

MINUTE

A & B

Special Executive Committee
Council Chamber, Town Hall, Lerwick
Monday 7 February 2005 at 10.30 a.m.

Present:

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

In attendance:

M H Goodlad, Chief Executive
G Spall, Executive Director – Infrastructure Services
J Watt, Executive Director – Community Services
G Johnston, Head of Finance
C Medley, Head of Housing
H Tait, Management Accountant
A Cogle, Service Manager Administration

Chairperson

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

Circular

The circular calling the meeting was held as read.

9/05 **General Fund Revenue Estimates and Council Tax Setting 2005/06**

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

The Head of Finance began by apologising for the late production of the report. He explained that this exercise was always run to a tight timetable, and with a lot of participants throughout the Council it was always going to be a last minute rush to get the report finalised. The Head of Finance thanked the staff involved for getting the report finalised, despite going beyond deadlines.

The Head of Finance emphasised that the main task for the Committee today was to advise the Council on the setting of the Council Tax for the next financial year.

The Head of Finance referred to Section 3.1 of the report, and to the Support Services ledger, indicating with particular reference to Table 1(a) that additional operating costs had been incurred due to additional properties and the revenue costs associated with those assets. He said these included the new North Ness building for Development, changing the old Library to office premises, and the Shetland Business Innovation Centre for premises for Train

Shetland. The Head of Finance referred to Table 1(b), stating that there were no significant variances on Recharged Services. He then moved on to the General Fund and Table 2. This indicated a 2005/06 ceiling for the deficit for the year of £3.1m. He said that the Council's budget strategy was to ask all budget responsible officers to reduce budgets and thereby reduce that deficit. He said the reality was, however, that with budget pressures and all the things that have been submitted, the situation had worsened, rather than improved. He said that the outturn as of now was a £5.7m deficit, even after doing a number of things to limit it. For example, he said that all economic development spending had been transferred to the Reserve Fund, and this had lifted some burden on the General Fund, or the situation would have been at a £7.7m deficit. The Head of Finance said that genuine service spending pressures were affecting all budgets, some of which were local, others were national, some by increasing client groups. However, he said that the Council had a major task to undertake to get an appreciation amongst budget responsible officers of the problem that was now being faced.

The Head of Finance said that there was a now a need to engage the community and Councillors in respect of what the Council does in all major service areas. He said that he had set out the options; either raise the Council Tax, but this would not have the revenue raising capacity; raise fees and charges; or reduce expenditure. He said that whilst this was the primary objective, and the task forces were the immediate means by which that would be tackled, the alternative would be to take contributions from the reserves. The Head of Finance said that was contrary to Council policy, and if it did so, those funds would not be available to invest in the capital and long term future of Shetland. However, he said it was inevitable that the Council would be drawing on those reserves, and all the options referred to above would be faced.

The Head of Finance stated that he had not had the opportunity or time to tease out the implications of the budget exercise, but this would be subject to a report to the Council in May/June this year. He said that he had highlighted one or two areas of particular concern within the budgets, education is the biggest spending service and source of growth, and to a lesser extent Social Work and ferries. He said that those areas would be the focus of attention by the task forces. The Head of Finance said that consequent to decisions of the Council this week, officers were continuing to work at reviewing the detail of the budgets up to end of the financial year. In conclusion, the Head of Finance said that he would report in March on the short term perspective, the task forces would report in the medium term, and he would produce an overall financial summary in the early Summer, giving the longer term view.

Mr W A Ratter said it was important to get the belief across the Council that there was a problem. However, he said that this was sometimes difficult to get across, and those who had difficulty believing that there were any dire consequences, have been proven right so far. Mr Ratter said that the task forces would have an important role in addressing that situation. Mr Ratter went on to say that he believed the Council should not raise the Council Tax above the rate of inflation. In addition, Mr Ratter said he had no objection in principle to the transfer of economic development funding to the Reserve Fund, but needed convincing that this would not have any detrimental affect on the GAE.

The Head of Finance said that one of the jobs of his Summer report would be to provide qualitative information on the situation now, compared to years past. He confirmed that the Council was not in immediate danger of a cash crisis, but if it continued to consume reserves, the Council would be unable to continue with any investments or revenue support funding. Regarding economic development funding, the Head of Finance said that the combined total of General Fund and Reseve Fund spending was declared to the Scottish Executive and which therefore determined the GAE. He said that whilst the change would provide a local benefit, this would not affect the RSG.

Mr J C Irvine said that he was concerned that the review of Education had now been put on the back burner following the failure of the Best Value Service Review. He went on to refer to Infrastructure, and expressed his congratulations to the Executive Director for bringing the budget in under £50k. Referring next to the voluntary sector, Mr Irvine said that he had recommended at the last meeting of the Services Committee that £13k be included within the Community Development overspend of £146k for the employment of a receptionist at the new Harbour Street centre. The Executive Director Community Services advised that this had not been included within the figures presented today. Accordingly, Mr Irvine moved that the Executive Committee also recommend to the Council that it increase the overspend of Community Development by approximately £13k as a measure to ensure that some reassurance is given to the voluntary sector. Mr A J Cluness seconded, and the Committee concurred.

