

# Shetland Islands Council



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**Director of Corporate Services: Christine Ferguson**

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Date: 25 October 2018

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 31 October 2018 at 10am**

Apologies for absence should be notified to Leisel Malcolmson at the above number.

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) 23 May 2018, ii) 27 June 2018; iii) 7 August 2018; iv) 22 August 2018; v) 29 August 2018; vi) 19 September 2018.
- 1 Presentation from Baillie Gifford – Fund Manager  
*F-075*
  - 2 Chair’s Report – Policy and Resources Committee  
Addendum to School Transport Policy 2018  
*SIC-3110-CS-33*
  - 3 Chair’s Report – Policy and Resources Committee  
*Economic Development Strategy 2018-2022*  
*SIC-3110-DV-33*
  - 4 Appointments to Committees – Planning, Audit, etc.  
*GL-19*
  - 5 Scottish LGPS Restructure Review  
*F-077*



## **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.

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**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.

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**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.

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**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 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.

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**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.

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**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.

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**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.

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**Decision:**

The Council NOTED the content of the report.

The meeting concluded at 4.05pm.

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Convener



## MINUTES

## B - PUBLIC

**Shetland Islands Council**  
**Auditorium, Shetland Museum and Archives, Lerwick**  
**Wednesday 27 June 2018 at 10.00am**

### **Present:**

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

### **Apologies:**

M Burgess	D Sandison
D Simpson	C Smith

### **In Attendance (Officers):**

M Sandison, Chief Executive  
C Ferguson, Director – Corporate Services  
J Belford, Executive Manager – Finance  
J Riise, Executive Manager – Governance and Law  
V Simpson, Executive Manager – Community Planning & Development  
R Sinclair, Executive Manager – Capital Programme  
S Thompson, Executive Manager - Schools  
S Brunton, Team Leader - Legal  
A Cogle, Team Leader – Administration  
B Hall, Partnership Officer  
J Johnston, Quality Improvement Officer  
C McCourt, Financial Accountant  
E Park, Transport Contracts & Operations Officer  
L Geddes, Committee Officer

### **Also:**

N Clarkson, Acies Civil and Structural Limited (Acies)  
M Conroy, Harper Macleod LLP

### **Chairperson**

Mr Bell, Convener of the Council, presided.

### **Circular:**

The circular calling the meeting was held as read.

## **Declarations of Interest**

Mr Priest declared an interest in Agenda Item 4 “Asset Investment Plan – Business Case – Multratug 30” as an employee at Sullom Voe Terminal. As the tug operations were linked to the Terminal, he advised he would leave the room during the discussion.

## **Minutes**

The minutes of the meeting held on 14 February 2018 were confirmed on the motion of Mr Campbell, seconded by Mr G Smith.

The minutes of the meeting held on 9 May 2018 were confirmed on the motion of Mr T Smith, seconded by Mr Campbell.

### **24/18 – Notice of Motion – Introduction of Car Parking Charges at Sumburgh Airport**

In response to a question, the Leader advised that along with the Chief Executive and the Chair – Environment and Transport Committee, he had recently met with Highlands and Islands Airports Limited (HIAL) to discuss the introduction of car park charges. They had expressed the Council’s concerns regarding the lack of consultation and an islands impact assessment. The Council had been disappointed to find out that despite being named in the Islands Bill, HIAL was under no obligation to undertake an impact assessment – this, in the Council’s view, was the responsibility of the Scottish Government to request. The Council would be stepping up its efforts to discuss this with the Islands Minister when a new appointment was made, and would be demanding that an islands impact assessment be carried out.

The minutes of the meeting held on 23 May 2018 were confirmed on the motion of Mr Coutts, seconded by Mr Thomson.

### **34/18 Managing Exclusions in Shetland Schools Policy**

#### **Joint Chairs' Report: Education and Families Committee - 12 June 2018 & Policy and Resources Committee - 18 June 2018**

The Council considered a report with recommendations from the Chairs of Education and Families Committee and Policy and Resources Committee (SIC-0627-CS-27) regarding the updated Managing Exclusions in Shetland Schools Policy.

On the motion of Mr G Smith, seconded by Mr T Smith, the Council approved the recommendation in the report.

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#### **Decision:**

The Council RESOLVED to approve the Managing Exclusions in Shetland Schools Policy.

### **35/18 Anti-Bullying in Shetland Schools Policy**

#### **Joint Chairs' Report: Education and Families Committee - 12 June 2018 & Policy and Resources Committee - 18 June 2018**

The Council considered a report with recommendations from the Chairs of Education and Families Committee and Policy and Resources Committee (SIC-0627-CS-28) regarding the updated Anti-Bullying in Shetland Schools Policy.

Responding to questions, the Quality Improvement Officer advised that the system of recording bullying incidents prior to this new Policy was paper-based, and individual schools submitted their figures to Children’s Services two times

a year. Under the new Policy, the figures would be recorded on the “SEEMIS” system across the school estate to improve consistency and fall in line with new Scottish Government guidance. Incidents of bullying behaviour can occur in any Shetland school. The Policy distinguishes between bullying behaviour and that which could be regarded as part of normal relationships between children. The Policy had been updated and strengthened to take account of online bullying which crosses school and community boundaries, and it gave schools guidance and permission to intervene if it was appropriate to do so. Over the next academic year, more work would take place on staff training, and communication and implementation of the Policy.

On the motion of Mr G Smith, seconded by Mr Fraser, the Council approved the recommendation in the report.

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**Decision:**

The Council RESOLVED to approve the Anti-Bullying in Shetland Schools Policy.

36/18

**Review of School Transport Policy 2018**

**Joint Chairs' Report: Education and Families Committee - 12 June 2018/Environment and Transport Committee - 14 June 2018 & Policy and Resources Committee - 18 June 2018**

The Council considered a report with recommendations from the Chairs of Education and Families Committee, Environment and Transport Committee and Policy and Resources Committee (SIC-0627-CS-17) regarding the updated School Transport Policy.

Mr G Smith advised that the report had been the subject of lengthy debate when it had been considered at the Education and Families Committee. The Committee had agreed by a majority vote of 11-2 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 continuing to be provided for those already in receipt of it under the current policy. The Committee had also agreed that the Council should not be considering charging for vacant seats on school transport at this point in time, as the costs of administering this and collecting the charges would outweigh the benefits.

He went on to move that the recommendation in the report be approved, and Mr T Smith seconded.

In response to questions, the Executive Manager – Schools advised that over the last three years, a total of 80 placing requests had been received for secondary pupils – 69 of these were for the Anderson High School (AHS). It had always been anticipated that there would be an increase in placing requests for the AHS when the new building opened. The Schools Service had worked with the Transport Planning Service to align bus timetables as far as possible to facilitate travel from the North, South and West Mainland. The bus fares varied depending on the route but if the Council was to provide free bus passes to pupils, it was estimated that this would cost in the region of £6 per pupil per day. Feeder buses did not meet every service bus, so taxis would also have to be provided, and there would end up being many permutations of transport that would have to be provided to meet all requirements. The Council did not have

a hardship fund in place to assist families who may find it difficult to pay for transport, but vacant seats on buses were granted wherever possible on school transport.

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**Decision:**

The Council RESOLVED to approve the 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.

*(Mr Priest left the meeting)*

37/18 **Chair's Report: Policy and Resources Committee - 18 June 2018**

The Council considered a report by the Chair of Policy and Resources Committee (SIC-0627-CPS-05) in relation to an asset investment proposal requiring approval.

On the motion of Mrs Manson, seconded by Mr Cooper, the Committee approved the recommendation in the report.

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**Decision:**

The Council RESOLVED to approve the proposal to purchase Multratug 30 for implementation with immediate effect.

*(Mr Priest returned to the meeting)*

38/18 **Appointment to Committees: Policy and Resources and Environment and Transport**

The Council considered a report by the Executive Manager – Governance and Law (GL-13-18-F) regarding the appointment of additional Council members to Policy and Resources Committee and Environment and Transport Committee.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that following the appointment of Councillor Coutts as Leader, the Policy and Resources Committee now consisted of ten Councillors. The appointment of additional members was permitted by the Council's constitution, but limited to the number required to achieve representation of all Council wards. None of the positions on the Committee was currently held by a Councillor from Lerwick South Ward, so the Council was being asked to consider appointing a Member from Lerwick South Ward.

The Council agreed to make an appointment from the Lerwick South Ward to the Policy and Resources Committee.

Mr Campbell nominated Councillor Cecil Smith, *in absentia*, and Mrs Wishart seconded.

There were no further nominations, and the Convener advised that Mr Smith had indicated to him that he would be happy to accept the appointment, should he be nominated.

The Executive Manager – Governance and Law advised that in terms of its Constitution, the Council was required to appoint a Member to represent the Shetland West Ward on the Environment and Transport Committee.

Mr Coutts nominated Councillor Catherine Hughson, and Mr Theo Smith seconded.

There were no further nominations, and Mrs Hughson advised that she accepted the nomination.

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**Decision:**

The Council appointed Councillor Cecil Smith from the Lerwick South Ward to the Policy and Resources Committee, and Councillor Catherine Hughson from the Shetland West Ward to the Environment and Transport Committee.

39/18 **Appointments to External Organisations – Sullom Voe Association Limited**

The Council considered a report by the Executive Manager – Governance and Law (GL-14-18-F) regarding the appointment of a nominated Director to the Sullom Voe Association (SVA) Limited.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the Council's practice in the past had been to ensure that its most senior office bearers were appointed to SVA Limited, although there was nothing in the Articles of Association that made this requirement. Following the resignation of Councillor Cecil Smith as Leader, it was proposed that the Council instead appoint the current Leader, Councillor Steven Coutts, to SVA Limited.

Ms Macdonald moved that Councillor Steven Coutts be appointed, and Ms Wishart seconded.

Mr Coutts advised that he was happy to accept the nomination.

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**Decision:**

The Council RESOLVED to appoint the Leader, Councillor Steven Coutts, as a nominated Director to the Sullom Voe Association Limited.

40/18 **Shetland's Partnership Plan 2018-28**

The Council considered a report by the Chief Executive (DV-26-18-F) seeking approval of the Shetland's Partnership Plan 2018-28, and agreement to contribute the necessary resources to deliver the improvement activity articulated in the Plan.

The Chief Executive summarised the main terms of the report, advising that all statutory partners were being asked to approve the Plan which had been prepared to ensure that all partners delivered on their commitments, following the duties imposed on them under the Community Empowerment (Scotland) Act 2015. The Plan outlined the priorities that had been identified, and there was a particular focus on inequalities and a collective focus to help improve outcomes. She went on to acknowledge the work of those involved in pulling together the comprehensive information to produce the Plan, and advised that work would

commence to draw up delivery plans which would come back to the Council for signing off.

The Chief Executive and the Partnership Officer then responded to questions, and the Council noted the following:

- The Plan was an overarching Plan that would sit above the activity of the partners, and would help to co-ordinate and focus activity. Each partner had its own duties and decision-making processes, and it did not replace their responsibilities to co-ordinate their own activity to meet their statutory duties and deliver on outcomes. It did encourage each partner to focus collectively on outcomes, but would not alter the decision-making and budget-setting processes of each.
- The Plan had been substantially revised to address responses received as part of the consultation exercise. There had been some contradictory responses, and the partnership had had to make decisions regarding how to make those changes.
- Any decisions regarding the detailed partnership governance arrangements being developed would be reported back to the Council, unless the Chief Executive had delegated authority to make such decisions.
- The Plan did focus on alcohol misuse, as it was seen as an area that the partnership required to focus on. There was strong partnership work that already took place in respect of drug misuse, and resources that were committed to that area. It was felt that issues relating to alcohol misuse were not picked up in the same way, so the Plan was trying to address this.
- A number of the partners involved had already signed up to the Plan, and the Council was one of the last to do so.
- Work was just starting to identify the key partners to work together on the delivery plans, so there were no timescales yet in place to deliver on them. This piece of work had been resourced and prioritised, but it would be a complex process to work through the outcomes and what shifts in activity were required.
- Some of the statistics relating to “Participation” and “People” had been obtained from the Scottish Household Survey 2016. This was an annual survey based on individual households in each local authority area, and the statistical methodology used was robust. The sample size was 200 households in each area. Other sources of statistical information were also used to help provide indicators, and these were ones which were commonly used by public bodies for planning purposes.
- Concerns were sometimes expressed regarding sample sizes and subjectivity, and whether the outcome would accurately reflect local circumstances, but the Council had to work with the data that was available and this information was based on a consistent methodology. For example, the “living well” indicators were based on a benchmark income and minimum income standard. They referred to acceptable standards of living, and

methodology had been developed to look at what people required in order to participate in society. The information gleaned would not tell the partners what they required to do in the delivery plan, but would provide an indication regarding the cost of living, the impact on families and the choices that households required to make. Locally it could be demonstrated that the cost of living in the remoter islands was much higher. The cost of transport contributed to this, as did the cost of fuel and goods in local shops.

