

# MINUTES

# A&B – PUBLIC

**Policy and Resources Committee**  
**Council Chamber, Town Hall, Lerwick**  
**Tuesday 26 February 2019 at 10.30am**

**Present:**

A Cooper	S Coutts
A Duncan	S Leask
E Macdonald	R McGregor
G Smith	R Thomson

**Also:**

J Fraser

**Apologies:**

I Scott	C Smith
T Smith	

**In Attendance:**

M Sandison, Chief Executive  
S Bokor-Ingram, Director of Community Health and Social Care  
C Ferguson, Director of Corporate Services  
J Manson, Executive Manager – Finance  
A Jamieson, Executive Manager – Housing  
P Peterson, Executive Manager - Executive  
R Sinclair, Executive Manager – Capital Programme  
C Anderson, Senior Communications Officer  
A Cogle, Team Leader – Administration

**Chairperson**

Mr Coutts, Leader of the Council, presided.

**Circular**

The circular calling the meeting was held as read.

**Declarations of Interest**

None

6/19

**2019/20 Budget and Charging Proposals – Community Health and Social Care**

The Committee considered a report by the Executive Manager – Finance (F-007-19-F), outlining the budget and charging proposals for the services within the Community Health and Social Care Directorate for 2019/20.

In introducing the report, the Executive Manager – Finance highlighted the key issues in section 4. The Director of Community Health and Social Care expanded further on the service redesigned projects outlined in Appendix 4.

Mr A Cooper referred to the recent announcement of funding for mental health services for children in schools, and asked if the service locally was ready for that expansion of the service, should it be required. The Director of Community Health

and Social Care said that both adult and children's services were working very closely together in this area, including delivery on agreed joint strategies. Mr G Smith said there were proposals to introduce counselling into schools, as referred to in Appendix 5 at paragraph 5.4, and from the £12m fund, £48k was being allocated to Shetland which would need careful consideration as to how it would be managed. In response to a question from Mr S Leask, the Committee noted that new Scottish Government funding for health and social care services was not specifically ring-fenced, but included in the overall allocation.

Referring to paragraph 6.5, Mr Leask asked if the £0.270m over target would be achievable through spend to save. The Executive Manager – Finance added that these costs were driven by increases in various funding pressures, but were considered manageable into next year.

Mr G Smith referred to paragraph 4.3 and to the reduction in funding from the Shetland Charitable Trust [SCT], and asked what discussions were being held with the SCT with regard to the rural care model and the Community Area Structures proposed as part of the service redesign programme. The Director of Community Health and Social Care said that discussions were ongoing, but the SCT financial position was very clear in terms of its intention to reduce grant funding year on year. In terms of what the SCT could fund beyond the rural care model, the Director of Community Health and Social Care said that the Council remained committed to delivering really good care services, or intervention services, and redesign was about how prevention, intervention or re-ablement could be funded and delivered in the future, with the aim of supporting people to remain at home or in their communities. He went on to say that there were not only financial challenges with that way of working, but also staffing issues. Mr G Smith replied that it was also important that communities understood and acknowledged the wider challenges facing the service into the future, and that staffing resources in particular would be difficult to resolve.

Ms E Macdonald referred to the introduction of "Franks Law" [extension of personal care to under-65s with degenerative conditions such as dementia] and whether this would have any known impact on staffing resources. The Director of Community Health and Social Care said there would be no additional staffing resources required as this was not an unmet need, but the new legislation may have financial consequences. Ms Macdonald suggested that more people may come forward as a result of the new legislation, but the Director of Community Health and Social Care said that whilst there was every chance that would happen, people would still need to be eligible for the services and given the level of intervention and re-ablement currently being provided, it was thought any new clients would already be known to the services and in the system.

Ms E Macdonald then referred to paragraph 2.4 of the report, and asked whether an IJB meeting should have been held closer to this meeting in order to approve the Strategic Plan which would have given direction to the Council in the use of its financial resources. However, the Director of Community Health and Social Care said that the IJB had been provided with an indicative budget and had not chosen to question the level of funding at this stage, but assurance had been given that on 13 March a fully funded budget would be presented to the IJB from the Council.

