Management Team (CMT) had been actively developing a programme of service redesign. The Chief Executive said that it was important to analyse options around services and make more effort to work with partners to address rising costs. She said that there was no decision on outcomes just options for change but reports would be set out in the business programmes. The Chief Executive added that this was a small Council that did not have as much resource and capacity so it was important to focus on the biggest return for its effort.

In moving forward the Chief Executive explained that Officers had an away day to discuss the Service Redesign Programme and two more events were planned before meeting with Members. She assured Members on their involvement and that there would be engagement points, updates and decisions to be made going forward.

Comment was made that the redesign programme had not included as an appendix, the budget seminar points and review of choices made and it was expected that these would have been referred to somewhere in the report. Clarity was sought if that would come in the future. The Chief Executive advised that part of the process was that every service needs to review what it does. She said that the lists in the report were from CMT and were presented as a start and described a focused process. She said that this did not mean that other points would not be looked at.

Reference was made to paragraph 4.1 and the financial pressures on the Council and IJB, and in responding to a question the Chief Executive said that there were a number of services that would involve working with the NHS and IJB that she had met with the NHS Management Team and discussed how to take matters forward.

Clarity was sought on the first sentence of 4.5 in regard to there being no reduction in budget in the Council's priority areas, and the Executive Manager – Finance explained that the Medium Term Financial Plan tried to describe the situation whereby if certain budgets are protected within the General Fund then costs reduction will have to be taken from everywhere else. He said that this approach would destroy all aspects of Development and Corporate Services and therefore options for across the Council are needed. The Executive Manager – Finance advised on the need to review all options in other area using models of service delivery. He advised on the aim of the programme to try to resolve a gap that will vary over time. There will be options to bring forward including the list of budget seminar points previously raised by Councillors. The Executive Manager – Finance added that savings cannot just come from Development and Corporate Services as there is insufficient money within those services.

The suggestion was made that the Medium Term Financial Plan be changed to solve the problem in terms of drawing from reserves. The Executive Manager – Finance provided advice on the approach to bring ideas and different options forward and cautioned against using reserves as a means of solving all funding issues, their use needs to be sustainable. In responding to further questions the Executive Manager – Finance concluded by saying that the Council had a good return on its investments this year but 2015/16 had not been so good and it was important to protect what the Council has in the long term.

Following further comments in regard to what this new Council may decide to do in regard to the Medium Term Financial Plan and the Council Reserves, the Chief Executive advised that it was the duty of Officers to look after Shetland and its future generations in a sustainable way. She said that if reserves are spent now they won't be there in the future and it was important that services provided now continue to be available for the benefit of future generations. The Chief Executive added that political decisions are the Council's to make with advice provided by Officers.

The Leader said that a commitment had been given for the refresh of the Medium Term Financial Plan which would be done based on evidence and facts. He said that the current MTFP had been created by the last Council but it had been a massive success and it was possible to flex the plan and that was why

the Council has a Service Redesign Plan in place to have the evidence and views of officers available to Members. The Leader said that Scottish Government funding had fallen in a period of stagnant wages but there will be increases. He said it was important to work collectively to lobby for fair funding to cover the service delivery required, and while there would be challenges ahead the Council has to ensure that it works from a good basis.

Following further comment in support of the Service Redesign Plan the Depute Leader referred to the comments by the Chief Executive on the need for early intervention and prevention, and added that the money that this Council will spend may not see benefit in the term of this Council, or the next, but that a much longer term view must be taken.

Mr Coutts moved that the Council approve the recommendations contained in the report. Mr Fraser seconded.

Decision:

The Council AGREED that the:

- Service Redesign Programme (SRP) projects are linked / integrated as appropriate with other strategic change programmes across community planning partners to ensure congruence with the Shetland Partnership Plan and best use of shared resources to achieve agreed Council and Shetland Partnership strategic outcomes;
- SRP projects are linked to the Business Transformation Programme (BTP) so that SRP projects are early adopters of the new ways of working being developed through the BTP;
- Key decision points for SRP projects are built into the Council's Business Programmes with monitoring of progress against SRP projects a standing item on the agenda for Policy and Resources Committee; and
- APPROVED the membership of the SRP Sounding Board set out in the SRP Programme Initiation Document (PID) at Appendix 1.

32/18 **Corporate Risk Register Report**

The Committee considered a report by the Director of Corporate Services (IA-13-18-F) which provided information on high level risks that could impact upon the organisation's aims and stated plans.

In introducing the report, the Executive Manager - Finance advised that there were 16 risks updated since the Risk Board in April, and CMT are aware of the risks and review them regularly.

Ms Wishart moved that the Council approve the recommendation contained in the report, seconded by Mr Coutts.

Decision:

The Council NOTED the content of the report.

In order to avoid the disclosure of exempt information, Ms Wishart moved, Mr Cooper seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following item of business.

33/18 **Confidential Corporate Risk Register Update**

The Committee considered a report by the Director of Corporate Services that presented information regarding Council-wide risks where the content is confidential, commercially sensitive or otherwise exempt from publication.

The Executive Manager – Finance introduced the report and the Council noted its content.

Decision:

The Council NOTED the content of the report.

The meeting concluded at 4.05pm.

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Convener



Shetland Islands Council

Agenda Item

1

Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Joint Chairs' Report – Education and Families Committee – 12 June 2018 Policy and Resources Committee – 18 June 2018 Managing Exclusions in Shetland Schools Policy	
Reference No:	SIC-0627-CS-27	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to approve the Managing Exclusions in Shetland Schools Policy.

2.0 Report

- 2.1 The purpose of this report is to consider recommendations from the Chairs of Education and Families Committee and Policy and Resources Committee in relation to a report requiring a Council decision.
- 2.2 The Committees considered the report which presented the updated Policy, reflecting the principle that an effective whole school approach to exclusion based on prevention, early intervention and support within a framework of promoting positive relationships, learning and behaviour will reduce the need for exclusion.
- 2.3 The report was also considered by the Local Negotiating Committee for Teachers on 4 June 2018.
- 2.4 The Chairs will present any further information to the Council as to the debate or issues that the Committees considered.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Council.

4.0 Previously Considered by:	Education and Families Committee	12 June 2018
	Policy and Resources Committee	18 June 2018

For further information, please contact:

Mr G Smith, Chair of Education and Families Committee
Mr S Coutts, Chair of Policy and Resources Committee
15 June 2018

Background documents:

Report to Education and Families Committee –12 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5831>

Report to Policy and Resources Committee –18 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5890>

END



Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Joint Chairs' Report – Education and Families Committee – 12 June 2018 Policy and Resources Committee – 18 June 2018 Anti-Bullying in Shetland Schools Policy	
Reference No:	SIC-0627-CS-28	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to approve the Anti-Bullying in Shetland Schools Policy.

2.0 Report

- 2.1 The purpose of this report is to consider recommendations from the Chairs of Education and Families Committee and Policy and Resources Committee in relation to a report requiring a Council decision.
- 2.2 The Committees considered the report which presented the updated Policy, which sets out the procedures and guidance to ensure clarity, consistency and coherence in approaches towards recognising, responding to, recording and preventing bullying.
- 2.3 The report was also considered by the Local Negotiating Committee for Teachers on 4 June 2018.
- 2.4 The Chairs will present any further information to the Council as to the debate or issues that the Committees considered.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Council.

4.0 Previously Considered by:	Education and Families Committee Policy and Resources Committee	12 June 2018 18 June 2018
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For further information, please contact:

Mr G Smith, Chair of Education and Families Committee
Mr S Coutts, Chair of Policy and Resources Committee
15 June 2018

Background documents:

Report to Education and Families Committee –12 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5831>

Report to Policy and Resources Committee –18 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5890>

END



Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Joint Chairs' Report – Education and Families Committee – 12 June 2018 Environment and Transport Committee – 14 June 2018 Policy and Resources Committee – 18 June 2018 Review of School Transport Policy 2018	
Reference No:	SIC-0627-CS-17	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to approve the proposed updated School Transport Policy, and the request to phase out the provision of free school transport for pupils attending a school other than their designated school through a Placing Request, with free school transport being continued for those already in receipt of it under the terms of the current policy.

2.0 Report

- 2.1 The purpose of this report is to consider recommendations from the Chairs of Education and Families Committee, Environment and Transport Committee and Policy and Resources Committee in relation to a report requiring a Council decision.
- 2.2 The Committees considered the report which presented a reviewed and updated Schools Transport Policy.
- 2.3 During a lengthy discussion at Education and Families Committee, the Committee agreed not to support recommendation 1.2 in the report - to consider charging for vacant seats, to be presented as part of the budget setting process for 2019/2020.
- 2.4 The Education and Families Committee, in approving recommendation 1.3, to phase out the provision of free school transport for pupils attending a school other than their designated school through a Placing Request, agreed that free school transport be continued for those already in receipt of it under the terms of the current Policy.
- 2.5 Environment and Transport Committee and Policy and Resources Committee supported the recommendation of Education and Families Committee.
- 2.6 The Chairs will present any further information to the Council as to the debate or issues that the Committees considered.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Council.

4.0 Previously Considered by:

Education and Families Committee	12 June 2018
Environment and Transport Committee	14 June 2018
Policy and Resources Committee	18 June 2018

For further information, please contact:

Mr G Smith, Chair of Education and Families Committee
Mr R Thomson, Chair of Environment and Transport Committee
Mr S Coutts, Chair of Policy and Resources Committee
15 June 2018

Background documents:

Report to Education and Families Committee –12 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5831>

Report to Environment and Transport Committee – 13 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5847>

Report to Policy and Resources Committee –18 June 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5890>

END



Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Chair's Report – Policy and Resources Committee –18 June 2018 Asset Investment Plan – Business Case – Multratug 30	
Reference No:	SIC-0627-CPS-05	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to approve the proposal to purchase Multratug 30 for implementation with immediate effect.

2.0 Report

- 2.1 The purpose of this report is to consider a recommendation from the Chair of Policy and Resources Committee in relation to a report requiring a Council decision.
- 2.2 The report presented an asset investment proposal for approval, which has been considered by the Council's Asset Investment Group (AIG) based on the submission of a Business Justification Case. The AIG has assessed the submission for completeness and confirmed that a sound business case has been made.
- 2.3 A summary of the Business Justification Case is set out below, along with recommendations from the AIG:

Business Justification Case – Multratug 30

- Exercising the contractual option to purchase vessel currently chartered;
 - Vessel meets service specification and has met performance appraisal;
 - Best financial option requires first commitment by 20-25 June 2018 and firm commitment by 19-24 August 2018;
 - Capital cost is €8.8m plus broker and legal fees, funded from external borrowing and repaid from income received for harbour dues;
 - Considered by the Harbour Board on 25 April 2018 (Min. Ref.: 11/18);
 - AIG recommended approval.
- 2.4 The Chair will present any further information to the Council as to the debate or issues that the Committee considered.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Council.

4.0 Previously Considered by:

Policy and Resources Committee

18 June 2018

For further information, please contact:

Mr S Coutts, Chair of Policy and Resources Committee
19 June 2018

Background documents:

Report to Policy and Resources Committee –18 June 2018

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5890>

END



Shetland Islands Council

Agenda
Item

5

Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Appointment to Committees: Policy and Resources and Environment and Transport	
Reference Number:	GL-13-F	
Author / Job Title:	Jan Riise, Executive Manager – Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Council appoints one Member from the Lerwick South Ward to the Policy and Resources Committee;
- 1.2 That the Council appoints one Member from the Shetland West Ward to the Environment and Transport Committee; and
- 1.3 In relation to 1.1 and 1.2 above, that the Council make those appointments by the method set out in Section 4, and RESOLVES, in the event of a vote, to elect by secret ballot.

2.0 High Level Summary:

- 2.1 At its meeting on 9 May 2018, the Council appointed Councillor Steven Coutts as Leader. The Council's Policy and Resources Committee now consists of 10 Councillors, being the Leader, the Deputy Leader, the three Committee Chairs and the three Committee Vice-Chairs, the Councillor appointed Vice-Chair of the Integration Joint Board, and one other Councillor appointed member of the Integration Joint Board. As none of these positions are currently held by a Councillor from the Lerwick South Ward, the constituents of that Ward have, at present, no directly elected representative on the Policy and Resource Committee.
- 2.2 Also, in view of the appointment of Councillor Steven Coutts as Leader, and subsequently an ex-officio appointment to each of the functional committees, this gives rise to a vacancy on the Environment and Transport Committee for the Shetland West Ward.

3.0 Corporate Priorities and Joint Working:

- 3.1 The recommendations in this report are not linked directly to any of the Corporate Priorities, but will support the Council's responsibilities in terms of ensuring good governance, accountability and partnership working.

4.0 Key Issues:

Policy and Resources Committee

- 4.1 The appointment of additional Council members to Policy and Resources Committee is permitted by the Council's constitution, but limited to the number required in order to achieve representation of all Council wards. Accordingly, the Council is asked to consider the appointment of a Lerwick South Ward member to the Policy and Resources Committee. There is no guidance provided on a selection process, and therefore it is a matter for the Ward members to decide who to nominate for appointment, or to put the matter to a vote if there is more than one nomination.

Environment and Transport Committee

- 4.2 In terms of its Constitution, the Council is required to appoint a Member to represent each Ward on its functional Committees. Accordingly, the Council is required to appoint a Member to represent the Shetland West Ward. There is no guidance provided on a selection process, and therefore it is a matter for the Ward members to decide who to nominate for appointment, or to put the matter to a vote if there is more than one nomination.

Method of Election/Voting

- 4.3 Section 10 of the Council's Standing Orders sets out the method of appointment of office bearers. When Councillors are to be appointed to any positions to be filled by the Council, and where the number of candidates nominated exceeds the number of vacancies, the Councillors to be appointed will be determined by a vote or votes in each of which Members will be entitled to vote for as many candidates as there are vacancies; but they may not cast more than one vote for any candidate.
- 4.4 The vote will normally be taken by a show of hands, unless the Council resolves in the case of any particular appointment to take the vote by secret ballot. It has been custom and practice for the Council to undertake such voting by secret ballot.
- 4.5 The name of the candidate having fewest votes will be deleted from the list and a fresh vote, or votes, will be taken. This process of elimination will be continued until the number of candidates equals the number of vacancies.
- 4.6 Where only one vacancy requires to be filled, and any candidate has an absolute majority of the votes, the candidate will be declared appointed. Otherwise, the name of the candidate having fewest votes will be deleted from the list. This process of elimination will be continued until one candidate has a majority of the votes.
- 4.7 In the case of an equality of votes, nominees shall be elected by lot as between those who received equal votes and proceed on the basis that the person to whom the lot falls upon had received an additional vote.

5.0 Exempt and/or confidential information:

- 5.1 None.

6.0 Implications :	
6.1 Service Users, Patients and Communities:	There are no implications for service users arising directly from this report.
6.2 Human Resources and Organisational Development:	There are no implications for staff arising directly from this report.
6.3 Equality, Diversity and Human Rights:	There are no equality implications arising directly from this report.
6.4 Legal:	The legal framework for this report is supported by the Council's Constitution, including the Scheme of Administration and the Standing Orders.
6.5 Finance:	As an approved duty, any appointed elected Members will be entitled to claim expenses for attendance at meetings. This will result in expenditure in relation to the Members' Expenses budget.
6.6 Assets and Property:	There are no implications for assets and property arising directly from this report.
6.7 ICT and new technologies:	There are no implications for ICT and ICT systems arising directly from this report.
6.8 Environmental:	There are no environmental implications arising directly from this report.
6.9 Risk Management:	The main risk associated with this report is the 'do nothing' option, which would result in a failure to support the Council's Constitution and make provision for adequate democratic accountability for Lerwick South and Shetland West Ward constituents by the appointment of one of their Ward representatives onto a Committee of the Council. This could have impacts on the credibility or reputation of Councillors, or the Council as an organisation.
6.10 Policy and Delegated Authority:	In terms of Section 2.1.3 of the Council's Scheme of Administration and Delegations, matters reserved to the Council include the appointment of Councillors to any body which is part of the political management framework. A decision of the Council is therefore required.

6.11 Previously considered by:	None.
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Contact Details:

Jan Riise, Executive Manager - Governance and Law jan.riise@shetland.gov.uk
12 June 2018

Appendices:

None.

Background Documents:

None

END



Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Appointments to External Organisations – SVA Ltd	
Reference Number:	GL-14-F	
Author / Job Title:	Jan Riise, Executive Manager – Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to appoint the Leader, Councillor Steven Coutts, as a nominated Director to the Sullom Voe Association Ltd, in place of Councillor Cecil Smith.

2.0 High Level Summary:

- 2.1 The SVA is a non-profit making association tasked with controlling, supervising and organising operations of the Terminal, the leasing of land from the Council and associated rights, the control of permissions in respect of the Terminal and the entering into negotiations and agreements with the Council in respect of the Sullom Voe harbour facilities, jetty agreements, structures and associated infrastructure.
- 2.2 Councillor Malcolm Bell, Councillor Alastair Cooper and Councillor Andrea Manson are existing Directors. Councillor Cecil Smith was also appointed by the Council at its Statutory meeting on 18 May 2017, following his appointment as Leader. Mr Smith has since resigned his position as Leader, and subsequently has indicated his agreement to the Council removing his appointment as an SVA Director, and recommending the appointment of the Leader, Councillor Steven Coutts, in his stead, in keeping with current practice.

3.0 Corporate Priorities and Joint Working:

- 3.1 This report relates directly to “Our Plan” 2016 to 2020, in that appointments to external organisations relates to the Council’s vision to be known as an excellent organisation that works well with our partners.

4.0 Key Issues:

- 4.1 The Shetland Islands Council, at its meeting on 22 March 2017, noted that existing Director appointments would continue until such time as the Council make new appointments. In order to ensure appointments were not delayed, the Council resolved, that these appointments be made at the statutory first meeting. In order to ensure continuity of knowledge, the Council confirmed the continuing appointment of Councillors Malcolm Bell and Alastair Cooper, and 2 further Directors, ensuring that, in keeping with custom and practice given the strategic importance of the Sullom Voe Harbour and Terminal to Shetland and the Council, that these appointments include the Leader and Convener. The two subsequent appointments were made at the Council meeting on 17 May 2017. However,

these Director appointments are not ex-officio, and the Council is at liberty to remove and replace Directors as it see fit.	
4.2	As mentioned above, the strategic importance of Sullom Voe Harbour and the Terminal to Shetland, has led the Council, through custom and practice to ensure that the appointed Directors include the Leader and Convener.
4.3	Following the resignation of Councillor Cecil Smith as Leader, Councillor Smith has agreed to the Council removing his appointment as an SVA Director, and recommending the appointment of the Leader, Councillor Steven Coutts, in his stead.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None.
6.5 Finance:	There are no significant financial implications arising from this Report. The majority of expenses incurred by Members in attending meetings are classed as an approved duty and met from the Members' Expenses budget head, any which are not would be met from within existing approved budgets.
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.
6.8 Environmental:	None.
6.9	None.

Risk Management:	
6.10 Policy and Delegated Authority:	In terms of confirming approved duty status, appointments and nominations to external organisations can only be determined by the Council or its Committees.
6.11 Previously considered by:	None.

Contact Details:

Jan Riise, Executive Manager - Governance and Law

jan.riise@shetland.gov.uk

12 June 2018

Appendices:

None.

Background Documents:

None.

END



Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Shetland's Partnership Plan 2018-28	
Reference Number:	DV-26-18-F	
Author / Job Title:	Maggie Sandison – Chief Executive	

1.0 Decisions / Action Required:

That the Council:

- 1.1 APPROVES Shetland's Partnership Plan 2018-28; and
- 1.2 AGREES to contribute the necessary resources to deliver the improvement activity articulated in Shetland's Partnership Plan 2018-28, ensuring alignment to its strategic priorities in the planned refresh of the Council's Corporate Plan and sustainability of resources through the Medium Term Financial Plan and the annual budgeting process; and
- 1.3 NOTES that work will now commence on developing the Delivery Plans for each of the priority areas. This will identify the actions required by partners to secure improvements in the priority outcomes. The Delivery Plans will be presented to functional committee and the Council for discussion and approval.
- 1.4 NOTES that work is ongoing to develop detailed governance arrangements and that this work will be concluded by the five specified partners in line with the legislative requirements and guidance and in consultation with Community Partners.

2.0 High Level Summary:

- 2.1 The Scottish Government passed the Community Empowerment (Scotland) Act 2015 (the Act) on 17 June 2015. The Act provides a legal framework that will promote and encourage community empowerment and participation. It creates new rights for community bodies and places new duties on public authorities.
- 2.2 The Act places Community Planning Partnerships (CPPs) on a statutory footing and imposes duties on them around the planning and delivery of local outcomes, and the involvement of community bodies at all stages of community planning. Tackling inequalities is a specific focus, and CPPs have to produce "locality plans" at a more local level for areas experiencing particular disadvantage.
- 2.3 Shetland's Partnership Plan 2018-28 is the plan, which articulates the shared vision and priorities to improve local outcomes and tackle inequalities. It is the Local Outcome Improvement Plan (LOIP) for Shetland, and sets out a strategy for "...working together to improve the lives of everyone in Shetland".

- 2.4 Shetland Islands Council is one of fourteen statutory community planning partners, and as such has a duty to:
- Co-operate with other partners in carrying out community planning
 - Take account of the priorities and outcomes contained in Shetland's Partnership Plan in carrying out its functions, and
 - Contribute such funds, staff and other resources, as the Shetland Partnership considers appropriate to improve local outcomes in the Plan and secure participation of community bodies throughout community planning.
- 2.5 As one of five specified partners, Shetland Island's Council also has a duty to facilitate community planning in Shetland, and take all reasonable steps to ensure the Shetland Partnership (the CPP) conducts its functions effectively and efficiently.
- 2.6 By agreeing Shetland's Partnership Plan, Shetland Islands Council is jointly responsible for ensuring the Shetland Partnership delivers on commitments in the plan, and individually responsible for how the Council acts as a partner to help ensure these commitments are fulfilled.
- 2.7 Shetland's Partnership Plan 2018-28 is included at Appendices 1 and 2 for approval.

3.0 Corporate Priorities and Joint Working:

- 3.1 Shetland's Partnership Plan 2018-28 is one of the primary documents for strategic planning in Shetland. It does not encompass all services but its success relies heavily on the continued success of universal service provision, such as health and care, education and transport.
- 3.2 Shetland's Partnership Plan and supporting documentation such as the three-year delivery plans for each priority area will set out what the Shetland Partnership aims to do for Shetland over the short, medium and long term.
- 3.3 The Council's Corporate Plan – 'Our Plan' – sets out how Shetland Islands Council, will work together with community planning partners, to achieve some of the things set out in Shetland's Partnership Plan over the period of 'Our Plan'.
- 3.4 'Our Plan' identified three important challenges that will affect the way the Council works as an organisation during the life of the plan. These challenges are money, the local economy, and the population.
- 3.5 The vision set out in 'Our Plan' is that by the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services to the people of Shetland. This vision aligns and clearly sets out the Council's strategic contribution to the Shetland Partnership's strategy of "... working together to improve the lives of everyone in Shetland".
- 3.6 'Our Plan' has a focus on young people; older people; economy and housing; community strength and connection and access. In addition, we aim to achieve

	high standards of governance by 2020. This will mean that the Council is operating effectively, and taking decisions based on evidence and supported by effective assessments of options and potential effects.
3.7	The needs of the most vulnerable and groups who find services hard-to-reach will be identified and met, and services will be targeted at those that need them most.
3.8	Each partner organisation is expected to set out how it will deliver on Shetland's Partnership Plan, as part of its own strategic planning arrangements. In that respect, the next refresh of the Council's Corporate Plan will specifically address the priority areas set out in Shetland's Partnership Plan. It is considered that there is already good alignment between the plans. The Council should however acknowledge that by approving Shetland's Partnership Plan, resources will be committed to developing the priority areas within it. The Council and its functional committees will however, be asked to discuss and approve the delivery plans that will be the mechanism to determine the priority activities required that the Shetland Partnership believes will secure the improvements in priority outcomes.
3.9	Shetland's Partnership Plan has been developed in consultation with a wide range of organisations and stakeholders. The priority outcomes have widespread support and are regarded by most as the 'right' issues to address the inequality faced by some people.
4.0	Key Issues:
4.1	Community Planning now has a clear statutory purpose focused on improving outcomes. It is explicitly about how public bodies work together and with the local community to plan for, resource and provide or secure the provision of services, which improve local outcomes in a local authority area, with a view to reducing inequalities.
4.2	Shetland Islands Council is a statutory community planning partner. The Council is required to undertake community planning with those other partners listed in Schedule 1 of the Act (Appendix 2). The Council is also listed within the Act as one of the five specified partners who are required to facilitate community planning and to take reasonable steps to ensure that the Community Planning Partnership (CPP) carries out its functions efficiently and effectively.
4.3	The Shetland Partnership (the CPP) is responsible under Act for preparing a Local Outcomes Improvement Plan (LOIP).
4.4	The shared vision of the Shetland Partnership, as set out in Shetland's Partnership Plan (the LOIP), is: - "Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges".
4.5	The vision for effective community planning is built upon the following series of principles as laid out in Scottish Government Guidance: <ul style="list-style-type: none"> • Community participation and co-production • Tackling inequalities • Shared leadership

- Governance and accountability
- Understanding of local needs, circumstances and opportunities
- Focus on key priorities
- Focus on prevention
- Resourcing improvement
- Effective performance management

- 4.6 Shetland's Partnership Plan was compiled through a series of workshops, meetings and discussions with representatives of the local authority, Schedule 1 and wider community planning partners during 2017.
- 4.7 Shetland's Partnership Plan is built on a clear and evidence-based understanding of local needs, circumstances and opportunities. This understanding takes account of a wide range of appropriate data and evidence from partners and community perspectives, including the Scottish Household Survey; Volunteer Scotland; Scottish Public Health observatory; National Records of Scotland; HMRC; Skills Development Scotland; HIE; 2011 Census; the Commission on Tackling Inequalities, SIC Employment Survey and the Shetland Place Standard. The final draft plan includes the most recent data available. A full list of data sources and the targets are attached as Appendix 2.
- 4.8 Shetland's Partnership Plan is different from previous 'community plans' in that it focuses activity only on those areas where there is a demonstrable and evidenced need to improve outcomes. The priorities have been determined in order to target the 'sticky' issues, where outcomes are worse than comparable or national performance indicators, or where services are not shifting some intractable issues. The issues are those, which can only be resolved by working in partnership. In that respect Shetland's Partnership Plan is no longer an amalgamation of all public services; it focuses attention on specific issues where improvement is essential.
- 4.9 Formal consultation on Shetland's Partnership Plan has been carried out with all Schedule 1 and wider community planning partners during early 2018. Consultation has also been carried out with community bodies through engagement with all community councils and other community groups, including the Third Sector Forum during April-May 2018.
- 4.10 Consultation reports have been produced, as well as a report summarising the changes made to the Plan as a result of the feedback received. This report, which is in the form of a 'We asked, You Said, We Did' report, is attached as Appendix 3 for information.
- 4.11 A Partner Workshop was held in May 2018 to discuss the content and delivery of Shetland's Partnership Plan. The workshop also provided an opportunity for partners to consider what role their organisation might play in supporting delivery.
- 4.12 A Members' seminar was held on 31 May 2018 to discuss the final draft Shetland's Partnership Plan and governance arrangements. Discussions have also taken place at Corporate Management Team, as well as individually with partner organisations.
- 4.13 Governance and accountability should provide assurance that community planning in an area is working effectively for the benefit of local communities and in line with statutory duties set out in the 2015 Act. Each CPP must put in place administrative structures and operational arrangements, which support effective and efficient

4.14	community planning. In relation to the Shetland Partnership, a governance delivery group worked together to develop a number of options, which were evaluated against a set of critical success factors. These included legislative requirements, guidance and lessons learned, as well as community empowerment and accountability.
4.15	From this work a preferred option emerged, which Partners have discussed and further developed. This option is outlined on page 15 of Shetland's Partnership Plan.
4.16	The ongoing and more detailed development of the governance and accountability of the Shetland Partnership will be undertaken by the five specified partners in line with the legislative requirements and guidance, and in consultation with partners and community bodies.
5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Shetland's Partnership Plan expressly seeks to address the needs of the whole community. It has a focus on tackling inequalities so in that respect is naturally biased towards investing in those individuals and families who face barriers to being able to thrive or reach their full potential.
6.2 Human Resources and Organisational Development:	<p>There are no direct human resource implications arising from this report.</p> <p>Analysis of any human resources and organisational development implications will be done through the development of three-year delivery plans. Work that flows from any decisions taken in relation to three-year delivery plans will be considered in line with normal business processes.</p> <p>In terms of organisational development, building capacity around community participation and the new legislation is a key priority.</p>
6.3 Equality, Diversity and Human Rights:	<p>An Integrated Impact Assessment has been undertaken as part of developing Shetland's Partnership Plan.</p> <p>There is potentially a wide range of positive impacts for communities in Shetland that can be delivered under Shetland's Partnership Plan. However, this clearly depends on a number of factors that will have a bearing on the design of community planning projects. These are included in the above assessment and include:</p> <ul style="list-style-type: none"> • Targeting outcome improvement activities at those most in need • Securing community participation and empowering those most in need • Using the available evidence-base and community participation to design effective interventions and,

	<ul style="list-style-type: none"> • Changing ways of working to deliver lasting positive impacts (linked with practices such as taking preventative action and considering outside-in approaches). <p>The main potential negative impacts on outcomes identified through the assessment are environmental, although these are not assessed as significant.</p> <p>One other potential negative impact relates to changes in working practices and the allocation of resources. As Shetland's Partnership Plan focuses on addressing inequality, a number of outcomes are likely to require more targeted provision in order for those outcomes to be improved, which may impact on the resources available for universally provided services.</p> <p>Under Shetland Partnership governance arrangements, all three-year delivery plans and associated projects will be required to carry out an integrated impact assessment to consider any equality, environmental and social-economic impacts. Full statutory impact assessments will be carried out for each project as appropriate.</p>
<p>6.4 Legal:</p>	<p>The Act requires each local authority and Schedule 1 partners to carry out planning for the area of the local authority for the purpose of improvement in the achievement of outcomes resulting from, or contributed to, by the provision of services delivered by or on behalf of the local authority or Schedule 1 partners.</p> <p>The local authority and Schedule 1 partners are collectively referred to as a community planning partnership, and the authority and each such person is referred to as a community planning partner.</p> <p>The Act lists local authorities as a Statutory community planning partner. In this regard, Shetland Islands council has specific legal responsibilities including facilitating community planning and taking all reasonable steps to ensure the Community Planning Partnership conducts its functions effectively and efficiently.</p> <p>Shetland Islands Council must also co-operate with other partners in carrying out community planning; take account of Shetland's Partnership Plan in carrying out its functions and contribute such funds, staff and other resources, as the CPP considers appropriate to improve local outcomes and secure participation of community bodies.</p> <p>In addition, by agreeing the LOIP and Locality Plan, statutory partners are jointly responsible for ensuring the Community Planning Partnership delivers its commitments in the plan and individually responsible for helping to ensure these commitments are fulfilled.</p>