- Poverty was an individual issue locally rather than area based one, and 'pockets' of deprivation were not experienced as they were in other areas. Due to remoteness, people were required to spend more money on particular things than someone in an area that was more connected. Addressing inequality was a main focus, and the delivery plans would help co-ordinate the partnership's resources to get the best progress. There were things outwith the Council's control that could affect this, such as welfare reform which had had a big impact in the past.
- Fuel poverty was measured by firstly taking housing costs into account, and the remaining income that was left once other costs had been accounted for. The definition of fuel poverty was the subject of current consultation. The fuel poverty working group would be highlighting its concerns as part of this consultation exercise, and had also written to the MSPs and the Minister for Housing to do so.
- The Council produced an annual Carbon Management Plan for presentation to the Environment and Transport Committee, and did actively manage its carbon emission figures. However the nature of being an island area contributed to the much higher than Scottish average carbon emission figures. For example, the reliance on ferries – both inter-island and mainland – and the amount of marine activity were factors, as was the fact that there was a diesel power station locally. The biggest contributors to carbon emissions locally were related to Sullom Voe Terminal and Gas Plant, and were outwith the Council's control.
- The Council was taking every opportunity to discuss with the Scottish Government how the aspects of living on an island area contributed to the higher costs of living experienced. Travel – both inter-island and to the mainland – was a particular aspect of the high cost of living, and the discussion the Council was involved in regarding the North Isles ferry contracts would be crucial. There were opportunities to influence the Scottish Government on some of these factors, and the Council would continue to try and do so. However a lot of these areas were outwith the Council's control, and efforts would continue to be made to get the Scottish Government to address these.
- The target dates included in the Plan were intended to monitor progress and would not hold anything back if it was possible to achieve it quicker.
- There were now statutory responsibilities in place for each of the five statutory partners whereas in the past, the Council had taken the lead. Should it be felt that other members of the partnership were not fully engaging, the Partnership could remind them of their statutory duties and challenge them if

their actions were not in line with what had been agreed. Some of the partners involved were managed outwith Shetland, but all produced annual or five-yearly plans, so they would be encouraged to present these and have conversations about their contributions to the Plan. If partners had to be held to account, there would be a strong role for Members in doing so.

- There was no doubt that education was one of the ways to address inequalities, and ensuring that people had the right skills and abilities helped to break the cycle of poverty. There would be a lot of activity associated with education that would come through in the delivery plans, and there was also a recognition of how much was already being done to focus on education and achievement. There were areas where things would have to be added, but it was expected that the delivery plans would feature the benefits of education, skills and development in addressing outcomes.

It was commented that the indicators in Appendix 2 should be amended so that they were preceded by “No more than...” wherever appropriate, and it was also pointed out that the information relating to the value of volunteering to the Shetland economy required to be updated. The Chief Executive agreed to take these points on board.

It was further commented that there should have been more recognition about the need to close the education attainment gap and raise attainment, due to the wider impact on poverty, inequality and improving employability skills. Whilst it was recognised that this would be included in the delivery plans, it was felt that it was a serious omission from the Plan itself. There was a wider role for partners in helping to close the attainment gap, and this should be recognised.

The Chief Executive said that during the process of feeding into delivery plans, issues of co-ordination around activity to enable people to achieve their full potential would be identified. The benefits of a collective approach would be taken into account as the outcomes in the delivery plan were unpicked.

Members commented that it was important to have all partners working towards a shared vision for everyone, and on the important role that the Council’s functional committees would have in shaping plans to improve outcomes.

Mr G Smith moved that the Council approve recommendations 1.1 to 1.3 in the report, and that recommendation 1.4 be amended to read that the Council “notes that work is ongoing to develop detailed governance arrangements, and that this work will be reported to the Council for consideration and approval”.

Mr Coutts seconded.

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**Decision:**

The Council:

- APPROVED Shetland’s Partnership Plan 2018-28
- AGREED 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

- NOTED 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.
- NOTED that work is ongoing to develop detailed governance arrangements and that this work will be reported to the Council for consideration and approval

41/18 **Zetland Educational Trust: Annual Report and Financial Statements for the Year to 31 March 2018**

The Council considered a report by the Executive Manager - Finance (F-054-18-F) presenting the Zetland Educational Trust (ZET) unaudited annual report and financial statements for the year to 31 March 2018.

The Executive Manager - Finance summarised the main terms of the report, advising that following the transfer of the fund from a fixed term deposit account to a Corporate Bond Fund, there had been a much higher income from investments, meaning that more disbursements could be made.

Responding to questions, he advised that the returns for 2017-18 were not for the full financial year. The mandate had to balance risk and reward to ensure that there was limited risk to the capital sum, so it was not expected that the highest returns would be achieved from this fund. The fund had been transferred with the aim of achieving more income than would be possible by holding it in cash, and that had been achieved and would be monitored to ensure that the fund managers continued to deliver. The underlying investment was subject to some risk as it was marketable and had a price attached to it, so it would rise and fall whilst income was being generated. The money received on the surplus allowed disbursements to be made, but he would have to check further if income was reinvested. The constitution of the fund stated that cash had to be held to make disbursements, and decisions were made on a month to month basis. He would further check with Children's Services to see if the fund could be used to provide some sort of hardship fund relating to travel - as had been discussed earlier in the meeting - but he was unsure as to whether this would fit with the criteria.

On the motion of Mr Coutts, seconded by Mr G Smith, the Council approved the recommendations in the report.

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**Decision:**

The Council NOTED the Zetland Educational Trust (ZET) unaudited annual report and financial statements for the year to 31 March 2018, and the information in Section 4 of the report highlighting the key points from the report and financial statements.

42/18 **Shetland Islands Council Unaudited Accounts 2017/18**

The Council considered a report by the Executive Manager - Finance (F-054-18-F) presenting the Shetland Islands Council Unaudited Accounts 2017/18.

The Executive Manager - Finance summarised the main terms of the report, advising that 2017 had been a financially successful year with some significant achievements. He highlighted in particular the completion of the new Anderson High School (AHS), which had resulted in an asset of £46million being added to the Balance Sheet.

Responding to questions, he explained that a new note had been added to the accounts to explain the payments to be made in respect of the AHS. This was a long-term liability of £98.127m in total, funded in part by the Scottish Government. The Council was responsible for around quarter of this liability. Part of it related to the ongoing maintenance and life cycle costs of running the AHS for the next 25 years, and these annual running costs sat within the Children's Services budgets.

In thanking staff across the Council for the work they had carried out in preparing the accounts, Mr Coutts moved that the Council approve the recommendation in the report, and Ms Macdonald seconded.

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**Decision:**

The Council considered the 2017/18 Unaudited Accounts for the Shetland Islands Council, and the information in Section 4 of the report highlighting the key issues from the 2017/18 accounts.

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

*(The Council adjourned at 11.50am and reconvened at 12.15pm)*

**Present:**

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

**In Attendance (Officers):**

M Sandison, Chief Executive  
C Ferguson, Director – Corporate Services  
J Belford, Executive Manager – Finance  
J Riise, Executive Manager – Governance and Law  
R Sinclair, Executive Manager – Capital Programme  
S Brunton, Team Leader - Legal  
L Geddes, Committee Officer

Also:  
N Clarkson, Acies Civil and Structural Limited (Acies)  
M Conroy, Harper Macleod LLP

43/18 **Council Office Premises**

The Council considered a report by the Director of Corporate Services.

Mr Coutts moved that the recommendations in the report be approved, and Mr G Smith seconded.

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**Decision:**

The Council approved the recommendations in the report.

The meeting concluded at 3.05pm.

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Convener





## MINUTES

## B - PUBLIC

Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 7 August 2018 at 1.00pm

### Present:

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

### In Attendance (Officers):

C Ferguson, Director – Corporate Services  
J Belford, Executive Manager – Finance  
J Riise, Executive Manager – Governance and Law  
R Sinclair, Executive Manager – Capital Programme  
S Brunton, Team Leader - Legal  
A Cogle, Team Leader – Administration

### Also:

A Barr, PricewaterhouseCoopers  
J MacPherson, PricewaterhouseCoopers  
C Kerr, Harper Macleod  
D Hogg, Harper Macleod

### Chairperson

Mr Bell, Convener of the Council, presided.

### Circular:

The circular calling the meeting was held as read.

**In order to avoid the disclosure of exempt information, Mr Bell moved, Mr C Smith seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following items of business.**

### Declarations of Interest

The Executive Manager – Governance and Law addressed Members on two issues – conflicts of interests and confidentiality. In concluding his advice, he said it was important for Members to be aware of these considerations from the outset.

Mr G Smith declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that he would be taking part in today's meeting.

Mr P Campbell declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that he would be taking part in today's meeting.

Mr T Smith declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that he would be taking part in today's meeting.

Ms B Wishart declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that she would be taking part in today's meeting.

Ms E Macdonald declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that she would be taking part in today's meeting.

Mr A Priest declared a non-pecuniary interest in agenda item 1, as a Board member of the Shetland College Board, but advised that he would be taking part in today's meeting.

Mr S Leask advised that he had taken advice prior to the meeting from the Executive Manager – Governance and Law, and confirmed that he had no declaration to make.

Mr D Sandison said that he had to declare an interest as a Trustee of the Shetland Fisheries Training Centre Trust as regard to any matters concerning the NAFC Marine Centre. He said that he did not believe that this would preclude him from taking part today, and would not intend to leave the meeting, unless particulars of the NAFC Marine Centre lease arrangements are discussed.

Mr R Thomson sought advice from the Executive Manager – Governance and Law as to whether his family relationship with the Chair of SLAP would require him to declare an interest.

*Mr A Duncan attended the meeting.*

The Convener ruled that that the meeting adjourn whilst Mr Thomson received advice. The meeting adjourned at 1.05 p.m. and reconvened at 1.10 p.m.

Mr R Thomson declared an interest in that he has a close family member on the Board of SLAP with whom he also meets socially, and that therefore he would not be taking part in the meeting today.

*Mr R Thomson left the meeting.*

**44/18 Property Matter – Full Business Case**

The Council considered a report by the Executive Manager - Finance.

The Executive Manager – Finance, the Executive Manager - Governance and Law, the Executive Manager – Capital Programme, and external advisers from PricewaterhouseCoopers and Harper Macleod, provided Members with an extensive and detailed report and presentation, during which they responded to numerous questions from Members.

The Convener thanked officers for their responses, and invited Members to debate the proposal.

Following debate, Mr Coutts extended his thanks to all involved, SIC staff and external advisers. He said that the report was comprehensive and illustrated a lengthy process for which the presentation had been very helpful. Mr Coutts moved that the Council approve the decisions required in the report. Mr Cooper seconded, and in doing so also thanked the staff and officers involved.

The Executive Manager – Governance and Law advised that all papers issued for this meeting should, in keeping with normal practice, be returned to Committee Services. Members accordingly returned all papers.