Mr A Inkster said that the report from the Head of Finance spelled out fairly clearly how serious the position was, and that the overbid on the General Fund of £5.7m was unsustainable. He said that it was clearly understood that using reserve funds was an option, but to continue to do so would deplete those reserves for the future. Mr Inkster said that he believed the report indicated the need for Members to ensure better husbandry of the accounts, and it was down to Members to make the final decisions. Mr Inkster said that so far he did not think that Councillors were fulfilling that

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responsibility as fully as they should for their electorate. Mr Inkster said that the report indicated a serious problem, and Members were advised about this annually, but the Council's aspirations were greater than the ability to achieve them, and the Council was not taking the appropriate actions. Mr Inkster went on to say that he agreed that Council Tax should only be increased with inflation, and moved as an amendment that the Council Tax not be increased by more than inflation.

Mr W H Manson said that it was correct that the Council had been advised of the consequences of depleting reserves, but some recovery was made through the stock markets, and savings achieved by investments through the Trusts. However, Mr Manson said that stock market returns could not be relied upon, and the Council would have to cut its cloth accordingly. Mr Manson said that he believed the basis for the inflation figure was more like 2/3%, and sought clarification on the figure. Referring to Education, Mr Manson said that whilst this service area was significantly over target, this was less so than in previous years, and he was confident that it could be reduced further, with the added assistance of the task group.

Mr W N Stove said that whilst he was not happy about raising the Council Tax, he understood the reasons for that. However, he added that the Scottish Executive had to accept some responsibility for putting more responsibility on local authorities for various initiatives and projects, such as special needs and disability access requirements, but no additional funding was being offered.

Mr W M Manson said that the Council had the second highest Council house rents in Scotland, and increasing the Council Tax would be a double whammy for many people.

The Head of Finance said that the Council's policy was to continue to increase the Council Tax by more than inflation, and was based upon the Scottish average, plus £33, and that would result in an increase for Band D equivalent in 2005/06 to £999. However, he said that the report was recommending a departure from that, and was recommending that the Council confine the increase to the Scottish average and not put a supplement on top of that, which would result in a Band D equivalent Council Tax level of £981 for 2005/06, which was an increase of 4.8%.

The Executive Director Community Services advised that a lot of work was still continuing with regard to the Education Service budgets. Regarding Social Work, she said that there were some real growth coming through, but that the Social Work task force would be addressing those issues. She added that Head Teachers were being involved in the review of the Education budgets.

Mr W H Manson referred to the increase in bus fares, and asked what the financial impact would be if those fares were reduced by 50%. He said his reasons for seeking to reduce fares included the fact that the service was mostly used by a low income group, and that reducing the costs may go some way towards preventing the drift towards Lerwick. The Head of Finance advised that he did not have that information to hand, but would provide the information to Members at the Council meeting on Thursday.

The Chief Executive said that alongside the work of the task forces, some managerial actions had also been discussed with members previously. He said this included a general freeze on recruitment, with operational exceptions, and another period of encouraging voluntary redundancy and early retirement. The Chief Executive asked if Members were supportive of these as appropriate managerial steps. Members agreed.

Mr A J Cluness, seconded by Mr W H Manson, moved that the Committee approved the recommendations in the report, subject to the additional motion made by Mr Irvine, and further information to be provided regarding a reduction in bus fares.

Mr A Inkster moved as an amendment that the Council Tax only be increased by no more than inflation, although he sought confirmation as to what was considered the appropriate inflation rate.

The Head of Finance advised that the most suitable figure would be to increase the Band D equivalent to £963, which would be an increase of 2.9%, which was considered an appropriate inflation figure for local authorities.

In response to questions, the Head of Finance confirmed that the motion from Edinburgh City Council was being presented to all local authorities for support, and had not been produced through CoSLA.

Mr W A Ratter said that he was not going to second Mr Inkster's amendment. He said he could see the problems if a lower Council Tax was set, and was prepared to wait until further debate at the Council meeting.

Mr W H Manson said that Social Work probably had a bigger task than most areas, not only because inflation was running higher within local authorities, but the Service was only just getting up to establishment, resulting in it being over target.

There being no seconder for the amendment, the motion was declared the finding of the meeting.

10/05

Housing Revenue Estimates (HRA) and Other Charge Setting

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

The Head of Finance said that the management of the Housing Service had to be commended for its very tight control of the service. He said that the increase in rents had been held down to

2%, and would not be drawing upon the Housing R&R fund, and would make contributions to those reserves this year. The Head of Finance said that the Housing Revenue Account was solid, stable and in a sensible position, and the future challenge would be to focus on the long term view of the HRA and look at proposals that will be brought forward on the requirements for social housing in Shetland. He said that the Council would receive reports in due course on that, but this report highlighted an example of good tight management of a service.

Mr W H Manson offered his congratulations to the Housing Service. He said that whilst he would like to improve the cost of living, and see rents retreating a little bit, keeping the increase down to 2% was commendable. Mr Manson accordingly moved the recommendations in the report. Mr W A Ratter seconded, and went on to add his congratulations to the Housing staff. Mr Ratter added that this outturn should help towards the Council's proposal for transfer of the housing stock, and Members agreed that steps should now be taken to progress discussions with the Scottish Executive in this regard.

The meeting concluded at 11.50 a.m.

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A J Cluness
Chairperson