<p>6.5 Finance:</p>	<p>There are no direct financial implications arising from this report, and Shetland's Partnership Plan will be delivered within existing resources or by utilising external funding.</p> <p>Approval of Shetland's Partnership Plan may require a shift in resources from those, which are universally provided, to those, which are targeted at addressing inequality and improving people's outcomes where there is evidence that current arrangements could be improved.</p> <p>Approval of the document does not in itself, constitute approval of a shift in resources. That analysis will be done through the development of three-year delivery plans and as part of the Medium Term Financial planning and annual budget setting process. However, there is a requirement on each Partner to resource Shetland's Partnership Plan – it cannot just be an aspirational list of priority outcomes; it needs to become an integral driver that changes how we work.</p> <p>There are several national policy initiatives, which drive an early intervention, preventative and participation approach, such as the Christie Commission, which underpins the Community Empowerment (Scotland) Act. These strategies provide an evidence base to support an approach to investing in preventative spend, improving outcomes, reducing spend on 'failure-demand' and providing a more efficient and effective method of delivering public services.</p>
<p>6.6 Assets and Property:</p>	<p>There are no specific issues to address with regard to assets and property.</p>
<p>6.7 ICT and New Technologies:</p>	<p>There are no specific issues to address with regard to ICT and technology. However, there is a need to harness the opportunities available from the use of new technology to provide services and support staff to provide a more joined up service model, based on individual, household, family or community need.</p>
<p>6.8 Environmental:</p>	<p>A Strategic Environmental Assessment has been completed for Shetland's Partnership Plan.</p> <p>"Generally, the Vision, Priorities and associated outcomes and targets scored well in the assessment with 32% of assessments predicted potentially positive effects and 62% predicted no effects. None of the assessments predicted a potentially significant adverse effect.</p> <p>Only assessment of the 'Place' Priority, which is concerned with economic and population growth, was predicted to have a minor negative effect. This is on the basis that increased industry and population and resulting development could increase the pressure on key environmental issues. For example, there may be an increase in Greenhouse Gas emissions, greater demand for water and energy, increased pollution risk and impacts on the</p>

	<p>landscape and its habitats and species. Measures have been designed into the Plan's outcomes and targets with the specific aim of mitigating any adverse climatic impacts. The Local Development Plan and Marine Spatial Plan should also mitigate against any potential damage from new developments.</p> <p>The Participation priority is focussed on improving participation between the public sector and communities with the ambition of improving understanding and ensuring better and more informed decision making in the future. Improved decision making through enhanced community participation should benefit the environment, with people valuing and appreciating the environment more and understanding why and how decisions are taken protect it".</p> <p>Environmental impacts should be considered across all of Shetland's Partnership Plan proposed activity.</p>	
6.9 Risk Management:	<p>The key risks around delivery of Shetland's Partnership Plan will be in connection with changing the way that we work. There is a strong change in focus to increase the responsibility of communities and strengthen their remit in being able to be involved in the design of services to meet community needs, as well as holding public sector organisations to account for delivering what they set out to do. The Plan cannot be just a document on a shelf; it is the contract between local public sector agencies and the communities, which we serve. It must have resources allocated to it to deliver on the priorities and progress on delivery needs to be open, transparent and effective.</p> <p>It is important that the Council deploy its limited resources in the most effective way to achieve agreed priority outcomes for the Shetland Community. Agreeing the priority outcomes with the Community and Community Partners is a very important component in this process. The Council's sign up to Shetland's Partnership Plan is required in this context.</p>	
6.10 Policy and Delegated Authority:	<p>The Community Empowerment (Scotland) Act 2015 requires the Council to produce, along with other Community Partners, a Local Outcomes Improvement Plan and ensure that is delivered and resourced.</p> <p>In terms of Section 2.1.3(3) of the Council's Scheme of Administration and Delegations, the Council is responsible for the approval of any plan which is part of the Policy Framework.</p>	
6.11 Previously Considered by:	n/a	

Contact Details:

Vaila Simpson, Executive Manager – Community Planning & Development
Email: vaila.simpson@shetland.gov.uk

Date: 20 June 2018

Appendices:

Appendix 1 – Shetland's Partnership Plan 2018-28

Appendix 2 – Shetland's Partnership Plan Appendices 1-3

Appendix 3 – You Said, We Did Consultation Changes Summary

Background Documents:

The Shetland partnership / Community planning

<http://www.shetland.gov.uk/communityplanning/ShetlandPartnership.asp>

Part 2 of the Community Empowerment (Scotland) Act 2015 -

<http://www.legislation.gov.uk/asp/2015/6/contents/enacted>

Part 2 Community Planning Guidance, December 2016 -

<http://www.gov.scot/Publications/2016/12/8801>

Report on the Future Delivery of Public Services by the Commission chaired by Dr Campbell Christie. <http://www.gov.scot/Publications/2011/06/27154527/0>

Strategic Environmental Assessment of Shetland's Partnership Plan

<http://www.shetland.gov.uk/communityplanning/StrategicEnvironmentalReport.asp>

Shetland's Partnership Plan 2018-2028

*Working together to improve the lives of
everyone in Shetland*

Final Draft for Sign-off – May 2018



Participation



People



Place



Money

Partner Logos

To be added once sign-off agreed

FINAL DRAFT



Participation



People



Place



Money

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Supporting Documents available online or by contacting us directly:

- Appendix 1 - The Shetland Partnership
- Appendix 2 - Indicators, Targets and Data Sources
- Appendix 3 - Fit with National Outcomes
- Integrated Impact Assessment
- Environmental Report

www.shetland.gov.uk/communityplanning/

Contact



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Participation



People



Place



Money

Our shared vision

“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”

Our shared priorities



Participation

People participate and influence decisions on services and use of resources



People

Individuals and families thrive and reach their full potential



Place

Shetland is an attractive place to live, work, study and invest



Money

All households can afford to have a good standard of living



Participation



People



Place



Money

Shetland's Partnership Plan

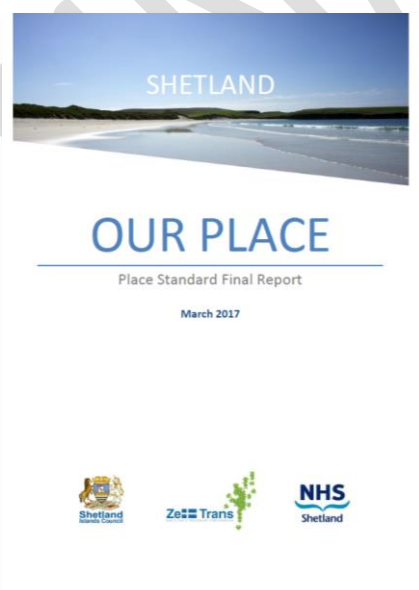
Shetland's Partnership Plan is a plan for all partners and communities in Shetland. It identifies a shared vision and priorities for all of us to work towards, both individually and collectively, to improve the lives of everyone in Shetland.

The key focus of the Plan is to reduce inequality of outcome in Shetland – how we will tackle the issues that mean some people and groups have a poorer quality of life than others.

The Shetland Partnership

The Shetland Partnership is made up of a wide range of partners and community bodies who work together to deliver our collective ambitions for the future. It is the Community Planning Partnership for Shetland (see *Appendix 1 for more information*).

The Partnership and key partners within it have a statutory duty to both produce this plan and ensure it is delivered and resourced. This duty is laid out in Part 2 of the *Community Empowerment (Scotland) Act 2015*.



Effective community planning focuses on where partners' collective efforts can add most value for their local communities, with particular emphasis on reducing inequalities.

The Community Planning Partnership (CPP) should have a clear and ambitious vision for its local area.

This focuses community planning on a small number of local priorities where the CPP will add most value as a partnership – in particular by improving outcomes for its most vulnerable communities and moderating future demand for crisis services.

Community Planning Guidance, Scottish Government, 2016

Developing the Plan

The Shetland Partnership started with the evidence. We reviewed what the community said about Shetland in the 2016 Place Standard survey. We then looked at data and research about the population, our health, crime rates, our income, the cost of living, poverty, education, employment, the economy and much, much more.

We engaged a wide range of Community Planning Partners - including Community Bodies – in conversations about the evidence and the priorities for Shetland. This helped us to identify and agree our shared priorities and what we hope to achieve together over the next ten years.

The Plan has been assessed to identify potential social, economic, environmental, equality and rurality impacts. The aim is to minimise any negative impacts and maximise the positive ones.



Participation



People



Place



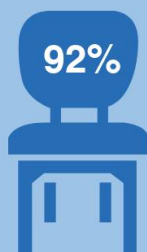
Money

Priority: Participation

People participate and influence decisions on services and use of resources



Getting involved



92%

of Community Council seats in Shetland are filled, none of those seats were contested



56%

of people in Shetland are involved in volunteering, the national average is 27%

in 2014
volunteering in
Shetland contributed

**£15.5
million**

to the local
economy



**we have a strong sense of
community and a high level of
volunteering**



939 people

responded to the Place Standard consultation telling us what they think is important for Shetland



there are **101**
social enterprises in
Shetland, the highest
rate per head of
population in Scotland



11 'Participatory Budgeting' events have been run in Shetland since 2010, enabling the community to influence how public money is spent in their area

What the Community think



41%

of people in Shetland want to be more involved in decision making about their area, the national average is 34%



79%

of people in Shetland strongly feel that they could turn to friends or relatives in their community for advice or support

**people in Shetland want to be
more involved and influence
decisions that affect them**



27%

of people in Shetland say they feel they can influence decisions affecting their local area



59%

of people in Shetland are satisfied with local services (health care, schools and public transport)

88%

of people in Shetland feel that they are a part of their community, the national average is 77%

SOURCES: Scottish Household Survey, 2016; Census on Social Enterprise, 2017; Shetland Islands Council, 2017; Volunteer Scotland 2014

powered by
PIKTOCHART



Participation



People



Place



Money

Priority: Participation

People participate and influence decisions on services and use of resources




Our Shared Priority

The Shetland Partnership wants to help people in communities actively participate with public service providers to improve the lives of people in Shetland. We will do this by changing the way we work.

There is a need to change the way we work as a result of legislative change, reducing public sector resources, and because people in Shetland tell us they would like more

involvement in the decisions that affect them (*Scottish Household Survey, 2016*).

The Shetland Partnership wants to help people to be more closely involved in shaping the future of their communities. This will include supporting people and communities to develop their skills and knowledge in order to participate fully and effectively in Community Planning. This support will aim to empower those who can most benefit.

What will be different for communities by 2028?	How will we know if we are making a difference?
 Outcomes	 Indicators of Change
<p>The Shetland Partnership will be a successful partnership – between public agencies and with communities – helping to deliver improved outcomes for people across the Isles</p>	<ul style="list-style-type: none"> • Satisfaction with public services • Community participation activity and impact • People who feel they can influence decisions affecting their local area • People who feel they want to be more involved in decision making • Community Council seats contested • Community participation activity and impact • All other outcome indicators
<p>Communities will feel empowered and the majority of people in Shetland will feel more able to influence the decisions that affect them and have a strong understanding of how and why decisions are taken</p>	
<p>Staff from across the Shetland Partnership will be actively seeking to involve communities in decision making and service delivery, including identifying and involving those who do not often have their voices heard</p>	

Detailed information about the indicators, and what we hope to achieve can be found in Appendix 2



Participation



People



Place



Money

Priority: People

Individuals and families thrive and reach their full potential



Health and Well-being



Life Expectancy for Women in Shetland is **81.9** years old



HEALTHY Life Expectancy - how long women might live in a 'healthy' state is **68.4** years

Emergency admissions to hospital in Shetland are **11%** lower than the Scottish average



Life Expectancy for Men in Shetland is **78.1** years old



HEALTHY Life Expectancy - how long men might live in a 'healthy' state is **66.6** years

Early Mortality in Shetland is

14%

lower than the Scottish average

health, well-being and life expectancy in Shetland are generally better than the Scottish average



Shetland Foodbank distributed an average of 45 food parcels a month in 2017, a **27%** increase from 2016



5.7%

of children in Shetland live in low income families - this figure has remained fairly static over the past decade whilst the Scottish average has fallen



49%

of households in Shetland

do not earn enough to live well

poverty rates in Scotland continue to improve whilst the rates in Shetland remain static or are worsening, alcohol misuse is also a clear issue for Shetland



77%

of people in Shetland engage in some form of physical activity, the Scottish average is 79%



20%

of people drink at potentially harmful levels compared to 17.8% for Scotland



3X

the proportion of child protection cases involving alcohol & drug misuse is 3 times the national average

15.5%

of children in Primary 1 are NOT a 'healthy weight' - slightly more than the Scottish average



SOURCES: Scottish Public Health Observatory 2014, Public Health Information for Scotland 2013, Living Well in a High Cost Economy, Ipsos Mori/SIC, 2017, SHCS, ONS 2015, SIC 2017, NHS 2015, NRS 2013, Shetland Foodbank 2017, Scottish Household Survey, 2016, HMRC 2015

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Participation



People



Place



Money

Priority: People

Individuals and families thrive and reach their full potential



Our Shared Priority

This priority is aimed at helping everyone in Shetland to have as good an experience of life as possible – improving health, reducing poverty and making sure that people are connected to their communities.



Shetland overall is a safe, prosperous and happy community. We want to work to improve the lives of those few people who do not have such positive experiences.

We will do this by working with the individuals and households who can benefit most from a different approach to public service delivery.

This priority will involve finding permanent, sustainable solutions to the causes of poor outcomes. Working to improve the life chances and outcomes for those people who are born into more disadvantaged families.

The number of disadvantaged people in Shetland is relatively small, but there hasn't been much improvement in these numbers in recent years and we want to do better.

We also want to maintain the things that make Shetland a good place to live; to develop good places and keep people active.

What will be different for communities by 2028?	How will we know if we are making a difference?
 Outcomes <p>The number of disadvantaged people and households in Shetland will be considerably reduced as a result of people being enabled and empowered to address the issues they face and helping others to thrive in the same way</p> <p>The Shetland Partnership will be prioritising prevention and working with households and communities to provide innovative solutions to the issues they face</p> <p>Shetland will continue to be a safe and happy place, with more people feeling connected to their communities and benefiting from living in good places and keeping active</p>	 Indicators of Change <ul style="list-style-type: none"> • Children living in low-income families • Fuel Poverty • Foodbank usage • Child protection cases involving alcohol and drug misuse • People drinking at harmful levels (<i>potential 'problem drinkers'</i>) • Children who are not a healthy weight in Primary 1 • People engaging in physical activity • Households in Shetland who do not earn enough to have an acceptable standard of living • Positive destinations for school leavers • People in Shetland who feel part of their community

Detailed information about the indicators, and what we hope to achieve can be found in Appendix 2



Participation



People



Place



Money

Priority: Place

Shetland is an attractive place to live, work, study and invest



Population & demographics



Priorities for improvement according to Shetland Communities:

1. Public Transport
2. Work & Local Economy
3. Housing & Community



The population has been increasing steadily since 2001 but showing a slight fall in recent years - particularly in some rural areas

our population is ageing at a faster rate than the rest of Scotland

19% of our population is aged 65 and over.....



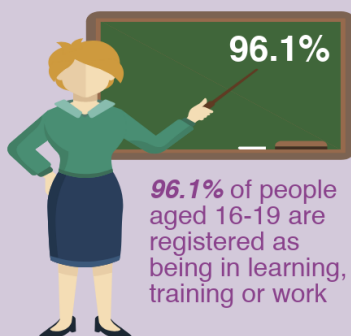
more than a decade ago

18% of our population is aged 16 and under...



less than a decade ago

Economy & environment

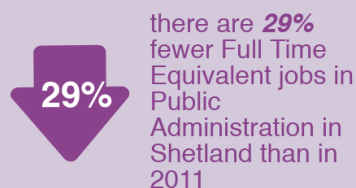


Carbon emissions in Shetland are **73%** higher than the Scottish average

we have low unemployment, a labour and skills shortage, and we are heavily reliant on a few key sectors and locations



59% of people rate the quality of the Natural Spaces in Shetland highly, key areas identified for improvement include path and access infrastructure and the need to protect our environment and natural resources



13,500 Employees in Shetland, this is slightly lower than in previous years but higher than in 2011

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SOURCES: Mid-year Population estimates 2017, NRS; Participation Measure for 16-19 Year Olds 2017, DECC, Skills Development Scotland; 2011 Census; Shetland Employment Survey 2017, SIC; Place Standard 2016, SIC, ONS 2015, Business Register and Employment Survey, ONS, 2016.



Participation



People



Place



Money

Priority: Place

Shetland is an attractive place to live, work, study and invest



Our Shared Priority

This priority is aimed at ensuring Shetland can attract and retain the people it needs to sustain its economy and communities in the future.

Shetland's natural environment and rich culture and history are key elements of what makes Shetland a special place. We have a strong local economy which is reliant on a number of key sectors which in turn are reliant on our natural resources.

We have low unemployment and high educational attainment. The population grew steadily from 2001-2011 but has fallen slightly since then. We are now seeing evidence of some rural depopulation and our working age population is in decline.

Businesses in Shetland are struggling to recruit due to a shortage of skilled labour. Access to employment, services and opportunities can vary depending on where people live.

We need to ensure that distance and circumstance is not a barrier to opportunity and that all communities have sufficient people and resources to deliver the services they require.

We need to do what we can to attract and retain the working age population in Shetland and ensure we are creating positive and attractive places to live.

What will be different for communities by 2028?	How will we know if we are making a difference?
Outcomes	Indicators of Change
<p>People will be accessing employment, education, training and services in innovative ways designed to minimise the barriers to involvement for all</p>	<ul style="list-style-type: none"> • Businesses struggling to recruit labour • Underemployment • 'Place Standard' - how people in Shetland rate 'Our Place' • Households in Shetland who do not earn enough to have an acceptable standard of living • Postive Destinations for school leavers • Population aged 16-29 • Carbon emissions • Number of employees • People who feel they can influence decisions affecting their local area • Children in low income families
<p>Shetland will be attracting and retaining the people needed to sustain our economy, communities and services</p>	
<p>All areas of Shetland will be benefitting from a more resilient low carbon economy underpinned by a culture of innovation, inclusion and skills development</p>	
<p>Communities will be actively involved in shaping their own future resilience, creating positive places that are economically, socially and environmentally sustainable</p>	

Detailed information about the indicators, and what we hope to achieve can be found in Appendix 2



Participation



People



Place



Money

Priority: Money

All households can afford to have a good standard of living



Income

97.4%

of people aged 16-74 are registered as being in employment or full time education

Overall, the average annual (median) income in Shetland is **11%** higher than the Scottish average

11%

The average income in Shetland varies by area



some areas earn, on average, up to **13% less** than the Scottish average and others up to **29% more**

74%

of households in Shetland have at least one working adult, **12%** more compared to Scotland

we have high average incomes and low levels of registered unemployment, however, we have high levels of 'under-employment' and average incomes are lower in more remote areas



of people in Shetland are 'under-employed' (they would like to work more hours given the opportunity to do so), **13%** higher than the Scottish average

Cost of living



the cost of living in Shetland is

20% - 60% higher

than the UK average



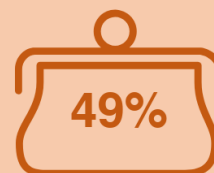
Shetland Foodbank distributed an average of 45 food parcels a month in 2017, a **27%** increase from 2016



5.7%

of children in Shetland are living in low income families.... the high cost of living in Shetland means that many more may be in financial hardship

the cost of living in Shetland is very high and despite our relatively high average incomes, many people do not earn enough to have an acceptable standard of living



49%

of households in Shetland **do not earn enough** to live well

53%



of households in Shetland spend over 10% of their household income on energy bills



11%

of households in Shetland receive support with housing costs

SOURCES: ONS 2015; Living Well in a High Cost Economy, Ipsos Mori/SIC, 2017; SHCS 2014; SIC 2017; CACI 2016, HMRC 2015; Shetland Foodbank 2017; Annual Population Survey, Scottish Government 2016. Reproduced by permission of Ordnance Survey on behalf of HMSO. © Crown copyright and database right 2017. All rights reserved. Ordnance Survey Licence number 100024344

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Participation



People



Place



Money

Priority: Money

All households can afford to have a good standard of living



Our Shared Priority

This priority is aimed at reducing the number of people experiencing poverty and financial hardship in Shetland.



Shetland has a low unemployment rate and relatively high incomes compared to the rest of Scotland. The cost of living in Shetland is high, however, and as such even those people who are in work and earning a reasonable income can experience hardship.

We need to find innovative ways to help people reduce their outgoings. Energy bills in

Shetland are high and for many the cost of these bills - along with transport costs - take up a large proportion of their income.

The cost of living and amount you earn varies depending on where in Shetland you live.

We need to ensure that everyone in Shetland has the opportunity to maximise their incomes through positive employment, and - where necessary - welfare payments that take into account the higher cost of living in Shetland.

What will be different for communities by 2028?	How will we know if we are making a difference?
 Outcomes	 Indicators of Change
Everyone will be able to access the support they need to maximise their income potential; including innovative, flexible and entrepreneurial employment opportunities throughout Shetland	<ul style="list-style-type: none"> Households in Shetland who do not earn enough to have an acceptable standard of living Fuel Poverty Children living in low-income families Foodbank usage Underemployment
Everyone will be able to access the support they need to minimise their outgoings with low income households benefitting from reduced bills	
National governments will understand the additional costs for essential items for householders in Shetland reflecting this in welfare payments and other relevant schemes	
Communities will be empowered to provide innovative solutions and support to help people maximise their incomes, minimise their outgoings and benefit from the support available	

Detailed information about the indicators, and what we hope to achieve can be found in Appendix 2



Participation



People



Place



Money

Locality Planning

In some areas of Shetland, people experience different outcomes than others. For example, in some areas, the cost of living is higher than in others and the incomes are lower. In some areas there are more children living in low-income families than in others or the population is ageing faster than elsewhere.

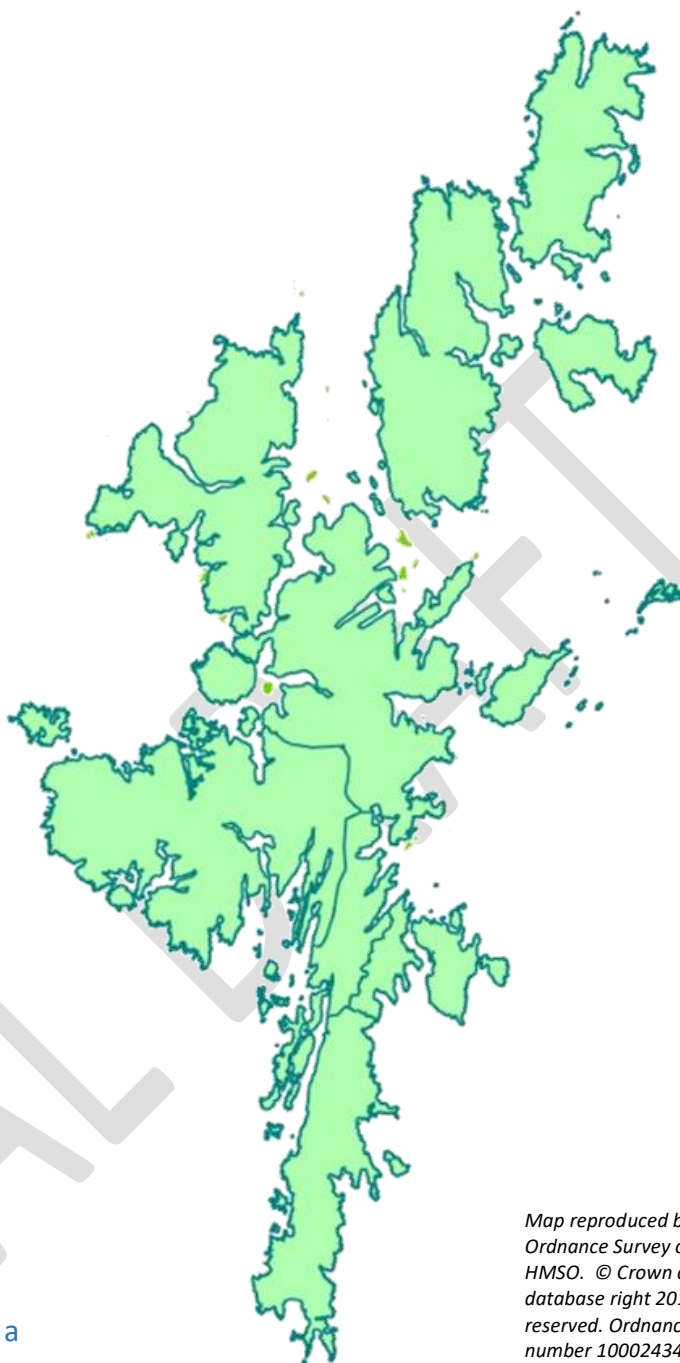
In addition to producing this Partnership Plan for Shetland, the Shetland Partnership is also required to plan at a more local level within Shetland. These 'Locality Plans' should enable communities and partners to find innovative solutions to key local challenges.

Locality Plans can be for an area within Shetland or for a particular community of interest – a group of people with shared characteristics e.g. young people.

The resulting Locality Plans should be a document that belongs to the community, is signed up to by partners, and is delivered together.

Locality planning is all about new ways of working and has strong linkages to our shared priority 'Participation'. Locality Planning will be taken forward by the Shetland Partnership with the community where there is clear evidence that an area or group would benefit from the approach.

Much of the data available about Shetland is gathered based on administrative boundaries. As such, locality plans for areas in Shetland will be based around existing administrative structures to enable effective evidence gathering and analysis.



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Participation



People



Place



Money

Delivering Shetland's Partnership Plan

Delivery Approach

Shetland's Partnership Plan is a ten-year plan for the period 2018-2028 and will be kept up to date as appropriate.

Priority Improvement Teams will be established to lead on development, delivery and monitoring of three-year delivery plans for each priority. These teams will include partner agencies, third sector and community bodies. The first step will be to work together to develop a further understanding of the key issues and agree our collective approach to addressing these.

The three-year Delivery Plans will identify individual and collective activity and the resource required to deliver our shared priorities. The Plans will be reviewed and refreshed every three years throughout the lifetime of the Plan. Partners will be asked to sign up to and support delivery of these Plans.

Monitoring and Assessing Impact

The Partnership will monitor delivery and evaluate performance on a regular basis. They will also monitor key indicators to ensure that delivery is actually resulting in improvement to the outcomes in this Plan. Reporting on this performance will be transparent, publicly available and will include community input.

The potential environmental, social and economic impacts of this Partnership Plan have been assessed to ensure negative impacts are minimised and positive impacts are maximised. The potential impacts of Delivery Plans will also be assessed. The Partnership will monitor and review these impacts on an ongoing basis.

Partners' Strategic Plans

In the first year, partner agencies will be working to align existing plans, strategies and partnerships with the priorities in this Plan. This will ensure that their activity is directed to achieving our shared local priorities.

Governance & Accountability

The Shetland Partnership must work to maximise the resources available both collectively and individually to achieve our shared vision. This will require strong leadership and effective management.

The Partnership is accountable to the community as to whether or not it delivers on our shared vision and priorities. There will be regular engagement between senior representatives of the Partnership, Community Councils and other Community Bodies.

Communities in Shetland will have the opportunity to influence what the Partnership does and how they hold it to account as well as getting involved in delivery.



Participation



People



Place



Money

Contact



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Shetland's Partnership Plan
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May 2018



Participation



People



Place



Money

Shetland's Partnership Plan 2018-2028

Working together to improve the lives of everyone in Shetland

Shetland's Partnership Plan – Appendices

Final Draft for Sign-off

Appendix 1 – The Shetland Partnership

Appendix 2 – Indicators, targets and data sources

Appendix 3 – Fit with National Outcomes



Local Outcomes Improvement Plan for Shetland 2018 to 2028

Appendix 1 – The Shetland Partnership

What is the Shetland Partnership?

The Shetland Partnership is the Community Planning Partnership for Shetland. A Community Planning Partnership (or CPP) is the name given to all those bodies, agencies and services that come together to take part in community planning.

What is Community Planning?

The Scottish Government defines Community planning as being about how public bodies work together and with local communities to design and deliver better services that make a real difference to local people's lives. Community planning is a key driver of public service reform at local level. It provides a focus for partnership working driven by strong shared leadership, directed towards distinctive local circumstances. Partners work together to improve local services, ensuring that they meet the needs of local people, especially for those people who need those services most.

Who are the Community Planning Partners in Shetland?

There are a wide range of potential Community Planning Partners in Shetland including Community Bodies, Third Sector Bodies and Public

Bodies. A number of Public Bodies have a statutory duty to be involved in Community Planning as defined in Schedule 1 of the Community Empowerment (Scotland) Act 2015. Some key Public Bodies also have a specific duty to facilitate Community planning and to ensure the Community Planning Partnership delivers its functions effectively.