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**Decision:**

The Council DISCUSSED the Full Business Case, and:

- APPROVED the Full Business Case and its recommendations;
- AGREED to enter into a Share Purchase Agreement with the Shetland Charitable Trust for the purchase of 100% of the shares in Shetland Leasing and Property Development Ltd on terms to be approved and agreed by the Executive Manager – Governance and Law, and instructed by the Director of Corporate Services;
- AGREED that the price for the shares is calculated in line with the price mechanism as outlined in the Heads of Terms and incorporated into the Share Purchase Agreement and that it is updated to reflect the financial position as at the agreed completion date;
- NOTED that the target completion date is 30 September 2018;
- AGREED to finance the purchase of the shares (and any costs subsequently arising from the transfer of Shetland Leasing and Property Development Ltd into the Council) by the sale of long-term investments held by the Council's Fund Managers;
- DELEGATED authority to the Executive Manager – Governance and Law to approve and agree the terms of ancillary documentation associated with or ancillary to the Share Purchase Agreement and the acquisition of SLAP; and
- Following the purchase of the shares, AGREED to all necessary actions being taken to implement the cost effective transfer of the assets and liabilities of Shetland Leasing and Property Development Ltd to the Council.

The meeting concluded at 3.15 p.m.

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Convener

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## MINUTES

## A&B - PUBLIC

**Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 22 August 2018 at 10.00am**

**Present:**

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

**Apologies:**

C Hughson	R McGregor
D Sandison	

**In Attendance (Officers):**

C Ferguson, Director – Corporate Services  
N Grant, Director – Development Services  
J Belford, Executive Manager – Finance  
M Craigie, Executive Manager Transport Planning  
C Bain, Treasury Accountant  
R Barton, Transport Policy & Projects Officer  
S Brunton, Team Leader - Legal  
B Kerr, Communications Officer  
H Tait, Team Leader - Accountancy  
L Geddes, Committee Officer

Also:

A Ross, KPMG  
A Singh, KPMG

**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 Mark Burgess during the proceedings would be permitted by telephone link.

## **Declarations of Interest**

None

Prior to consideration of the business items on the agenda, the Convener advised that this was the last meeting for Mr Jonathan Belford, Executive Manager – Finance, who had been with the Council since 2014. This had initially been as part of a partnership agreement with Aberdeen City Council, and he would be returning there as he had taken up a new post with Aberdeen City Council. During his time with Shetland Islands Council, he had delivered financial accounts and annual accounts which had been unqualified and commended by external auditors. He had worked to support key Council projects - not least the financial closure of the Anderson High School - and had worked closely with Members, helping to make the understanding of complex financial information much easier. Along with his wife, Freda, he had embraced Shetland life, and they had many friends outwith the Council. On behalf of the Council, the Convener extended best wishes to Mr and Mrs Belford on their new life back in Aberdeen.

The Council concurred with applause.

Mr Belford thanked the Convener for his kind words and best wishes. He advised that he had thoroughly enjoyed working alongside his team and Council members, and he wished the Council the very best in the future.

### **45/18 Shetland Islands Council Investment Strategy**

The Committee considered a report by the Executive Manager – Finance (F-061-18-F) seeking approval of a proposed Investment Strategy for the Council's investments that would complement the Medium Term Financial Plan.

The Executive Manager – Finance summarised the main terms of the report, advising that it had been some years since there had been a formal review of the investment strategy. As the Council relied heavily on its investments to top up the Scottish Government grant and Council tax, it was important to ensure the investment strategy was delivering what was expected of it - gross investment returns of 7.3% over the long term. The Council's finance team had contributed to the work carried out by KPMG, who had been contracted to provide professional expert advice and carry out financial modelling. He introduced Mr Singh from KPMG, who had been leading on the work carried out.

Mr Singh outlined the objectives of the work that had taken place, which required a return of 7.3% per annum, while maintaining the value of the capital, in order to distribute £13million per annum. This was challenging in current market conditions, so it had set the context for the review. As the expected return with the current strategy was 6.5%, there was a need to increase returns and to manage key risks which had potential to erode the objectives. The proposed strategy addressed these risks, and the proposal set out would maintain equities and introduce two new asset classes - Direct Lending and Diversified Alternatives – which would allow for greater diversification.

Mr Singh and the Executive Manager – Finance then responded to questions, and Members noted the following:

- The management fees were an estimate based on the asset classes it was looking to engage in. When the Council actually selected its fund managers, management fees would form part of the evaluation and procurement exercise.
- The investment strategy was a long-term strategy, but the inflation position was something that fluctuated monthly. Inflation had been escalating recently and currently stood above 2.1%, but the Government had predicted it would settle back down towards 2%. So the strategy took a long-term view of inflation, based on the most helpful and up-to-date information available at the current time.
- The proposed new strategy moved away from corporate bonds and index-linked gilts. While they were income-producing, but the proposed move to Direct Lending and Diversified Alternatives should offer an improved income profile and risk profile.
- Direct lending investments were made in the more secure parts of the capital structure of companies, and companies who were less liable to default were chosen. If this situation did arise, there were specialists who would step into the companies to recover assets, so the Council's investments would be considered to be at the 'top of the pile' when it came to asset recovery.
- The proposed strategy should increase returns by keeping a large allocation in equities, which was one of the highest-returning classes. But it would introduce diversification so that there was not as much reliance on equities.
- There were specialist teams who would assess fund managers against the criteria set out in respect of ethical investments, and this was taken into account during the selection of fund managers. All of the Council's current fund managers had signed up to the United Nations Principles on Responsible Investment.
- The move to a more active approach was expected to achieve a higher return than a passive approach, and it was expected that an active manager would provide more protection. The proposal would use current mandates, but they would be realigned so that the current bias towards UK equities would be altered so that they were more in line with broader diversified interests.
- The return it was expected to achieve was a real terms comparison to the current situation, and KPMG had been working on the absolute value of the investments. If cash terms were applied to the ten year figures, there would be different figures in terms of absolute value.

In commenting that the current strategy required review, and that the proposed strategy should achieve the 7.3% gross investment returns per

annum required to continue to provide services, Mr Coutts moved that the recommendations in the report be approved.

Mr G Smith seconded.

**Decision:**

The Council RESOLVED to adopt the Investment Strategy and:

- APPROVED the proposed Investment Strategy at section 3.1 to 3.4 of Appendix 1
- APPROVED the fund manager structure as set out in section 3.12 to 3.19 of Appendix 1
- DELEGATED authority to the Executive Manager – Finance to implement the policy by making the necessary changes to fund manager arrangements

46/18

**Medium Term Financial Plan**

The Committee considered a report by the (F-071-18-F) presenting the Medium Term Financial Plan (MTFP) which set out the financial framework within which the Council is expected to operate over the next five years.

The Executive Manager – Finance gave a PowerPoint presentation to Members which highlighted the purpose and context of the MTFP, and outlined the Council's resources and income and expenditure forecasts and the actions and strategy required to meet any funding gaps. He illustrated the downward trend of government funding in relation to grant settlements, which was expected to continue. The Scottish Government had outlined its key priorities, and this meant that more money would be spent on health and the money available for other public services would be reduced. The Council stood above all other councils in terms of the additional resources it applied, and inflation-proofing would be vital. The net cost of services was likely to rise faster over time than the income the Council could expect to achieve. Costs that could not be avoided - such as pay awards - had also been built in. The best and worst case scenarios were outlined, and these relied on the assumption that government funding would continue to be received for ferry operations. Any variation to this would have a material effect, so it was vitally important that engagement continued with the Scottish Government in this respect. The Plan would allow the Council to continue the progress it had made in reducing the underlying cost of Council services and maximising income opportunities, and it would allow the Council to ensure it made the best use of all its resources and reserves.

The Executive Manager – Finance then responded to questions, and Members noted the following:

- The Council should be considering its commercial activity and how to secure maximum income from it. However the question of whether there should be a specific governance entity to look at this was beyond the scope of this report and would be a decision for the Council to make.

- Should the Council not approve the MTFP today, the previously agreed MTFP would still apply.
- There was not enough evidence or information available about the potential impacts of 'Brexit' to include this in the MTFP.
- It was not the case that the 'middle case' scenario had been used for everything. For example, optimistic assumptions had been made about future ferry funding. Pessimistic assumptions had been made about the cost of fuel/energy, with the inflationary factor applied there more than it was for the other parts of the MTFP.
- As part of its manifesto commitments, the Scottish Government had identified health as its key priority. However there was no information available as to whether the additional resources the government allocated to this would include social care provision.
- The figures in the MTFP had been based on reserves of £280million, although the investments figure was higher than this. The Council's reserves remained at £250million on its balance sheet. However the Council had made commitments to some of that cash, and it needed to retain money to protect it in emergency situations and to cover its other commitments. The Housing Revenue Account had to stand alone, and it had its own balance sheet and its own 30-year plan as it would be drawing on that money. There were other non-discretionary sums earmarked in the General Fund, as well as an uncommitted balance. So the investment return base was £280million, as this was what could be relied on to make that contribution and an inflationary return each year to sustain services.
- The graph at paragraph 2.1.4 in the report did not compare like for like with other areas, but it did illustrate the extent to which the reserve fund was used to top up services locally. It was being recommended today that the Council continue with this funding in relation to the investment returns received. It would be difficult to answer what the actual qualitative value to Shetland was from using the reserve fund to top up Council services, although it could be calculated how much had been drawn from reserves to support activities.
- There was a legal process relating to securing revenues from Crown Estate business rates, and the amount of money would be modest. The Council could take control of non-domestic rates. However as a significant proportion of the non-domestic rates locally came from two particular entities, should anything happen to these there may not be an income stream in future. At the moment, this risk lay with the Government, so any move to take control of non-domestic rates locally would have to be carefully considered in that context.

Responding to a question, the Director of Corporate Services advised that a report on the service redesign programme was being drafted, and would be presented to the Council at its next meeting. Key service areas had been identified for review, and it would be important to conclude these reviews first

before focusing on implementation. Other areas would also be identified for review in due course.

In response to a further question, the Director of Development Services advised that the UK Government was currently looking at ways of replacing European grant funding and how to allocate it. European funding that had previously been allocated to Shetland was somewhere in the region of £20million.

In commenting that the MTFP would play a key role in helping the Council to take the best decisions in the challenging times ahead, Mr Coutts moved that the recommendations in the report be approved.

Mr Duncan seconded.

Mr Scott expressed concern that approval of the recommendations in the report would mean acceptance of budget cuts in the order of £3million per annum. Given that the Council had £370million in its account, this £3million could instead be taken from the account to save services which enabled people to live decent lives. He accordingly moved as an amendment that the recommendations in the report be rejected. However his amendment did not receive a seconder.

During the discussion that followed, it was commented that the MTFP provided what was required for Members to make strategic decisions to meet the needs of the community, and that the discussion on how to prioritise this spend would take place at a later date. However it was commented that the Council needed to intensify its own efforts politically, and through COSLA, to make it clear to the Scottish Government that reducing local government funding year on year was not good enough and that local government should be a priority.

It was noted that work was taking place to get revenue funding in the budget for ferries, but that there was optimism that this would happen as fair ferry funding was something that had received cross-party support.

Members commented positively on the clarity and presentation of the report, and commended the Executive Manager – Finance and his staff for the work carried out.

**Decision:**

The Council RESOLVED to adopt the Medium Term Financial Plan 2018/19-2023/24 and:

- APPROVED the principles of the Plan set out in section 2.2 of the Medium Term Financial Plan
- APPROVED the assumptions on income and expenditure that underpin the Plan set out in Appendix G and Appendix H of the Plan
- APPROVED the Financial Strategy set out in Section 1 of the Plan

- AGREED the financial objective to be tackled by the Council over the life of the Medium Term Financial Plan as detailed in Appendix A and Appendix B

47/18

### **Public and School Transport Network 2019 to 2024 - Strategic Outline Case**

The Committee considered a report by the Executive Manager - Transport Planning (DV-31-18-F) presenting information on the Public and School Transport Networks 2019 to 2024 – Strategic Outline Case (SOC).