Mr A Cooper expressed concern at the 8% increase in charge for a single room as a permanent social work establishment resident, and said this was a lot of money for someone for an extended period. He asked if this level of increase had to be

applied, and whether it may deter people from going into a care home, because of the cost. The Director of Community Health and Social Care said that the charges being proposed were a true cost of the overheads and costs incurred, particularly staffing costs, but that a number of individuals were exempt from paying costs due to their circumstances, and did not think the situation was deterring people from applying for residential care.

Mr A Duncan also referred to the reduction in funding from the SCT, and asked what guarantee there was after 5 years in terms of funding. The Director of Community Health and Social Care said there was no guarantee of receiving further SCT funding, and this was a key risk to consider, but ongoing discussions, as referred to earlier, were important in discussing the way in which the SCT could support the delivery and access to services across Shetland, and the Director would continue that dialogue to feed into future plans. Mr S Coutts said the Council would be very keen to engage further with the SCT and influence their disbursement strategy going forward, as such services were crucial to the community of Shetland.

Mr A Duncan said it was important that the IJB tries to get as much funding as possible from the SIC and the NHS to look after the older population, particularly those now presenting with complex needs and issues. Mr Duncan added that he was grateful for the £22.019m net budget figure and moved that the Committee approve the recommendations in the report. Ms E Macdonald seconded.

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#### **Decision:**

The Policy and Resources Committee:

- RECOMMENDED to the Council that they approve the budget proposals for 2019/20 for Community Health and Social Care Directorate included in this report and set out in detail in the Budget Activity Summary (Appendix 2) and Schedule of Charges (Appendix 3), to be included in the overall SIC Budget Book;
- RECOMMENDED to the Council to approve a payment for 2019/20 to the Community Health & Social Care Partnership Integration Joint Board of £22.019m; and
- NOTED the content of the Service Redesign Briefing

7/19

#### **2019/20 Budget and Charging Proposals – Policy and Resources Committee**

The Committee considered a report by the Executive Manager – Finance (F-015-19-F), outlining the budget and charging proposals within the Committee's remit for 2019/20.

In introducing the report, the Executive Manager – Finance highlighted the key issues as set out in section 4. The Director of Corporate Services then introduced and provided further explanation with regard to the Business Transformation Programme, the Service Redesign Programme, and Corporate Services support of service and wider strategic projects.

Mr A Duncan referred to paragraph 4.2.1 and to the lease arrangements for Viewforth, and questioned the reason for loss of income and progress on future use. The Executive Manager – Capital Programme confirmed that it had been anticipated that the lease would be for longer, but that was not the case, and therefore not only was there a loss of income but continued costs such as maintenance and insurance. He advised that there were no immediate plans for the building, but it would continue within the Asset Strategy for consideration by the Committee and Council in June.

In response to a question from Mr McGregor regarding the Scottish Government's assurances on funding for Brexit, the Chief Executive confirmed that there was engagement at a national level between the Emergency Planning and Resilience Partnerships within the North of Scotland, and nationally on the potential for a "no deal" Brexit. She said that this would have the greatest impact on communities, and so in terms of a financial package at this stage the Council, along with others, were seeking sources to help with the planning process, and Chief Executives for Scotland had jointly proposed a bid to support resilience planning aspects. The Chief Executive added that at this stage it was not known if the Scottish Government would fund such planning or other elements of the process. In response to further questions she gave assurances that the Council had run Business Continuity workshops for the Council and the wider business community, to establish whether there were potential implications that would have to be fed into the national plans.

Mr G Smith said that the UK Government had allocated funding to Councils in England and Wales, but the Scottish Government had chosen not to pass on the funding that they had received. He asked what representation was being made through CoSLA to pursue the Scottish Government to pass this on. Mr Coutts said that since this information had become available, the matter had been raised on two occasions through CoSLA with the Scottish Government, but it had appeared to have "fallen on deaf ears" both times. In this regard, Mr Coutts said Councils would have to continue using existing resources, which should be dedicated to business as usual and the Change programme, and was regrettably a matter outwith the Council's control. The Chief Executive confirmed that the Scottish Government's belief was that Brexit funding was included in the overall Local Government Settlement.