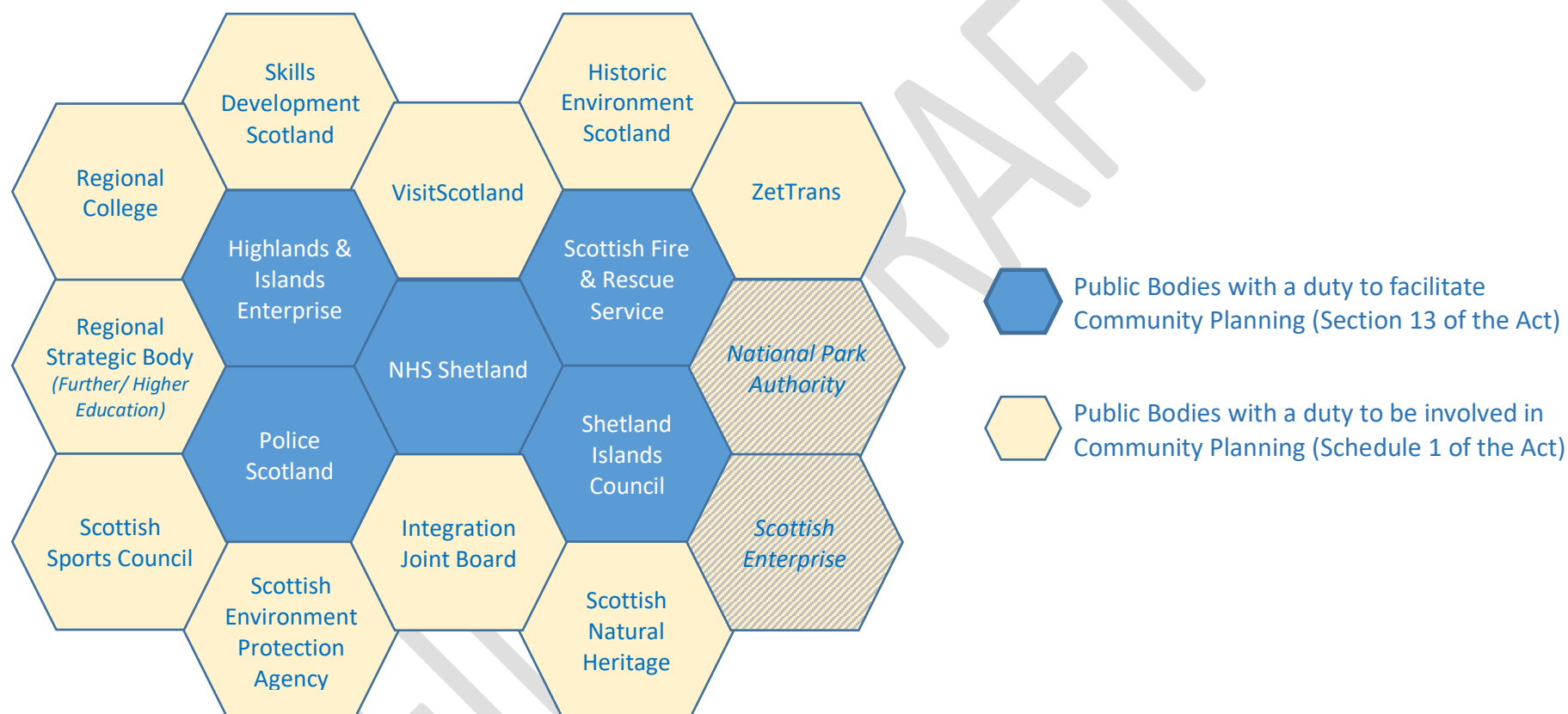
Figure 1 below shows those Public Bodies with a statutory duty to be involved in Community Planning.

What is the role of the Shetland Partnership?

As a Community Planning Partnership (CPP), the Shetland Partnership is required by the Community Empowerment (Scotland) Act 2015 to:

- prepare and publish a local outcomes improvement plan (LOIP – 'Shetland's Partnership Plan') which sets out the local outcomes which the CPP will prioritise for improvement;
- identify smaller areas within the local authority area which experience the poorest outcomes, and prepare and publish locality plans to improve outcomes on agreed priorities for these communities (the outcomes prioritised for improvement in a locality plan may differ from those in the local outcomes improvement plan); and,
- review and report publicly on progress towards their LOIP and locality plans, and keep the continued suitability of these plans under review.

Figure 1 – Statutory Community Planning Partners in Shetland as listed in Schedule 1 of the Community Empowerment (Scotland) Act 2015



Appendix 2 – Indicators, targets and data sources

The table below provides information on the statistics and data used in Shetland's Partnership Plan. The indicators of change identified for each Priority are listed in alphabetical order along with a definition, the baseline data, and targets for improvement over three and ten years.

Indicator	Priority	2018 Baseline	2021 Target	2028 Target	Data Source
Businesses struggling to recruit labour (<i>businesses struggling to fill vacancies due to a lack of local labour</i>)	<ul style="list-style-type: none"> Place 	20% of businesses struggle to fill vacancies due to a lack of local labour	15% of businesses struggle to fill vacancies due to a lack of local labour	5% of businesses struggle to fill vacancies due to a lack of local labour	Shetland Employment Survey, SIC, 2017
Carbon emissions (<i>regional estimates of carbon dioxide emissions</i>)	<ul style="list-style-type: none"> Place 	Carbon emissions are 75% higher than the Scottish average	Carbon emissions are within 60% of the Scottish average	Carbon emissions are within 20% of the Scottish average	UK local authority and regional carbon dioxide emissions: 2005-2015, DECC (now DBEIS)
Children living in low income families (<i>children living in families in receipt of Child Tax Credit, income less than 60% of median income or in receipt of IS or (Income-Based) JSA, divided by total number of children in area (determined by Child Benefit data).</i>)	<ul style="list-style-type: none"> People Place Money 	5.7% of children in Shetland live in low income families	5% of children in Shetland live in low income families	3% of children in Shetland live in low income families	HMRC, 2015
Child protection cases involving alcohol and drug misuse	<ul style="list-style-type: none"> People 	The proportion of child protection cases involving parental alcohol and drugs misuse is 3 times the National average	The proportion of child protection cases involving parental alcohol and drugs misuse will have reduced by a third	The proportion of child protection cases involving parental alcohol and drugs misuse will be in line with the Scottish average	Public Health Information for Scotland 2016



Participation



People



Place



Money

Indicator	Priority	2018 Baseline	2021 Target	2028 Target	Data Source
Children who are a not a healthy weight in Primary 1 (overweight, obese or severely obese)	<ul style="list-style-type: none"> People 	15% of children in Primary 1 are not a healthy weight	The proportion of children in Primary 1 who are not a healthy weight will have reduced to 12.5%	The proportion of children in Primary 1 who are not a healthy weight will have reduced to 7.5%	NHS Information Services Division, 2015/16
Community Council seats contested	<ul style="list-style-type: none"> Participation 	None of the Community Council seats in Shetland are contested	10% of Community Council seats are contested	50% of Community Council seats are contested	SIC 2018
Community participation activity and impact	<ul style="list-style-type: none"> Participation 	Baseline is zero	By 2021 reporting by Schedule 1 Community Planning Partners will clearly demonstrate community participation in decision making and how that participation has improved the outcome	By 2028 reporting by <i>all</i> Community Planning Partners will clearly demonstrate community participation in decision making and how that participation has improved the outcome	Shetland Partnership 2018
Foodbank usage	<ul style="list-style-type: none"> People Money 	45 food parcels on average distributed per month	34 food parcels on average distributed per month (25% reduction)	11 food parcels on average distributed per month (75% reduction)	Shetland Foodbank, 2017
Fuel Poverty (<i>households where in order to maintain a satisfactory heating regime, they would need to spend more than 10 per cent of their household income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use</i>)	<ul style="list-style-type: none"> People Money 	53% of households in Shetland are in Fuel Poverty	35% of households in Shetland are in Fuel Poverty	27% of households in Shetland are in Fuel Poverty	Scottish House Condition Survey (Figures correlate with SIC survey of Fuel Poverty 2016)

Indicator	Priority	2018 Baseline	2021 Target	2028 Target	Data Source
Households in Shetland who do not earn enough to have an acceptable standard of living (<i>a minimum acceptable standard of living in Britain includes food, clothes, and shelter as well as having what you need in order to have the opportunities and choices necessary to participate in society</i>)	<ul style="list-style-type: none"> • People • Place • Money 	49% of households in Shetland do not earn enough to have an acceptable standard of living	35% of households in Shetland do not earn enough to have an acceptable standard of living	25% of households in Shetland do not earn enough to have an acceptable standard of living	Living Well in a High Cost Economy, SIC/HIE/Ipsos Mori, 2016
Number of Employees in Shetland	<ul style="list-style-type: none"> • Place 	13,500 employees in Shetland	13,700 employees in Shetland (increase of 80 per annum)	14,300 employees in Shetland (an increase of 800 over 10 years)	Business Register and Employment Survey, ONS, 2016
People drinking at harmful levels (<i>Potential 'Problem Drinkers' - people who are classified as using alcohol in a way that can negatively impact your health and your life, but the body is not physically dependent on the substance</i>)	<ul style="list-style-type: none"> • People 	20% of people are drinking at harmful levels	18% of people are drinking at harmful levels	15% of people are drinking at harmful levels (or in line with the National Average, whichever is lower)	Public Health Information for Scotland, 2016 (<i>'Problem Drinkers'</i>)
People engaging in physical activity (<i>%of people participating in sport and physical activity – including walking – in last 4 weeks</i>)	<ul style="list-style-type: none"> • People 	77% of people engage in some form of sport and physical activity	80% of people engage in some form of sport and physical activity	90% of people engage in some form of sport and physical activity	Scottish Household Survey, Scottish Government, 2016
People in Shetland who feel part of their community (<i>% of people who feel 'very' or 'fairly' strongly that they are part of their community</i>)	<ul style="list-style-type: none"> • People 	88% of people feel that they are part of their community	90% of people will feel that they are part of their community	95% of people will feel that they are part of their community	Scottish Household Survey, Scottish Government, 2016

Indicator	Priority	2018 Baseline	2021 Target	2028 Target	Data Source
People who feel they can influence decisions affecting their local area (<i>% of people who agree with the statement 'I can influence decisions affecting my local area'</i>)	<ul style="list-style-type: none"> • Participation • Place 	27% of people feel they can influence decisions affecting their local area	35% of people feel they can influence decisions affecting their local area	50% of people feel they can influence decisions affecting their local area	Scottish Household Survey, Scottish Government, 2016
People who feel they want to be more involved in decision making (<i>% of people who feel they want greater involvement in decisions</i>)	<ul style="list-style-type: none"> • Participation 	41% of people in Shetland want to be more involved in decision making about their area	35% of people in Shetland want to be more involved in decision making about their area	25% of people in Shetland want to be more involved in decision making about their area	Scottish Household Survey, Scottish Government, 2016
Place Standard - how people in Shetland rate 'Our Place' (<i>a tool for assessing physical elements and social aspects of place</i>)	<ul style="list-style-type: none"> • Place 	Place Standard Average Scores*: <ul style="list-style-type: none"> • Public Transport 3.6 • Work & Local Economy 4 • Housing 4 • Natural Spaces 5.6 *(7 = less improvement needed, 1 = more improvement needed)	(survey will not be repeated in this time frame so no updated data will be available)	Place Standard Average Scores* have improved for: <ul style="list-style-type: none"> ➤ Public Transport - increase to 5 ➤ Work & Local Economy - Increase to 5 ➤ Housing & Community – increase to 5 ➤ Natural Spaces – maintain above 5.6 	Shetland Place Standard, SIC, 2016
Population aged 16-29	<ul style="list-style-type: none"> • Place 	15.5% of the population is aged 16-29	18% of the population is aged 16-29	20% of the population is aged 16-29	Mid-year population estimates, ONS, 2017
Positive destinations for school leavers (<i>Participation measure: 16-19 year olds are in education, employment, training and personal development</i>)	<ul style="list-style-type: none"> • People • Place 	96.1% participation	97% participation	98% participation	Participation Measure, Skills Development, Scotland 2017

Indicator	Priority	2018 Baseline	2021 Target	2028 Target	Data Source
Satisfaction with public services (health care, schools, public transport)	<ul style="list-style-type: none"> Participation 	59% of people are satisfied with local services	65% of people are satisfied with local services	75% of people are satisfied with local services	Scottish Household Survey, Scottish Government, 2016
Underemployment (people who would like to work longer hours given the opportunity)	<ul style="list-style-type: none"> Place Money 	21.3% underemployment	17% underemployment	11% underemployment	Scottish Government, Annual Population Survey 2016

Appendix 3 – Fit with National Outcomes

Shetland's Partnership Plan is required to demonstrate how the outcomes for Shetland fit with the [National Outcomes for Scotland](#).

Table 1 – Priorities for Shetland Partnership Plan which support delivery of the National Outcomes

National Outcome	Relevant <i>Shetland</i> Priorities
1. We live in a Scotland that is the most attractive place for doing business in Europe.	Place
2. We realise our full economic potential with more and better employment opportunities for our people.	Place, Money
3. We are better educated, more skilled and more successful, renowned for our research and innovation.	Place, People
4. Our young people are successful learners, confident individuals, effective contributors and responsible citizens.	Place, People
5. Our children have the best start in life and are ready to succeed.	Place, People
6. We live longer, healthier lives.	People
7. We have tackled the significant inequalities in Scottish society.	All Priorities
8. We have improved the life chances for children, young people and families at risk.	All Priorities
9. We live our lives safe from crime, disorder and danger.	People, Place
10. We live in well-designed, sustainable places where we are able to access the amenities and services we need.	Place
11. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.	Place, Participation
12. We value and enjoy our built and natural environment and protect it and enhance it for future generations.	Place, People
13. We take pride in a strong, fair and inclusive national identity.	Participation
14. We reduce the local and global environmental impact of our consumption and production.	Place
15. Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.	People, Place
16. Our public services are high quality, continually improving, efficient and responsive to local people's needs.	All Priorities
17. We live in a Scotland that is the most attractive place for doing business in Europe.	Place



Participation



People



Place



Money

Contact



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Participation



People



Place



Money

Shetland's Partnership Plan 2018-2028 Consultative Draft

Feedback on the Draft Plan – 'We asked, you said, we did'

Consultation and Engagement Details

Dates:	December 2017 to April 2018
Purpose:	The purpose of the consultation and engagement exercise was to gather views from Community Planning Partners, Third Sector and Community Bodies on the Consultative Draft of Shetland's Partnership Plan. The consultation with public sector agencies was targeted at how their organisations might support delivery of the Plan. Engagement with community bodies focussed on the evidence gathered and the issues identified in the Plan and whether or not this reflects their understanding of the issues in their local area
Consultees:	The consultation was sent to all Shetland Partnership Board Members, key Partnerships, all Community Planning Partners as listed in Schedule 1 of the Community Empowerment (Scotland) Act 2015 and was also open to individuals and organisations to respond online. Meetings were held with all Community Councils in Shetland, the Third Sector Forum and other groups as appropriate.
Link:	http://www.shetland.gov.uk/communityplanning/ShetlandPartnership.asp
Reports:	The Summary Partner Consultation Report and a separate report summarising comments received from Community Bodies is available at: https://www.shetland.gov.uk/communityplanning/ShetlandPartnership.asp

The Implementation of Part 2 of the Community Empowerment (Scotland) Act 2015 is being overseen by a Project Board whose membership is drawn from the 5 Governance partners specified in the legislation (Police Scotland, Highlands and Islands Enterprise, Scottish Fire and Rescue Service, NHS Shetland and Shetland Islands Council).

The Project Board have reviewed the comments received from all partners – including community bodies - during the consultation and engagement period and have updated the draft Plan. These changes were then discussed further with partners to refine the Plan. The table below summarises comments received which requested a change to be made to the Plan and how these have been addressed in finalising the Plan.

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (<i>change requested</i>)	We Did...
The Structure of the Plan	There is a need to review the overlap between the priorities and their inter-relationships	<ul style="list-style-type: none"> • The number of indicators shared between infographics has been reduced • A collated targets and indicators table has been included as an appendix to the updated Plan – this shows how some measures can be used to assess progress against more than one priority

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (change requested)	We Did...
	The title of each priority could be changed to better reflect the content	<ul style="list-style-type: none"> This chiefly related to the 'Money' priority as all the others begin with 'P'; suggested alternatives were explored, however, the Project Board felt that 'Money' remains the best means of capturing what this Priority is about
	Locality Planning could be represented separately from the priorities	<ul style="list-style-type: none"> The way in which Locality Planning is presented in the Plan has been changed to differentiate it from the 4 priorities
The Plan's Vision	The Vision could be more concise (removing the text after "resilient communities")	<ul style="list-style-type: none"> The Project Board have reviewed suggestions to contract the Vision, however, the Project Board felt strongly that the latter part of the Vision is key in capturing how Community Planning should operate in the future and the key role it plays in relation to Community Empowerment
The Priorities in the Plan	No change required - the Priorities are the right ones	<ul style="list-style-type: none"> The Project Board have left the Priorities unchanged at the top level
The 'Participation' Priority	Suggestion that % of community council seats contested is not a good measure of community strength	<ul style="list-style-type: none"> The Project Board have reviewed this and also spoken to a number of Community Councils about their views In the absence of more sophisticated measures, Community Council seats contested indicator remains as a proxy indicator for community involvement and community empowerment but the limitations of this are recognised
	Suggestion of changing the word 'allow' in relation to community participation in the 'Our Shared Priority' to more inclusive language	<ul style="list-style-type: none"> The wording under 'Our Shared Priority' has been updated and changed
	Lack of reference to investment in Community Capacity building and facilitating community involvement	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans and the Community Learning and Development Plan, which will be aligned to the LOIP
	Lack of reference to empowering communities through the 'Sports Hub' model	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans
	The report uses the term 'true partnership', it would be helpful to clarify what this really means to ensure clear understanding by all partners	<ul style="list-style-type: none"> The wording has been amended to 'successful partnership'

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (change requested)	We Did...
	The outcomes and targets in this priority could be improved to better reflect the need to engage those who often do not engage or whose voices are not heard	<ul style="list-style-type: none"> The outcomes have been amended to include, "involving those who do not often have their voices heard."
	Indicators – some additional indicators were suggested under this priority on top of the ones included in the draft Plan	<ul style="list-style-type: none"> The Project Board have reviewed all suggestions; where we have been able to source suggested data and where the data has demonstrated a need to improve the outcome, these indicators have been included
The 'People' Priority	There should be more mention of reducing the harm to adults caused by alcohol and drug misuse	<ul style="list-style-type: none"> The 'problem drinkers' indicator has been included as an indicator
	The infographic indicates a statistic about children not being a healthy weight, but there is no corresponding target or mention of the role of physical activity in addressing this	<ul style="list-style-type: none"> The Healthy weight target has been included in the indicators table A Physical Activity indicator has been included in the infographic and indicators table The outcome has been amended to include, "benefiting from... keeping active".
	A lack of outcomes and targets that pertain to people being active	<ul style="list-style-type: none"> The Scottish Household Survey (SHS) Physical Activity indicator has been included in infographic and indicator table Outcome has been amended to include, "benefitting from...keeping active"
	Accuracy of language around child protection cases: we do not have 3x the "number" of CP "cases" related to parental substance misuse we have 3 times the rate of referral when that is calculated from national statistics	<ul style="list-style-type: none"> The Indicator descriptor has been amended on infographic and in targets table
	References to Active Travel and access to a high quality environment could be included to highlight benefits of these – linked to 'place making'	<ul style="list-style-type: none"> The SHS Physical Activity indicator has been included in infographic and targets table The outcome has been amended to include, "benefitting from living in good places and keeping active." 'Place making' and environment have been included under 'Place' priority
	Definition of a 'low income family'	<ul style="list-style-type: none"> Definition is available in the indicators and targets table (<i>Appendix 2</i>)
	Clarification of foodbank usage target and inclusion of indicator on infographic and in targets table	<ul style="list-style-type: none"> Foodbank indicator now references average number of parcels distributed Indicator has been included in infographic

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (change requested)	We Did...
	'Participation measure' (positive destinations on finishing school) could be amended as 100% target highly ambitious – suggest changing to 99%	<ul style="list-style-type: none"> Target has been updated with new baseline data available and target amended
	Wording of outcome could be changed to shift the onus from vulnerable people – suggest changing to reference disadvantage instead	<ul style="list-style-type: none"> The outcome has been amended to, "the number of disadvantaged people..."
	Indicators – several additional indicators were suggested for this priority	<ul style="list-style-type: none"> The Project Board have reviewed all suggestions; where we have been able to source suggested data and where it has demonstrated a need to improve the outcome, these indicators have been included
The 'Place' Priority	This priority has a strong focus on population demographics and economy, more could be done to reflect the elements that make Shetland an attractive place to live e.g. places, facilities, amenities, environment, culture, place-making etc.	<ul style="list-style-type: none"> The Project Board agreed that care needs to be taken in defining what makes somewhere 'attractive' as this will differ from person to person although the need to have attractive places to live was recognised The infographic has been amended to alter the titles to 'Population & demographics' and 'Economy & environment' and a statistic on the value of natural spaces included Text under 'Our Shared Priority' has been amended to reflect that the focus of the priority is on Shetland attracting and retaining people rather than simply halting de-population and diversifying the economy Text under 'Our Shared Priority' has been amended to include, "creating positive and attractive places to live." The fourth outcome has been amended to include the words, "creating positive places that are economically, socially and environmentally sustainable." Text under 'Our Shared Priority' has been amended to include greater reference to the importance of the natural environment
	Outcomes should include issues around childcare and under-employment	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans in relation to minimising barriers Underemployment has been included in the 'Money' Priority and as an indicator in relation to 'Place'

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (<i>change requested</i>)	We Did...
	Supported employment and up-skilled employers may enable more people to fill existing vacancies	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans in relation to minimising barriers
	Improving places to make moving around easier without relying on cars (including active travel) would help to reduce inequalities	<ul style="list-style-type: none"> The fourth outcome has been amended to include the words, "creating positive places that are economically, socially and environmentally sustainable."
	The word 'visit' could be added to the overall priority	<ul style="list-style-type: none"> The Project Board reviewed the suggestion and agreed not to include the word 'visit' – whilst the visitor economy is important to Shetland it was felt that including it in the priority wording would single it out as a key sector where others are not highlighted
	Accommodation and student offering will need to be high to attract students to an area of high employment	<ul style="list-style-type: none"> Target on Student population removed - this relates to delivery and will be picked up through Delivery Plans
	Some of the more economic based outcomes and targets may be more relevant to the 'money' priority	<ul style="list-style-type: none"> A collated targets and indicators table has been included as an appendix to the updated Plan – this shows how some measures can be used to assess progress against more than one priority
	Outcomes should have a greater focus on improving quality of life and well-being for everyone, reflecting the value that the 'sense of place' (including culture and environment) can play in this	<ul style="list-style-type: none"> The fourth outcome has been amended to include the words, "creating positive places that are economically, socially and environmentally sustainable."
	Target of 100% of businesses being able to recruit labour is unrealistic	<ul style="list-style-type: none"> Target has been reduced to 95%
	Measuring new jobs created does not provide an indication of those lost or of diversification and does not reflect challenges in filling existing roles	<ul style="list-style-type: none"> Number of new private sector jobs target has been removed New indicator and associated targets have been included on number of employees in Shetland
	Population trends and predictions may be helpful indicators	<ul style="list-style-type: none"> The infographic notes population trends over time Population predictions will be helpful in Delivery Planning
The 'Money' Priority	Could reference opportunities for boosting earning potential e.g. through the Visitor Economy	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (change requested)	We Did...
	The costs of travelling to and from Shetland, debt levels and the value of the community (beyond employment) should be considered	<ul style="list-style-type: none"> This is a key factor in the cost of living and relates to delivery – to be picked up through Delivery Plans
	The first outcome refers to 'everyone being supported to maximise their income' which may imply dependency	<ul style="list-style-type: none"> Outcomes one and two changed to read, "Everyone will be able to access the support they need..."
	The second outcome could state that the ways we will achieve reduced bills is through making homes more energy efficient and reducing reliance on the car	<ul style="list-style-type: none"> Examples of the way in which we can reduce bills has been removed as this relates to delivery rather than outcomes and may change over time - this will be picked up through Delivery Plans
	Some targets are duplicated from the 'people' priority	<ul style="list-style-type: none"> A collated targets and indicators table has been included as an appendix to the updated Plan – this shows how some measures can be used to assess progress against more than one priority
	Percentage of households who do not earn enough to live well – it may be more helpful to look for a reduction in level rather than a change in relation to the baseline e.g. reduce by 50%	<ul style="list-style-type: none"> Targets were re-written to reflect a proportional decrease rather than a target number - unfortunately, where the baseline figure is already a percentage it became very confusing, as such targets remain unchanged
	Data relating to house prices and the rental market may improve our understanding of cost of living and related outcomes	<ul style="list-style-type: none"> This relates to delivery and will be picked up through Delivery Plans
Locality Planning	Need to demonstrate how this links to 'Participation'	<ul style="list-style-type: none"> Linkages to Participation priority now made clear in Plan
	This should not be presented as a 'priority' alongside the other 4	<ul style="list-style-type: none"> Presentation of 'Locality Planning' has been altered within the document
	A definition of a locality would be helpful	<ul style="list-style-type: none"> Definition of Locality included in Plan
	There is a danger that targets may be too interdependent - if all areas improve the difference between them may remain	<ul style="list-style-type: none"> Targets have been removed

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said <i>(change requested)</i>	We Did...
Governance	Shetland Partnership representatives should be visiting Community Bodies in all locations more often - face to face discussions are important to help the Public Sector understand community needs	<ul style="list-style-type: none"> The Governance section has been re-written to include; "There will be regular engagement between senior representatives of the Partnership, Community Councils and other Community Bodies."
	There is a need to clarify and simplify the current arrangements	<ul style="list-style-type: none"> The Project Board have carried out a full review of existing arrangements and feedback to develop a new structure that is fit for purpose
	The role of Scottish Government as a partner should be considered	<ul style="list-style-type: none"> The Scottish Government have a key role in supporting delivery of the LOIP – in particular through the Islands Deal
	A culture of leadership, accountability and scrutiny must be developed through structures and process – clarifying expectations and shared ambition	<ul style="list-style-type: none"> An options appraisal of potential Governance arrangements was carried out – scrutiny, leadership and accountability were key criteria for assessment
	Alignment of partnerships, plans and strategies should be a key ambition over the first year	<ul style="list-style-type: none"> This will be taken forward through Delivery Planning
	Clarity is required as to where in the structure key decision are taken and the process required for sign-off to happen through each organisation	<ul style="list-style-type: none"> Decision making is being considered in relation to both Governance and Delivery Planning and will be detailed in roles and remits
	Contribution of resources by all partners needs to be clearly defined with strong governance to enable clear lines of accountability	<ul style="list-style-type: none"> This will be taken forward through Delivery Planning and partner sign-off
	Strategic Leadership Group should be comprised of a focussed group of individuals with a clear leadership role and demonstrable commitment to tackling inequalities and effective partnership - it should maintain a clear focus on achieving high level outcomes and holding partners to account	<ul style="list-style-type: none"> Detailed roles and remits are being developed to ensure an effective partnership
	Operational Board will require sufficient seniority and authority to enable it to take key decisions	<ul style="list-style-type: none"> Detailed roles and remits are being developed to ensure an effective partnership

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (change requested)	We Did...
Delivery	A shift in resources and actual visible delivery will be key to the success of the Partnership – this needs to be demonstrated	<ul style="list-style-type: none"> The Delivery section has been updated with more specific information on how the Partnership will monitor and assess impact and how they will report this publicly
	Need to consider the alignment of the 10 Year Plan (and others) with the LOIP and associated delivery structures	<ul style="list-style-type: none"> Over time, partners should work to align existing Plans and Strategies to the LOIP as the principal plan for Shetland its communities and partner agencies
	The process of developing, resourcing and delivering the 3 Year Delivery Plans must be clear – particularly how these relate to other core duties, statutory functions and legal requirements and how these inter-link	<ul style="list-style-type: none"> For each priority in the LOIP we will establish a Steering group The Group will 'de-construct' the outcomes in the LOIP and identify the activities and resources we need to undertake together to improve those outcomes The Delivery Plans will also help to identify what individual organisations are doing to mainstream and deliver the LOIP priorities in their wider work The cross-over between priorities and delivery will be managed by the Management Team to ensure Delivery Plans align and do not duplicate
Data	Using 'Place Standard' as a measure could be an issue due to the different interpretations of quality and improvement required	<ul style="list-style-type: none"> The Place Standard is used as a general indicator rather than an absolute measure
	Small numbers can make statistics hard to monitor effectively	<ul style="list-style-type: none"> Where numbers are small we have looked at trend data and rates rather than absolute numbers to see if any issues are arising
	Targets should be realistic and aligned with national targets and/or targets within existing local plans and strategies where appropriate	<ul style="list-style-type: none"> Through the consultation partners have helped us to set/align targets
	Greater clarity on terminology/data sources required e.g. low-income families, food bank usage etc.	<ul style="list-style-type: none"> Data is referenced at the foot of each infographic and was available as supporting information to the draft, full data sources now included in Appendix 2, targets and indicators table
	Need to be careful setting targets on issues out with our control e.g. welfare payments	<ul style="list-style-type: none"> Targets have been reviewed and where the Project Board consider we can have an impact the targets remain

Proposed Changes to the Plan identified through the Consultation and how these have been addressed		
We Asked About...	You Said (<i>change requested</i>)	We Did...
Further information	A list of the wider partners beyond those listed in Schedule 1	<ul style="list-style-type: none"> Appendix 1 listed only those partners with a Statutory Duty to be involved in Community Planning, the list of potential wider Community Planning Partners is long and will never be exhaustive – this has been made clearer in the Appendix and text of the document
	A demonstration of the Linkages between the Plan and wider partner plans, strategies, partnerships and core functions of organisations would be helpful	<ul style="list-style-type: none"> The consultation enabled us to further identify existing plans, strategies and partnerships and their priorities How these all link together and align will take time and is a key priority over the first year of the Plan
	Island proofing should be referenced	<ul style="list-style-type: none"> Islands proofing is a key aspect of all issues and priorities in Shetland and linkages are being made to ongoing work on Islands Proofing Text in the Plan will be updated to reference this

	Shetland Islands Council	Agenda Item 8
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Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Zetland Educational Trust: Unaudited annual report and financial statements for the year to 31 March 2018	
Reference Number:	F-054-F	
Author / Job Title:	Executive Manager - Finance	

1.0 Decisions / Action required:
<p>1.1 That the Council NOTES:</p> <ul style="list-style-type: none"> a) the Zetland Educational Trust (ZET) unaudited annual report and financial statements for the year to 31 March 2018 (Appendix 1) and; b) the information at section 4.0 that highlights the key points from the report and financial statements.
2.0 High Level Summary:
<p>2.1 Each trust registered with the Office of the Charities Regulator (OSCR) at 31 March 2018 is required to prepare a Trustees' Annual Report for 2017/18, which for ZET can be found in Appendix 1.</p> <p>2.2 The annual report and financial statements must be independently audited. For 2017/18, Deloitte LLP is the appointed auditor. The audited accounts will be formally presented to the Council on 19 September 2018 for approval.</p>
3.0 Corporate Priorities and Joint Working:
<p>3.1 The preparation and presentation of the annual report and financial statements is a responsibility of the trustees of the Zetland Educational Trust.</p>
4.0 Key Issues:
<p>4.1 The unaudited accounts include the following key points for members' consideration:</p> <ul style="list-style-type: none"> • The Trustees' Annual Report gives an overview of the Trust's performance and activity in 2017/18 and can be found on page 1 of Appendix 1. • Following approval on 7 March 2017, Trust reserves of £660,000 previously held in a fixed term deposit account were transferred to a Corporate Bond Fund with investment managers Baillie Gifford, with effect from 28 April 2017. • This has resulted in much higher income from investments, meaning that more disbursements can be made each year. • After disbursing £15,584, the Trust made a surplus of £6,139 in 2017/18. • At 31 March 2018, the Trust held cash and investment balances of £673,459.