The Executive Manager - Transport Planning summarised the main terms of the report, advising that the SOC set out the case for change, considered a number of shortlisted options, and suggested a preferred way forward when the current contracts for the network for school and public bus services expire in August 2019. There were a range of community planning and strategy contexts in Shetland which described what was required of Shetland's transport network, as well as statutory duties which required to be addressed. The current network was performing well, but there were gaps which required to be addressed. Alongside this there were financial pressures, and the service redesign targets had been built into the process. A hierarchy of travel needs had been established, and these would be checked with users, agencies and other stakeholders to see if they needed to be changed. The preferred way forward had been established as being a minimum of a network of services which would be broadly similar to current circumstances.

Responding to questions, the Executive Manager – Transport Planning advised that Council policy and the statutory requirements regarding walking distances to school were different. Council policy had been maintained, but Members could opt to revert to the statutory requirements if they wished to reduce costs. He went on to say that the preferred way ahead had been identified and stakeholders would be consulted, so there would be more detail available at the next stage when the outline business case was presented. The contracts could be extended at this point if necessary, as this was when deliverability would be tested.

In commenting on the opportunities for the Council to deliver an improved bus services at a reduced cost, which would be examined in more detail when the outline business case was presented to Members, Mr Thomson moved that the recommendations in the report be approved, and Mr Coutts seconded.

It was noted that efforts would be made to present the next report on this matter during the Council's ordinary cycle of meetings.

#### **Decision:**

The Council RESOLVED to:

- NOTE that the preferred way forward for public and school bus transport in Shetland detailed in the Strategic Outline Case (SOC) in Appendix 1 comprises two components; namely: -
  - For School Bus Transport – a network of dedicated services and public transport based services that provides transport to entitled

pupils in compliance with the Council's prevailing policy criteria described on the Council's School Transport Policy

- For Public Bus Transport –a network of services based on the current network with refinements to take advantage of opportunities for efficiency, with a framework to support any decisions to modify the network to meet any financial constraints based on a hierarchy of travel needs factors arising out of consultation with users, the Shetland community and wider stakeholders
- DELEGATE authority to the Director of Development Services, working with the Lead Officer of ZetTrans where required, to take any decisions and action required to develop the Full Business Case for the preferred way forward described in section 1.1 for each of the Public and School Bus Transport Networks to be implemented after the current set of service contracts expire on 18 August 2019.

The meeting concluded at 12.05pm.

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Convener



## **MINUTES**

## **B - PUBLIC**

**Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 29 August 2018 at 2pm**

**Present:**

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

**Apologies:**

A Manson

**In Attendance (Officers):**

M Sandison, Chief Executive  
C Ferguson, Director – Corporate Services  
D Irvine, Executive Manager – Economic Development  
J Riise, Executive Manager – Governance and Law  
R Sinclair, Executive Manager – Capital Programme  
H Tait, Team Leader - Accountancy  
C Anderson, Senior 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 Chair ruled that due to special circumstances, namely due to the timescales involved, the following item of business would be considered at this meeting as a matter of urgency in terms of paragraph 3.2.2 of the Council's Standing Orders for Meetings:

Agenda Item 6a – Waste Management Facility – Project Update.

**Declarations of Interest**

None.

**Management Accounts for Community Health and Social Care 2018-19 - Projected Outturn at Quarter 1**

The Council considered a report by the Executive Manager – Finance (F-63-18-F) presenting the projected outturn position for 2018/19 as at the end of the first quarter for revenue and capital.

*(Mr D Sandison attended the meeting).*

In introducing the report, the Team Leader – Accountancy referred to the recommendation at Section 1.2, for the Council to approve an increase in the payment for 2018/19 to the Community Health and Social Care partnership IJB of £18k. She outlined the key issues from the report, including the revenue outturn position of an overspend of £427k, and advised that the savings anticipated from the service redesign proposal would not be achieved this year.

In response to questions regarding the ongoing financial challenges for the IJB, the Chief Executive referred to one of the roles of the IJB is strategic planning, and she reported that a process was underway to make services more efficient and effective. She added that while any change puts pressure on existing staff, changes have to be made to be able to deliver sustainable services into the future.

Mr Duncan advised on the recommendation at Policy and Resources Committee, and he moved that the Council approve the recommendation in the report. Mr McGregor seconded.

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**Decision:**

The Council:

- APPROVED an increase in the payment for 2018/19 to the Community Health and Social Care Partnership Integration Joint Board of £18k, recognising carry-forward funding allocated as per the Council's budget carry-forward scheme. This will increase the payment for 2018/19 to £20.825m.

**SIC Overall Management Accounts 2018/19 Projected Outturn at Quarter 1**

The Council considered a report by the Executive Manager – Finance (F-055-18-F) which set out the overall Council projected financial position as at Quarter 1.

In introducing the report, the Team Leader – Accountancy referred to the six service redesign projects as listed in Section 4.4, advising that while three were on target to be achieved in 2018/19, three would not be achieved this financial year. She also outlined the changes to charges for Infrastructure Services as set out in Section 4.8, and confirmed that there were no financial implications to the Council in that regard.

*(Mr Sandison declared an interest in the review of the charge relative to the salmon farming industry, as set out in Section 4.8(a) of the report. Mr Sandison left the meeting).*

During debate, the Leader said that while the report provides an early indication of the outturn position at Quarter 1, he was however conscious of the challenging budgets set for officers to deliver on. He welcomed the savings from the Service Redesign projects as reported in section 4.4, and said that although a number of the projects would not be achieved within this financial year it was important to get the projects right in the long-term. Mr Coutts moved that the Council approve the recommendations in the report. Mr Leask seconded.

Reference was made to Section 4.8(c) of the report, where it was questioned whether the free service for local authority child burial and cremation fees could be extended to individuals over the age of 18 years, where a terminal illness diagnosis has been made before their 18<sup>th</sup> birthday. The Leader suggested that further detail would be required before an informed decision could be made, and in the first instance for the relevant officer to investigate and advise accordingly.

Comment was made on the reporting through the functional Committees and onto Council in terms of the noticeable ask on officers to undertake larger pieces of work, where it is apparent that resources are clearly limited due to previous decisions to make savings. A suggestion was made, and while it was acknowledged that the request was at the risk of putting more work on officers, for analysis to be undertaken on the capacity to do larger pieces of work that could perhaps lead to savings in the long-term. In responding, the Leader proposed that the appropriate route to address the suggestion raised was through the Service Redesign Programme and the Sounding Board.

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**Decision:**

The Council RESOLVED to:

- review the Management Accounts showing the overall projected outturn position at Quarter 1.
- note that each Director will continue to monitor spend and take actions to mitigate any projected overspends in their service reports.
- review the proposed new charges identified for waste disposal and to make a change to the burial charges as set out in paragraph 4.8, to take effect from the date of approval by the Council on 29 August 2018.

*(Ms Macdonald left the meeting).*

*(Mr Sandison returned to the meeting).*

50/18

**Asset Investment Plan - Progress Report**

The Council considered a report by the Executive Manager – Capital Programme (CPS-07-18-F) that informed on progress of the projects

contained within the Asset Investment Plan which are currently underway in 2018/19.

The Executive Manager – Capital Programme introduced the report.

During the discussion, concern was expressed at the significant escalation in the estimated cost for the Lerwick Library Refurbishment Project, and on the current process for estimating projects, and it was also questioned whether adequate resources were in place in that area. The Executive Manager – Capital Programme reported that there were a number of factors for the increased budget, and he confirmed that a detailed report on the Lerwick Library Refurbishment project would be presented during the next cycle of meetings for Members to make a decision on the project going forward.

In response to comments on the number of projects which have gone over budget, the Executive Manager – Capital Programme referred to the principle of the Building Better Business Case methodology and the gateway process, being a multi-stage process where as projects develop in more detail it is inevitable that costs can change, but there will be also greater detail on the cost of the project. He advised also that the various gateway stages allow Members the opportunity to decide for a project to continue to proceed or not.

In responding to a question regarding the Toft Pier Project, the Executive Manager – Capital Programme advised that as part of the EMFF funding application tenders are required, and that the full business case will come to the Council for a decision.

In response to questions, the Executive Manager – Capital Programme undertook to circulate to Members the schedule of ferry and terminal replacements included in the Ferry Replacement Programme.

During the discussion, an update was sought on the resources and budgets to complete the works to support the expansion of Early Learning and Childcare. The Chief Executive advised that the programme of requirements has been developed, and funding from the Scottish Government has been confirmed, however she acknowledged that the delivery of the works could be challenging. She said that while the Council benefits from having an in-house workforce, some capital works will need to be carried out by the private sector. The Executive Manager – Capital Programme advised on the recognition from the Scottish Government that unspent funding can be carried forward into future years. Mr G Smith advised from the discussion at Education and Families Committee, that a report on the programme of infrastructure requirements to support the expansion of Early Learning and Childcare would be presented to Committee in October.

In response to questions, updates were given on the delay on the cathodic protection works to a tug jetty at Sullom Voe, which requires a technical solution for the specific design of the jetty. It was however confirmed that the delay on that project would not impact on the programme of cathodic works to other piers. Updates on the programme for cathodic protection works at piers, and on the issues with a particular tug jetty construction at

Sullom Voe are provided to Members of the Harbour Board in the regular engineers update report.

During debate, the Leader commented on the good discussion on a number of issues and projects. The Council otherwise noted the report.

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**Decision:**

The Council NOTED the progress of the projects within the Asset Investment Plan.

51/18

**Promoting Shetland as a Location for Large-Scale Events**

The Council considered a report by the Executive Manager – Economic Development (DV-30-18-F) which presented a proposal that the Council support the promotion of bids for future large-scale events within Shetland.

The Executive Manager – Economic Development introduced the report, advising on the opportunity to bid for the Tall Ships Races in 2023 and to host the Island Games in 2027. He confirmed that robust business plans would be prepared should the Council agree to support the recommendation in the report.

In response to a question, the Chief Executive advised that she was aware that the Island Games were moving from a bidding process, to a situation where an Island seeking to host the Games could indicate a preference to host the event in a particular year. In terms of Shetland's bid, the indication given would be to host the event in 2027 or thereafter, however she advised that agreement to proceed would be required from the Council before discussion can take place with the Island Games Committee on what years may still be available to host the event in Shetland.

During the discussion, Members advised on their support for the proposals in the report, which would promote Shetland on a global scale, benefitting the community and boosting morale.

In response to comments, the Chief Executive acknowledged that there would be extra workload on Council staff in developing the proposals, however she advised on the input from the other Shetland Planning partners and for additional involvement from the community compared to previous events. The Executive Manager – Economic Development added that lessons have been learned from hosting previous events, and creative and innovative business plans would be developed with the objective to seek additional external funding.

Mr Campbell reported from his attendance at the annual Tall Ships meetings, that there is clearly a desire from the organisers for the event to be held again in Shetland. He suggested that should the Council agree to support a similar event in Shetland, that the organisers of the Tall Ships event in 2011 be involved in taking the proposals forward. In that regard, the Executive Manager – Economic Development referred to dialogue with organisers of the Tall Ships event in 2011 on their support for the Council to participate in a future event, and concluded therefore that the organisers were still

interested to get involved in any plans for the Tall Ships to be held in Shetland. He advised on the proposal in the first instance, that a Steering Group would be set up to look at initial proposals for hosting large-scale events, where the Council would be a supporter of the proposal, and not the driver or main funder.

In responding to a question, the Chief Executive advised that while organising large-scale events is not a specific priority in the Corporate Plan, a number of outcomes in the Corporate Plan and the Shetland Partnership Plan would be supported through hosting such events in Shetland. She added that it is therefore for the Council to decide whether to approve the proposals to support large-scale events to be held in Shetland in the future.

During debate, the Leader advised on the positive comments from Members at Policy and Resources Committee in support of the proposals in the report, and he said that the events would create a feel good factor within the community and put Shetland on the map. He said that the Council is not committing any finances at this time and the process to be followed will establish the Council's role in supporting such events. Mr Cooper moved that the Council approve the recommendation in the report, and Mr Fraser seconded.