Mr G Smith referred to the Service Redesign and Business Transformation Programmes, and whether frontline services had embraced the need for service redesign. He said there would be different ways of delivering services and support for that from Corporate Services would be needed. Mr Smith asked whether these Programmes would come to an end at some point, or whether it was a "growth industry" and never achieve the aspirations or savings. The Director of Corporate Services said that the key elements had not grown enormously, but that the programmes were now better at focusing on key activities and there would be a lot of routine processes that could dramatically change. She went on to say that because of changes in technology, and the speed of such changes, there would never really be an end to service redesign. The Director of Corporate Services went on to say that Corporate Services will want to focus on key service support processes, and growing and maintaining a level of in house professional expertise would be needed to reduce the need to buy in services. However, she added that external professional services may be needed to support individual projects going forward, particularly in relation to ICT. The Director added that the Programmes were expected to shrink back over time, but it was difficult to see change not being

required. Mr G Smith agreed, adding that change would only be successful in terms of changed outcomes, but hoped these would not result in an increase in committee budgets. Mr A Cooper asked, in terms of equity, that spending committees will do the work required in terms of service redesign, but it had to be recognised that there was a need to record what was being done at the corporate centre as well. The Chief Executive advised that the Policy and Resources Committee received regular updates on the Business Transformation Programme, and that illustrated the activities that challenged Corporate Services as well as service Directorates.

Mr Cooper referred to the cost of Members, and asked how the budget had been arrived at, which was less than last year. The Executive Manager – Executive Services advised that in preparing the budget he had considered last year's spend and was able to identify costs in a few areas that could be reduced, thereby contributing to a balanced budget.

Referring to the Busta Estate, Mr Cooper asked how often rent reviews were carried out. The Executive Manager – Capital Programmes agreed to find out and circulate that information to members after the meeting. Mr Cooper said he hoped that they were conducted on a regular basis.

During debate, Mr Coutts said that Mr G Smith had made a valid point in terms of redesign and changes in outcomes. He said that achieving better outcomes for the community was achievable, but there was a financial challenge which would require a correlation between service Committees and Corporate Services. Mr Coutts went on to move that the Committee approve the terms of the report, adding his thanks to staff for their achievements, recognising that it was increasingly challenging for staff to continue to deliver services. Mr Cooper seconded.

Mr G Smith said he also wanted to place on record his appreciation and valued the fact that there were officers across the Council working closely together to make the service redesign changes. He added that this area had developed significantly and he appreciated the efforts of staff working towards the same objectives.

**Decision:**

The Committee RECOMMENDED to Council that they approve the budget proposals for 2019/20 included in this report and set out in detail in the Budget Activity Summary (Appendix 2) and Schedule of Charges (Appendix 3) to be included in the Overall SIC Budget Book.

8/19

**5 Year Asset Investment Plan 2019-24**

The Committee considered a report by the Executive Manager – Finance (F-012-F) that set out the proposed sustainable capital budget for the Council over a five year period from 2019-24 in line with the Capital Investment Planning Policy set out in the 2018/19-2023/24 Medium Term Financial Plan.

After hearing the Executive Manager – Finance introduce the report, Mr S Leask referred to paragraph 4.3.2 and asked if the Council was limited in what it could do with regard to these projects given the reduction in funds. The Executive Manager – Finance said that if the Ferry Vessel and Terminal Replacement project was excluded then the rest of the Plan would be manageable within existing resources. He said the level of funding was in line with the Medium Term Financial Plan and in line with the revenue funding, on which the same assumptions had been made. In

response to a further question, the Executive Manager – Finance went on to say that capital reserves could be used to fund development, or borrowing, but affordability would depend on the scale and pace of the developments.

Mr G Smith referred to paragraph 4.3 and reduction in revenue funding, but said that commitments within the Capital Fund were quite significant as well, and therefore some of the aspirations would not be achievable. Mr Smith went on to say it was disappointing that the Plan was focusing on maintenance of existing assets rather than aspiring to improve beyond maintenance. He referred to the case being made by himself and Councillor Duncan for improvements to the A970 at Levenwick, but it had been deferred entirely and the Council was now reduced to maintaining what it had. The Executive Manager – Capital Programme explained that the Roads budget had increased, and referred to paragraph 4.3 where it was stated that funding was only allocated once projects had proceeded through the Gateway process. He advised that, in this regard, some feasibility work had been done with regard to the A970 at Levenwick, but he couldn't comment on how far ahead that work was at the moment. The Chief Executive confirmed that the Council had agreed a list of road improvements, including aspirations and assets to be maintained as funding becomes available. She said she understood that the A970 at Levenwick was number 1 on that list, and staff had devoted time to developing the project, and others, to a position where it could be progressed further once funding becomes available.