5.0 Exempt and/or confidential information:	
5.1 None.	
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None arising from this report.
6.2 Human Resources and Organisational Development:	None arising from this report.
6.3 Equality, Diversity and Human Rights:	None arising from this report.
6.4 Legal:	Councillors, as trustees of Zetland Educational Trust, has responsibility for the preparation of Trustees' Annual Reports in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations (Scotland) 2006.
6.5 Finance:	None arising from this report.
6.6 Assets and Property:	None arising from this report.
6.7 ICT and new technologies:	None arising from this report.
6.8 Environmental:	None arising from this report.
6.9 Risk Management:	The Trustees' Annual Report and Financial Statements are subject to independent audit by 30 September 2018 to mitigate the risk of material misstatement.
6.10 Policy and Delegated Authority:	All members of Shetland Islands Council are trustees of the Zetland Educational Trust, with responsibility for making judgements and estimates that are both reasonable and prudent, whilst also keeping adequate and up to date accounting records.

6.11 Previously considered by:	n/a
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Contact Details:

Jonathan Belford, Executive Manager - Finance

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7 February 2018

Appendices:

Appendix 1 – Zetland Educational Trust Draft Annual Report and Financial Statements for year to 31 March 2018

Background Documents: *The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations (Scotland) 2006.*

ZETLAND EDUCATIONAL TRUST SCHEMES
1961 TO 1965



TRUSTEES' ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018

Contents

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ZETLAND EDUCATIONAL TRUST

TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

Introduction

The trustees present their annual report together with the financial statements and the auditor's report for the year ended 31 March 2018.

Administration Information

Charity Name	Zetland Educational Trust Schemes 1961 to 1965, known as Zetland Educational Trust (ZET)
Charity Number	SC001146
Contact Address	Shetland Islands Council Office Headquarters 8 North Ness Business Park Lerwick Shetland ZE1 0LZ
Current Trustees	Shetland Islands Council
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL

Structure, Governance and Management

Constitution

The Zetland Educational Trust (ZET), as currently constituted, was formed in 1961 (amended in 1965) through the amalgamation of a number of bequests. It is registered with the Office of the Scottish Charity regulator (OSCR) and its governing document is a trust deed.

The Zetland Educational Trust comprises a number of endowments as specified in the ZET schemes 1961 and 1965, which are vested in Shetland Islands Council as the governing body and statutory successors to the County Council for the County of Zetland.

Trustees

The trustees of ZET are the elected members of Shetland Islands Council and are appointed through their election to the Council.

The Executive Manager – Finance is the designated officer within Shetland Islands Council with responsibility for the proper administration of the trust's financial affairs and for keeping adequate and up to date accounting records.

The Executive Manager – Finance is responsible for ensuring that the financial statements of ZET are produced in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended), for making judgements and estimates that are both reasonable and prudent, and for taking steps to prevent and detect fraud and other irregularities.

ZETLAND EDUCATIONAL TRUST

TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

Trustees (Cont.)

The Executive Manager – Finance has considered and taken steps to address any risks to which the charity may be exposed, in particular those related to its operation and finances. The trustees are satisfied that adequate systems are in place to mitigate exposure to such risks.

Management

The elected members, as trustees, are responsible for all major decisions relating to the trust.

Authority to award grants has been delegated by the trustees to Shetland Islands Council Children's Services. The nominated officer is the Executive Manager – Quality Improvement.

The Executive Manager – Quality Improvement has the power to authorise expenditure within the limits of the trust's annual income. Designated staff within Children's Services are responsible for the day-to-day administration of the funds.

Objectives and Activities

Charitable purposes

The purpose of the trust is the advancement of education of people belonging to Shetland.

The Zetland Educational Trust generally provides grants amounting to 75% of total project costs, with the remainder of project costs to be met by fundraising activities or in-kind support. The Trust does not give funds retrospectively. Applications are invited on an annual basis from individuals, schools and other educational organisations operating in Shetland.

The amount of funds available for disbursement will vary each year depending on interest received by the trust.

The trust will fund projects that fall under the following headings:

- **Educational excursions**

The trust may provide assistance to meet the costs of organised educational excursions for the benefit of pupils attending school centres in Shetland. The pupils should derive some educational benefit from attending the excursion.

- **Special equipment**

The trust may fund the enhancement of education by assisting the provision of special equipment additional to that which the local authority may reasonably be expected to supply.

- **Promotion of ability and skill in swimming**

The trust may fund the promotion and encouragement of swimming among pupils in Shetland through organised instruction by paying fees, travelling expenses and personal expenses of teams, instructors and any other appropriate costs.

- **Promotion of knowledge of Shetland**

The trust may fund the promotion of knowledge of Shetland: its character, its skills and its arts, among persons being educated in Shetland by, for example, assisting to meet the costs of museum provision, making films designed to develop the knowledge of Shetland and any other appropriate costs.

ZETLAND EDUCATIONAL TRUST

TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

- **Educational experiments and research**

The Trust may fund bodies, or other persons it approves, to undertake educational experiments and research, including archaeological research that, in its opinion, will be for the educational benefit of persons in Shetland.

Performance

For the year ended 31 March 2018, the Trust received bank interest of £941 and investment income of £22,005.

There were 14 bursaries (2016/17: 12) awarded to university students in support of their studies, totalling £2,800 (2016/17: £2,400). These bursaries are issued in the name of the original donors: E&M Gair (8 awards) and Arthur Anderson (6 awards). These bursaries will continue to be awarded as the students' progress through their degree programmes.

The Trust also provides grants for projects of a general educational nature in line with the objectives set out above. There were 42 grants awarded totalling £12,784 in the year to 31 March 2018 (2016/17: nil).

Financial Review

Overview

In the year to 31 March 2018, the Trust made a surplus of £6,139 (2016/17: £1,579).

At 31 March 2018 the trust held cash and investments amounting to £673,459 (2016/17: £667,320).

Reserves Policy

Following approval on 7 March 2017, Trust reserves of £660,000 previously held in a fixed term deposit account were transferred to a Corporate Bond Fund with investment managers Baillie Gifford with effect from 28 April 2017.

Declaration

This report was signed on behalf of the trustees on 27 June 2018 by:

.....
Jonathan Belford, CPFA
Executive Manager – Finance

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ZETLAND EDUCATIONAL TRUST

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2018

The Statement of Receipts and Payments, as required by the Charities Accounts (Scotland) Regulations 2006, provides an analysis of the incoming and outgoing cash and bank transactions for the year.

	Note	Restricted Funds £	2017/18 £	2016/17 £
Receipts				
Investment income	3	22,005	22,005	0
Bank interest		941	941	3,979
Total receipts		22,946	22,946	3,979
Payments				
Service charges		5	5	0
Fund Manager fees	3	1,218	1,218	0
Disbursements	4	15,584	15,584	2,400
Total payments		16,807	16,807	2,400
Surplus for the year		6,139	6,139	1,579

ZETLAND EDUCATIONAL TRUST
STATEMENT OF BALANCES AS AT 31 MARCH 2018

The Statement of Balances, as required by the Charities Accounts (Scotland) Regulations 2006, reconciles the cash and bank balances at the start and end of the financial year with any surpluses shown in the Statement of Receipts and Payments.

	Note	Restricted Funds £	2017/18 £	2016/17 £
Cash and bank	3			
Opening balance		7,320	7,320	10,741
Less transfer to investments		0	0	(5,000)
Surplus for the year		6,139	6,139	1,579
Closing cash balance		13,459	13,459	7,320
Investments	3			
Bank of Scotland - Fixed Term Deposit		-	-	660,000
Baillie Gifford Corporate Bond		660,000	660,000	0
Total Investments		660,000	660,000	660,000
Opening Trust Balance at 1 April		667,320	667,320	665,741
Add surplus for the year		6,139	6,139	1,579
Closing Trust Balance at 31 March		673,459	673,459	667,320

Signed on behalf of the trustees on 27 June 2018 by:

.....
Jonathan Belford, CPFA
Executive Manager – Finance

ZETLAND EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Accounting

The financial statements have been prepared on a receipts and payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

2. Trustee Remuneration, Expenses and Related Party Transactions

- a) No remuneration or expenses were paid during the period to any trustee or persons connected to a trustee during 2017/18;
- b) There were no related party transactions during the year; and
- c) Shetland Islands Council has not charged the Trust any fees for legal, financial or administrative services provided during the year.

3. Cash and Investments

There is currently one bank current account held by the trust, used mainly for payments. The balance on this account at 31 March 2018 was £13,459.

Investment balances are held in a Baillie Gifford Corporate Bond Fund with an average annual return of 4.5% and Fund Manager fees of 0.3%. At 31 March 2018, the market value of the Baillie Gifford Corporate Bond was £654,605.

4. Disbursement of Bursaries and Grants

Disbursements: bursaries	2017/18		2016/17	
	Number	£	Number	£
E & M Gair student bursaries	8	1,600	9	1,800
Arthur Anderson student bursaries	6	1,200	3	600
Total	14	2,800	12	2,400

Disbursements: grants	2017/18		2016/17	
	Number	£	Number	£
Type of activity or project supported				
Special equipment	18	4,491	-	-
Promotion of knowledge of Shetland	14	2,091	-	-
Educational excursions	9	4,522	-	-
Promotion of swimming skills	1	1,680	-	-
Total	42	12,784	-	-

5. Audit Fees

Shetland Islands Council has an agreement with ZET whereby the independent audit fee is borne by the Council unless the Trust earns a minimum income of £10,000 in the year. For 2017/18, this income threshold was exceeded and therefore audit fees of £400 are chargeable to ZET. This transaction will take place in 2018/19.

6. Taxation

The Zetland Educational Trust is not liable to income or capital gains tax on its activities. Irrecoverable VAT is included in any expense to which it relates.

	Shetland Islands Council	Agenda Item 9
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Meeting(s):	Shetland Islands Council	27 June 2018
Report Title:	Shetland Islands Council Unaudited Accounts 2017/18	
Reference Number:	F-053-F	
Author / Job Title:	Executive Manager - Finance	

1.0 Decisions / Action required:	
1.1	That the Council considers: <ul style="list-style-type: none"> a) the 2017/18 Unaudited Accounts for the Shetland Islands Council (Appendix 1) and; b) the information at section 4.0 that highlights the key issues from the 2017/18 accounts.
2.0 High Level Summary:	
2.1	The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.
2.2	The draft accounts are then required to be formally considered by the Council no later than 31 August.
2.3	The accounts are then subject to external audit by the Council's appointed auditor, Deloitte LLP, by 30 September. The audited accounts will be presented to the Audit Committee and Council on 19 September 2018.
3.0 Corporate Priorities and Joint Working:	
3.1	The preparation and presentation of the annual accounts is a key element of the Council's overall governance and reporting arrangements.
4.0 Key Issues:	
4.1	<p>The unaudited accounts include the following key points for members' consideration (page numbers refer to the Unaudited Accounts at Appendix 1):</p> <ul style="list-style-type: none"> • The Management Commentary provides an overview of the Council's financial performance during 2017/18, including a final draw on reserves of £8.5m; • The Comprehensive Income and Expenditure Statement (CIES) on page 24 takes account of a range of transactions that are required to comply with accounting standards and shows an accounting deficit in the year of £25.5m; • The Council receives funding on the basis of meeting expenditure as it falls due which means that it is not funded to take account of all accounting requirements. The Expenditure and Funding Analysis (page 32) reconciles the result calculated for accounting purposes to the revenue outturn position;

- The Council's usable reserves are detailed on page 39 and amounted to £250.2m at 31 March 2018. The majority is earmarked for specific purposes, however there is a sum of £22.9m in the unearmarked General Fund balance;
- The net assets of the Council increased by £73.0m to £551.9m at 31 March 2018, arising from a reduction in the pension liability of £64.5m and an increase in investments of £11.6m. This can be seen in the Balance Sheet on page 26.
- During the year, the new Anderson High School was completed, resulting in an asset of £46m being added to the Balance Sheet under Property, Plant and Equipment. Due to its funding arrangement via Private Finance Initiative (PFI) a liability, being amounts owing to the contractor over the life of the contract, is also created. The long-term element of this can be seen as a 'Deferred Liability' on the Balance Sheet. Further detail can be found in Note 16 on page 49.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	None arising from this report.
6.2 Human Resources and Organisational Development:	None arising from this report.
6.3 Equality, Diversity and Human Rights:	None arising from this report.
6.4 Legal:	None arising from this report.
6.5 Finance:	None arising from this report.
6.6 Assets and Property:	None arising from this report.
6.7 ICT and new technologies:	None arising from this report.

6.8 Environmental:	None arising from this report.
6.9 Risk Management:	The annual accounts are subject to external audit by 30 September in order to mitigate risk of material misstatement.
6.10 Policy and Delegated Authority:	The preparation and presentation of the Annual Accounts is a key element of the Council's overall governance and reporting arrangements. Receiving the audited accounts of the Council and related certificates is a matter reserved by the Council.
6.11 Previously considered by:	The Annual Governance Statement was approved by the Audit Committee on 12 June 2018.

Contact Details:

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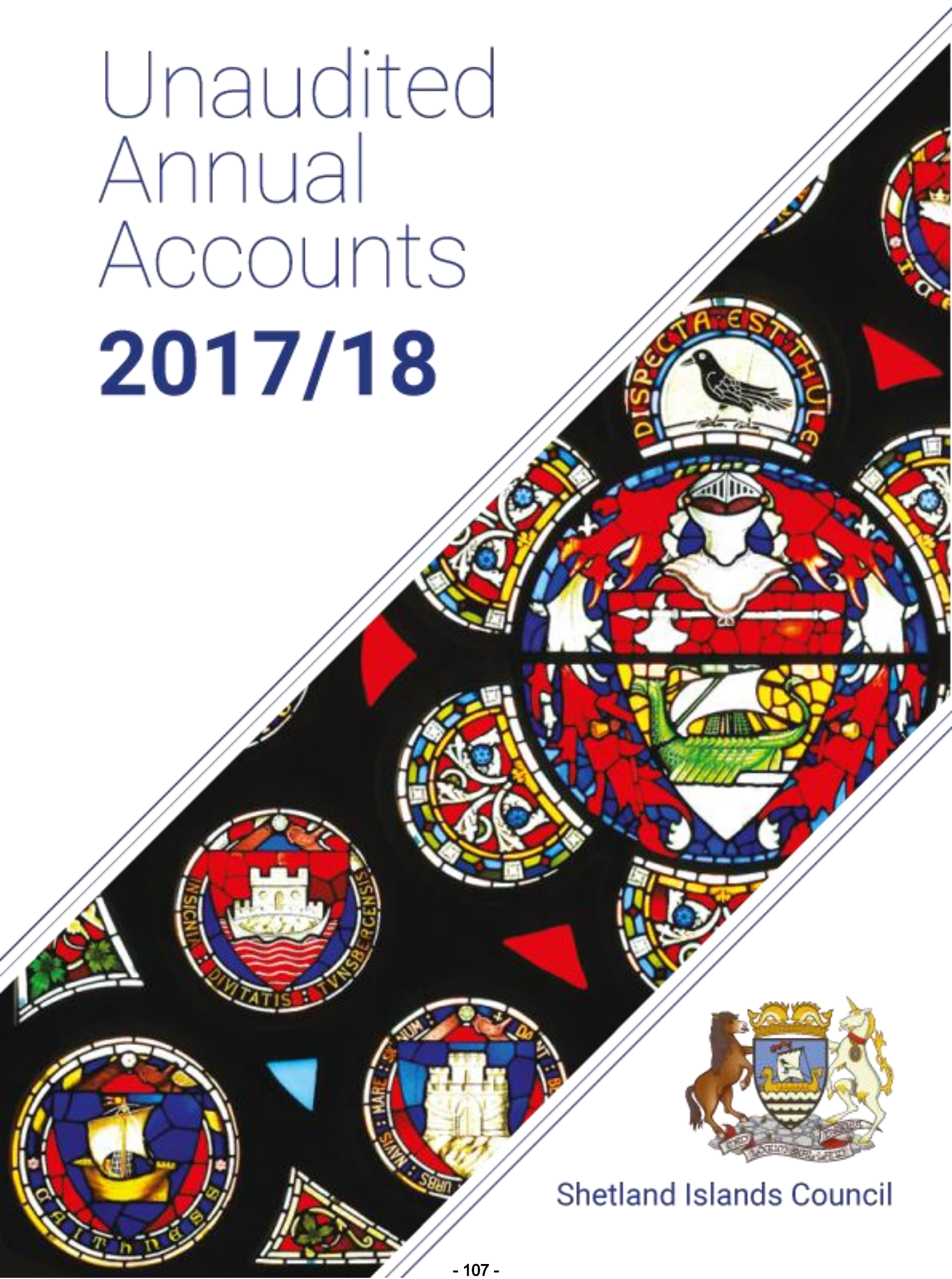
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27 June 2018

Appendices: *Appendix 1 – Shetland Islands Council Unaudited Annual Accounts 2017/18*

Background Documents: *The Local Authority Accounts (Scotland) Regulations 2014*

Unaudited Annual Accounts **2017/18**



Shetland Islands Council

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Management Commentary

Introduction

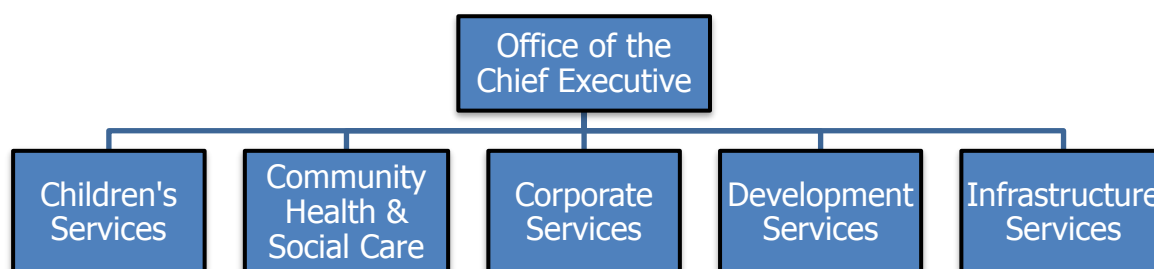
The Annual Accounts present the financial statements of Shetland Islands Council for the year ended 31 March 2018.

The purpose of the Management Commentary is to present an overview of the Council's financial performance during the year 2017/18 and to help readers understand its financial position at 31 March 2018. In addition, it outlines the main risks and uncertainties facing the Council for the financial year 2017/18 and beyond.

Background

Shetland Islands Council is one of 32 local authorities in Scotland.

It is governed by 22 elected members (21 independent and 1 SNP) serving a population of approximately 23,000 people. The Council is organised to provide and deliver its services to the public, such as schools, public transport, economic development, social care, environmental health, housing, ports and harbours and roads, as follows:



Full details on the services provided can be found on the Council's website: www.shetland.gov.uk

Strategy and Performance Management

Corporate Plan

Shetland Islands Council has a four-year corporate plan. Called 'Our Plan 2016-2020', it sets out the Council's vision as follows:

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

The plan is monitored through the quarterly reporting cycle of service performance reports, as well as an annual update to elected members and the Corporate Management Team.

The full plan can be found at: <http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf>.

The plan details five top political priority areas for 2016-2020, as follows:

- Complete and move into the new Anderson High School and Halls of Residence – pupils and teachers moved in during October 2017;
- Increase the supply of affordable housing in Shetland – the Scottish Government have committed £14.3m for affordable housing in Shetland over the next three years;
- Improve high-speed broadband and mobile connections throughout Shetland – 'Broadband and Connectivity' is one of the key strands in the Council's Business Transformation Programme, currently being progressed;
- Provide quality transport services within Shetland, and push for improvements in services to and from Shetland Community Planning – in partnership with ZetTrans, the Shetland Transport Strategy is currently being refreshed;
- Support older people across Shetland so that they can get the services they need to help them live as independently as possible – the Integration Joint Board introduced a number of new initiatives during 2017/18, including a Falls Prevention Strategy and also extended the work of the Intermediate Care Team.

Community Planning

The Council is a statutory member of the Shetland Partnership, which is the local Community Planning Partnership for Shetland. Partners are drawn from across the public, private and third sectors in Shetland. The Community Plan sets out what the Partnership will try to do for Shetland over the long term.

Community Planning in Shetland aims to create communities that are:

- Wealthier and fairer
- Smarter (learning and supportive)
- Healthier (healthy and caring)
- Safer
- Greener

The Community Plan is linked to the Local Outcomes Improvement Plan (LOIP), which sets out the activity and priorities of the Shetland Partnership to deliver the Community Plan.

The Community Planning Partnership is responsible for preparing a LOIP under the Community Empowerment (Scotland) Act 2015, which aims to empower community bodies through ownership or control of land and buildings and by giving them more say in decisions about public services.

A new LOIP, called Shetland's Partnership Plan 2018-2028, is currently in draft. It was built on an evidence-based understanding of local needs, circumstances and opportunities.

Shetland's Partnership Plan 2018-2028 proposes a shared vision that:

"Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges"

Shetland's Partnership Plan will be the principal strategic planning document for delivery of public services in Shetland. It will be supported by comprehensive governance, scrutiny and accountability arrangements.

Shetland's Partnership Plan 2018-2028 outlines four shared priorities, as follows:



People

Individuals and families can thrive and reach their full potential



Participation

People can participate and influence decisions on services and use of resources



Place

Shetland is an attractive place to live, work, study and invest



Money

All households can afford to have a good standard of living

The Partnership will undertake evaluation of its own performance annually as well as on delivery of the Plan. Reporting on this performance will be transparent and publicly available.

Shetland's Partnership Plan 2018-2028 will be considered for approval by the Council on 27 June 2018.

More information can be found at:

<http://www.shetland.gov.uk/communityplanning/ShetlandPartnership.asp>

Council Highlights 2017/18

New Chief Executive

Maggie Sandison, who has served as Director of Infrastructure Services since October 2013, was appointed in February 2018 as the new Chief Executive of Shetland Islands Council. Her appointment follows the retirement of Mark Boden, who held the post for over five years.



Community Choices Project

A well-used coastal footpath in Lerwick known as the Sletts opened to the public in December after the completion of improvement works that were initiated as a result of this project being the first-choice voted for by the public in the Shetland Community Choices project in 2017.



Town Centre Works

A new 20mph zone, traffic calming and zebra crossings have been introduced in Lerwick town centre with a view to reducing accidents and improving the town centre experience for pedestrians.



New High School and Halls of Residence

In October 2017 the new Anderson High School and Halls of Residence opened to pupils, with final construction costs amounting to £55.75m.

The Scottish Government has committed to funding construction costs of £42m over the next 25 years.



Knab Site Masterplan

In July 2017, Edinburgh-based 7N Architects were appointed by the Council to produce a masterplan for the redevelopment of the site of the previous Anderson High School in Lerwick. This will include public consultation and is expected to incorporate mixed use and residential development.

Values and Behaviours

During 2017, the Council launched its staff Values and Behaviours Framework, which has the following message at its core: "Excellent service is at the heart of everything we do. We provide excellent service by taking personal responsibility and working well together."



New tug for Sullom Voe port

In November 2017 the Council completed its purchase of a new £7.6m tug to the port of Sullom Voe as a replacement for the *Tirrick*, which was sold to Greek buyers.

A second new tug, replacing the *Shalder*, is currently in operation under a 'bare boat' charter arrangement, with an option to purchase later in 2018.



Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its year-end position at 31 March 2018 and its cash flows. The annual accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of primary statements has been included immediately prior to the four single entity statements: the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

These four statements are accompanied by notes to the accounts which set out the accounting policies adopted by the Council and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant annual accounts for the purpose of the auditor's certificate and opinion.

Financial Performance in 2017/18

The Comprehensive Income and Expenditure Statement (CIES) on page 24 presents the full economic cost of providing Council services in 2017/18. This differs from the budgeted outturn position that was reported to the Policy & Resources Committee of the Council on 22 May 2018 and is available on the Council's website. The reasons for this difference are two-fold:

- (i) the application of appropriate accounting standards to ensure that corporate activities not included within operational budgets are identified and included in the accounts, as these costs require to be met from local taxation; and
- (ii) the CIES includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact upon local taxation payers.

The final reporting position reflects only those costs that are required to be met from local taxation. Therefore, the difference between the CIES and the actual outturn position is as a result of necessary accounting adjustments.

The Deficit on Provision of Services of £25.5m, disclosed on the CIES, has been reconciled to the outturn used for management decision making of £7.0m in the Expenditure and Funding Analysis on page 32.

The Council's day-to-day operations and the recording of its financial transactions (revenue income and expenditure) are charged to two primary reserves, which have been established by legislation: the General Fund and Harbour Account. There is also a legal requirement to separately identify expenditure and income that relates to the operation of the Council's housing stock; this is referred to as the Housing Revenue Account.

Capital investment expenditure is supported by a range of means including funding from revenue resources, external borrowing and use of retained reserves. Legislation enables the Council to retain capital reserves in order to support its long-term asset investment plans, an example being the Capital Fund.

The table that follows shows that the draw on reserves, excluding accounting practice adjustments, was £8.6m for 2017/18. This is significantly lower than the planned draw on reserves of £17.2m.

As a result of an overall budget underspend and by applying the Council's carry-forward scheme, a sum of £6.7m has been committed for use in 2018/19. Of this, £3.7m will support the 2018/19 revenue budget and £3.0m will support asset investment, or capital, activities.

Budget v Expenditure draw from / (contribution to) Reserves	Revised Budget £m	Actual £m	Budget v Actual variance Under / (Over) £m	Carry forwards £m	Revised variance Under / (Over) £m
2017/18					
General Fund	22.853	19.345	3.508	1.696	1.812
Revenue Spend to Save	0.250	0.000	0.250	0.377	(0.127)
Housing Revenue Account	0.484	(1.048)	1.532	0.157	1.375
Harbour Account	(9.376)	(11.324)	1.948	1.440	0.508
Total Revenue Draw	14.211	6.973	7.238	3.670	3.568
Capital Spend to Save	0.620	0.292	0.328	0.268	0.060
Asset Investment Plan	2.334	1.332	1.002	2.734	(1.732)
Total	17.165	8.597	8.568	6.672	1.896

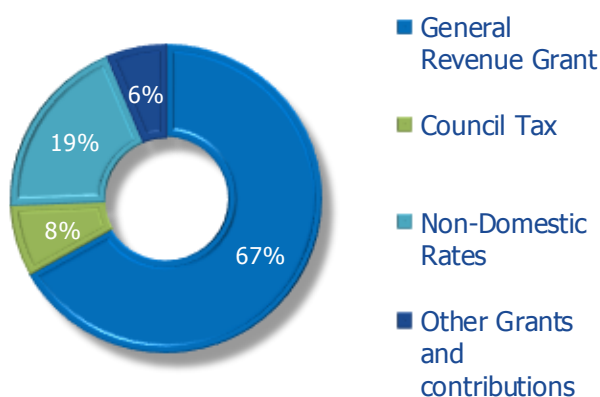
General Fund

Under the Local Government (Scotland) Act 1973, the Council is permitted to carry forward balances on the General Fund.

The General Fund expenditure for 2017/18 was £109.1m, which amounts to 96.7% of the Council's annual budget, resulting in a net underspend of £3.8m. This underspend can be attributed to a drive across services to reduce expenditure and increase income, as well as a number of one-off savings in year, mainly due to the number of staff vacancies within the Council.

In 2017/18 the Council's General Fund received the majority of its funding from the Scottish Government, which is made up of General Revenue Grant and National Non-Domestic Rates.

The total external funding breakdown is shown below:



The collection of Council Tax represents 7.5% of the Council's overall funding and an in-year collection rate of 97.1% was achieved during 2017/18.

The remainder of funding comes from Council's own reserves. This is set at a sustainable level, based on assumptions made about investment income and longer-term growth.

The resources deployed by the Council through its General Fund were used in the delivery and commissioning of services to the population of Shetland. As mentioned above, there have been some notable high-level achievements that have developed and improved these services during 2017/18.

Given the current economic climate and the UK Government's financial objectives over the coming years, it is anticipated that there will be further reductions in the core revenue grant from the Scottish Government. At the same time, the Council must manage demographic and service delivery changes resulting from, for example, increasing demand for community care services, as well as having to manage cost pressures arising from inflation.

Harbour Account

The Zetland County Council Act 1974 empowers the Council to transfer surpluses arising on the Harbour Account to the Harbour Reserve Fund. The Harbour Account budgeted for a £9.4m contribution to the Reserve Fund in 2017/18.

The actual contribution was £11.3m, the increase being due to additional income from fish landings, delays in capital programme meaning less revenue contributions required and higher than expected throughput income from the Shetland Gas Plant.

Housing Revenue Account

The Housing Revenue Account (HRA) is a separate account within the Council. The HRA budgeted for a £0.5m contribution from its reserve in 2017/18 which was exceeded by £1.5m, giving a total contribution to the HRA of £1.0m in the year. The increase is mainly due to increased capital receipts which reduced the requirement to fund capital from rental income.

Despite this, the financial position of the HRA continues to be a challenge for the Council, due to a need to invest in current housing stock to meet national housing targets, as well as managing a high demand for new build housing.

A five-year business plan for the HRA was approved in 2016/17, underpinned by a 30-year financial model to ensure affordability and sustainability over the long term.

At 31 March 2018 the HRA was responsible for 1,662 properties, a decrease of 22 since 31 March 2017. There has been a consistent reduction in housing properties due to a high level of housing sales through the tenants 'Right to Buy' scheme. The right to request a council house purchase under the scheme ended on 31 July 2016, however there are still a number of purchases being finalised.