During the discussion that followed, Members referred to the success and benefits from hosting previous large-scale events in Shetland, and in particular to the Shetland athletes who participate at the Island Games who are seen as ambassadors for Shetland, and to the continuing benefit to the community and young people in Shetland from hosting the Tall Ships Races in 2011. Members advised on their support for Shetland to bid to host large-scale events, which will be of invaluable benefit to Shetland, and on the confidence in the Council to support the community to deliver large-scale events in the future.

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**Decision:**

The Council APPROVED to support the promotion of bids for future large-scale events.

52/18

**Council Business Programme 2018/19**

The Council considered a report by the Director of Corporate Services (CRP-18-18-F) which presented the business planned for the Council in the financial year 2018/19.

The Director of Corporate Services introduced the report, and the Business Programme at Appendix A. During the brief discussion, the Director of Corporate Services advised that she would clarify the actual date of the meeting, referred in the Business Programme as being held on 19 September 2017.

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**Decision:**

The Council considered its business planned for the remaining quarters of the current financial year, and RESOLVED to approve the business programme.

53/18 **Corporate Risk Register**

The Council considered a report by the Director of Corporate Services (IA-24-18-F) which provided information on high level risks that could impact upon the organisation's aims and stated plans.

The Director of Corporate Services introduced the report. There being no questions, the Council noted the report.

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**Decision:**

The Council NOTED the report.

54/18 **Waste Management Facility – Project Update**

The Council considered a report by the Executive Manager – Capital Programme (CPS-08-18-F) which provided an update on the status of the Waste Management Facility project and a request for additional budget.

The Executive Manager – Capital Programme introduced the report, and advised on the additional funding of £264k required to take the project to completion.

In response to a question, the Executive Manager – Capital Programme confirmed that the earthworks and drainage element of the project, carried out in-house by the Roads Service, was included within the overall cost of the project.

In response to a question, the Chief Executive referred to the Business Case for the Waste Management Facility, and advised on the benefits for the Council to be able to sort recyclates into the various waste streams.

Mr Thomson moved that the Council approve the recommendation in the report. Mr McGregor seconded.

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**Decision:**

The Council APPROVED additional funding of £264k to allow the Waste Recycling Facility project to proceed as described in Section 4.0 of the report.

**In order to avoid the disclosure of exempt information, Mr Bell moved, Mr Coutts seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following items of business.**

55/18 **Confidential Risk Register**

The Council considered a report by the Director of Corporate Services, which presented information with regard to risk where the information is confidential, commercially sensitive or otherwise exempt from publication.

The Director of Corporate Services introduced the report, and responded to questions from Members.

The Council noted the report and the updates provided.

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**Decision:**

The Council NOTED the report.

56/18

**Corporate Services Restructure**

The Council considered a report by the Director of Corporate Services, presenting information on proposals to restructure the Corporate Services Department to reflect changes in the business needs of the Council.

In introducing the report, the Director of Corporate Services outlined the proposed changes and areas of management responsibility. She confirmed the detailed discussions held with affected staff, and the positive support from staff to the changes proposed. She advised on the support for the proposals in the report at the Human Resources Partnership Group and to the discussion at Employees Joint Consultative Committee, where additional information was requested, which she confirmed had been circulated to all Members. She also advised on the support to the proposals in the report at Policy and Resources Committee.

In response to questions, the Director of Corporate Services outlined the positive aspects for the Performance and Improvement and Risk Management Sections moving to other areas of the Council in terms of joint working and she confirmed that in consultation with the line managers there are support for the proposals as presented. She went on to advise that the proposed changes to the Internal Audit function and structure had been discussed in detail and developed with the former Executive Manager – Finance, and will be discussed in more detail with the incoming Executive Manager – Finance when in post.

During debate, Mr Duncan thanked and paid tribute to the Director of Corporate Services in developing and presenting the proposals in the report. He also paid tribute to the Executive Manager – Audit, Risk and Improvement, for his commitment to the audit work undertaken, and he wished him well in the future. Mr Duncan moved that the Council approve the recommendation in the report. In seconding, Mr C Smith spoke in support of the proposals as set out in the report.

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**Decision:**

The Council:

- APPROVED the restructure proposals presented in the report; and
- NOTED that following approval by the Council, the implications for Shetland's Health and Social Care Partnership Integration Joint Board (IJB) of the changes to the Council's internal audit service will be presented to the IJB Audit Committee and to the IJB seeking agreement

from the IJB that the Council continues to provide internal audit services for the IJB.

The meeting concluded at 3.50pm.

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Convener





## MINUTES

## A&B - PUBLIC

**Shetland Islands Council**  
**Council Chamber, Town Hall, Lerwick**  
**Wednesday 19 September 2018 at 2.00pm**

**Present:**

M Bell	M Burgess
P Campbell	A Cooper
S Coutts	A Duncan
J Fraser	S Leask
E Macdonald	A Priest
C Smith	G Smith
T Smith	R Thomson
A Westlake	

**Apologies:**

C Hughson	A Manson
R McGregor	D Sandison
I Scott	D Simpson
B Wishart	

**In Attendance (Officers):**

M Sandison, Chief Executive  
S Bokor-Ingram, Director of Community Health and Social Care  
C Ferguson, Director – Corporate Services  
N Grant, Director – Development Services  
J Riise, Executive Manager – Governance and Law  
H Tait, Acting Executive Manager - Finance  
C McCourt, Financial Accountant  
L Malcolmson, Committee Officer

**Also:**

Mr Healy, Deloitte  
Mr Corrigan, Deloitte

**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 Mark Burgess during the proceedings would be permitted by telephone link.

## **Declarations of Interest**

None

### 57/18 **Annual Audit Report on the 2017/18 Audit - Shetland Islands Council and Zetland Educational Trust**

The Committee considered a report by the Executive Manager – Finance (F-072-18-F) which presented the Annual Audit Report on the 2017/18 Audit for Shetland Islands Council and the Zetland Educational Trust.

The Acting Executive Manager - Finance introduced the report and drew attention to changes required to the figures in the tables on page 9 and 74 of the Annual Accounts for 2017/18 that were circulated at the meeting. It was also noted that Officers had been informed of another amendment on page 18 where the remuneration paid to employees required to be amended. The Acting Executive Manager - Finance advised that the External Auditors had confirmed that they were content that the changes they had seen were now the correct figures.

Mr Corrigan and Mr Healy, Deloitte introduced the Annual Audit Report 2017/18 and commented on the key messages and significant findings therein and confirming that Deloitte had provided an unmodified opinion.

During questions, the matter of rationalising committees was raised and officers were asked how that could be done. It was suggested that there was a danger of issues not being dealt with appropriately with less opportunity for discussion. In response the Chief Executive advised that standing orders and governance arrangements are continually under review and in terms of the Committee structure it was important to ensure that decisions are being taken at the right level rather than presenting reports for noting. She said that general updates should be done through briefings and progress on projects should come through performance reporting. The Chief Executive said that these issues would be looked at but it would not necessarily mean change.

During debate the Chair of the Audit Committee provided a summary of the discussion held at the Audit Committee and the assurance given by Deloitte that there are no service failures. He commended staff within Deloitte and the Council for the work done in preparing the accounts. The Chair of the Audit Committee advised that there was unanimous approval of the Annual Audit Report.

Members spoke in support of comments made by the Auditors and the Chair of the Audit Committee. However the Chair of the Education and Families Committee cautioned that there were also wider audit issues to consider. He noted that Council Members had identified their priorities and Council staff were wholly committed to delivering those because they focussed on service delivery and improved outcomes for Shetland. Much of what the Auditors were looking for could be addressed within ongoing work and the Action Plan would capture those such as the IJB, Community empowerment, Community Planning, Performance Reporting and workforce Strategy. Therefore it was timely that Deloitte reminds the Council of the necessity to move forward on these fronts. It was stressed however that there is a need to match resources

available and quantify resource gaps to move in a way that satisfies the auditors and outcomes for the community.

Reference was made to page 1 of the annual accounts at bullet 2 the number of dwellings planned is over ten years where this should read “over the next five years”.

The Executive Manager – Governance and Law advised that, outwith normal practice, due to the number of changes indicated, an amended version of Annual Accounts 2017/18 would be uploaded on the Council’s Committee Information System and circulated to Members by email following the meeting.

**Decision:**

The Council RESOLVED to:

- NOTE the findings of the 2017/18 audit as contained in the external auditor's Annual Report at Appendix 1;
- APPROVE the agreed Action Plan as outlined in the Annual Report;
- APPROVE the audited Annual Accounts for 2017/18 (Appendix 2) for Shetland Islands Council for signature; and
- APPROVE the audited Annual Accounts for 2017/18 (Appendix 3) for Zetland Educational Trust for signature.

The meeting concluded at 2.30pm.

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Convener





<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>31 October 2018</b>
<b>Report Title:</b>	<b>Presentation from Baillie Gifford – Fund Manager</b>	
<b>Reference Number:</b>	<b>F-075-F</b>	
<b>Author / Job Title:</b>	<b>Jamie Manson, Executive Manager Finance</b>	

## **1.0 Decisions / Action required:**

- 1.1 That the Council NOTE Baillie Gifford's presentation.

## **2.0 High Level Summary:**

- 2.1 Each year as part of the Council's governance of their investments, all of the Council's fund managers are invited to give presentations to the Council. This year the Council has undertaken an investment strategy review and two of the Council's fund managers are involved in tendering for new investment mandates, so it is not appropriate to ask them to give a presentation. Baillie Gifford are not involved in the tendering process and were invited to give their annual presentation.
- 2.2 Baillie Gifford is a large independent global fund management company based in Edinburgh. Baillie Gifford is run as a private partnership with about 40 partners, all of whom work within the firm.
- 2.3 Baillie Gifford have managed an active equity mandate for the Council since 2001, with a Diversified Growth Fund investment added in 2013. Baillie Gifford's mandate since October 2013 has been invested 30% in UK Equities, 30% in Overseas Equities and 40% in a Diversified Growth Fund. The target for this fund is to outperform the benchmark by 2.5% per annum, net of fees, over rolling 5 year periods.
- 2.4 The investment performance of Baillie Gifford's mandate will be covered in more detail in their presentation, but their investment returns to 30<sup>th</sup> September 2018 are above benchmark over 1, 3 and 5 years, above the target over 1 and 3 years and just below the target over 5 years.
- 2.5 The Council has three fund managers, and the total value of the investments under management at the end of September 2018 was £353 million. Baillie Gifford's mandate at the end of September 2018 had a value of £195 million, which is 55% of the Council's total investments.
- 2.6 Two representatives from Baillie Gifford will attend the meeting and give a presentation on the funds within the mandate, along with a review of their performance. Baillie Gifford will have handouts at the meeting to go along with their presentation.