Mr Cooper said that the capital programme should be designed to meet the needs of the community, and he asked at what point the Programme would come back to the Council for a detailed discussion and further clarity on ferries, etc. In particular, Mr Cooper said that the issue of kirkyards needed discussion in relation to churches closing as well as new legislation, and he would like to have seen that topic coming forward and for the Council to work sensitively with communities. The Chief Executive confirmed that discussions with the Scottish Government with regard to ferry funding was a priority, and if a secure commitment to that was achieved it would give the Council more flexibility in terms of its Asset Investment Plan. She went on to say that she recognised the aspirations around road improvements and for kirkyards, all of which placed pressure on the Plan.

With regard to ferries, Mr Cooper said that the Council was obliged to continue the business case for 2 replacement ferries, but other than that, were no further capital works planned for the ferries. The Chief Executive confirmed that to be the case, adding that maintenance of the ferries also had to be continued, such as dry docking and scheduling of works to maintain the minimum standard of MCA requirements, whilst the case was being made for fairer funding.

Referring to business cases, Mr Cooper asked to what extent the Council could be confident that business cases would be progressed, in terms of the pressure on officer time and the impact this may have on quality. The Executive Manager – Capital Programme said that his service did support officers in producing the Business Cases and every effort was made to ensure that the quality of information being provided to Council was the best it could do. The Chief Executive said she was aware that some business cases had not progressed as quickly as they could be, and technical support was needed in some instances, particularly when officers were not experienced in producing business cases very often, or when technical matters needed input from another area. Mr Cooper said he thought having a core team doing this type of work was something that could be looked at.

Mr S Coutts moved that the Committee approve the recommendation in the report, seconded by Mr A Cooper, subject to there be ongoing discussions in the next financial year on the methodology applied in the Capital Programme.

**Decision:**

The Committee RECOMMENDED that the Council RESOLVES to:

- approve the capital budget proposals for 2019/20 included in this report, and set out in detail in Appendix 1;
- adopt Appendix 1 as the Council's 5 Year Asset Investment Plan 2019-24, subject to any requirements of the Council's Gateway Process for the Management of Capital Projects; and
- that there be ongoing discussions in the next financial year on the methodology applied in the Capital Programme.

9/19

**Shetland Islands Council Budget Book 2019/20**

The Committee considered a report by the Executive Manager – Finance (CPS-01-19-F), which presented the 2019/20 Budget Book, setting out the spending plans for the Council in the next financial year.

The Executive Manager – Finance handed out information regarding the Council's investments, which illustrated in graph form the figures relating to unusable reserves balance, the investment base, and the sustainable draw.

After hearing the Executive Manager – Finance summarise the report, Mr R Thomson asked how the Budget Book could be set at this point, prior to confirmation of the Scottish Government's funding settlement. The Executive Manager – Finance explained that the Budget Book was based on the best available information at this time. He added that it was expected that the Circular would have been issued today, but it would not be until 7 March when the final settlement would be made known, at which point it would be too late to set the Council Tax within the statutory period required. Mr Coutts said this matter had been commented on by local authorities, and it was agreed that the situation was totally unsatisfactory. Mr Thomson agreed, particularly that the comparative figure was expected to be £1.1m less than that received for 2018/19.

Mr Smith referred to the handout, and to the £20m which was removed from the investment return assumptions, and asked whether this £20m also attracted investment income. The Executive Manager – Finance explained that the reserves and investments were worth a little less now than before, and so the £20m investment return being referred to was only removed from the assumption and was protecting the Council from any adverse movements in performance.

Mr S Coutts referred to the unsustainable net draw on reserves of £17.5m, whereas the sustainable draw would be £13.7m. The Executive Manager – Finance confirmed that the reserves included a contribution from the Harbour Account, but the particular draw on reserves of the equivalent of £6m, being equivalent to the Harbour Account surplus, was necessary not only because of the lack of fair funding, but due to some budget growth across services. Mr Coutts said the Medium Term Financial Plan was based on a sustainable draw, and whilst he would

share the handout and information with Scottish Ministers, the issue was to do with fair funding – to receive fairness and equality in terms of receiving the same level of funding for ferry transport services in Shetland which other authorities receive for their transport links, instead of the Council having to subsidise these services.