The Council continues to support Hjaltland Housing Association in its building programme to secure increased provision of affordable housing within Shetland.

Asset Investment Plan

In 2017/18 Shetland Islands Council incurred capital expenditure of £27.8m against a budget of £35.0m representing an underspend of £7.2m in the year.

The main reason for this underspend is a revision to the timing of construction in relation to the Halls of Residence, Scalloway Fish Market, Recycling Sorting Shed and Lerwick Library, as well as delays in ferry replacement and life extension works.

£7.2m will be carried forward to future years to enable work to be completed.

The Balance Sheet

The Balance Sheet sets out the total net worth of Shetland Islands Council and is a snapshot of the position as at 31 March 2018. When comparing this to the position at 31 March 2017, there has been an overall increase in the net worth of the Council of £73.0m. This figure matches the total figure in the Comprehensive Income and Expenditure Statement, which captures all transactions during the financial year that led to the movement in the Council's net worth.

Material Transactions

Long-Term Investments

Financial investments are covered by the Council's Investment Strategy 2013-18, which seeks to provide financial support to the Council's Medium-Term Financial Plan, reduce fund manager fees as a proportion of the fund, and lower the risk of large negative returns while maintaining similar levels of return to that achieved in recent years. The Medium-Term Investment Strategy is supported by an Annual Investment and Treasury Strategy report.

As at 31 March 2018 the Council had £345.4m, invested with three external fund managers, an increase of £11.6m from the previous year. This increase is mainly attributable to excellent equity growth throughout the year and the Fund Managers' management of the investments. During the year the Council withdrew £10m from investments to meet its cashflow requirements.

The Fund Management Annual Investment Report 2017/18 was presented to Council on 23 May 2018 and this summarised the performance of the Council's investments during the year. The report indicates that the Council's investments experienced positive returns of 6.6% during the year.

External Borrowing

External borrowing is regulated by the Borrowing Policy, part of the Council's Annual Investment and Treasury Strategy, which aims to secure Best Value in the financing of capital expenditure.

The Council's Capital Financing Requirement (CFR) is £93.0m as at 31 March 2018, of which £41.2m relates to external borrowing. It represents the capital expenditure to be funded

from borrowing. Whilst the CFR is a guide to the Council's underlying need to borrow, the Executive Manager – Finance can manage the Council's actual borrowing position by either borrowing to finance the CFR, choosing to utilise some temporary cashflow funds instead of borrowing (under-borrowing), or borrowing for future increases in the CFR (borrowing up to two years in advance of need).

As at 31 March 2018, external borrowing was £41.2m (£31.1m at 31 March 2017) and this is reflected on the Council's Balance Sheet on page 26.

Debt financing costs currently represent 2.1% of the Council's net revenue stream from General Revenue Grant (including NNDR), Council Tax, housing rents and harbour income. This provides an indication on the affordability of the Council's debt in terms of how much income can be directed to provide front-line service delivery rather than funding capital expenditure costs. Ongoing revenue implications of investment decisions will be managed within existing budgetary levels and the estimated cost of debt for 2018/19 is 1.8% of the net revenue stream.

Pension

The Council is the administering authority for the Shetland Islands Council Local Government Pension Scheme, which has prepared a separate set of annual accounts for 2017/18.

The impact of the Local Government Pension Scheme and Teachers' Superannuation Scheme on the Council's accounts has been disclosed in Notes 27 and 28 to the accounts.

The pension liabilities continue to outstrip pension assets and as such the net pension liability for the Council is £165.2m as at 31 March 2018 (£229.7m at 31 March 2017). This figure represents the amount that actuaries estimate that Shetland Islands Council will have to pay out in future years for all pension entitlements earned by current and previous staff up and until 31 March 2018.

During 2017/18, the net pension liability has decreased by £64.5m as a result of updated assumptions. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £58.3m. The assumptions interact in complex ways, however, and are established for particular reasons.

The Council continues to monitor and measure its pension liability and make changes to cash contributions as part of the regular assessment made by an independent actuary. A scheduled triennial valuation of the Pension Fund as at 31 March 2017 was undertaken during 2017/18 and the results were presented to the Pension Fund Committee in February 2018, following an Employers Forum on the subject on 23 January 2018.

Health and Social Care Integration

The Public Bodies (Joint Working) (Scotland) Act 2014 introduced significant changes to the provision of social and health care across Scotland. The legislation means changes to the law that require health boards and local authorities to integrate their services, resulting in more joined up, seamless and improved quality of health and social care provision.

Shetland Islands Council Integration Joint Board (IJB) was formally constituted on 27 June 2015 with voting members from both the Council and the Health Board.

In 2017/18, the Council contributed £20.6m to the IJB and received income from it of £21.7m, a result of some social care funding being channelled through the NHS Shetland financial settlement.

The Council's Reserves

The Council holds the following balances in reserves:

Reserves	As at 1 April 2017 £m	As at 31 March 2018 £m
General Fund	(54,417)	(60,681)
Housing Revenue Account	(15,614)	(17,335)
Harbour Reserve Funds	(63,518)	(63,221)
Capital Funds	(66,498)	(66,330)
Other Usable Funds	(44,378)	(42,593)
Total Usable Reserves	(244,425)	(250,160)

The overall level of usable reserves was £250.2m at 31 March 2018, an increase of £5.7m from the previous year. The movement on reserves differs from the outturn position reported. The reserves position is required to reflect a number of accounting adjustments for matters such as asset transfers, provisions and capital grants, which are not reflected in the

reports to management during the year. The Movement in Reserves Statement (page 25) and associated notes provide further detail.

The reserves of the Council reflect the historic financial performance of the Council and decisions that have been taken to provide a financial foundation upon which to plan for the future delivery and provision of Council services.

Reserves are split between discretionary and earmarked reserves to recognise these decisions taken and also the availability of funds should any unplanned or unexpected liabilities or expenditure arise. The impact of various reserve movements and earmarking of funds is that the uncommitted General Fund reserve has decreased by £1.4m to £22.9m as at 31 March 2018 from the previous year (see page 39). The uncommitted balance represents 19.9% of the Council's annual budgeted net expenditure and is considered sufficient to manage financial risks in the short term.

The Council uses its reserves on an annual basis to support delivery of frontline services. This is based on money being available from the anticipated income and growth achieved from the Council's long-term investments.

The value of the Council's long-term investments, which are quite separate from its usable reserves, represent the money that has been invested by the Council for long-term return. The increase in value is measured in terms of income generated by those investments and a change in their value reflected by unrealised gains, plus any injection of new money by the Council during the year.

Usable reserves on the other hand reflect a level of resources that the Council has available to carry out its future business; these reserves can be applied to the provision of services. More information is outlined in the 'Long-Term Investments' section on page 6.

Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires the Council to prepare group accounts where the Council has material interests in subsidiaries, associates and / or jointly controlled entities.

The Council has interests in Orkney and Shetland Valuation Joint Board (OSVJB),

Zetland Transport Partnership (ZetTrans) and the Integration Joint Board.

The interest in OSVJB is deemed to be not material and is therefore not consolidated in group accounts. The results of the remaining two bodies have a net nil impact on both the Comprehensive Income and Expenditure Statement and the Balance Sheet; therefore, no Group Accounts are presented for 2017/18 as there is no financial impact and no qualitative benefit to readers.

2018/19 Budget and Medium-Term Financial Outlook

2018/19 Budget

The Council's 2018/19 budget is a tactical financial plan that complements the strategic Medium-Term Financial Plan (MTFP), to ensure that the Council delivers its strategic financial objectives and achieves its target outcomes.

It was prepared in line with budget targets set out in the Council's MTFP 2016/17-2021/22.

Comparative figures for the 2017/18 settlement are shown in the following table. The increase in revenue funding for Shetland is significantly higher than the Scottish average as a result of an additional funding for internal ferry operations that affected only Shetland and Orkney Islands Councils. Capital funding, however, has reduced by 7.8% for 2018/19; a significantly different outcome for Shetland than the average change.

Note that 2017/18 figures have been restated in line with revised information from the Scottish Government (Circular 4/2018).

Scotland	2018/19 £bn	2017/18 £bn	Movement	
			£bn	%
Revenue	9.780	9.686	0.094	1.0%
Capital	0.876	0.786	0.090	11.5%
Total	10.656	10.472	0.184	1.8%
Shetland	£m	£m	Movement	
			£m	%
Revenue	86.061	81.964	4.097	5.0%
Capital	6.643	7.208	(0.565)	-7.8%
Total	92.704	89.172	3.532	4.0%

Within the finance settlement from the Scottish Government there are certain conditions that local authorities must meet, which bring further financial pressures. These conditions are:

- Overall teacher: pupil ratios to be maintained and all probationer placements secured;
- £52m revenue and £150m capital funding to deliver the programme for the expansion of Early Years provision;
- A further £66m funding for social care, to be used for specific purposes; and
- Council Tax increases capped at 3%.

Following the announcement of the financial settlement for 2018/19 the Corporate Management Team considered the detail and agreed a revised budget strategy that was discussed with Councillors in seminars held in November 2017. A report on the settlement was also prepared and the Council considered this ahead of the formal budget-setting meeting.

The revised budget strategy took into account additional funding that was announced by the Scottish Government in January 2018 in support of inter-island ferries, which benefits Shetland to the value of £5.0m. The 2018/19 budget was formally approved by the Council on 14 February 2018.

Medium-Term Financial Outlook

The Medium-Term Financial Plan is the Council's strategic finance document which focuses on the next five years. It is anticipated that there will be significant cash reductions in the general revenue grant from the Scottish Government over the forthcoming years and therefore an increasingly unaffordable cost of service delivery is inevitable.

At the same time, the Council must manage increasing demand for services from school roll changes and areas such as community care, where the IJB will direct service development and adapt to these demands.

The latest MTFP was approved by the Council on 8 March 2017; it covers a five-year period to March 2022 and is based on the following key principles:

- The Council will live within its means and in doing so approve an annual budget that is balanced and affordable;
- The Council has agreed to use its long-term investments as an investment fund and draw a

sustainable amount of the long-term anticipated return from those investments each year to support services;

- The cost of capital will be recognised by the Council and the cost of any borrowing undertaken will be borne by the revenue budget and met by the relevant service that will benefit from the capital investment;
- The Executive Manager – Finance will determine the costs associated with the management of significant corporate cost pressures, such as pay, pension and tax implications of national and local conditions of service. Where these cannot be applied to service budgets a central contingency will be retained and allocated to service budgets when required;
- A risk-based approach will be taken to areas of the budget that services identify to be uncertain in any single year and a central contingency will be retained and allocated to service budgets if required;
- The MTFP will identify the level of funding that can be made available for the delivery of services and estimate the gap between income and expenditure for which income generation, savings options and further efficiencies will have to be implemented.

Outlook - Projects and Initiatives

New Council Leadership

Cecil Smith stepped down as Council leader in March 2018 and a new leader was appointed by the Council in May. Steven Coutts had been serving as Deputy Leader since the local elections in May 2017 and is an independent member for Shetland West.



The Council also appointed a replacement Deputy Leader in May 2018: Emma MacDonald, who was elected as a member for Shetland North in the local elections in May 2017.



Business Transformation Programme

The Council continues to develop its Business Transformation Programme, approved by the Council in February 2017. This seeks to provide the framework to review and transform the services provided to the population of Shetland and the ways those services are delivered. The eight groups of subject areas, known as 'workstreams', are:

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

The most recent update report was presented to the Policy & Resources Committee on 22 May 2018 and can be found here: <http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9De%90oz%8C>

Eric Gray Resource Centre

The construction of a new Eric Gray Resource Centre to support adults with learning disabilities and complex needs commenced in August 2016, with the contract awarded to local contractor DITT Construction Limited. The project is progressing well and is expected to be completed in September 2018.

Kerbside Recycling

A new kerbside collection service is being rolled out on a phased basis across Shetland in 2018. Shetland Islands Council has the lowest recycling rate in Scotland and the new scheme aims to address this. The first phase of the scheme launched in March 2018 and has so far yielded very positive results.



College Integration

A review of tertiary education in Shetland has moved forward to focus on addressing the unsustainable model currently in place and complex governance arrangements, with the aim of achieving growth in the sector and secure the benefits that the tertiary education, research and training sector delivers for the future.

A strategic outline business case was presented to the Council for consideration on 23 May 2018; it can be found here: <http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=22485>

The decision resulted in approval to prepare a full business case on a merger of tertiary education, research and training services. This work will be reported to the Council in the Autumn.

Inter-Island Transport Study

Shetland Islands Council, in partnership with ZetTrans, the Highlands and Islands Transport Partnership (HITRANS), Orkney Islands Council and Transport Scotland, undertook a network-wide study of inter-island transportation in each of the archipelagos, in order to assess the appropriateness of service needs to outer islands in applying national standards and methodology.

This work has been the foundation for engaging with Transport Scotland and the Scottish Government in relation to fair funding for these services.

Shetland Islands Council was awarded £5.0m revenue funding in its 2018/19 financial settlement to support the delivery of inter-island ferries, however this has so far been committed only for one year.

With the support of Scottish Government Ministers, a multi-agency Inter-Island Working Group has been working to resolve the funding of inter-island transport on a permanent basis. The Council will continue to lobby for revenue funding and capital investment for its ferry replacement programme, with analysis of priority routes expected to be carried out during 2018/19.



Making Places

The Council has been awarded national funding as part of the Making Places Initiative to develop design workshops that will encourage the community of Scalloway to take part in shaping their environment.

Consultants GL Hearn were appointed to lead workshops in May 2018.



Conclusion

In summary, the Council has had a financially successful year in 2017/18 and is moving forward with a number of exciting projects designed to improve its efficiency and effectiveness and to secure improved outcomes for the people of Shetland.

The continuing challenges that lie ahead will be addressed by the Council in line with the Medium-Term Financial Plan.

.....
Maggie Sandison
Chief Executive
27 June 2018

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Steven Coutts
Leader of the Council
27 June 2018

.....
Jonathan Belford CPFA
Executive Manager – Finance
27 June 2018

Annual Governance Statement

Scope of Responsibility

Shetland Islands Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure continuous improvement in the way it operates.

In discharging this accountability, the Council is responsible for establishing proper arrangements for the governance of its affairs, including arrangements for the management of risk.

The Council approved and adopted its code of governance in 2012. It is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. This statement explains how the Council has complied with the code.

The Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it engages with its community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the annual accounts.

The key elements of Shetland Islands Council's governance framework are:

- the legal powers, duties and functions of the Council, and roles and responsibilities of the people who take decisions on behalf of the community;
- the levels at which decisions can be made, referred to as the Scheme of Administration and Delegations;
- the Standing Orders and the rules around how committees are run and decisions are made;
- the Financial Regulations and rules about contracting with other parties;
- the Council's performance in relation to delivering services and securing value for money; and
- the process of internal control and checking that the Council's policies and procedures are being followed, through the work of the Internal Audit staff and others.

In March 2017, the Council approved a revised set of governance documents, including the Scheme of Delegation, Financial Regulations, Contract Standing Orders and Code of Corporate Governance. These documents can be found on the Council's website at: http://www.shetland.gov.uk/about/how_we_work/constitutionandgovernance.asp

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance environment, the annual report of the Executive Manager – Audit, Risk & Improvement, and also by comments made by external auditors and other review agencies and inspectorates.

The effectiveness of the Council's governance framework has been evaluated as follows:

- Each **director** has reviewed the arrangements in their portfolio and certified their effectiveness to the Executive Manager – Finance. These assurances include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern. For 2017/18, no areas of weakness or concern were raised.

- The Council's **financial management** arrangements comply with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Council's **committee structure** supports the organisational and management structure of the Council, incorporating a culture of accountability that has been developed throughout.
- The Council's **Constitution** promotes good decision-making and adherence to the Building Better Business Cases methodology, supporting evidence-based options appraisal for the commissioning and procurement of services.
- The **Audit Committee** remains responsible for ensuring the effectiveness of the internal audit function and considering all reports prepared by the external auditor. Its remit ensures that the work of the Council, from both a control and performance perspective, is checked and scrutinised.
- A significant **induction and training programme** for new and returning councillors is delivered after each local election, including the May 2017 election.
- A professional, independent and objective **internal audit** service is one of the key elements of good governance. The Council's internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS).
- The internal audit service followed their **Audit Plan** during the year and their work revealed a range of findings. Management are undertaking work to implement agreed recommendations. This is described in the Internal Audit Annual Report.
- The Council's **external auditor** is Deloitte LLP. They regularly report to the Audit Committee and their reports cover the annual accounts audit and wider scope requirements set out within the Code of Audit Practice.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee and that arrangements continue to be regarded as fit

.....
Steven Coutts
Leader of the Council
27 June 2018

for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

During the year, the Audit Committee received a range of reports produced by Internal Audit that enabled scrutiny and questioning of officers, such that the Committee gained assurance about any weaknesses identified as well as the actions being taken to address them.

The following issues and related action plans were highlighted in Internal Audit's annual report as specific areas of concern:

- fire and other risk assessments either not being in place or out of date and inadequate health and safety monitoring;
- contractual and procurement issues identified in procurement reviews;
- operational grants processing and monitoring issues.

Follow-up work was carried out in relation to the issues highlighted in last year's Annual Governance Statement. Internal audit concluded that, aside from the areas still noted above, satisfactory progress had been made in addressing control weaknesses.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Conclusion

Overall, we consider that the governance and internal control environment operating in 2017/18 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified, and actions taken to avoid or mitigate their impact.

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Maggie Sandison
Chief Executive
27 June 2018

Remuneration Report

The Remuneration Report is set out in accordance with the Local Government Accounts (Scotland) Regulations 2014. These regulations require various disclosures on the remuneration and pension benefits of senior councillors and employees.

All information disclosed in the tables in this Remuneration Report has been audited by Deloitte LLP. The other sections of the Remuneration Report have been reviewed by Deloitte LLP to ensure that they are consistent with the financial statements.

The Code of Practice on Local Authority Accounting in the UK (the Code) also requires the disclosure of exit packages.

Remuneration Arrangements of Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 and the (Remuneration) Regulations 2007 (as amended) ("the Regulations"). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the convener of a council, senior councillors or councillors. A senior councillor is a councillor who holds a significant position of responsibility in a council's political management structure, usually referred to as the chair or vice-chair of a committee, sub-committee or board.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Convener of the Council is set out in the amended Regulations SSI 2008/415, which came into effect on 10 February 2009 (later amended by the 2013 and 2015 Regulations). For 2017/18 the level of remuneration (including expenses) for the former Leaders was £3.6k (G Robinson) (£28.9k in 2016/17) and £35.1k (C Smith) and £36.4k for the Convener (£21.4k in 2016/17).

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors a council may

have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the leader of a council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £171k in 2017/18 (£171k in 2016/17).

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

The senior councillor positions are:

- Chair of Education and Families Committee
- Chair / Vice-Chair of Integration Joint Board
- Chair of Development Committee
- Chair of Environment and Transport Committee
- Chair of Audit Committee
- Chair of Planning Committee
- Chair of Licensing Committee
- Chair of Harbour Board
- Chair of Shetland College Board

Excluding the Convener and the Leader, the total remuneration paid to these Councillors in 2017/18 was £171k (£171k in 2016/17).

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme, in respect of those Councillors who elect to become councillor members of the Local Government Pension Scheme.

The original policy, following the Regulations, which encompasses the salaries of all elected members, including the Convener, Leader and senior councillors, was agreed at a meeting of the Council on 8 February 2007 in a report entitled 'Review of Committee and Decision Making Structures'.

The Scheme was updated on 7 March 2011 to reflect amendments to the committee structure, including the positions that attract special responsibility allowances.

The Scheme was further updated at the Council meeting on 12 May 2011 with the new positions that attract those allowances, including the creation of the post of Leader, and the Council adopted the new political management framework with effect from 18 May 2011.

All reports are available from the Council's website at <http://www.shetland.gov.uk/>.

Local government elections were held in May 2017, resulting in changes to senior councillor posts.

Remuneration of Conveners and Vice-Conveners for Joint Boards

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board, such as the Orkney and Shetland Valuation Joint Board.

The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member.

The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Convener of the Orkney and Shetland Valuation Joint Board from May 2017 has been a senior councillor of Orkney Islands Council, who are reimbursed by the Joint Board for additional remuneration paid in respect of this role.

Remuneration of Senior Employees

Remuneration is the term used to describe the total payments made to employees and will include salary payments and allowances such as distant islands allowance and statutory duty allowances.

The salary of senior employees is set by reference to national arrangements and agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/149 sets the amount of salary for the Chief Executive of Shetland Islands Council for the 2017/18.

The salaries of the directors are based on a fixed percentage of the Chief Executive's salary, namely 80% of the value of the Chief Executive's salary.

Executive managers fall into two bandings, the second reflecting the additional level of statutory responsibility held by the Monitoring Officer, the Section 95 Officer and the Chief Social Work Officer. These arrangements were agreed through approval of Report CE-30-F 'Management Restructuring' at a meeting of the Council on 14 June 2011.

The current senior management structure is:

- Chief Executive
- Director - Children's Services
- Director - Community Health and Social Care
- Director - Corporate Services
- Director - Development
- Director - Infrastructure
- Executive Manager - Children and Families (Chief Social Work Officer)
- Executive Manager - Finance (Section 95 Officer)
- Executive Manager - Governance and Law (Monitoring Officer)

In order to ensure that recruitment of senior employees is properly managed, a protocol for chief officer appointments is in place. The protocol applies to appointments to the chief officer posts of Chief Executive and Director. The protocol is designed to ensure that:

- the appointment is widely known and the best available candidates are attracted to apply;
- the best information is available to the Council about qualities, skills, experience and personal attributes of candidates; and
- information about candidates is assessed effectively and fairly during the assessment, selection and appointment process.

Allowances

Senior employees are entitled to a mobile phone and to claim mileage costs paid at rates recommended by HM Revenue & Customs.

General Disclosure by Pay Band

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50k or more, disclosed in bands of £5k. This table includes payments made in the year for salary, pension contributions, redundancy and compensatory added years of pension. Bands that do not appear in the table had nil employees in both 2017/18 and 2016/17.

Number of Employees							
Total at 31 March 2017	Remuneration Bands	Children's Services	Infra-structure Services	Community Health & Social Care	Development Services	Corporate & Executive Services	Total at 31 March 2018
58	£50,000 - £54,999	23	33	0	1	1	58
30	£55,000 - £59,999	8	13	2	2	2	27
16	£60,000 - £64,999	7	7	1	2	2	19
9	£65,000 - £69,999	2	6	0	0	1	9
7	£70,000 - £74,999	0	11	0	0	0	11
4	£75,000 - £79,999	1	2	0	0	2	5
1	£80,000 - £84,999	0	0	0	0	0	0
5	£85,000 - £89,999	1	0	0	1	3	5
1	£90,000 - £94,999	0	1	0	0	0	1
1	£100,000 - £104,999	0	0	0	0	0	0
1	£105,000 - £109,999	0	0	0	0	0	0
3	£110,000 - £114,999	0	0	0	0	0	0
1	£115,000 - £119,999	0	1	0	0	0	1
0	£135,000 - £139,999	0	2	0	0	0	2
1	£140,000 - £144,999	0	1	0	0	0	1
0	£145,000 - £149,999	0	1	0	0	0	1
138	Total	42	78	3	6	11	140

Of the 42 staff (42 in 2016/17) in Children's Services noted above, 20 were head teachers or senior teaching staff (29 in 2016/17).

Of the 78 staff (74 in 2016/17) in Infrastructure Services noted above, 67 worked in Ports and Harbours Operations or Ferry Operations (67 in 2016/17).

Summary of Remuneration paid to Councillors

The Council paid the following salaries, additional allowances (for senior councillors) and expenses in respect of all elected members:

	2017/18 £000	2016/17 £000
Salaries	368	372
Allowances	30	34
Expenses	59	84
Total	457	490

The annual return of Councillors' salaries and expenses for 2017/18 is available for any member of the public to view at the Finance Service, Montfield, 28 Burgh Road, Lerwick during normal working hours or on the Council's website at <http://www.shetland.gov.uk/>

Exit Packages

The Regulations require the Remuneration Report to provide information on the number of exit packages awarded in bandings of £20k up to £100k, and thereafter in bandings of £50k, along with the total cost of the exit packages within each band.

The Regulations also require disclosure of the number of compulsory redundancies and other agreed departures. The cost of exit packages must pay back within three years, with ongoing salary savings realised thereafter.

The total cost for 2017/18 of £138k (£222k in 2016/17) in the table includes £40k (£32k in 2016/17) for termination benefits agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement (CIES) in the current year, comprising redundancy payments and pension strain costs.

In addition, the table includes £98k (£190k in 2016/17) for the capitalised cost of compensatory added years, agreed in 2017/18, that will be charged to the CIES in future years.

Exit package cost band (including special payments)	(a)		(b)		(a+b)			
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18 £000	2016/17 £000
£0 - £19,999	0	1	5	6	5	7	32	18
£20,000 - £39,999	0	0	0	2	0	2	0	68
£40,000 - £59,999	0	0	1	0	1	0	45	0
£60,000 - £79,999	0	0	1	0	1	0	61	0
£80,000 - £99,999	0	0	0	0	0	0	0	0
£100,000 - £149,999	0	0	0	1	0	1	0	136
Total	0	1	7	9	7	10	138	222

The table above details the number and cost of exit packages awarded in 2017/18 and 2016/17. Included in the cost of the exit packages are:

- Any termination payment, such as a redundancy payment;
- Strain on the Fund cost (the amount payable by the Council to the Pension Fund because the employee has retired before the assumed retirement age);
- Any enhanced payments, such as compensatory added years; and
- A capitalised value of the recurring compensatory added years payment. This is paid annually by the Council once an employee has left and is therefore a notional cost at 31 March 2018.

Disclosure of Remuneration for Senior Councillors

There was an election on 4 May 2017, which changed the senior post holders during the year. Prior year figures are shown only once per affected councillor.

Councillor Name	Designation	2017/18			2016/17
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Until 3 May 2017					
G Robinson	Leader of the Council	2,546	70	2,616	28,920
F Robertson	Chair - Planning Committee	1,678	169	1,847	19,290
C Smith	Chair - Integration Joint Board	1,769	0	1,769	see below
G Smith	Chair - Licensing Committee	1,678	0	1,678	see below
M Stout	Chair - Environment & Transport Committee	1,769	121	1,890	19,696
V Wishart	Chair - Education & Families Committee	1,769	0	1,769	19,568
From 8 May 2017					
I Scott	Chair - Licensing Committee	16,657	120	16,777	0
C Smith (a)	Leader of the Council	24,302	125	24,427	19,718
G Smith	Chair - Education & Families Committee	17,539	98	17,637	18,555
T Smith (b)	Chair - Planning Committee	16,798	0	16,798	16,893
R Thomson	Chair - Environment & Transport Committee	17,539	133	17,672	0
Full year (excluding 4-7 May)					
M Bell	Convener	20,797	177	20,974	21,356
P Campbell	Chair - Shetland College Board	18,335	138	18,473	18,771
A Cooper	Chair - Development Committee	19,308	177	19,485	19,816
A Duncan	Chair - Audit Committee	19,216	125	19,341	18,705
A Manson	Chair - Harbour Board	18,335	98	18,433	18,555

Notes:

- C Smith stepped down as Leader of the Council on 8 March 2018 and the post was held on an interim basis by the Depute Leader, S Coutts, until he was formally appointed as Leader on 9 May 2018.
- T Smith received an allowance from the Orkney and Shetland Valuation Joint Board as Vice Convener and therefore did not receive additional remuneration for holding the Chair of Planning Committee post. He was not a Senior Councillor in 2016/17.
- Taxable expenses include telephone line rental / broadband costs.
- The chair of the Integration Joint Board from 8 May 2017 was appointed to a person not employed by Shetland Islands Council.
- Due to the Local Election, there was a gap between 3 and 8 May 2017 where no councillor remuneration was paid.

Remuneration of Senior Employees of the Council

Name of Senior Official	Designation	2017/18			2016/17
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
M Boden (c)	Chief Executive	87,694	37	87,731	103,562
M Sandison	Chief Executive	8,888	0	8,888	0
M Sandison (d)	Director - Infrastructure Services	79,797	0	79,797	86,315
H Budge	Director - Children's Services	87,206	0	87,206	86,315
C Ferguson	Director - Corporate Services	87,206	337	87,543	86,770
N Grant (e)	Director - Development Services	88,542	0	88,542	86,315
J Belford	Executive Manager - Finance (Section 95 Officer)	76,331	0	76,331	75,548
J Riise (f)	Executive Manager - Governance & Law (Monitoring Officer)	76,331	23	76,354	75,548
M Nicolson	Executive Manager - Children & Families (Chief Social Work Officer)	68,729	0	68,729	67,163

Notes:

- Remuneration includes ad-hoc elements that are part of the normal duties of the post, ie call-out and stand-by allowances;
- Taxable expenses include taxable mileage and / or expenses outwith HMRC's dispensation;
- M Boden retired from the post of Chief Executive during 2017/18. Remuneration is shown up to his retirement date of 31 January 2018. The full-time equivalent remuneration for the post of Chief Executive in 2017/18 was £104,648.
- M Sandison held the post of Director of Infrastructure Services until her appointment as Chief Executive, which commenced on 19 March 2018. The full-time equivalent remuneration for the post of Director of Infrastructure Services in 2017/18 was £87,229. The post remained vacant until 18 May 2018.
- From 1 February 2018 to 28 February 2018, N Grant, Director of Development Services held the position of Interim Chief Executive; the remuneration above includes £1.3k in addition to his Director salary.
- In addition to the above, the Executive Manager - Governance & Law received a payment of £3.2k for his Returning Officer duties in respect of the local and general elections in 2017 (£6.5k in 2016/17);
- The post of Director of Community Health & Social Care is held by S Boker-Ingram, who is employed by NHS Shetland; 50% of the cost of this post is funded by the Council. In 2017/18 the Council paid £60k (£59k for 2016/17) to NHS Shetland in respect of this post and his remuneration is disclosed in the Remuneration Report of the Integration Joint Board.

Pension Benefits – Senior Councillors

The pension entitlements for Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor during the year.