2.7	The presentation from Baillie Gifford along with this report is intended to inform the members about Baillie Gifford's investment and its performance. It is envisaged that all of the Council's Fund Managers will give annual presentations next year.
<b>3.0 Corporate Priorities and Joint Working:</b>	
3.1	Reviewing and monitoring the Council's fund managers is important in the overall management of the Council's investments, as the Council's Investments play a key role in helping the Council deliver its corporate objectives, as described in the Community Plan, the Corporate Plan and other strategic documents.
<b>4.0 Key Issues:</b>	
4.1	The presentation from Baillie Gifford forms part of the governance arrangements in regard to the annual review of the Council's investments, to allow the Council the opportunity to meet and hear directly from a fund manager that is investing on behalf of the Council. This also provides an opportunity to question the fund manager on any aspect of the fund and its performance.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None
<b>6.0 Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The performance of the Council investments has a direct impact on the level and volume of services that it can afford to provide to the people and communities of Shetland. Monitoring of the performance therefore provides assurance that the additional funding that is created through the investments is sustainable.
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	None
<b>6.5 Finance:</b>	<p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Council is working towards meeting its long term investment objectives.</p> <p>It is not likely that the Council can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy, mitigates the financial risks and enables the</p>

	<p>Council to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework.</p>
<p><b>6.6 Assets and Property:</b></p>	<p>Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for sustainable long term benefits. The Council relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Council money is invested. The value of long term investments under these mandates can go down as well as up.</p>
<p><b>6.7 ICT and new technologies:</b></p>	<p>None</p>
<p><b>6.8 Environmental:</b></p>	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Council will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions. The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>Baillie Gifford fund managers have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
<p><b>6.9 Risk Management:</b></p>	<p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.</p>

<b>6.10 Policy and Delegated Authority:</b>	<p>In accordance with section 2.2 of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council.</p> <p>However, in accordance with section 2.1.3 of the Council's Scheme of Administration and Delegations, the approval of any annual investment strategy or annual investment report required by any consent issued by Scottish Ministers by virtue of Section 40 of the Local Government in Scotland Act 2003, is reserved to the Council.</p>	
<b>6.11 Previously considered by:</b>	None	

**Contact Details:**

Colin Bain, Treasury Accountant  
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E-mail: colin.bain@shetland.gov.uk

**Appendices:**

None

**Background Documents:**

None

END



<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>31 October 2018</b>
<b>Report Title:</b>	<b>Chairs' Report – Policy and Resources Committee – 8 October 2018 Addendum to School Transport Policy 2018</b>	
<b>Reference No:</b>	<b>SIC-3110-CS-33</b>	
<b>1.0 Decisions / Action required:</b>		
1.1	That the Council APPROVE the proposed addendum to the School Transport Policy 2018.	
<b>2.0 Report</b>		
2.1	The purpose of this report is to consider recommendations from the Chair of Policy and Resources Committee in relation to a report requiring a Council decision.	
2.2	The Committee considered the report which presented an addendum to the recently approved School Transport Policy 2018.	
2.3	The report was also considered and approved for recommendation to the Policy and Resources Committee, by the Environment and Transport Committee on 2 October 2018 and the Education and Families Committee on 4 October 2018.	
2.4	The Chair of Policy and Resources will present any further information to the Council as to the debate or issues that the Committee considered.	
<b>3.0 Implications</b>		
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.	

<b>4.0 Previously Considered by:</b>	Policy and Resources Committee	8 October 2018
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For further information, please contact:

Mr S Coutts, Chair of Policy and Resources Committee  
5 October 2018

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Background documents:

Report to Policy and Resources Committee – 8 October 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5892>

END



<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>31 October 2018</b>
<b>Report Title:</b>	<b>Chairs' Report – Policy and Resources Committee – 8 October 2018  Economic Development Strategy 2018-2022</b>	
<b>Reference No:</b>	<b>SIC-3110-DV-33</b>	
<b>1.0 Decisions / Action required:</b>		
1.1	That the Council ADOPTS the Economic Development Strategy, and agrees that it replaces the Economic Policy Statement within Part A of the Council's Constitution and Policy Framework, to be managed by the Development Committee.	
<b>2.0 Report</b>		
2.1	The purpose of this report is to consider recommendations from the Chair of Policy and Resources Committee in relation to a report requiring a Council decision.	
2.2	The Committee considered the report which presented the Economic Development Strategy 2018-2022 which was produced following work by Economic Development Service staff to develop a set of policy actions to guide the work of the Economic Development Service for the period of the current Council, and in the context of national, regional and local policy. The document will replace the previous policy statement covering the period 2013-2017.	
2.3	The report was also considered and approved for recommendation to the Policy and Resources Committee, by the Development Committee on 1 October 2018.	
2.4	The Chair of Policy and Resources will present any further information to the Council as to the debate or issues that the Committee considered.	
<b>3.0 Implications</b>		
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.	

<b>4.0 Previously Considered by:</b>	Policy and Resources Committee	8 October 2018
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For further information, please contact:

Mr S Coutts, Chair of Policy and Resources Committee  
5 October 2018

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Background documents:

Report to Policy and Resources Committee –8 October 2018:

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5892>

END



<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>31 October 2018</b>
<b>Report Title:</b>	<b>Appointments to Committees – Planning, Audit, etc.</b>	
<b>Reference Number:</b>	<b>GL-19-F</b>	
<b>Author / Job Title:</b>	<b>Executive Manager – Governance and Law</b>	

## **1.0 Decisions / Action required:**

- 1.1 That the Council appoints the following:
- a. one Member from the Shetland West Ward to the Planning Committee;
  - b. one Member of the Council to the Employees Joint Consultative Committee;
  - c. one Member of the Council to the Audit Committee; and
  - d. one Member of the Lerwick South Ward to the Community Safety and Resilience Board.
- 1.2 That the Council NOTES that a vacancy will remain on the Pension Fund Committee; and
- 1.3 That the Council NOTES that a request for a nominee for appointment to the Joint Staff Forum will be submitted to the EJCC at its next meeting on 23 January, and confirmed by the Council on 20 February 2019.
- 1.4 In relation to 1.1 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 On 1 October 2018, for personal reasons, Councillor Cecil Smith intimated his resignation from the following committee, with immediate effect: Joint Staff Forum, Employees Joint Consultative Committee; Pension Fund Committee; Audit Committee; and Community Safety and Resilience Board.
- 2.2 On 10 October 2018, also for personal reasons, Councillor Steven Coutts intimated his resignation from the Planning Committee, with immediate effect.
- 2.3 The purpose of this report is to provide the Council with the opportunity to fill those vacancies, where possible.

### **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:**

- 4.1 The Council is asked to consider making the following appointments to fill the vacancies caused by the resignation of Councillors C Smith and S Coutts. Existing membership for each of Committee is shown in **Appendix 1**.

#### Planning Committee

- 4.2 Membership of the Planning Committee consists of one Member from each Ward, in addition to the Chair and Vice-Chair. The Council is asked to consider the appointment of a Shetland West Ward member to the Planning 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. However, as Councillor T Smith is already a member as Chair of the Planning Committee, only Councillor C Hughson is eligible for appointment. If no appointment is made, the position will remain vacant.

#### Employees JCC

- 4.3 Membership of the Employees Joint Committee, on the management side, consists of 8 members of the Council. The Council is asked to appoint one member of the Council to fill the current vacancy.

#### Audit Committee

- 4.4 Membership of the Audit Committee consists of 9 members of the Council. The Council is asked to appoint one member of the Council to fill the current vacancy.

#### Community Safety and Resilience Board [CSRB]

- 4.5 As required by the CSRB Terms of Reference, the Council appoints 7 members, one from each Ward, and appoints a Chair from amongst those members appointed. The Council is asked to consider the appointment of a Lerwick South Ward member to the Community Safety and Resilience Board. 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. If no appointment is made, the position will remain vacant.

#### Pension Fund Committee

- 4.6 Membership of the Pension Fund Committee consists of all members of the Council's Policy and Resources Committee appointed by the Council, and therefore, as Councillor C Smith remains a member of the Policy and Resources Committee, under the Council's constitution there is no need to replace the appointment to the Pension Fund Committee at this time.

## Joint Staff Forum

- 4.7 The Joint Staff Forum membership comprises 6 representatives nominated by the Health Board Area Partnership Forum (APF); and 6 representatives nominated by the Council's Employees Joint Consultative Committee (EJCC), being 3 staff members and 3 councillor members. In this regard, the request for a councillor nominee will be submitted to the EJCC at its next meeting on 23 January 2019, and confirmed by the Council on 20 February 2019.

### Method of Election/Voting

- 4.8 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.
- 4.9 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.
- 4.10 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.
- 4.11 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.
- 4.12 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.

<b>6.3 Equality, Diversity and Human Rights:</b>	There are no equality implications arising directly from this report and an Equalities Impact Assessment is not required.	
<b>6.4 Legal:</b>	The legal framework for this report is supported by the Council's Constitution, including the Scheme of Administration and the Standing Orders.	
<b>6.5 Finance:</b>	As an approved duty, any appointed elected Members will be entitled to claim expenses for attendance at meetings. However, as these appointments are to fill current vacancies, no significant additional expenditure is expected in relation to the Members' Expenses budget.	
<b>6.6 Assets and Property:</b>	There are no implications for assets and property arising directly from this report.	
<b>6.7 ICT and new technologies:</b>	There are no implications for ICT and ICT systems arising directly from this report.	
<b>6.8 Environmental:</b>	There are no environmental implications arising directly from this report.	
<b>6.9 Risk Management:</b>	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 a failure to make provision for adequate democratic accountability for constituents.	
<b>6.10 Policy and Delegated Authority:</b>	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.	
<b>6.11 Previously considered by:</b>	None.	

**Contact Details:**

Jan Riise, Executive Manager - Governance and Law [jan.riise@shetland.gov.uk](mailto:jan.riise@shetland.gov.uk)  
24 October 2018

**Appendices:**

Appendix 1 – Committee memberships.

**Background Documents:** None

END

## Committee Members – GL-19-Appendix 1

	<b>Planning Committee</b>
	11 Councillors, being a Member from each Ward, plus two further Councillors to be Chair and Vice-Chair appointed by the Council, plus two further Councillors having regard to skill and expertise.
<b>Chair</b>	T Smith
<b>Vice-Chair</b>	A Manson
<b>North Isles</b>	D Simpson
<b>Shetland North</b>	E Macdonald
<b>Shetland West</b>	<i>Vacant</i>
<b>Shetland Central</b>	D Sandison
<b>Shetland South</b>	G Smith
<b>Lerwick South</b>	C Smith
<b>Lerwick North</b>	M Bell
<b>Additional Member(s)</b>	NA

	<b>Audit Committee</b>
	9 Councillors, including two Councillors to be Chair and Vice Chair appointed by the Council, plus two independent assessor members who are non-councillors co-opted by the Council, in the selection of whom the Council will have regard to skills and expertise.
<b>Chair</b>	1 A Duncan
<b>Vice-Chair</b>	2 C Hughson
<b>Members</b>	3 R McGregor
	4 A Manson
	5 J Fraser
	6 R Thomson
	7 S Leask
	8 I Scott
	9 <i>Vacant</i>
	10 Non-Councillor
	11 Non-Councillor

	<b>Employees Joint Consultative Committee</b>	<b>Joint Staff Forum</b>
1	C Hughson	C Hughson
2	E Macdonald	E Macdonald
3	R McGregor	
4	A Priest	
5	D Sandison	
6	<i>Vacant</i>	
7	G Smith	
8	R Thomson	

## Committee Members – GL-19-Appendix 1

	<b>Community Safety and Resilience Board</b>
<b>North Isles</b>	D Simpson [Vice-Chair]
<b>Shetland North</b>	A Cooper [Chair]
<b>Shetland West</b>	S Coutts
<b>Shetland Central</b>	M Burgess
<b>Shetland South</b>	A Duncan
<b>Lerwick South</b>	<i>Vacant</i>
<b>Lerwick North</b>	M Bell



<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>31 October 2018</b>
<b>Report Title:</b>	<b>Scottish LGPS Restructure Review</b>	
<b>Reference Number:</b>	<b>F-077-F</b>	
<b>Author / Job Title:</b>	<b>Jamie Manson, Executive Manager-Finance</b>	

<b>1.0</b>	<b>Decisions / Action required:</b>
1.1	That the Council note the key issues detailed in this report, and provide comments to inform further consultation and formulation of a final response; and
1.2	That the Council delegate authority to the Executive Manager – Finance, or his nominee, in consultation with the Leader, to prepare a draft response for review and approval by the Council, at their meeting on 12 December 2018.
<b>2.0</b>	<b>High Level Summary:</b>
2.1	The Local Government Pension Scheme Advisory Board (SAB), at the request of the Scottish Government Cabinet Secretary for Finance and Constitution is carrying out a consultation on the future of the Scottish Local Government Pension Scheme (SLGPS).
2.2	The consultation seeks to establish the views of employers and employee representative groups on whether outcomes for the members and sponsors of the SLGPS can be improved by altering the structure of the scheme.
2.3	The consultation asks employers and employee representative groups to consider the advantages and disadvantages of four options ranging from the current structure to consolidating the functions of the Scottish 11 schemes by collaboration or pooling or full merger.
2.4	The consultation is predominately focussing on the investment area of the Pension Fund and not at present the administration side. The consultation also has questions on SLGPS investing in infrastructure projects.
2.5	Employer and employee representative organisations are asked to respond to the set specific questions in the form accompanying the consultation report and email responses to the Pensions Institute by Friday 7 <sup>th</sup> December 2018. The Council has until the 12 <sup>th</sup> December to respond.
2.6	A similar report went up to the Pension Fund Committee and Pension Board on the 8 <sup>th</sup> October 2018. The Pension Fund Committee are going to respond to the consultation with a view to retaining the current structure in Scotland.