Mr Coutts invited Committee Chairs to confirm the outcome of the budget and charge setting for each of their Committees. Mr Smith referred to the Education and Families Committee, and whilst concern was noted with the continuing pressures on preventative work and reductions in funding for youth work, that was the reality of the situation. He said the Committee had approved the recommendations in its report, with the exception of the new charge for Nursery Pupils – Private Nursery Meals, which the Committee agreed to recommend that it be equalised with the interim charge for local authority Nursery Pupils at £1.80.

Mr Cooper, in relation to the Development Committee, confirmed that the Committee had approved its recommendations for budget and charging, without dissent.

Regarding the Environment and Transport Committee, Mr Thomson confirmed that his Committee had noted with concern the significant reduction in funding for ferry services, and that legal advice was being sought with regard to transferring responsibility from the Council to the Scottish Government. He confirmed that whilst officers were to look at the proposed increase in 10 and 20 ferry journey ticket charges to ascertain if the figures shown were accurate, the budget and charges had been approved without amendment.

On behalf of the Shetland College Board, Mr Smith confirmed that it had also agreed the budget and charging proposals without amendment.

Mr Cooper confirmed the budget and charging proposals for the Harbour Board had also been agreed without amendment.

During debate, reference was made to the proposed use of external support to complete a Full Business Case for the Bus Services contracts, instead of being completed by in-house staff. Mr Coutts advised that the broader aspect of this related to the need to make sure the services were fit for purpose, and discussions had already taken place with regard to the challenges of resourcing projects within the Change programme. He said there were three major Transport projects, and it was important to ensure that these were resourced properly to make sure they happen, and not rely on stretching staff. He added that ensuring the best outcomes for the community was important, and Community Councils would be engaged to gain more local knowledge on bus routes and services.

Members congratulated officers on providing a budget to Committee and Council, but Members again raised the issue of the lack of fair funding for the Council, compared to other local authorities. Members were of the view that this situation could not be allowed to continue for much longer, and the Scottish Government had to be made aware of the impact of their decisions on communities. Members in particular referred to the way in which ring-fenced funding was working against the Council, illustrated by the way in which Free School Meals was being used as an indicator for Pupil Equity Funding, which was unfair and should be taken back to the Scottish Government through CoSLA. Members stated that much more could be achieved if the funding distribution formula was changed.



Mr Coutts, referring to the funding formula, confirmed that the Scottish Government had received representations from CoSLA Leaders on these matters. He said that whilst Councils had the ability to go beyond the 3% Council Tax rise, such a rise would do no more than hit the most vulnerable people in the community, including those on minimum wage. Although he said it was noted that some local authorities had done so, Mr Coutts said it was not a boundary he wished to see pushed any further in terms of the risks in creating poverty in the hardest hit communities. He added that if the Council wanted to succeed in the delivery of significant redesign projects whilst maintaining a sustainable budget, then further work was clearly needed to persuade the Scottish Government on issues regarding fair funding for ferries.

Mr Coutts concluded by thanking all staff for their hard work, and thanking the Executive Manager – Finance for his clear and simple presentation of the Budget Book. Mr Coutts moved that the Committee recommend the decisions in the report to the Council, subject to adoption of the recommendation from the Education and Families Committee in relation to Private Nursery Meals. Mr S Leask seconded, and the Committee concurred.

**Decision:**

The Committee CONSIDERED information provided by the Chairs of Service Committees/Boards in relation to the 2019/20 Budget recommendations made by their Committees and contained in the Budget Book, including the additional recommendation from the Education and Families Committee that the new charge for Nursery Pupils – Private Nursery Meals be equalised with the interim charge for local authority Nursery Pupils at £1.80, and:

- RECOMMENDED that the Council RESOLVES to approve the 2019/20 Budget by:
  - a. Approving the Council Budget Book 2019/20 (Appendix 1);
  - b. Adopting the Formal Resolutions (Appendix 2);
  - c. Agreeing to increase the Council Tax by 3%;
  - d. Approving the Schedule of Charges (Appendix 3) as amended above; and
- NOTED the content of the Service Redesign Briefing (Appendix 4)

The meeting concluded at 12.53 p.m.

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Chair