There was an election on 4 May 2017, which changed the senior post holders during the year. Councillors can be members of the Pension Scheme until the eve of their 75th birthday and on the completion of their term can access the pension benefits that have accrued to them if they have attained / exceeded their normal pension age. Some Senior Councillors who were re-elected took advantage of these Scheme conditions.

Name of Councillor	Designation	In-Year Employer Pension		Accrued Pension Benefits			
		31 March 2018 £000	31 March 2017 £000	As at 31 March 2018		Difference from 31 March 2017	
				Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
M Bell	Convener	4	4	2	0	0	0
G Robinson	Leader of the Council	1	6	6	2	2	0
C Smith (a)	Leader of the Council	5	4	4	20	(1)	18
P Campbell	Chair - Shetland College Board	4	4	3	0	1	0
A Cooper	Chair - Development Committee	4	4	0	0	(4)	(2)
A Duncan	Chair - Audit Committee	4	4	0	0	(4)	(1)
A Manson	Chair - Harbour Board	4	4	2	0	0	0
I Scott	Chair - Licensing Committee	3	n/a	0	0	n/a	n/a
G Smith	Chair - Education & Families Committee	4	4	2	0	0	0
T Smith	Chair - Planning Committee	4	3	0	0	0	0
M Stout	Chair - Environment & Transport Committee	0	4	2	0	0	0

Notes:

- C Smith stepped down as Leader of the Council on 8 March 2018 and the post was held on an interim basis by the Depute Leader, S Coutts, until he was formally appointed as Leader on 9 May 2018.
- The table excludes F Robertson, Chair of the Planning Committee until 3 May 2017, V Wishart, Chair of the Education & Families Committee until 3 May 2017 and R Thomson, Chair of the Environment & Transport Committee from 8 May 2017, as they are not members of the Local Government Pension Scheme.

Pension Benefits - Senior Employees

Name of Senior Official	Designation	In-Year Employer		Accrued Pension Benefits			
		31 March 2018 £000	31 March 2017 £000	As at 31 March 2018		Difference from 31 March 2017	
				Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
M Boden (a)	Chief Executive	18	20	8	0	0	0
M Sandison (b)	Chief Executive Director - Infrastructure Services	18	17	30	46	3	2
H Budge	Director - Children's Services	15	15	28	84	1	4
C Ferguson	Director - Corporate Services	18	17	46	96	2	1
N Grant	Director - Development Services	18	17	21	21	2	1
J Belford	Executive Manager - Finance	16	15	29	51	2	1
M Nicolson	Executive Manager - Children & Families	14	13	23	36	2	1
J Riise (c)	Executive Manager - Governance & Law	17	16	36	67	2	1

Notes:

- M Boden figures for 2017/18 are reported up to the retirement date of 31 January 2018.
- M Sandison held the post of Director of Infrastructure Services until her appointment as Chief Executive, which commenced on 19 March 2018.
- The Executive Manager - Governance & Law also has pension benefits arising from Returning Officer (RO) duties in respect of Local Government, Scottish and European Parliamentary elections. A single disclosure of the pension benefits is detailed above and includes RO accrued pension benefits of £1.8k and £2.7k lump sum at 31 March 2018. In 2016/17, the comparative figures were £1.6k and £2.5k respectively;
- Whilst 50% of remuneration costs of the Director of Community Health & Social Care are funded by the Council, the associated pension benefits are administered by NHS Shetland and disclosed in the Remuneration Report of the Integration Joint Board;

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS), apart from teachers, whose pension benefits are provided through the Scottish Teachers Superannuation Scheme (STSS). The LGPS is a funded pension scheme that receives contribution payments from both Scheme members and participating employers.

Councillors' pension benefits to 31 March 2015 were based on career average pay. Councillors' pay for each year or part up to 31 March 2015 (other than the pay in the final year commencing 1 April 2014) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the Scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits up to 31 March 2015.

From 1 April 2015, the Pension Scheme moved to a career average related earnings scheme for all scheme members. Councillors and local government employees build up a pension at a rate of 1/49th of the amount of pensionable pay they receive in a scheme year. The amount of pension built up is increased in line with HM Treasury Orders at the end of each scheme year.

Benefits built up before 1 April 2015 will continue to be calculated on final pay for employees and average revalued pay for councillors.

The Scheme's normal retirement age for both councillors and employees is now linked to their own state pension age (with a minimum age 65).

From 1 April 2015 the five-tier employee pension contribution system still remains, with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of Scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

Tiered contribution rates on whole time pay are as follows:	2017/18 %
On earnings up to and including £20,700	5.50
On earnings above £20,700 and up to £25,300	7.25
On earnings above £25,300 and up to £34,700	8.50
On earnings above £34,700 and up to £46,300	9.50
On earnings above £46,300	12.00

From April 2015, if a person works part-time, their contribution rate is worked out on their actual pay rate for the job and contributions are paid on actual pay earned. Prior to April 2015, the contribution rate was worked out on their whole-time equivalent rate of pay, with contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. From April 2015 pensions are built up at a rate of 1/49th of annual pensionable pay for that year. Prior to April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum, and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that accrued as a consequence of an individual's total Local Government Service, not just their current appointment. The figures also reflect any transfer of pension benefits from another pension fund or scheme

.....
Steven Coutts
Leader of the Council
27 June 2018

.....
Maggie Sandison
Chief Executive
27 June 2018

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council the proper officer is the Executive Manager - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature.

I can confirm that these annual accounts were approved for signature by the Council on 27 June 2018.

Signed on behalf of Shetland Islands Council.

.....
Steven Coutts
Leader of the Council
27 June 2018

The Executive Manager - Finance's Responsibilities

The Executive Manager - Finance is responsible for the preparation of the Council's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the annual accounts, the Executive Manager - Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Manager - Finance has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the annual accounts give a true and fair view of the financial position of the Council at the reporting date and the transactions of the Council for the year ended 31 March 2018.

.....
Jonathan Belford CPFA
Executive Manager - Finance
27 June 2018

Primary Financial Statements

Comprehensive Income and Expenditure Statement for year ended 31 March 2018

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2016/17 Net Expenditure £000		Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
2,155	Chief Executive and Cost of Democracy		6,181	(6,104)	77
47,837	Children's Services		62,835	(8,267)	54,568
20,745	Community Care Services		56,036	(30,695)	25,341
11,313	Corporate Services		19,071	(12,701)	6,370
14,805	Development Services		27,875	(10,486)	17,389
27,066	Infrastructure Services		48,938	(19,777)	29,161
(1,361)	Housing Revenue Account		5,828	(7,141)	(1,313)
(9,659)	Harbour Account		20,290	(28,759)	(8,469)
112,901	Cost of Services		247,054	(123,930)	123,124
0	Removal of internal recharges		(38,377)	38,377	0
112,901	Net Cost of Services		208,677	(85,553)	123,124
(572)	Other operating income and expenditure	8	3,357	0	3,357
(1,840)	Financing and investment income and expenditure	9	10,025	(13,644)	(3,619)
(96,055)	Taxation and non-specific grant income	10	0	(97,371)	(97,371)
14,434	Deficit on Provision of Services		222,059	(196,568)	25,491
	Items that will not be reclassified to the (surplus) or deficit on the provision of services				Notes
(4,529)	Surplus on revaluation of non-current assets			11	(10,495)
(61,891)	Surplus on revaluation of available for sale financial assets			11	(57,555)
79,290	Remeasurement of the net defined benefit liability			11	(78,203)
12,870					(146,253)
	Items that may be reclassified to the (surplus) or deficit on the provision of services				
1,868	Amounts recycled from the AFSFI reserve upon derecognition			11	47,791
14,738	Other Comprehensive Income and Expenditure				(98,462)
29,172	Total Comprehensive Income and Expenditure				(72,971)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. This statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The Net Increase / Decrease line shows the statutory General Fund and Housing Revenue Account movements in the year following those adjustments.

	General Fund	Housing Revenue Account	Capital Funds	Other Revenue/ Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	(54,417)	(15,614)	(66,498)	(107,896)	(244,425)	(234,494)	(478,919)
Movement in reserves during the year:							
Total Comprehensive Income and Expenditure	25,351	140	0	0	25,491	(98,462)	(72,971)
Adjustments between accounting basis & funding basis per regulations (Note 6)	(30,525)	(2,023)	1,322	0	(31,226)	31,226	0
Net (Increase)/Decrease before transfers	(5,174)	(1,883)	1,322	0	(5,735)	(67,236)	(72,971)
Net Transfers to/(from) Other Statutory Reserves	(1,090)	162	(1,154)	2,082	0	0	0
(Increase)/Decrease in year	(6,264)	(1,721)	168	2,082	(5,735)	(67,236)	(72,971)
Balance at 31 March 2018	(60,681)	(17,335)	(66,330)	(105,814)	(250,160)	(301,730)	(551,890)

Comparative movements in 2016/17	General Fund	Housing Revenue Account	Capital Funds	Other Revenue/ Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	(40,232)	(13,143)	(84,178)	(104,676)	(242,229)	(265,862)	(508,091)
Movement in reserves during the year:							
Total Comprehensive Income and Expenditure	16,385	(1,951)	0	0	14,434	14,738	29,172
Adjustments between accounting basis & funding basis per regulations (Note 6)	(18,999)	(520)	1,569	0	(17,950)	17,950	0
Net (Increase)/Decrease before transfers	(2,614)	(2,471)	1,569	0	(3,516)	32,688	29,172
Net Transfers to/(from) Other Statutory Reserves	(11,571)	0	16,111	(3,220)	1,320	(1,320)	0
(Increase)/Decrease in year	(14,185)	(2,471)	17,680	(3,220)	(2,196)	31,368	29,172
Balance at 31 March 2017	(54,417)	(15,614)	(66,498)	(107,896)	(244,425)	(234,494)	(478,919)

Balance Sheet as at 31 March 2018

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves is usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2017 £000		Notes	As at 31 March 2018 £000
371,052	Property, Plant and Equipment	12	423,242
4,854	Heritage Assets	14	4,853
25,114	Intangible Assets	15	27,160
333,784	Long-term Investments	17	345,392
4,393	Long-term Debtors	22	1,911
739,197	Long-Term Assets		802,558
1,355	Assets held for Sale	20	557
4,511	Inventories	24	4,704
37,869	Short-term Debtors	21	40,848
3,909	Cash and Cash equivalents	19	4,002
47,644	Current Assets		50,111
(39,453)	Short-term Creditors	23	(42,229)
(634)	Short-term Provisions	25	(1,378)
(24)	Grant Receipts in Advance - Revenue	10	(197)
(40,111)	Current Liabilities		(43,804)
(31,075)	Long-term Borrowing	17	(41,202)
(229,675)	Pension Liability	27	(165,171)
(1,230)	Long-term Provisions	25	(579)
-	Deferred Liabilities	17	(44,321)
(5,831)	Other Long-term Liabilities	17	(5,702)
(267,811)	Long-Term Liabilities		(256,975)
478,919	Net Assets		551,890
(244,425)	Usable Reserves	7	(250,160)
(234,494)	Unusable Reserves	10	(301,730)
(478,919)	Total Reserves		(551,890)

Jonathan Belford CPFA
Executive Manager – Finance
27 June 2018

Cash Flow Statement for year ended 31 March 2018

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

2016/17 £000		2017/18 £000
	Operating activities	
14,434	Net deficit on the provision of services	25,491
(35,382)	Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 31)	(52,886)
8,959	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 31)	9,738
(11,989)	Net cash flows from Operating Activities	(17,657)
10,488	Investing activities (Note 32)	27,088
112	Financing activities (Note 33)	(9,524)
(1,389)	Net increase in cash and cash equivalents	(93)
2,520	Cash and Cash Equivalents at 1 April	3,909
1,389	Net movement of Cash and Cash Equivalents during the year	93
3,909	Cash & Cash Equivalents at 31 March	4,002

Housing Revenue Account

Introduction and Statutory Background

The Housing (Scotland) Act 1987 provides the statutory framework for the housing accounts of Scottish local authorities. Part X of the 1987 Act requires a local authority to keep a Housing Revenue Account (HRA) of the income and expenditure for each year in respect of the houses, buildings and land specified in Part I of Schedule 15.

Part X of the 1987 Act and Schedule 15 thereto make significant provisions relevant to the preparation of the financial statements:

- Section 203(1) – housing authorities have a duty to keep an HRA;
- Section 203(5) – the HRA must be kept in accordance with Part II of Schedule 15 regarding debits, credits and supplementary provisions;
- Section 204 – the Scottish Government has the power to limit General Fund contributions to HRA;
- Schedule 15 – housing authorities have a duty to avoid a deficit in the HRA but if there is a deficit, a General Fund contribution must be made equal to the deficit;
- Schedule 15 – the Scottish Government may decide that items of income or expenditure, either generally or of a specific category, shall be included or excluded from the HRA;
- Schedule 15 – with the consent of the Scottish Government, a housing authority may exclude or include any items of income or expenditure in the HRA; and
- Schedule 15 – the Scottish Government may direct rectification of the account if it is of the opinion that items of income or expenditure have not been, or have been improperly, credited or debited in the HRA.

The operation of the HRA in terms of statutory debits and credits is governed by Part II of Schedule 15 of the 1987 Act and will include income (dwelling rents, services and other charges, Housing Support Grant) and expenditure (repairs, maintenance and management, capital financing costs, bad debts and voids).

In parallel with the treatment for the Council's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement;
- the Movement on the HRA Statement.

As the Movement on the HRA Statement incorporates the Surplus or Deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the annual accounts.

The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account Income and Expenditure Statement

2016/17 £000		2017/18 £000
	Expenditure	
2,055	Repairs and maintenance	2,368
670	Supervision and management	592
2,395	Depreciation and impairment of non-current assets	2,235
48	Movement in the allowance for bad debts	60
175	Other expenditure	206
5,343	Total expenditure	5,461
	Income	
(6,552)	Dwelling rents	(6,577)
(190)	Non-Dwelling rents	(221)
(25)	Other Income	(22)
(6,767)	Total income	(6,820)
(1,424)	Net income of HRA services as included in the CIES	(1,359)
63	HRA services' share of Corporate and Democratic Core	89
(1,361)	Net Income of HRA Services	(1,270)
	HRA share of operating income and expenditure included in the CIES	
(128)	Taxation and non-specific grant income	(114)
(766)	Gain on sale of HRA non-current assets	1,764
624	Interest payable and similar charges	497
(404)	Interest and investment income	(836)
84	Pension interest cost and expected return on pension assets	99
(590)	Net HRA share of operating expenditure	1,410
(1,951)	(Surplus) / Deficit for the year on HRA services	140

Movement on the Housing Revenue Account Statement

2016/17 £000		2017/18 £000
0	Balance on the HRA at 1 April	(15,614)
(13,143)	Transfer from Housing Repairs & Renewals Account	0
(1,951)	(Surplus) / Deficit on the HRA Income and Expenditure Statement	140
(520)	Adjustment between accounting basis and funding basis under statute	(2,023)
(15,614)	Increase in year on the HRA	(1,883)
0	Transfers to reserves	162
(15,614)	Balance on the HRA at 31 March	(17,335)

The adjustments between accounting basis and funding basis for the HRA are shown in disclosure Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations on page 36 and transfers to or reserves are shown in Note 7: Transfers to / (from) Earmarked Reserves on page 39.

Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Council's Comprehensive Income and Expenditure Statement. The amount of Council Tax payable depends on the valuation band of the dwelling.

Council Tax Income Account

2016/17 £000		2017/18 £000
(10,435)	Gross Council Tax levied and contributions in lieu	(11,056)
623	Council Tax Reduction Scheme	625
1,208	Other discounts and reductions	1,299
35	Write-offs of uncollectable debts	51
27	Adjustment to previous years' Community Charge and Council Tax	39
(8,542)	Transfer to General Fund	(9,042)

Council Tax Base

The table below shows the Council Tax base used to set the 2017/18 charges. The analysis sets out the number of chargeable dwellings in each valuation band, before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

2017/18	Number of dwellings	Number of exemptions	Disabled relief	Discounts	Council Tax Reduction	Total dwellings	Ratio to Band D	2017/18 Band D equivalents	**2016/17 Band D equivalents
Band A*			11	(1)	(3)	7	0.56	4	3
Band A	2,954	(124)	4	(453)	(299)	2,082	0.67	1,388	1,401
Band B	1,825	(63)	8	(230)	(173)	1,367	0.78	1,063	1,069
Band C	2,774	(71)	11	(301)	(216)	2,197	0.89	1,953	1,953
Band D	1,801	(33)	5	(133)	(41)	1,599	1.00	1,599	1,584
Band E	1,377	(15)	1	(65)	(12)	1,286	1.22	1,572	1,533
Band F	272	(2)	1	(7)	(1)	263	1.44	380	365
Band G	64	(2)	0	(4)	(1)	57	1.67	95	88
Band H	1	(1)	0	0	0	0	2.00	0	0
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent								0	0
Sub-total								8,054	7,996
Less Bad Debt provision at 3%								(242)	(240)
Council Tax Base								7,812	7,756

* Relates to Band A properties subject to disabled relief ** The 2016/17 figure has been adjusted for Council Tax Reduction

The gross charge to a given property may be affected by the following deductions:

Council Tax Reduction Scheme: In Scotland the Council Tax Reduction (Scotland) Regulations 2012 provide for a scheme that replaced Council Tax Benefit from 31 March 2013.

Exemptions: Houses where all the residents are students, or under 18 years old, or are persons with a severe mental impairment will be exempt. Some classes of empty property, in many cases only for a limited period, will also be exempt.

Discounts: If only one adult lives in a property, the bill may be cut by 25%. If the property is unoccupied and is no-one's sole or main residence, the bill may be cut by up to 50%. If the property is a second home or long-term empty, the discount will only be 10%.

Reliefs: If a house has been structurally altered for a disabled person, the Council Tax bill may be set at the next band lower in value than that shown in the Valuation List (Band A* shown above). A reduction is also available for properties in Band A.

Non-Domestic Rate Income Account

Statutory Background

The Non-Domestic Rate Account (Scotland) is a statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rate Income Account

2016/17 £000		2017/18 £000
27,279	Gross rates levied and contributions in lieu	29,875
(3,779)	Reliefs and other deductions	(4,569)
1	Write-offs of uncollectable debts	(16)
23,501	Net non-domestic rate income	25,290
(242)	Adjustment to previous years' national non-domestic rates	(409)
23,259	Contribution to non-domestic rate pool	24,881
(17,822)	Distribution from non-domestic rate pool	(23,240)
(17,822)	Transfer to Comprehensive Income & Expenditure Statement	(23,240)

Analysis of Rateable Value

The amount paid for non-domestic rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Government.

The national non-domestic rate poundage set for 2017/18 is 46.6p (48.4p in 2016/17) with a large business supplement of 2.6p (2.6p in 2016/17) for all subjects with a rateable value above £51,000 (£35,000 in 2016/17).

The large business supplement contributes to the cost of the Small Business Bonus Scheme, which was introduced by the Scottish Government from 1 April 2008, replacing the Small Business Rate Relief Scheme and applies to properties with a rateable value of £18,000 or less.

The table below sets out the number of subjects liable for General Rates and the rateable values at the start of the year.

Rateable values at 1 April 2017	Number of Subjects	Rateable Value £000
Commercial	561	8,589
Industrial	486	37,058
Other	1,009	15,149
Total	2,056	60,796

Notes to the Financial Statements

Note 1: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (ie government grants, rents, Council Tax and business rates) for the year has been used in providing services, in comparison with those resources consumed or earned in accordance with accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2017/18	Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000
Chief Executive and Cost of Democracy	1,706	198	(1,827)	77
Children's Services	40,417	10,127	4,024	54,568
Community Care Services	19,229	3,021	3,091	25,341
Corporate Services	9,411	1,870	(4,911)	6,370
Development Services	13,997	2,309	1,083	17,389
Infrastructure Services	24,426	7,935	(3,200)	29,161
Housing Revenue Account	(1,048)	274	(539)	(1,313)
Harbour Account	(11,324)	3,127	(272)	(8,469)
Net Cost of Services	96,814	28,861	(2,551)	123,124
Other income and expenditure	(89,841)	3,686	(11,478)	(97,633)
(Surplus) or Deficit	6,973	32,547	(14,029)	25,491
General Fund and HRA balances*				
Opening balance at 1 April		70,031		
Add (Surplus) / Deficit in the year		6,973		
Add other items not charged to the (Surplus) / Deficit		1,012		
Closing balance at 31 March		78,016		

The following table analyses the Adjustments between Funding and Accounting Basis figure outlined above:

2017/18	Adjustments for capital £000	Adjustment for pensions net change £000	Other adjustments £000	Total adjustments £000
Chief Executive and Cost of Democracy	56	142	0	198
Children's Services	9,188	1,103	(164)	10,127
Community Care Services	858	2,479	(316)	3,021
Corporate Services	1,044	925	(99)	1,870
Development Services	1,706	621	(18)	2,309
Infrastructure Services	6,365	1,613	(43)	7,935
Housing Revenue Account	148	147	(21)	274
Harbour Account	2,666	603	(142)	3,127
Net Cost of Services	22,031	7,633	(803)	28,861
Other income and expenditure	(4,309)	6,066	1,929	3,686
Total adjustments between accounting basis and funding basis	17,722	13,699	1,126	32,547

2016/17	Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000
Chief Executive and Cost of Democracy	1,754	642	(241)	2,155
Children's Services	39,954	5,775	2,108	47,837
Community Care Services	18,323	1,470	952	20,745
Corporate Services	10,562	5,988	(5,237)	11,313
Development Services	13,815	1,623	(633)	14,805
Infrastructure Services	19,725	5,652	1,689	27,066
Housing Revenue Account	(2,067)	648	58	(1,361)
Harbour Account	(12,118)	2,468	(9)	(9,659)
Net Cost of Services	89,948	24,266	(1,313)	112,901
Other income and expenditure	(87,300)	(4,746)	(6,421)	(98,467)
(Surplus) or Deficit	2,648	19,520	(7,734)	14,434
General Fund and HRA balances*				
Opening balance at 1 April		53,375		
Add (Surplus) / Deficit in the year		2,648		
Add other items not charged to the (Surplus) / Deficit		14,008		
Closing balance at 31 March		70,031		

*For a split between General Fund and HRA balances, see the Movement in Reserves Statement on page 25.

The following table analyses the Adjustments between Funding and Accounting Basis figure outlined above:

2016/17	Adjustments for capital £000	Adjustment for pensions net change £000	Other adjustments £000	Total adjustments £000
Chief Executive and Cost of Democracy	376	266	0	642
Children's Services	5,471	(102)	406	5,775
Community Care Services	410	928	132	1,470
Corporate Services	655	5,161	172	5,988
Development Services	1,429	148	46	1,623
Infrastructure Services	5,014	572	66	5,652
Housing Revenue Account	498	143	7	648
Harbour Account	2,275	140	53	2,468
Net Cost of Services	16,128	7,256	882	24,266
Other income and expenditure	(4,818)	0	72	(4,746)
Total adjustments between accounting basis and funding basis	11,310	7,256	954	19,520

Capital Adjustments

This column includes depreciation, impairment and revaluation gains and losses, income on disposal of assets and the amounts written off for those assets; statutory charges for capital financing and capital grants not chargeable under generally accepted accounting practices.

Pensions Adjustments

Employer pension contributions made by the Council are removed here and replaced with current service costs and past service costs according to IAS 19. Net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other differences between amounts charged to the CIES and amounts to be recognised under statute include the amount by which finance costs charged to the CIES are different from finance costs chargeable in the year and the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year.

Presentational Adjustments

Further adjusting differences between amounts charged to the CIES and amounts reported internally to management include year-end internal recharges. These are removed from Gross Expenditure and Gross Income in the CIES and net to nil overall; ie income to one service line is a cost to another. Some items of investment income and expenditure are not reported internally and therefore must also be presented here.

Note 2: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9: Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers, including amendments and clarifications;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The Code requires implementation in the accounts from 1 April 2018 and there is therefore no impact on the 2017/18 financial statements, neither will there be retrospective restatement of the 2017/18 year in next year's accounts upon implementation of the two new standards. Instead, opening balances at 1 April 2018 will be adjusted.

Note 3: Material Items of Income and Expenditure

The CIES includes an actuarial gain on the pension liability of £78.2m (see Note 11: Unusable Reserves).

Note 4: Assumptions and Major Estimation Uncertainty

The annual accounts contain estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. Because balances cannot be determined with certainty, however, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are shown in the following table:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £58.3m; however, the assumptions interact in complex ways.
Fair Value Measurement	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. The Council holds Available-for-Sale financial assets (investments) and Financial Guarantees at fair value.	This will be different in each case, but changes in any assumptions used in all asset valuation could affect the values disclosed in the accounts.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any reduction in anticipated spending on repairs and maintenance may reduce the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation accelerates and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.0m for every year that useful lives were reduced.
Arrears	At 31 March 2018, the Council had a balance on short-term sundry debtors of £5.8m. A review of significant balances suggested that an allowance for impairment of doubtful debts of £0.2m is appropriate in the current economic climate. Council Tax collection does not impose a significant impairment risk as historically, less than 0.5% of charges levied are ever written off.	If sundry debtor collection rates were to deteriorate, for example if the amount of doubtful debts doubled, an additional £0.2m would require to be set aside as an allowance. It is estimated that no more than £0.1m will eventually be written off from Council Tax charges of £9.0m levied during 2017/18.
Fishing Quota	Fishing quota held by the Council were valued at £26.3m by an independent broker at 31 March 2018. The price that quota attract is affected by the quantity of Fixed Quota Allocation Units (FQAs) in the market. It is highly probable that Brexit will have a long-term impact on the quantity of FQAs in the market, however the transitional period to 31 December 2020 provides some short-term assurance.	The effect will vary depending on market conditions at the time of valuation; it is not quantifiable at this time.

Note 5: Expenditure and Income Analysed by Nature

This note details the subjective analysis of the gross income and expenditure reported in the CIES and should be read in conjunction with the Expenditure and Funding Analysis and related note.

2016/17 £000	Expenditure and Income Analysed by Nature	2017/18 £000
	Expenditure	
101,760	Employee expenses	109,008
92,679	Other service expenses	80,280
19,681	Depreciation, amortisation and impairment	25,455
2,343	Interest payments	3,959
0	Loss on disposal of non-current assets	3,357
216,463	Total Expenditure	222,059
	Income	
(86,824)	Fees, charges & other service income	(74,807)
(9,447)	Interest and investment income	(13,644)
(8,542)	Income from Council Tax	(9,042)
(96,644)	Government grants and contributions	(99,073)
(572)	Gain on disposal of non-current assets	0
(202,029)	Total Income	(196,566)
14,434	Deficit on the provision of services	25,493

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the CIES, recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises those resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available

to be applied to fund Housing Revenue Account services.

Housing Revenue Account

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part X of the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Usable Reserves

This includes the Capital Receipts Reserve and Capital Grants Unapplied Account.

The former holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the

conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which it can take place.

2017/18	Usable Reserves				Unusable Reserves £000
	General Fund £000	Housing Revenue Account £000	Capital Usable Reserves £000	Total Usable Reserves £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation of non-current assets	(14,901)	(2,059)	0	(16,960)	16,960
Charges for impairment of non-current assets	(6,987)	(153)	0	(7,140)	7,140
Amortisation of intangible assets	(1,332)	(23)	0	(1,355)	1,355
Capital grants and contributions applied	7,537	114	8	7,659	(7,659)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(2,008)	(3,421)	0	(5,429)	5,429
Capital repayment in respect of finance leases	99	0	0	99	(99)
Insertion of items not charged to the CIES:				0	0
Statutory provision for the financing of capital investment (principal repayments)	968	827	0	1,795	(1,795)
Capital expenditure charged against the General Fund and HRA balances	268	1,260	0	1,528	(1,528)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	10	0	(10)	0	0
Adjustments involving the Capital Fund:					
Use of Capital Fund to fund capital expenditure in the year	0	0	103	103	(103)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	422	1,657	0	2,079	(2,079)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,221	1,221	(1,221)
Adjustments involving the Financial Instruments Adjustment Account:					
Transfer of former Shetland Development Trust balances to the Local Investment Fund	(1,929)	0	0	(1,929)	1,929
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits charged to the CIES	(26,009)	(429)	0	(26,438)	26,438
Employer's pensions contributions and direct payments to pensioners payable in the year	12,556	183	0	12,739	(12,739)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	782	21	0	803	(803)
Total Adjustments	(30,524)	(2,023)	1,322	(31,225)	31,225

2016/17	Usable Reserves				Unusable Reserves £000
	General Fund	Housing Revenue Account	Capital Usable Reserves	Total Usable Reserves	
	£000	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation and impairment of non-current assets	(15,993)	(2,107)	0	(18,100)	18,100
Revaluation losses on property, plant and equipment	(249)	(265)	0	(514)	514
Amortisation of intangible assets	(1,044)	(23)	0	(1,067)	1,067
Capital grants and contributions applied	4,652	128	45	4,825	(4,825)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(538)	(1,462)	0	(2,000)	2,000
Capital repayment in respect of finance leases	94	0	0	94	(94)
Insertion of items not charged to the CIES:					
Statutory provision for the financing of capital investment (principal repayments)	244	1,086	0	1,330	(1,330)
Capital expenditure charged against the General Fund and HRA balances	1,512	45	0	1,557	(1,557)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	38	0	(38)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	344	2,228	0	2,572	(2,572)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,562	1,562	(1,562)
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(72)	0	0	(72)	72
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits charged to the CIES	(18,830)	(316)	0	(19,146)	19,146
Employer's pensions contributions and direct payments to pensioners payable in the year	11,717	173	0	11,890	(11,890)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(875)	(7)	0	(882)	882
Total Adjustments	(19,000)	(520)	1,569	(17,951)	17,951

Note 7: Transfers to / (from) Earmarked Reserves

This note sets out the amounts transferred to and from General Fund and Housing Revenue Account balances and other earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2017/18.