### **3.0 Corporate Priorities and Joint Working:**

3.1 The report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Pension Fund in ensuring that financial resources are managed effectively.

### **4.0 Key Issues:**

4.1 A review of the SLGPS was agreed with stakeholders and Scottish Government Ministers when the changes to the scheme and the new Scheme Advisory Board were introduced in 2015.

4.2 The SAB proposed carrying out this review beginning in 2016. The SAB commissioned research pieces by Mercer (investment consultants) in 2016 and Iain Clacher at Leeds University in 2017, as well as setting up a working party comprising employers, trade unions and fund advisors. From this research the SAB released its own report in 2017.

4.3 The research concluded that Scottish pension schemes face a number of significant challenges and, as a result, the current structure of the scheme in Scotland which has 11 Local Authority Pension Funds should be reviewed. A selection of these significant challenges include: the deficit; investment management costs and their transparency; investment performance; volatile investment markets; low interest rates; a maturing scheme membership and the consequences of implementing investment preferences in respect of certain assets, such as fossil fuels and infrastructure.

4.4 Based on this research the SAB report identified four options for the future of the local government pension scheme in Scotland.

4.5 The four options proposed are:

- Retain the current structure with 11 Local Authority Pension Funds
- Promote cooperation in investing and administration between the 11 funds
- Pool investments between the 11 funds
- Merge the 11 funds into one or more funds

4.6 The four proposed options were presented to Scottish Government Ministers in May 2017. In January 2018, SAB received a letter from Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution seeking a consultation with SLGPS employers and employee membership bodies on the four options. Attached as Appendix A is Derek Mackay's foreword to the consultation document.

4.7 The SAB has commissioned the Pensions Institute to manage the consultation process on the structural review of the SLGPS. The consultation invites employers and employee representative groups to give their views on each of the four options. The consultation was launched during June 2018 and the report and response form are available from: <http://lgpsab.scot/consultation2018/>

4.8 The SAB's 2017 report sets out the four main options for the local government pension scheme and the consultation focuses on four criteria in relation to each option:

- Cost of investing: This is the biggest outlay by each fund in the SLGPS and research suggest even small reductions in investing costs and, in particular,

investment manager fees could have a significant impact on fund performance.

- Governance: Numerous studies show that improving governance produces significantly better outcomes over the long-term and that most pension funds in both the private and public sectors have room to improve in this area.
- Operating risks: Believed to vary significantly among public and private sector pension funds depending on the effectiveness of the governance processes of each fund and the quality of the executive resources available to individual funds.
- Infrastructure investment: There is an increasing political desire that SLGPS funds be able to invest pension assets in infrastructure should they decide it to be in the interest of members and employers.

4.9 The consultation is open to SLGPS employers and employee representative groups only. To have their views heard, they should respond to the questions no later than Friday 7<sup>th</sup> December 2018. We have asked for a short extension to their timescale to enable the council to consider its points at its meeting on 12 December. The Council now has until the 12<sup>th</sup> December 2018 to respond to the questions. The consultation response form questions are attached as Appendix B.

4.10 Responses gathered from the consultation will be evaluated by the SAB and presented to Scottish Government Ministers in 2019 to inform any future course of action. As well as this consultation, Ministers will also take into consideration a governance review of public sector pensions being undertaken by the Scottish Public Service Pensions Agency.

4.11 The four options proposed in the SAB report which employee and employer groups are asked to consider could have very different impacts upon the Shetland Islands Council Pension Fund:

- Retaining the current 11 Local Authority Pension Funds. This is the status quo option, and there would be no change to the present governance, operation and investment of the Pension Fund.
- Promoting cooperation in investing and administration between the 11 funds. The administration officers and the investment officers of the 11 funds already meet quarterly and share information. This would increase the current cooperation, in certain specific areas where beneficial between the Scottish funds. This would involve having a closer working relationship with the other 11 Pension Funds.
- Pooling of investments between the 11 funds. This is following on from England and Wales where 89 funds combined into eight large pooled funds. This option for Scotland would see the 11 funds made into one Scottish Pool, involving the setting up of a new committee and officer operation to look after the Scottish investment pool.

Shetland's Pension Fund would be removed from any dealings with fund managers as the selection, monitoring and reviewing would be dealt with by the pool's officers. Shetland's Pension Fund investment strategy would still

be set by the Pension Fund Committee but it would only be able to invest in the selection of fund managers that the pool recommended. Costs and benefits would be unclear with this arrangement until the pool structure was operating, but it would add another layer of governance between the fund and the fund manager, with a reduced fund manager investable list.

- Merging the 11 Scottish Funds into one or more funds. This would remove all local control and involvement in the Pension Fund from the Council. The new Scottish Fund would have responsibility for all of Scotland's pension investments. There would be no requirement for a Pension Fund Committee or Pension Board, no involvement in the investments and there may be staff issues if administration was included. The Council would no longer have any local control of the Pension Fund. The Council would be told by the new Scottish Fund what the Council's employer contribution would be with no obvious control over the situation.

4.12 The last two options, pooling or merger, would have the largest impact on the current operation of the Pension Fund. These two options would ultimately reduce or take all control of the Pension Scheme away from the Council. The Pension Fund is important to Shetland as pension fund members, admitted bodies and pensioners in Shetland combine to create an overall total of 7,253 members at the 31 March 2018, which represents around 31% of Shetland's population.

4.13 A similar report recently went up to the Pension Fund Committee. The Pension Fund Committee are going to respond to the consultation by the deadline with a view to retaining the current structure in Scotland.

4.14 The Council's Pension Fund Committee acts on the full delegated authority on all matters representing the Council as administering authority for the Shetland Islands Council Pension Fund. Its activities are overseen by a Pension Board on which there are representatives of other bodies who participate in the Pension Scheme (admitted bodies) and by employee representatives through union participations. The individual members of the Committee and the Pension Board act under a fiduciary duty to the Pension Fund and the terms of reference of the Committee and the board respectively are attached as Appendix C to this report. Given their fiduciary duty, it is entirely appropriate for the Pension Committee to submit a response aligned to its functions and it must do so having regard to the interests of all participants in the scheme. Although any response the Pension Committee might be minded to make is likely to be similar to one endorsed and submitted by the Council, it is also within the gift of the Council as a separate employer to make its own response. In that manner, the Council might wish to make other strategic or political comments having regard to its status as the largest employer and thus a major contributor to the existing fund.

4.15 All employers and employee groups can respond to the consultation. The Council is the largest employer within the Shetland Islands Council Pension Fund and would be affected the most by any changes to the Pension Fund, not only with a possible loss of staff but also in regard to the employer's contribution level. It would therefore add to Shetland's voice in this matter if the Council as an employer in the Pension Scheme were to prepare and submit a formal response by the 12<sup>th</sup> December 2018.

<b>5.0 Exempt and/or confidential information:</b>	
5.1	None
<b>6.0 Implications :</b> Identify any issues or aspects of the report that have implications under the following headings	
<b>6.1 Service Users, Patients and Communities:</b>	The report provides the stakeholders with information on the current SAB consultation on the future of the Pension Scheme. The outcome of the consultation could have wide ranging implications on the operation of the Pension Fund, which could have implications for the Council as an employer and staff who are Pension Fund members.
<b>6.2 Human Resources and Organisational Development:</b>	Currently the SAB consultation is gathering comments from employee and employer groups. Depending on which future option is preferred from the results of the consultation there could be changes to the local operation of the Pension Scheme, and possible implications for staff working with the Pension Scheme.
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	There are no direct legal implications arising from this report however, legal advice and legal remedies will be sought and used whenever this is appropriate.
<b>6.5 Finance:</b>	Any changes to the operation of the Pension Scheme could affect the Council's employer contributions. The pooling option would take away partial control of investing the Pension Fund, and the full merger option would take away all control of the Pension Fund from the Council. Both of these situations would impact on the Council's employer contributions, and be out with the Council's control.
<b>6.6 Assets and Property:</b>	Long term investments are assets of the Pension Fund and represent money given to fund managers to manage on its behalf for long term benefit. The SAB consultation is looking specifically at the future management structure of these assets, with four options for consideration, from maintaining the current structure to more cooperation, pooling and complete merger of the 11 Scottish Pension Schemes.
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	Currently all of the Pension Fund managers are signed up to the United Nations Principles on Responsible Investment. No matter which option is eventually proposed by the SAB any Pension Fund structure must as a minimum require all fund

	<p>managers to be signed up to the United Nations Principles on Responsible Investment.</p> <p>The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>				
<b>6.9 Risk Management:</b>	<p>There are no risk implications from the report but the SAB consultation is looking at the future investment structure of the SLGPS, and depending on the results from the consultation there may be changes to the risk profile of the Pension Fund.</p> <p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.</p>				
<b>6.10 Policy and Delegated Authority:</b>	<p>The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administrating authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Fund Committee are going to respond to the SAB consultation. The Council as an employer can also respond to the SAB consultation, as per the consultation document and having regard to the distinction which might be made in separate responses, as described in paragraph 4.14 in this report.</p>				
<b>6.11 Previously considered by:</b>	<table border="1"> <tr> <td>Pension Committee</td> <td>8 October 2018</td> </tr> <tr> <td>Pension Board</td> <td>8 October 2018</td> </tr> </table>	Pension Committee	8 October 2018	Pension Board	8 October 2018
Pension Committee	8 October 2018				
Pension Board	8 October 2018				

**Contact Details:**

Colin Bain, Treasury Accountant  
Telephone 01595 744616  
E-mail colin.bain@shetland.gov.uk

**Appendices:**

Appendix A: Cabinet Secretary's foreword to the SAB consultation document  
Appendix B: SAB consultation response form  
Appendix C: Pension Fund Committee and Board – Terms of Reference

**Background Documents:**

Scheme Advisory Board consultation and response document,  
<http://lgpsab.scot/consultation2018/>  
END

## **Cabinet Secretary's foreword**

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I am delighted to support the launch of the Scottish Local Government Pension Scheme Advisory Board's consultation on a structural review of the Local Government Pension Scheme (LGPS) pension funds in Scotland.

LGPS fund authorities invest in a wide variety of projects including local housing and infrastructure, however investment in Scotland's infrastructure is only a small part of the investment strategy of the Scottish fund authorities. The Scottish Government is ambitious for greater investment by local government funds in Scotland's infrastructure.

There are currently excellent examples of fund authorities collaborating on infrastructure projects in Scotland. We look to LGPS fund authorities to improve their already positive impact on the economy thereby contributing further to sustainable economic growth, creating more jobs and supporting the delivery of key capital infrastructure needs in Scotland, such as transport projects and housing.

A key part of the Scheme Advisory Board's role is to provide advice about the effective and efficient administration and management of the Scheme. So I asked the board to investigate the collaboration between fund authorities to invest in Scottish infrastructure, whilst maintaining overall investment performance to ensure that the interests of LGPS members' are protected.

The Scheme Advisory Board commissioned reports from pension consultants Mercers and Iain Clacher of the University of Leeds on possible future structures for the funds. The reports highlight that the new governance arrangements require a greater focus on cost transparency and performance. The academic evidence on costs and fees also seems to support the premise that there are cost savings available with economies of scale for both the administration and investment of pension funds.

I welcome the Scheme Advisory Board's consultation, which provides four clear options for the future structure of pension funds in Scotland. I encourage you to participate fully in this important debate which could have a wide-ranging impact on the people of Scotland.