	Balance at 31 March 2017 £000	Transfers out £000	Transfers in £000	Balance at 31 March 2018 £000
General Fund Balance	(24,284)	20,439	(19,033)	(22,878)
Revenue Spend to Save Fund	(2)	0	(2,009)	(2,011)
Council Tax Second Homes Receipts	(1,164)	0	(164)	(1,328)
Welfare Reform Fund	(208)	0	(11)	(219)
Hansel Funds	(161)	1	0	(160)
School Funds	(283)	48	0	(235)
Shetland College	(180)	180	0	0
Central Energy Efficiency Fund	(117)	41	0	(76)
Equalisation Fund	(16,067)	0	(861)	(16,928)
Community Care Fund	(492)	165	(265)	(592)
Local Investment Fund	(11,459)	0	(4,795)	(16,254)
Total General Fund	(54,417)	20,874	(27,138)	(60,681)
Capital Fund	(66,498)	3,332	(3,164)	(66,330)
Repairs & Renewals Fund	(44,134)	5,805	(2,364)	(40,693)
Housing Revenue Account	(15,614)	162	(1,883)	(17,335)
Harbour Reserve Fund	(63,518)	11,715	(11,418)	(63,221)
Insurance Fund	(244)	0	(1,656)	(1,900)
Total Statutory Reserves	(190,008)	21,014	(20,485)	(189,479)
Total Usable Reserves	(244,425)	41,888	(47,623)	(250,160)

General Fund Reserves

Under the Local Government (Scotland) Act 1973, the Council is permitted to carry forward balances on the General Fund.

General Fund Balance: established to defray General Fund expenditure.

Revenue Spend to Save Fund: to fund savings initiatives upfront, to be repaid when a saving is realised.

Council Tax Second Homes Receipts: to fund affordable housing expenditure from receipts from second homes' Council Tax.

Welfare Reform Fund: to earmark income received from Government grants to fund initiatives relating to Welfare Reform and the introduction of Universal Credit.

Hansel Funds: held for the benefit of residents in care establishments.

School Funds: to contribute to the good of the schools of Shetland or enhance educational or social activities for children.

Shetland College Reserve: previously held funds relating to Shetland College; now transferred to the General Fund Balance.

Central Energy Efficiency Fund: to fund the reduction in energy consumption and carbon emissions.

Equalisation Fund: realised returns that exceed the long-term average rate of return that can be released in future years.

Community Care Fund: balances relating to the Integrated Joint Board.

Local Investment Fund income from Shetland Development Trust for investment in local businesses and distributing any investment income to Shetland Charities.

Other Statutory Reserves

The **Capital Fund** was established under the Local Government (Scotland) Act 1975. This fund may be used to defray certain items of capital expenditure and for the repayment of loan principals. It also incorporates funds established to facilitate the capital costs associated with implementing future savings plans; and the holding of capital grants and receipts to finance subsequent capital expenditure.

The **Repairs and Renewals Fund** was established under the provisions of the Local Government (Scotland) Act 1975 for the purpose of defraying expenditure in repairing, maintaining, replacing and renewing any buildings, works, plant, equipment or articles belonging to the Council. This now incorporates the former Quarry Repairs and Renewals Fund.

The **Insurance Fund** may be used to make good loss or damage suffered by the Council as a result of an occurrence against the risk of which the Council can insure. It can also be used in paying premiums on a policy of insurance against the risk.

The **Housing Revenue Account** carries forward the accumulated surplus or deficit generated by the HRA each year. The fund is set aside to defray certain expenditure on the HRA, such as the future maintenance of housing stock.

The **Harbour Account Reserve Fund** was established under Section 67(i) of the Zetland County Council Act 1974. This Act empowers the Council to transfer to the fund surpluses arising on the Harbour Account. The fund may be used to defray certain expenditure on the harbour undertaking and for any other purpose that is solely in the interest of the County and its inhabitants. It now incorporates the former Harbour Contingency and Pilot Boat Renewal Funds.

Note 8: Other Operating Income and Expenditure

2016/17 £000		2017/18 £000
(572)	(Gains)/losses on the disposal of non-current assets	3,357
(572)	Total	3,357

Note 9: Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
2,343	Interest payable and similar charges	3,959
5,264	Pensions interest cost and expected return on pensions assets	6,066
(2,361)	Interest receivable and similar income	(2,312)
(2,749)	Other investment income	(3,401)
(3,739)	Realised gains in relation to available for sale	(7,854)
(598)	Income from transferred SDT financial instruments	(77)
(1,840)	Total	(3,619)

Note 10: Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2017/18:

2016/17 £000		2017/18 £000
	Credited to Taxation and Non-Specific Grant Income	
(64,873)	Revenue Support Grant	(57,428)
(17,822)	Non-domestic Rates	(23,240)
(8,542)	Council Tax	(9,042)
(4,818)	Capital Grants and Contributions	(7,648)
0	Donated Assets	(13)
(96,055)	Total	(97,371)
	Credited to Services	
(3,072)	Housing Benefit funding	(3,134)
(1,653)	Further Education and Higher Education funding	(2,752)
0	Scottish Government PFI Support	(1,601)
(286)	EU grants	(527)
0	Household Recycling Charter grant	(515)
(350)	Skills Development Scotland funding	(360)
(352)	Criminal Justice grant	(336)
(134)	NHS grants	(336)
(2,051)	Sports Development and Facilities funding	(312)
(50)	Educational Attainment / Pupil equity funding	(187)
(199)	Active Schools funding	(186)
0	Expansion of Early Learning and Childcare funding	(184)
(146)	Energy grants	(157)
(10)	Training grants	(98)
(83)	Education Maintenance Allowance funding	(88)
(51)	Employability funding	(82)
(70)	Youth Music funding	(78)
(155)	Department of Work and Pensions funding	(71)
(38)	Electric Vehicle funding	(62)
0	Empowering Communities funding	(50)
0	Smarter Choices Smarter Places funding	(49)
(23)	Languages funding	(39)
(101)	Transport grants	(25)
(15)	Youth Legacy / Year of Young People	(19)
(32)	Community Development funding	(12)
(184)	Housing grants	(10)
0	Athlete Support Programme funding	(10)
(17)	Milk Subsidy	(8)
(20)	Self Directed Support funding	0
(39)	Other grants and contributions	(50)
(9,131)	Total	(11,338)
(24)	Value of grants received in advance not recognised	(197)

Note 11: Unusable Reserves

Reconciliation of Unusable Funds to the Balance Sheet

2016/17 £000		2017/18 £000
(89,850)	Revaluation Reserve	(96,549)
(98,700)	Available for Sale Financial Instruments Reserve	(108,464)
(1,929)	Financial Instruments Adjustment Account	0
229,675	Pensions Reserve	165,171
(276,871)	Capital Adjustment Account	(264,267)
3,181	Employee Statutory Adjustment Account	2,379
(234,494)	Total Unusable Reserves	(301,730)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000		2017/18 £000
(91,109)	Balance at 1 April	(89,850)
(4,529)	Surplus on revaluation of non-current assets	(10,495)
	Amounts written off to the Capital Adjustment Account:	
4,731	Difference between fair value depreciation and historical cost depreciation	2,672
1,057	Assets sold or scrapped	1,124
(89,850)	Balance at 31 March	(96,549)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or disposed of and the gains are realised.

2016/17 £000		2017/18 £000
(38,677)	Balance at 1 April	(98,700)
(61,891)	Surplus on revaluation of available for sale financial assets	(57,555)
1,868	Removal of previously unrealised gains in relation to assets sold	47,791
(98,700)	Balance at 31 March	(108,464)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The balance at 1 April 2017 incorrectly reflected the value of investment assets transferred from Shetland Development Trust in 2014/15; these have now been transferred to the Local Investment Fund.

2016/17 £000		2017/18 £000
(2,001)	Balance at 1 April	(1,929)
72	Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	0
0	Amounts written out to Usable Reserves	1,929
(1,929)	Balance at 31 March	0

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits, and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions, and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000		2017/18 £000
143,129	Balance at 1 April	229,675
79,290	Actuarial (gains) and losses on pensions assets and liabilities	(78,203)
19,146	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	26,438
(11,890)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,739)
229,675	Balance at 31 March	165,171

Employee Statutory Adjustment Account

This Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000		2017/18 £000
2,299	Balance at 1 April	3,181
(2,299)	Settlement or cancellation of accrual made at the end of the preceding year	(3,181)
3,181	Amounts accrued at the end of the current year	2,379
3,181	Balance at 31 March	2,379

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties, gains recognised on donated assets that have yet to be consumed by the Council, and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2016/17 £000		2017/18 £000
(279,503)	Balance at 1 April	(276,871)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
18,100	Charges for depreciation of non-current assets	16,960
514	Charges for impairment of non-current assets	7,140
1,067	Amortisation of intangible assets	1,355
(94)	Repayment of capital on finance leases	(99)
0	Repayment of capital on PFI contract	(514)
2,000	Amounts of Non-Current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	5,429
175	Prior year disposal of asset transferred to stock	0
(5,787)	Adjustment amounts written out of the Revaluation Reserve	(3,796)
	Capital financing applied in the year:	
(4,134)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,300)
(4,780)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(7,651)
(1)	Application of grants to capital financing from the Capital Grants Unapplied Account	(8)
(1,330)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,281)
(1,557)	Capital expenditure charged against the General Fund and HRA balances	(1,528)
(1,541)	Capital Fund Reserve	(103)
(276,871)	Balance at 31 March	(264,267)

Note 12: Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Total £000
Cost or Valuation									
Opening Balance at 1 April 2017	62,159	144,262	47,703	167,438	6,919	255	15,099	443,835	0
Additions	3,167	49,035	10,481	1,860	0	0	9,208	73,751	46,000
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8	3,493	(415)	0	563	17	0	3,666	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(153)	(7,041)	(15)	0	0	(2)	0	(7,211)	0
Derecognition – disposals	(641)	(64)	(626)	0	0	(71)	0	(1,402)	0
Derecognition – other	(2,277)	(745)	(433)	0	0	0	0	(3,455)	0
Assets reclassified (to) / from Assets Held for Sale	(78)	0	(350)	0	0	10	0	(418)	0
Other movements in cost or valuation	84	18,524	0	0	0	38	(18,646)	0	0
Closing Balance at 31 March 2018	62,269	207,464	56,345	169,298	7,482	247	5,661	508,766	46,000
Depreciation and Impairment									
Opening Balance at 1 April 2017	0	(4,799)	(19,137)	(48,825)	0	(22)	0	(72,783)	0
Depreciation charge	(1,987)	(6,381)	(4,451)	(4,205)	0	(5)	0	(17,029)	(630)
Depreciation written out to the Revaluation Reserve	2	2,800	690	0	0	1	0	3,493	0
Depreciation written out to the Surplus/ Deficit on the Provision of Services	0	61	10	0	0	0	0	71	0
Derecognition – disposals	20	24	596	0	0	0	0	640	0
Derecognition – other	1	82	0	0	0	0	0	83	0
Other movements in depreciation	(1)	3	0	0	0	(1)	0	1	0
Closing Balance at 31 March 2018	(1,965)	(8,210)	(22,292)	(53,030)	0	(27)	0	(85,524)	(630)
Net Book Value as at 31 March 2018	60,304	199,254	34,053	116,268	7,482	220	5,661	423,242	45,370
Net Book Value as at 31 March 2017	62,159	139,463	28,566	118,613	6,919	233	15,099	371,052	0

Movements in 2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
Opening Balance at 1 April 2016	65,771	148,948	47,040	163,813	6,920	251	8,901	441,644
Additions	2,507	2,731	3,518	2,478	0	0	9,372	20,606
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,494)	(4,065)	(707)	0	0	(62)	0	(9,328)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(302)	(5,751)	(140)	0	0	(39)	0	(6,232)
Derecognition – disposals	(787)	(469)	(274)	(67)	(1)	0	0	(1,598)
Assets reclassified (to)/ from Assets Held for Sale	(399)	(538)	(300)	0	0	(19)	0	(1,256)
Other movements in cost or valuation	(137)	3,406	(1,434)	1,214	0	124	(3,174)	(1)
Closing Balance at 31 March 2017	62,159	144,262	47,703	167,438	6,919	255	15,099	443,835
Accumulated Depreciation and Impairment								
Opening Balance at 1 April 2016	0	(6,326)	(14,804)	(46,179)	(8)	(31)	0	(67,348)
Depreciation charge	(2,040)	(7,362)	(4,715)	(3,967)	8	(9)	0	(18,085)
Depreciation written out to the Revaluation Reserve	1,962	3,892	770	0	0	7	0	6,631
Depreciation written out to the Surplus/Deficit on the Provision of Services	49	5,533	118	0	0	19	0	5,719
Derecognition – disposals	24	25	241	22	0	0	0	312
Other movements in depreciation or impairment	5	(561)	(747)	1,299	0	(8)	0	(12)
Closing Balance at 31 March 2017	0	(4,799)	(19,137)	(48,825)	0	(22)	0	(72,783)
Net Book Value								
As at 31 March 2017	62,159	139,463	28,566	118,613	6,919	233	15,099	371,052
As at 31 March 2016	65,771	142,622	32,236	117,634	6,912	220	8,901	374,296

Capital Commitments

At 31 March 2018 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £3.3m. Similar commitments at 31 March 2017 were £11.0m.

Major commitments at 31 March	£m
Eric Gray Replacement	1.110
New Halls of Residence	0.576
Housing Quality Standard	0.498
Heating Replacement Programme	0.483

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations in the year were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Surplus Assets were valued using fair value in accordance with the CIPFA Code of Practice. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- the properties are all freehold with the exception of the Waste to Energy Plant which is held on a ground lease;
- that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material was used in the construction of the properties, and that none has been subsequently incorporated;
- that the properties are not subject to any unusual or especially onerous restrictions, encumbrances, or outgoing and that good title can be shown;
- that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful;
- that the inspection of those parts which have not been inspected would not cause the valuation to be altered;
- that the land and properties are not contaminated;
- that no statutory or other grants are available to carry out any improvements or repairs; and
- that there are no outstanding statutory notices affecting any of the properties.

The following table shows useful lives have been used in the calculation of depreciation and also details of revaluation programmes. The basis of valuation is set out in the statement of accounting policies.

Category of Asset	Useful Life	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	30 years	Asset Services Manager	Existing Use Value for Social Housing	31 March 2014
Other Land and Buildings (including PFI Assets)	1-120 years	Asset Services Manager	Existing Use Value or Depreciated Replacement Cost (for specialised operational properties)	Valued on 5-year rolling programme
Vehicles, Furniture, Plant & Equipment	1-32 years	Operational Manager	Existing Use Value	31 March 2016
Infrastructure Assets	2-47 years	n/a	Depreciated Historical Cost	n/a
Community Assets	Indefinite life	n/a	Historical Cost	n/a
Surplus Assets	2-20 years	Asset Services Manager	Fair Value (estimated at highest and best use)	Valued on 5-year rolling programme
Assets Under Construction	n/a	n/a	Historical Cost	n/a

Note 13: Notes to the Housing Revenue Account

Number and Types of Dwellings

The following table shows the stock movements by apartment size:

2016/17 Number	Housing Stock	2017/18 Number
87	1 Apartment	78
407	2 Apartment	412
527	3 Apartment	521
626	4 Apartment	615
34	5 Apartment	33
1	6 Apartment	1
2	8 Apartment	2
1,684	Total	1,662

Amount of Rent Arrears

The table below summarises the rent arrears position for HRA dwellings. The trend shown below is a slight increase in the amount of arrears per property.

2016/17 £000		2017/18 £000
227	Total value of rent arrears	232

2016/17		2017/18
547	Number of properties in arrears	520
32.5%	Properties in arrears as share of total stock (%)	31.3%
£415	Average amount per property in arrears (£)	£446

Note 14: Heritage Assets

Net Value	Historic Buildings £000	Museum Collection £000	War Memorial £000	Total Assets £000
Opening Balance at 1 April 2017	1,585	3,269	0	4,854
Additions	0	13	0	13
Depreciation	(14)	0	0	(14)
Closing Balance at 31 March 2018	1,571	3,282	0	4,853

Provision for Bad Debts

Council approval is required to write off bad debts with a value over £5,000. The movements on the HRA bad debt provision during 2017/18 are detailed in Note 21: Short-term Debtors on page 56.

Void Rents

The following table summarises the income lost due to voids in 2017/18. These amounts are included in the other expenditure line of the Housing Revenue Account Income and Expenditure Statement.

2016/17 £000		2017/18 £000
66	General needs void rents and charges	68
30	Sheltered housing void rents and charges	45
96	Total	113

2016/17	Historic Buildings £000	Museum Collection £000	War Memorial £000	Total Assets £000
Opening Balance at 1 April 2016	1,599	3,269	57	4,925
Other movements	0	0	(56)	(56)
Depreciation	(14)	0	(1)	(15)
Closing Balance at 31 March 2017	1,585	3,269	0	4,854

Additions in the year comprised of the restoration of a lifeboat from the liner "Oceanic" as well as three paintings, as follows:

- 'Sea eagle at North Roe, Shetland' by George Lodge (1915)
- 'The Skerries, Shetland' by Albert Dunnington (1880); and
- Portrait of Charles Ogilvy and Margaret Fea (c1830)

There were no disposals, revaluations or impairments during 2017/18.

The War Memorial asset was written off in the previous year, as it is not a Council asset.

Historic Buildings

The two historic buildings classified as heritage assets are the Dunrossness Crofthouse Museum and the Bod of Gremista.

The Dunrossness Crofthouse Museum is a restored 19th century crofthouse with thatched roof, outbuildings and a watermill. The property is open for public viewing during the months of May to September.

The Bod of Gremista is a two storey rectangular house built around 1790 to provide family accommodation and a store for fishing and fish curing activities. The property houses the Shetland Textile Museum and is open to the public from May to September.

Museum Collection

The Council's museum collections are on display at the Shetland Museum and Archives, open to the public all year. They are managed and curated by the Shetland Amenity Trust and any additions to the collection are treated as donated assets to the Council.

Note 15: Intangible Assets

The intangible assets disclosed on the Balance Sheet include fishing quota, fishing licences and software.

A fishing quota is the right to fish species over a defined period, usually one year. Quota are held by Government and distributed to the fishing industry through Producer Organisations. The Fishing Quota was originally purchased by the Shetland Development Trust to enable long-term access to a strategically important resource. The quota was transferred to the Council on 31 December 2014 as part of the wind-up of the Shetland Development Trust. The market value at 31 March 2018 is £26.3m. This is amortised on a straight-line basis over a 20-year period.

Fishing licences provide authority for a registered fishing vessel to fish for sea fish, subject to limitations stated in the licence. The licences were transferred to the Council on 31 December 2014 as part of the wind-up of the Shetland Development Trust. There were no disposals in 2017/18 (£0.2m in 2016/17). The market value as at 31 March 2018 was £0.1m (£0.1m in 2016/17). This is amortised on a straight-line basis over a 10-year period.

Software is accounted for to the extent that it is not an integral part of a particular IT system, rather part of the hardware item of property, plant and equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £1.4m was charged directly to the Net Cost of Services in the CIES for 2017/18 (£1.1m in 2016/17).

There are no items of capitalised software that are individually material to the financial statements and there are no outstanding contractual commitments for the acquisition of intangible assets.

The movement on Intangible Asset balances during the year is as follows:

As at 31 March 2017 (restated) £000		As at 31 March 2018 £000
	Balance at 1 April:	
22,101	Gross carrying amounts	27,301
(3,058)	Accumulated amortisation	(2,187)
19,043	Net carrying amount at start of year	25,114
295	Purchases	14
(129)	Disposals	0
26	Disposal amortisation	0
5,034	Revaluation increases	2,180
1,912	Revaluation amortisation	1,207
(1,067)	Amortisation for the period	(1,355)
25,114	Net carrying amount at end of year	27,160
	Comprising:	
27,301	Gross carrying amounts	29,495
(2,187)	Accumulated amortisation	(2,335)
25,114	Balance at 31 March	27,160

provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school.

The buildings and any plant and equipment installed in them at the end of the contract will be transferred to Shetland Islands Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment

The assets used to provide services at the school are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in Note 12: Property, Plant and Equipment.

Payments

The Council makes an agreed payment each year, which is adjusted each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the contract at 31 March 2018 (excluding any estimation of inflation and availability / performance deductions) are as follows:

Note 16: Private Finance Initiatives and similar contracts

Anderson High School contract

On 6 October 2017, the Council entered into a 25-year contract for the construction, maintenance and operation of the Anderson High School in Lerwick. The contract specifies minimum standards for the services to be

	Payment for Services £000	Reimbursement of Capital £000	Interest £000	Contingent Rent	Total £000
Payable in 2018/19	248	1,165	2,296	51	3,760
Payable within 2 to 5 years	1,288	5,101	8,551	282	15,222
Payable within 6 to 10 years	2,864	7,174	9,110	331	19,479
Payable within 11 to 15 years	3,303	9,158	7,070	510	20,041
Payable within 16 to 20 years	6,021	10,406	4,516	(267)	20,676
Payable within 21 to 25 years	4,533	12,482	1,493	441	18,949
Total	18,257	45,486	33,036	1,348	98,127

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2017/18 £000	2016/17 £000
Balance outstanding at 1 April	0	0
Addition - asset brought into use	46,000	0
Capital payments incurred in the year	(514)	0
Balance outstanding at 31 March	45,486	0

Note 17: Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

As at 31 March 2017 (restated)			As at 31 March 2018	
Long-Term £000	Current £000		Long-Term £000	Current £000
333,784	0	Investments:	345,392	0
0	3,909	Available for sale financial assets	0	4,002
		Cash and cash equivalents		
4,393	581	Debtors:	1,867	438
0	37,288	Loans	44	40,410
		Trade receivables		
338,177	41,778	Total Financial Assets	347,303	44,850
(31,075)	(18)	Borrowing:	(41,202)	(27)
0	(397)	External borrowing: principal sums	0	(502)
0	0	External borrowing: accrued interest	(44,321)	(1,165)
		Deferred Liabilities (PFI)		
(5,831)	(99)	Creditors:	(5,702)	(105)
0	(38,939)	Finance lease liabilities	0	(40,430)
0	(115)	Trade payables	0	(108)
(36,906)	(39,568)	Financial guarantees	0	(108)
		Total Financial Liabilities	(91,225)	(42,337)

Soft Loans

The Community Drugs and Alcohol Service Shetland went into liquidation and was wound up during 2016/17. The Council, as a secured debtor, received repayment of £0.059m from a soft loan granted in 2015/16 of £0.060m.

The balance of the loan, along with notional interest due for 2016/17 (£1,529) was written off in 2016/17 and no further soft loans have been granted in 2017/18.

Income, Expense, Gains and Losses

As at 31 March 2018	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Financial Liabilities: Amortised Cost £000	Total £000
Interest expense	0	0	3,054	3,054
Fee expenses	0	1,014	0	1,014
Total expense in (Surplus)/Deficit on the Provision of Services	0	1,014	3,054	4,068
Interest & dividend income	(195)	(5,704)	0	(5,899)
Gains on de-recognition	0	(7,854)	0	(7,854)
Total income in (Surplus)/Deficit on the Provision of Services	(195)	(13,558)	0	(13,753)
Gains on revaluation	0	(57,555)	0	(57,555)
Amounts recycled	0	47,791	0	47,791
(Surplus)/Deficit arising on revaluation of financial assets in CIES	0	(9,764)	0	(9,764)
Net (Gain)/Loss for the year	(195)	(22,308)	3,054	(19,449)

As at 31 March 2017	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Financial Liabilities: Amortised Cost £000	Total £000
Interest expense	0	0	1,303	1,303
Fee expenses	0	1,040	0	1,040
Total expense in (Surplus)/Deficit on the Provision of Services	0	1,040	1,303	2,343
Interest & dividend income	(306)	(5,402)	0	(5,708)
Gains on de-recognition	0	(3,739)	0	(3,739)
Total income in (Surplus)/Deficit on the Provision of Services	(306)	(9,141)	0	(9,447)
Gains on revaluation	0	(61,891)	0	(61,891)
Amounts recycled	0	1,868	0	1,868
(Surplus)/Deficit arising on revaluation of financial assets in CIES	0	(60,023)	0	(60,023)
Net (Gain)/Loss for the year	(306)	(68,124)	1,303	(67,127)

There were gains for available-for-sale financial assets on revaluation of £57.6m as at 31 March 2018 (£61.9m at 31 March 2017) and therefore no impairment has been identified and the Council did not carry out an impairment review.

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans, receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed

by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

In terms of the fair value measurement hierarchy financial instruments measured at fair value are

considered to be Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

The Fair Value calculations have been made using the following assumptions and are shown in the table below:

As at 31 March 2017			As at 31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
4,974	4,559	Loans and receivables	2,305	2,310
(37,420)	(43,549)	Financial liabilities at amortised cost	(47,538)	(54,766)

Available for Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are considered to be Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 18: Nature and Extent of Risks arising from Financial Instruments

The Council'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 Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 Section, under policies approved by the Council in the Annual Investment and Treasury Strategy Statement.

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet one of the following categories:

- a bank or building society with at least an A-long-term Fitch IBCA rating;
- Bank of Scotland – Council's own bank;
- any bank which is a wholly owned subsidiary of the above; or
- any local authority.

The 'A-' long-term rating is defined by Fitch IBCA (International Bank Credit Association) as: "High credit quality with a low expectation of default risk. The capacity for payment of financial commitments is considered strong".

The Annual Investment Strategy states that the Council cannot lend more than £3.0m of its surplus balances to any single organisation at any one time, apart from the Council's own bank. No deposits were placed with any financial institutions outwith the Council's own bank during the financial year 2017/18.

The Council has a policy of lending to local businesses to maximise the benefit to the Shetland economy. Lending assists in sustainable economic growth with good employment opportunities, making Shetland a good place to live and work. In pursuing this policy, the Shetland Investment Fund was established on 18 April 2016 to provide a sustainable lending service of up to £15.0m.

As at 31 March 2018, £2.0m of this balance was loaned to local businesses, leaving £13.0m available for future lending.

The majority of Shetland Investment Fund lending is secured against assets, minimising the risk of default.

As at 31 March 2017 £000	Shetland Investment Fund	As at 31 March 2018 £000
611	Less than 1 year	439
1,624	2-5 years	883
1,011	6-10 years	591
1,313	Over 10 years	54
4,559	Total	1,967

The following analysis summarises the Council's potential maximum exposure to credit risk at 31 March 2018, based on experience of default and uncollectability, adjusted to reflect current market conditions:

Estimated maximum exposure to default and uncollectability at 31 March 2018		Deposits with Banks	Shetland Investment Fund	Customers
Balance at 31 March 2018	(a)	5,579	1,967	185
Historical experience of default expressed as % of (a)	(b)	0%	0%	25%
Historical experience adjusted for market conditions	(c)	0%	0%	25%
Estimated maximum exposure	(a) x (c)	0	0	46

Estimated maximum exposure at 31 March 2017	0	32	64
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No credit limits were exceeded during the reporting period, and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and local authorities.

The Council does not generally allow credit for customers, such that £2.7m of the £5.4m balance of sums owing at 31 March 2018 is past its due date for payment.

The past due, but not impaired, amount can be analysed by age as follows:

As at 31 March 2017 £000	Customers	As at 31 March 2018 £000
505	Less than 3 months	1,178
523	3-6 months	274
246	7-12 months	251
744	Over 12 months	950
2,018	Total	2,653

Liquidity Risk

The Council has external investments with fund managers amounting to £345.4m at 31 March 2018. The Council has ready access to these funds to ensure that cash is available as needed, so there is no significant risk that it will be unable to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to sell external investments at a time of unfavourable market conditions.

The Council has ready access to borrowings from the money markets and the Public Works Loan Board. At 31 March 2018 the Council had fixed rate borrowings amounting to £41.0m from the

Public Works Loan Board. The balance of £0.2m external borrowing is 0% finance for energy efficiency improvement projects.

The maturity analysis of the sums borrowed is as follows:

As at 31 March 2017 £000	Borrowing	As at 31 March 2018 £000
0	Less than 10 years	11,229
23,093	10-20 years	18,000
7,000	20-30 years	7,000
1,000	Over 40 years	5,000
31,093	Total	41,229

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

The Council's investment strategy aims to manage interest rate risk within the Council's investments by having various investment portfolios managed by external fund managers.

The investment portfolios are also separated into different asset classes to minimise the overall exposure to interest rate movements. The entire investment portfolio is held in unitised funds which increases diversification.

As at 31 March 2018 the composition of these funds was diversified between the following asset classes:

- UK Equities
- Overseas Equities
- Diversified Growth Fund
- Emerging Market Equities
- UK Index Linked Gilts
- UK Corporate Bonds
- Other Bonds
- Cash

A risk has been identified that not all of the General Fund reserves are held in a way that can be quickly converted to cash. There is no short-term risk associated with how the money is held but if the Council has a need to make a significant and unplanned draw on reserves, it may need to borrow to secure the cash required. This issue will be addressed in detail in the financial planning process.

The largest investment exposure is to the Global Equity Fund and a risk assessment of a general shift of +/-1% in the Fund would have resulted in a gain or loss in the region of £1.5m for 2017/18.

At 31 March 2018, the Council had external fixed rate borrowing amounting to £41.2m and no variable rate borrowing. Borrowings are not valued at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Treasury Section actively assesses interest rate exposure to determine the impact on the Council's financial reserves strategy and medium to longer-term financial strategy, which in turn informs the annual budget setting process. The Council uses the services of Link Asset Services to advise on any borrowing requirements, including associated interest rate risks.

Price Risk

The Council had £345.4m of investments as at 31 March 2018 in the form of equity, bonds, diversified growth fund, and cash held within unitised products. The Council is consequently exposed to losses arising from movement in the price of these investment categories.

The Council's investment strategy reduces its exposure to price movements by diversifying its investment portfolio through the use of external fund managers, asset classes, investment guidelines and benchmarks.

The Council's external investments are all classified as 'available for sale' meaning that all movements in price will impact on gains and losses recognised in the CIES. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a £11.5m gain or loss being recognised in the CIES for 2017/18.

Foreign Exchange Risk

The Council has £179.5m invested in overseas equities held within unitised products which are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates is greatly reduced through the use of currency hedging strategies to specifically negate any currency movement impact.

Note 19: Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2016/17 £000		2017/18 £000
29	Cash held by the Council	54
3,880	Bank current accounts	3,948
3,909	Total	4,002

Note 20: Assets Held for Sale

2016/17 £000		2017/18 £000
654	Balance at 1 April 2017	1,355
	Assets newly classified as held for sale:	
1,256	Property, plant and equipment	428
	Assets declassified as held for sale:	
0	Property, plant and equipment	(10)
(555)	Assets sold	(1,216)
1,355	Balance at 31 March 2018	557

Note 21: Short-term Debtors

As at 31 March 2017 £000		As at 31 March 2018 £000
2,766	Central Government Bodies	3,366
23,347	Other Local Authorities	24,424
379	NHS Bodies	590
1,227	Public Corporations and Trading Funds	1,176
10,150	Other Entities and Individuals	11,292
37,869	Total	40,848

Movements in impairment allowance

The Council has made allowance for the risk of incurring bad debts on its General Fund and Housing Revenue Account.

The debtor figures in the Balance Sheet are shown net of this allowance and the movement between years is shown in the table below:

2016/17 £000		2017/18 £000
(213)	General Fund	
	Balance at 1 April	(147)
116	Miscellaneous invoices written off	95
36	Council Tax written off	51
(14)	Transfer from HRA to cover General Fund rents	(9)
(72)	Change in General Fund Provision	(103)
(147)	Balance at 31 March	(113)
(39)	HRA	
	Balance at 1 April	(53)
20	Rents written off	33
14	Transfer to cover General Fund rents	9
(48)	Change in HRA Provision	(60)
(53)	Balance at 31 March	(71)

Note 22: Long-term Debtors

As at 31 March 2017 £000		As at 31 March 2018 £000
343	Long-term loans (PFI)	343
3,973	Development loans	1,524
77	Other long-term debtors	44
4,393	Total	1,911

Note 23: Short-term Creditors

As at 31 March 2017 £000		As at 31 March 2018 £000
(3,740)	Central Government Bodies	(4,708)
(20,516)	Other Local Authorities	(23,912)
(108)	NHS Bodies	(238)
(872)	Public Corporations and Trading Funds	(780)
(14,217)	Other Entities and Individuals	(12,591)
(39,453)	Total	(42,229)

Note 24: Inventories

Balance at 31 March 2017 £000		Purchases £000	Recognised as an expense in the year £000	Balances written off £000	Balance at 31 March 2018 £000
2,870	Ports & Harbours stocks	894	(785)	0	2,979
1,399	Infrastructure stocks	2,618	(2,526)	(1)	1,490
242	ICT equipment	186	(193)	0	235
4,511	Total	3,698	(3,504)	(1)	4,704

Inventories include consumable stores, maintenance materials, building services (work-in-progress, property acquired or constructed for sale) and items of ICT equipment.

Note 25: Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

A provision is recognised for decommissioning costs that are expected to be incurred between 2018 and 2027. The short-term provision of £0.8m recognises the estimated payment due in 2018/19. The provision is calculated at today's prices based on the estimated remaining useful lives of the energy recovery plant and landfill site and current usage. £0.6m is expected to be required beyond 2018/19. Total estimated costs are adjusted in the year when events indicating a change become known.

A provision of £0.1m was recognised in 2014/15 in relation to a grant payment for works at Symbister Peerie Dock. The grant will only be

paid out if certain conditions are met. The deadline for the drawdown of the grant has been extended to March 2020.

The Council participates in the Carbon Reduction Commitment Energy Efficiency Scheme where it is required to purchase and surrender allowances, currently retrospectively, on the basis of carbon emissions. As carbon dioxide is emitted (ie as energy is used), a liability is recognised and then discharged by surrendering allowances. A provision of £0.1m is recognised, calculated on the basis of the current market price of allowances needed to meet the Council's liability at 31 March 2018.

Shetland Islands Council is required to respond to legal claims raised against it. The potential liabilities that arise from this consist of an estimate of legal fees and an estimate of the settlement of any actions. The provision of £0.3m is based on information available at 31 March 2018.

A number of financial guarantees transferred to the Council as part of the wind-up of the Shetland Development Trust. The likelihood of these guarantees being called has been assessed and a provision of £0.1m has been recognised at 31 March 2018.

Long-term Provisions	Balance at 1 April 2017 £000	Amounts used in 2017/18 £000	Unused amounts reversed £000	Additional provisions made £000	Transfer from Short- term Provisions £000	Transfer to Short-term Provisions £000	Balance at 31 March 2018 £000
Decommissioning	(1,230)	0	9	(146)	0	788	(579)
Total	(1,230)	0	9	(146)	0	788	(579)

Short-term Provisions	Balance at 1 April 2017 £000	Amounts used in 2017/18 £000	Unused amounts reversed £000	Additional provisions made £000	Transfer to Long-term Provisions £000	Transfer from Long-term Provisions £000	Balance at 31 March 2018 £000
Decommissioning	0	2	0	0	0	(788)	(786)
Carbon Reduction Commitment	(127)	127	0	(119)	0	0	(119)
Symbister Peerie Dock	(75)	0	0	0	0	0	(75)
Outstanding Legal Actions	(317)	0	27	0	0	0	(290)
Financial Guarantees	(115)	0	7	0	0	0	(108)
Total	(634)	129	34	(119)	0	(788)	(1,378)

Note 26: Leases

The Council as a Lessee

Finance Leases

The Council acquired its office headquarters and a music, cinema and creative industries centre under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

As at 31 March 2017 £000		As at 31 March 2018 £000
6,507	Property, plant and equipment	7,102
6,507		7,102

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

As at 31 March 2017 £000		As at 31 March 2018 £000
(75)	Current	(75)
(1,592)	Non-current	(1,516)
(2,508)	Finance costs payable in future years	(2,221)
(4,175)		(3,812)

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2018 £000	As at 31 March 2017 £000	As at 31 March 2018 £000	As at 31 March 2017 £000
Not later than one year	(337)	(364)	(75)	(75)
Later than one year and not later than five years	(1,117)	(1,204)	(300)	(300)
Later than five years	(2,358)	(2,607)	(1,216)	(1,292)
	(3,812)	(4,175)	(1,591)	(1,667)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were contingent rents of £0.078m payable in 2017/18 (£0.065m in 2016/17).

Operating Leases

The Council leases a number of buildings and areas of land in Shetland. The largest is at Sullom Voe oil terminal where the Council leases land from Shetland Charitable Trust for £0.9m per year and sub-leases it to Enquest for the same amount. This lease arrangement is due to run until 2025.

The minimum lease payments due under non-cancellable leases in future years are:

As at 31 March 2017 £000		As at 31 March 2018 £000
2,209	Not later than one year	3,097
7,482	Later than one year and not later than five years	6,840
6,780	Later than five years	5,627
16,471	Total	15,564

The expenditure charged to the CIES during the year in relation to these leases was:

As at 31 March 2017 £000		As at 31 March 2018 £000
2,512	Minimum lease payments	2,310
(1,011)	Sub-lease payments receivable	(1,033)
1,501	Total	1,277

The Council as a Lessor

Finance Leases

In 2017/18 and 2016/17 the Council did not have any finance leases as lessor.

Operating Leases

The Council rents out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as culture and arts, sports facilities, tourism services and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The minimum sub-lease payments expected to be received in future years are:

As at 31 March 2017 £000		As at 31 March 2018 £000
(980)	Not later than one year	(1,001)
(4,750)	Later than one year and not later than five years	(4,709)
(2,404)	Later than five years	(2,404)
(8,134)	Total	(8,114)

The total value of rental income, excluding sub-leases, recognised in 2017/18 was £1.4m (£1.7m in 2016/17).

The future minimum lease payments receivable under non-cancellable leases in future years are:

As at 31 March 2017 £000		As at 31 March 2018 £000
(1,085)	Not later than one year	(904)
(4,273)	Later than one year and not later than five years	(4,197)
(12,723)	Later than five years	(12,127)
(18,081)	Total	(17,228)

In 2017/18 and 2016/17 no contingent rents were receivable by the Council.

Note 27: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Shetland Islands Council. It is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

From April 2015 the pensions accrual rate guarantees a pension based on 1/49th of pensionable pay. Prior to April 2015 the pension accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

There is no automatic entitlement to a lump sum in respect of post-2009 service. Members may however opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The Scheme's Normal Retirement Age is now linked to the member's State Pension Age (the minimum age being 65). Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made but there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Shetland Islands Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pension Fund Committee and Pension Board. The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund.

The Pension Fund Committee is made up of the councillors who currently sit on the Policy & Resources Committee.

The Pension Board comprises elected members of Shetland Islands Council along with employee and employer representatives and a pension / deferred member representative.

Policy is determined in accordance with the Pension Fund Regulations. Management of the Fund's investments is carried out by the Council which receives recommendations from the Pension Fund Committee and Pension Board. The Council selects and appoints a number of external investment managers/partners and monitors their investment performance.

Under the regulations, employers fall into three categories: scheme employers (also known as scheduled bodies), community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended; however, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the Scheme, structural changes or curtailments to the Scheme (ie large-scale withdrawals from the Scheme, including employers ceasing to participate in the Scheme), changes to inflation, bond yields, and the performance of the equity investments held by the Scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge required to be made in the CIES, however, is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund via the Movement in Reserves Statement during the year:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
13,882	Current service cost	20,157
220	Past service cost (including curtailments)	215
	Financing and Investment Income and Expenditure:	
5,044	Net interest expense	6,066
19,146	Total pension benefit charged to the Surplus/Deficit on the Provision of Services	26,438
	Other pension benefit charged to the CIES	
(55,844)	Return on plan assets (excluding the amount included in the net interest expense)	13,741
0	Actuarial (gains) and losses arising from changes in demographic assumptions	1,200
133,459	Actuarial (gains) and losses arising on changes in financial assumptions	(43,830)
1,675	Actuarial (gains) and losses arising from other experience	(49,314)
98,436	Total pension benefit charged to the CIES	(51,765)
	Movement in Reserves Statement	
(19,146)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for pension benefits in accordance with the Code	(26,438)
11,890	Employer's contributions and direct payments to pensioners payable in the year	12,739

The amount included in the Balance Sheet arising from the Council's obligation in respect of the Pension Fund is as follows:

2016/17 £000		2017/18 £000
(635,789)	Present value of the defined benefit obligation	(570,338)
406,114	Fair value of assets in the Local Government Pension Scheme	405,167
(229,675)	Net liability arising from Defined Benefit Obligation	(165,171)
(196,052)	Local Government Pension Scheme	(133,233)
(15,936)	Unfunded liabilities for Pension Fund	(14,998)
(17,687)	Unfunded liabilities for Teachers	(16,940)
(229,675)	Total	(165,171)

Assets and Liabilities in relation to Post-Employment Benefits

Reconciliation of fair value of the Scheme assets:

2016/17 £000		2017/18 £000
336,121	Opening balance at 1 April	406,114
11,797	Interest income	10,580
	Re-measurement gains and (losses):	
55,844	Return on assets excluding amounts included in net interest	(13,741)
11,890	Employer contributions	12,739
3,239	Contributions by scheme participants	3,310
(12,777)	Benefits paid	(13,835)
406,114	Closing balance at 31 March	405,167

Reconciliation of present value of the Scheme liabilities (defined benefit obligation):

2016/17 £000		2017/18 £000
479,250	Opening balance at 1 April	635,789
13,882	Current service cost	20,157
16,841	Interest cost	16,646
3,239	Contributions by scheme participants	3,310
	Remeasurement (gains) and losses:	
0	Actuarial (gains) and losses from changes in demographic assumptions	1,200
133,459	Actuarial (gains) and losses from changes in financial assumptions	(43,830)
1,675	Actuarial (gains) and losses from other experience	(49,314)
(12,777)	Benefits paid	(13,835)
220	Past service costs including curtailments	215
635,789	Closing balance at 31 March	570,338

Analysis of Pension Fund Assets

Shetland Islands Council's share of the Pension Fund assets at 31 March 2018 comprised:

2016/17 £000	Quoted Prices not in Active Markets	2017/18 £000
1,643	Cash and cash equivalents	2,021
	Property:	
42,306	UK property	47,120
1,321	Overseas property	440
43,627	Sub-total Property	47,560
	Investment Funds and Unit Trusts:	
256,211	Equities	254,562
35,237	Bonds	34,563
69,396	Other	66,461
360,844	Sub-total Investment Funds and Unit Trusts	355,586
406,114	Total Assets	405,167

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed both the Local Government Pension Scheme and Discretionary Benefits liabilities.

Estimates for the Shetland Islands Council's Pension Fund are based on the latest full valuation of the Scheme as at 31 March 2017, projected forward to 31 March 2018.

Shetland Islands Council does not have an asset and liability matching strategy.

The principal assumptions used by the actuary have been:

2016/17		2017/18
	Long-term expected rate of return on assets in the Scheme:	
3.5%	Investment Funds and Unit Trusts	2.6%
	Mortality Assumptions:	
	<i>Longevity at 65 for current pensioners (in years):</i>	
22.8	Men	22.1
23.8	Women	24.0
	<i>Longevity at 65 for future pensioners (in years):</i>	
24.9	Men	23.9
26.7	Women	26.1
3.4%	Rate of inflation	3.4%
4.4%	Rate of increase in salaries	2.4%
2.4%	Rate of increase in pensions	3.0%
2.6%	Rate for discounting scheme liabilities	2.7%
70.0%	Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50.0%
85.0%	Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, ie on an actuarial basis using the projected unit credit method.

Impact of changes in assumptions	2017/18	
	%	£000
0.5% decrease in real discount rate	10%	58,281
0.5% increase in the salary increase rate	2%	11,057
0.5% increase in the pension increase rate	8%	46,318

Impact on the Council's Cash Flows

The objectives of the Scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the Scheme's actuary to achieve a funding level of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities.

Employers' common contribution rate was set at 20.8% for 2017/18.

The three years set out in the latest triennial valuation as at 31 March 2017 are as follows:

Year	Employer contributions
2018/19	20.80%
2019/20	20.80%
2020/21	20.80%

The total contributions expected to be made by the Council to the Pension Fund in the year to 31 March 2019 is £11.2m.

The weighted average duration of the defined benefit obligation for Scheme members is 20.6 years for 2017/18.

Note 28: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency (SPPA). The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the SPPA uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities.

Valuations of the notional fund are undertaken every four years. The Scheme has in excess of 160 participating employers and consequently, the Council is not able to identify its share of the

underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these annual accounts it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equated to approximately 0.6% (0.7% for 2016/17).

In 2017/18, the Council paid £2.6m to the SPPA in respect of teachers' pension costs, representing 17.2% of pensionable pay (£2.6m and 17.2% for 2016/17). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Pension Scheme. In 2017/18 these amounted to £0.9m, representing 5.7% of teachers' pensionable pay (£0.9m and 5.2% for 2016/17). These costs are accounted for on a defined benefit basis. The Council is not liable to the Scheme for any other entities' obligation

Note 29: External Audit Costs

The Council has incurred the following costs in respect of external audit services provided in accordance with the Code:

2016/17 £000		2017/18 £000
218	Fees payable with regard to external audit services carried out by the appointed auditor for the year	212
218	Total	212

Note 30: Agency Services

The Council is required by legislation to provide a collection service for Scottish Water, involving the collection of around £3.2m of Scottish Water charges in 2017/18. The legislation stipulates a minimum amount that Scottish Water must pay in commission for this service.

2016/17 (restated) £000		2017/18 £000
(73)	Commission receivable from Scottish Water	(67)
2	Cost of collection for Scottish Water	2
(71)	Net surplus arising on agency arrangements	(65)

Note 31: Cash Flow Statement – Operating Activities

Cash flows for operating activities include the following:

2016/17 (restated) £000		2017/18 £000
(1,037)	Interest received	(2,437)
2,266	Interest paid	4,069
(3,354)	Dividends received	(3,456)
(2,125)	Total	(1,824)

The Surplus or Deficit on the Provision of Services has been adjusted for these non-cash movements:

2016/17 £000		2017/18 £000
(18,614)	Depreciation, impairment and revaluations	(24,100)
(1,067)	Amortisation	(1,355)
52	Decrease in impairment for bad debts	16
(14,904)	Increase in creditors	(2,792)
14,620	Increase in debtors	2,711
(53)	Decrease in inventories	193
(7,256)	Movement in pension liability	(13,699)
(2,000)	Carrying amount of non-current assets sold or de-recognised	(5,429)
(6,160)	Other non-cash items charged to the net surplus or deficit on the provision of services	(8,431)
(35,382)	Total	(52,886)

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2016/17 £000		2017/18 £000
4,134	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,079
4,825	Any other items for which the cash effects are investing or financing cash flows	7,659
8,959	Total	9,738

Note 32: Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
20,889	Purchase of property, plant and equipment, investment property and intangible assets	27,775
700	Purchase of short-term and long-term investments	11,608
(4,134)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,079)
(2,142)	Proceeds from short-term and long-term investments	(2,557)
(4,825)	Other receipts from investing activities	(7,659)
10,488	Total	27,088

Note 33: Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
0	Cash receipts of short and long-term borrowing	(10,155)
94	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	613
18	Repayments of short and long-term borrowing	18
112	Total	(9,524)

Note 34: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government and Other Public Bodies

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council Tax, housing benefits). Details of all grants received from Central Government and other public bodies can be found on page 41.

Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The Council holds a Register of Members' Interests, which is open to public inspection at the Office Headquarters, Montfield, 28 Burgh Road, Lerwick, during office hours. This is also available to view on the Council's website. The Register details the bodies where Members are represented or for which they have declared an interest. The Council made payments totalling £6.0m in 2017/18 (£6.1m in 2016/17) to these bodies.

Officers

At the end of the financial year all senior managers were required to disclose any involvement with related parties of the Council. No significant items were reported.

Local Government Pension Scheme

The Local Government Pension Scheme is administered locally by Shetland Islands Council for the benefit of employees. The Council has made payments to the Local Government Pension Scheme as detailed in Note 27: Defined Benefit Pension Schemes.

Integration Joint Board

The Integration Joint Board (IJB) was formally constituted on 27 June 2015 and is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland Health Board. The IJB represents a Joint Venture between the two bodies.

In 2017/18, the Council contributed £20.6m towards the IJB (£19.6m in 2016/17) and has received £21.7m in commissioning income (£20.4m in 2016/17). The Council also provided back office support to the IJB (eg Finance, ICT, Legal). No charge was made for these services.

Note 35: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2016/17 £000		2017/18 £000
26,474	Opening Capital Financing Requirement	33,702
	Capital investment:	
20,594	Property, plant and equipment	73,761
295	Intangible assets	14
2,026	Revenue Expenditure Funded from Capital	0
	Sources of finance:	
(4,134)	Capital receipts	(3,300)
(6,807)	Government grants and other contributions	(7,659)
(1,765)	Funding from reserves	(103)
	Sums set aside from revenue:	
(1,557)	Direct revenue contributions	(1,528)
(94)	Lease principal	(99)
0	PFI contract principal repayments	(514)
(1,330)	Loans fund principal	(1,281)
33,702	Closing Capital Financing Requirement	92,993
	Explanation of movements in year:	
7,546	Increase/(decrease) in underlying need to borrow	13,899
(94)	Assets acquired under finance leases	(99)
0	Assets acquired under PFI contracts	45,487
(224)	Assets acquired under Decommissioning Obligations	4
7,228	Increase/(Decrease) in Capital Financing Requirement	59,291

Note 36: Contingent Liabilities

Shetland Islands Council has one outstanding claim under the Equal Pay Act 1970 for past pay inequalities. It is not yet possible to provide any financial quantification at this stage, however, no material loss is anticipated.

There is a developing line of case law around the pay and grading structures that organisations currently have in place. The most significant issues for the Council are out of hours allowances and pay grade changes required in response to the implementation of the Living Wage. The Council is unable to fully quantify the financial liability until the position has been fully reviewed.

There are a number of admitted bodies within Shetland Islands Council Pension Fund. If any of these bodies default on their obligations, the shortfall would likely have to be met by the Council over time and through an adjustment to employer contribution rates. The financial risk cannot be quantified until such circumstances arise.

There are a number of current legal claims against the Council that are being contested. Any potential financial liability cannot be assessed until these cases are finalised.

Note 37: Trust Funds administered by the Council

The Council administers, as sole trustee, five trust funds related to specific services. These are varied in nature and relate principally to legacies left by individuals over many years. Funds are mainly held in deposit accounts with local banks. The funds do not represent assets of the Council and are not included in the Balance Sheet.

As at 31 March 2017 £000	Trust Balances	As at 31 March 2018 £000
(30)	Bare Trust	(30)
(667)	Zetland Educational Trust	(673)
(3)	Others	(3)
(700)	Total	(706)

The Bare Trust was set up following the cessation of the Shetland Development Trust on 28 February 2015. It holds a number of loans and equity investments which were not considered to be cost effective to transfer to the Council on the winding up of the Development Trust. All assets and income arising from the Bare Trust will be paid or delivered to SIC. The Council, as Trustee, has full

management powers as if they were absolute owners and not trustees.

Assets held in the Bare Trust had an estimated market value at 31 March 2018 of £0.638m.

The Zetland Educational Trust, with an income of £0.022m and expenditure of £0.016m, pays bursaries to university students, aids apprentices and supports educational trips.

The other trusts are essentially dormant due to their low annual income.

Note 38: Events after the Balance Sheet Date

The annual accounts were authorised for issue on 27 June 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 39: Group Interests

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires the Council to prepare group accounts where the Council has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality. The Council has assessed that it has no material group entities, therefore no Group Accounts have been prepared. This assessment is based on the following considerations.

Group Boundary

Shetland Islands Council has considered all entities in which it has an interest for consolidation into the group accounts. To determine whether an entity should be included in the Council's group accounts, the factors of control, significant influence and materiality are considered.

Subsidiaries

The Code defines a subsidiary as an entity that is controlled by another entity. The Council does not have any subsidiaries that meet this definition.

Joint Ventures

The Code defines joint venture as a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangements. The Shetland Health and Social Care Partnership (IJB) meets the definition of a joint venture.

Associates

The Code defines an associate as an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity. The Council has identified two entities that meet the definition of an associate. These are:

- Orkney and Shetland Valuation Joint Board
- Zetland Transport Partnership (ZetTrans)

Materiality

Where the financial impact of omitting an entity from the group accounts would not cause a user of the accounts to form a different view on the accounts, the Council has opted not to include these entities within the group boundary.

Orkney and Shetland Valuation Joint Board (OSVJB)

The OSVJB provides the valuation service for Orkney and Shetland and is funded by both Councils. In 2017/18, the Council held five Board places out of ten and contributed 49.2% of the Board's operating costs (49.0% in 2016/17).

The Council's share of the year-end net liability is £1.0m as at 31 March 2018 (£1.0m at 31 March 2017), which is considered not material for consolidation in group accounts.

The table below details Shetland Islands Council's share of the OSVJB's financial results for the year:

2016/17 (restated) £000	Orkney and Shetland Valuation Joint Board	2017/18 £000
350	Gross Income	375
(335)	Gross Expenditure	(339)
15	Net (Surplus) / Deficit	36
22	Current Assets	24
(24)	Current Liabilities	(26)
(1,026)	Non-current Liabilities	(967)
(1,028)	Net Assets	(969)

Zetland Transport Partnership (ZetTrans)

ZetTrans was formed in 2006/07 by the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005, made under the Transport (Scotland) Act 2005.

The Council contributed 93.7% of the Partnership's operating costs in 2017/18 (93.5% in 2016/17) and holds four out of six seats on the Partnership.

The Council's share of the net liability is nil at 31 March 2018 (nil at 31 March 2017) and is therefore considered not material for consolidation in group accounts.

The table below details Shetland Islands Council's share of ZetTrans' financial results for the year:

2016/17 (restated) £000	Zetland Transport Partnership	2017/18 £000
(1,354)	Gross Income	(1,839)
1,354	Gross Expenditure	1,839
0	Net (Surplus) / Deficit	0
1,354	Current Assets	1,479
(1,354)	Current Liabilities	(1,479)
0	Net Assets	0

Integration Joint Board (IJB)

The Integration Joint Board (IJB) was formally constituted on 27 June 2015 and is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland Health Board. It represents a Joint Venture between these two bodies.

The Council contributed 46.1% of the Board's operating costs in 2017/18 (42.8% in 2016/17). It has three out of six voting members on the board.

The Council's share of the net assets and surplus of the Integration Joint Board was £0.12m as at 31 March 2018 (£0.06m at 31 March 2017), which is considered not material for consolidation in group accounts.

The table below details Shetland Islands Council's share of the IJB's financial results for the year:

2016/17 (restated) £000	Integration Joint Board	2017/18 £000
(22,709)	Gross Income	(23,665)
22,647	Gross Expenditure	23,545
(62)	Net (Surplus) / Deficit	(120)
22,709	Current Assets	23,665
(22,647)	Current Liabilities	(23,545)
62	Net Assets	120

Note 40: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 41, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Annual Accounts are:

- There are a number of legal claims currently outstanding against the Council. Where a reliable estimate can be made, these have been included as provisions within the Council's Balance Sheet. Where it has not been possible to establish a reliable estimate, the claims have been accounted for as contingent liabilities.
- There is a high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that its assets may be impaired as a result of (for example) reduced maintenance.
- The Council has made an accrual for holiday pay owed to employees at 31 March 2018. The estimate is based on a sample of 29.4% of non-schools staff and 100% of school-based staff.

Note 41: Accounting Policies

A General Principles

The accounts summarise the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices.

These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis.

B Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

C Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed, but where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; and
- interest receivable on investments and payable on internal borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to the CIES for the income that might not be collected.

D Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the Balance Sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

E Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation or impairment losses, or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to the Statutory Repayment of Loans Fund Advances.

The General Fund is balanced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two sums.

F Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be fully settled within 12 months of the year-end, such as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense for services in the year incurred.

An accrual is made for the cost of leave entitlements earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement arises.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service line in the CIES, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Government; or
- The Local Government Pension Scheme, administered by Shetland Islands Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions) which are earned as employees work for the Council.

The arrangements for the teachers' Scheme mean that liabilities for these benefits cannot be identified specifically to the Council. It is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the CIES is charged with the employer's contributions payable in respect of teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of Shetland Islands Council's pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projections of earnings for current employees, etc.

Liabilities are discounted to their value at current prices using a discount rate derived from a corporate bond yield curve constructed from yields on high quality bonds and recognising the weighted average duration of the benefit obligation determined at the most recent actuarial valuation.

The pension fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate; and
- unitised securities – current bid price.

The change in the net pension liability is analysed into the following components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

G Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period, whereby the annual accounts are not adjusted to reflect such events; where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

H Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial guarantees are measured at fair value and are estimated by considering the probability of the guarantee being called.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For this Council it means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

On an annual basis loans and receivables are assessed for impairment. Events that provide objective evidence of impairment include significant financial difficulties of the counterparty, or a breach of contract. Impairment losses and gains or losses on derecognition are taken to the Cost of Services in the CIES.

A soft loan is one granted at less than market rates. When a soft loan is made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrowing organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year, the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, which initially is measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instrument (AFSFI) Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets in the Other Comprehensive Income and Expenditure section of the CIES.

The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the AFSFI reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is

measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the AFSFI reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The Council invests through three Fund Managers, Baillie Gifford, Blackrock and Insight. These Fund Managers all invest on behalf of the Council into unitised products. They record income and account for transactions relating to these units as follows:

- Both Insight and Baillie Gifford receive and record income during the year. The income is re-invested into their units.
- No income is generated by Blackrock outwith their units.

I Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

J Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council and credited to the CIES when there is reasonable assurance that the Council will comply with any conditions attached to payment of the grants and that the grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

K Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical significance. Heritage assets include historical buildings and the museum collection.

Heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items will be accounted for in accordance with Council's provisions relating to the disposal of property, plant and equipment.

Historical buildings

These are held on the Balance Sheet at fair value, determined as the amount that would be paid for the asset in its existing use value but, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. They are depreciated on a straight-line basis over their remaining useful life.

Museum collection

The Council's museum collection is reported in the Balance Sheet at valuations based on specialist judgement. Assets are valued in the year of acquisition and reviewed periodically.

L Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are revalued where the fair value of the assets held by the Council can be determined by reference to an active market. Fishing quota and fishing licenses meets this criterion. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis to the relevant service lines in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service lines in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

M Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula, except for fuel which is calculated on a first in first out (FIFO) basis.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

N Leases

Operating leases

The Council as lessee

Rentals paid under operating leases are charged to the CIES as an expense to the services benefitting from use of the leased property, plant or equipment.

The Council as lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

The Council as lessee

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease

are applied to writing down the lease liability. Contingent rents are charged as an expense in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property which is applied to write down the

lease debtor (together with any premiums received); and

- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

O Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's internal reporting arrangements for accountability and financial performance. In line with LASAAC guidance, these are removed from gross income and expenditure in the CIES.

P Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to, an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure assets are held at depreciated historical cost;
- community assets and assets under construction are held at historical cost;
- surplus assets are held at fair value, estimated at highest and best use from a market participant's perspective
- council dwellings are held at current value, determined using the basis of existing use value for social housing; and
- all other assets are held at current value, determined as the amount that would be paid for the asset in its existing use value.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before this date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES; and
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community and heritage assets) and assets that are under construction).

The following useful lives and depreciation rates have been used in the calculation of depreciation (straight-line method):

- council dwellings: 30 years
- other land and buildings: 1 - 120 years
- vehicles, plant, furniture and equipment: 1 - 50 years
- infrastructure: 5 - 60 years

Surplus assets are depreciated on a straight-line basis over their useful economic life. The relevant economic life for surplus assets is in line with those stated above for each category of asset.

Where an item of property, plant and equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale, it is reclassified back to a non-current asset. It is valued at the lower of its carrying amount before the asset was classified as held for sale, adjusted for depreciation, amortisations or revaluations that would have been recognised if the asset had not been classified as an asset held for sale, and its recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES, also as part of the gain or loss on disposal (ie netted off against the carrying value of

the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Q Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of the asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring fair value, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's accounts are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can assess at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly;
- Level 3 – unobservable inputs for the asset.

R Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Anderson High School contract, there was no initial capital contribution by Shetland Islands Council.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and

- lifecycle replacement costs – proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are carried out.

S Provisions, Contingent Assets and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will likely require settlement by a transfer of economic benefits and a reliable estimate can be made of the obligation's value.

Provisions are charged as an expense to the appropriate service lines in the CIES when the obligation arises and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated values are reviewed at the end of each financial year. Where it becomes less likely that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Assets

A contingent asset is disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential not recognised in the Balance Sheet when an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent Liabilities

Contingent liabilities are disclosed in the accounts but not recognised in the Balance Sheet, in circumstances where:

- an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council; or
- a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

T Reserves

Reserves are created by transferring amounts from the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the CIES. The value is then transferred to the General Fund so that there is no net charge against Council Tax.

The Council also operates a Harbour Reserve Fund, as permitted under statute by the Zetland County Council Act 1974. Only surpluses from the Harbour Account can be credited to this reserve.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council; these reserves are explained in the relevant policies.

U Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of Council Tax.

V Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.