Derek Mackay MSP

**Cabinet Secretary for Finance and the Constitution**



# Review of the Structure of the Scottish Local Government Pension Scheme

## CONSULTATION RESPONSE FORM

### Instructions

Responses in this form should be drafted in conjunction with the accompanying consultation report. To respond, please complete the **respondent details** and as many of the **consultation questions** your organisation wishes to complete and return the form via email to the Pensions Institute at [consultation@pensions-institute.org](mailto:consultation@pensions-institute.org) no later than **Friday, 7 December 2018**.

This consultation is being conducted in electronic form only, so **responses must be emailed**; hard copy posted or delivered responses cannot be received. Any queries about the consultation should be addressed to Matthew Roy, Fellow, Pensions Institute at [matthew.roy@pensions-institute.org](mailto:matthew.roy@pensions-institute.org).

### RESPONDENT DETAILS

#### Name of responding organisation(s)

Please list the full name of each organisation participating in this response.

#### Organisation type

Is your organisation an administering authority, employer, or employee group? Please record for each responding organisation.

full names of responding organisations	type of organisation
--	----------------------

#### Authors

Please list any people that wish to be recorded as authors of this response, including name, job title and organisation.

#### Consent

Please confirm each author consents to their information being retained for analysing the consultation responses by writing 'confirm' by their name.

names, job titles and organisation of authors	consents
---	----------

#### Date

Please date the response.

date
------

**Covering information**

If you wish to include covering information with your response, please include the text here. The text can wrap onto additional pages if needed.

covering text

The consultation questions follow.

## CONSULTATION QUESTIONS

### Question 1: Retain the current structure with 11 funds

The text can wrap onto additional pages.

#### a) Cost of investing:

- *How well informed do you feel about the investment costs in your fund? What information do you rely on to specify and measure these?*
- *How well does the current system manage investment costs?*
- *How would you improve the measurement and management of investment costs in the current system?*

#### b) Governance:

- *How well informed do you feel about the governance of your fund? What information do you rely on to measure this?*
- *How well is the current system governed?*
- *How would you improve governance of the current system?*
- *How important is it to maintain a local connection with respect to oversight and strategy?*

**How would you determine if the benefits of a local connection in governance outweigh the benefits of scale?**

#### c) Operating risks:

- *How well informed do you feel about the operating risks of your fund? What information do you rely on to specify and measure these?*
- *How well are operating risks managed in the current system?*
- *How would you improve the measurement and management of operating risks in the current system?*

#### d) Infrastructure:

- *How well informed do you feel about your fund's investments in infrastructure? What information do you rely on?*
- *How do you rate the current system's ability to invest in infrastructure?*
- *How would you increase investment in infrastructure in the current system?*

#### e) Do you have any additional comments about this option?

## **Question 2: Promote cooperation in investing and administration between the 11 funds**

The text can wrap onto additional pages.

### **a) Cost of investing:**

- *What impact do you think promoting agreements between funds would have on investment costs?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **b) Governance:**

- *What impact do you think promoting agreements between funds would have on governance?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **c) Operating risks:**

- *What impact do you think promoting agreements between funds would have on operating risks?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **d) Infrastructure:**

- *What impact do you think promoting agreements between funds would have on funds' ability to invest in infrastructure?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **e) Do you have any additional comments about this option?**

### **Question 3: Pool investments between the 11 funds**

The text can wrap onto additional pages.

#### **a) Cost of investing:**

- *What impact do you think pooling investments between funds would have on the cost of investing?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*
- *If asset pooling were possible, under what circumstances should a fund consider joining an asset pool?*
- *Under which circumstances should the SLGPS consider directing funds to pool?*

#### **b) Governance:**

- *What impact do you think pooling investments between funds would have on governance?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

#### **c) Operating risks:**

- *What impact do you think pooling investments between funds would have on operating risks?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

#### **d) Infrastructure:**

- *What impact do you think pooling investments between funds would have on funds' ability to invest in infrastructure?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

**Do you have any additional comments about this option?**

## **Question 4: Merge the funds into one or more new funds**

The text can wrap onto additional pages.

### **a) Cost of investing:**

- *What impact do you think mergers between funds would have on the cost of investing?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*
- *If merging were possible, under what circumstances should a fund consider a merger?*
- *Under what circumstances should the SLGPS consider directing funds to merge?*

### **b) Governance:**

- *What impact do you think mergers between funds would have on governance?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **c) Operating risks:**

- *What impact do you think mergers between funds would have on operating risks?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **d) Infrastructure:**

- *What impact do you think mergers between funds would have on funds' ability to invest in infrastructure?*
- *What would be the positive impacts?*
- *What would be the negative impacts?*

### **e) Do you have any additional comments about this option?**

## **Question 5: Preferred and additional options**

The text can wrap onto additional pages.

- a) Which option does your organisation prefer? Please explain your preference.**
  
- b) What other options should be considered for the future structure of the LGPS?**
  
- c) What would be the advantages and disadvantages of these other option for funds' investment costs, governance, operating risks and ability to invest in infrastructure?**
  
- d) Are there any other comments you would like to make?**

The consultation questions end.



**PENSION FUND COMMITTEE – TERMS OF REFERENCE**

1. The power 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) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.
2. These functions include:-
  - 2.1 To oversee the administration of the Local Government Pension Scheme in accordance with the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.
  - 2.2 To manage the investments of the Pension Fund in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.
  - 2.3 To prepare, publish and maintain:-
    - (a) a Funding Strategy Statement;
    - (b) a Statement of Investment Principles;
    - (c) a Governance Compliance Statement; and
    - (d) a Pension Administration Strategy.
  - 2.4 To make suitable arrangements for the actuarial valuation of the assets and liabilities of the Pension Fund.
  - 2.5. To consider and agree an investment strategy and management structure for the Pension Fund and:-
    - (a) to develop a responsible investment strategy;
    - (b) to appoint and terminate investment managers, advisers and consultants following due procurement process;
    - (c) to establish performance benchmarks and targets; and
    - (d) to monitor performance.
  - 2.6. To make suitable arrangements for the safekeeping and servicing of the Pension Fund's investment assets.
  - 2.7. To agree an accounting policy for the Pension Fund consistent with International Financial Reporting Standards (IFRS) and relevant authoritative guidance, and to prepare and publish a Pension Fund Annual Report, including an abstract of accounts.
  - 2.8. To be responsible for governance arrangements including regulatory compliance and implementation of audit recommendations in respect of the Pension Fund.
  - 2.9 To oversee and support the work of the Pensions Section.
  - 2.10 To contribute to the development of the Local Government Pension Scheme and pension policies, and to ensure that regulatory and other changes are implemented timeously.

### **3. Membership**

- 3.1 Membership of the Pension Committee will consist of all members of the Council's Policy and Resources Committee appointed by the Shetland Islands Council.

Pension Committee members must not also participate in or act as members of the Pension Board .

### **4. Meetings**

- 4.1 While the statutory roles and function of the Pension Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Committee chairing the concurrent meeting. The Council's Standing Orders will apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

### **5. Dispute resolution**

- 5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.

- 5.2 In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can refer back a decision of the Pension Committee for further consideration if any of the following grounds are met:

- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pension Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
- That the decision of the Pension Committee could be considered illegal or contrary to regulations;
- That the decision of the Pension Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
- That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme

- 5.3 If there is no agreement after the matter has been referred back to the Pension Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the Pension Fund website and included in the Pension Fund annual report.

- 5.4 The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

END

## PENSION BOARD – TERMS OF REFERENCE

### 1. Introduction

- 1.1. Each Local Government Pension Scheme Manager in Scotland is required to establish a Board separate from the Committee that acts as the Scheme Manager.
- 1.2. The Shetland Islands Council Pension Fund Pension Board is established under the provisions of The Local Government Pension Scheme (Scotland) Regulations 2014.

### 2. Objectives

- 2.1 The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.
- 2.2 The Pension Board will determine the areas they wish to consider including, amongst others:
  - Reports produced for the pensions committee;
  - Seek reports from the Scheme Manager on any aspect of the Pension Fund;
  - Monitor investments and the investment principles/strategy/guidance;
  - The Pension Fund annual report;
  - External voting and engagement provisions;
  - Pension Fund administrative performance;
  - Actuarial reports and valuations;
  - Pension Fund funding policy; and
  - Any other matters that the Pension Board deems appropriate.

### 5. Membership

- 3.1 Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from Shetland Islands Council and scheduled or admitted bodies in membership of the Pension Fund. Pension Board representatives must not also participate in or act as members of the Pension Committee. Local Authority employer representatives will be Elected Members of the Council.
- 3.2 The Scheme Manager will appoint a senior officer as Joint Secretary. The trade unions will appoint their own Joint Secretary. The Joint Secretary's role is to liaise with Pension Board members and other colleagues to support the smooth operation of Pension Board meetings and to assist in the resolution of any issues arising within normal Pension Board meetings or processes.
- 5.3 The term of appointment to the Pension Board will be concurrent with the Council election cycle. Pension Board members may be reappointed to serve further terms.
- 3.4 There will be four trade union representatives appointed from amongst the Council's recognised trade unions as follows:

GMB
Nautilus International
UCATT
UNISON
Unite

3.5 Trade unions will arrange their own selection process. The Scheme Manager will confirm the appointments once satisfied that the persons to be appointed do not have a conflict of interest.

3.6 There will be four employer representatives appointed by the respective employer organisations as follows:

Shetland Islands Council	3
Scheduled/Admitted bodies	1

3.7 The Shetland Islands Council representatives will be Councillors appointed by the Council. On ceasing to be a Councillor the Council representatives will also cease to be a member of the Pension Board.

3.8 The Scheduled and Admitted Bodies will be invited to nominate representatives who will be chosen by the drawing of lots at a meeting of the Pension Board.

3.9 Pension Board representatives will serve for a period concurrent with the Council election cycle and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be determined locally. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion. Pension Board representatives are required to adhere to the Model Code of Conduct as specified by Scottish Government (details can be found at the link <http://www.scotland.gov.uk/Topics/Government/localgovernment/governance/ethical-standards/codes>)

3.10 Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out in section 6 below.

3.11 Advisors may attend meetings of the Pension Board in a non-voting capacity.

3.12 No person may be appointed to the Pension Board who has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Pension Board is established. The Pension Board will adopt policies and protocols for handling any conflicts that are unanticipated and might arise during membership.

3.13 Ordinarily all items, including exempt items, will be open to the Pension Board. Exceptionally, the Pension Committee may reserve the right to consider items in the Pension Board's absence.

#### 4. Meetings

- 4.1 The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board.
- 4.2 Pensions Board meetings will be administered by Shetland Islands Council as agreed with the Joint Secretaries appointed by the trade union and the employers' sides of the Pension Board. All reasonable administration costs shall be met by the Pension Fund.
- 4.3 The Pension Board will meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.4 The Pension Board may establish sub-committees.
- 4.5 While the statutory roles and function of the Pension Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Committee chairing the concurrent meeting. The Council's Standing Orders will apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

#### 5. Dispute resolution

- 5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.
- 5.2 In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can refer back a decision of the Pension Committee for further consideration if any of the following grounds are met:
  - That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pension Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
  - That the decision of the Pension Committee could be considered illegal or contrary to regulations;
  - That the decision of the Pension Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
  - That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme
- 5.3 If there is no agreement after the matter has been referred back to the Pension Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the Pension Fund website and included in the Pension Fund annual report.

- 5.4 The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

## **6. Training**

- 6.1 All members (and named substitutes) of the Pension Board must undertake a training programme in accordance with any guidance issued by the pensions regulator and complying with best practice training requirements of the Pension Committee.
- 6.2 The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.
- 6.3 The Scheme Manager will keep an updated list of the documents with which they consider Pension Board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

## **7. Access to Information**

- 7.1 The Scheme Manager and the Pension Board will together ensure that information is published about the activities of the Pension Board including:
- the full terms of reference for the Pension Board, including details of how it will operate;
  - the Pension Board appointment process;
  - who each individual Pension Board member represents; and
  - any specific roles and responsibilities of individual Pension Board members.
- 7.2 The minutes of the Pension Board will be published on the Pension Fund website. The Pension Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.

END