

MINUTES

**Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 11 March 2020 at 2pm**

A&B - PUBLIC

Present:

P Campbell	A Cooper
S Coutts	A Duncan
S Flaws	J Fraser
A Hawick	C Hughson
S Leask	M Lyall
A Manson	E Macdonald
R McGregor	A Priest
D Sandison	C Smith
G Smith	T Smith
R Thomson	

Apologies:

M Bell	I Scott
D Simpson	

In Attendance (Officers):

C Ferguson, Director of Corporate Services
D Coupe, Executive Manager – Roads
J Manson, Executive Manager – Finance Services
P Peterson, Executive Manager – Executive Services
J Riise, Executive Manager – Governance and Law
L Malcolmson, Committee Officer

Chairperson

Mr C Smith, Depute Convener of the Council, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The Council confirmed the minute of meeting held on 6 November 2019, on the motion of Mr Campbell, seconded by Mr Leask.

The Council confirmed the minute of meeting held on 27 November 2019, on the motion of Mr Thomson, seconded by Mr Campbell.

The Council confirmed the minute of meeting held on 18 December 2019, on the motion of Mr Leask, seconded by Mr Duncan.

The Council confirmed the minute of meeting held on 22 January 2020 (PM), on the motion of Mr Duncan, seconded by Mr Campbell.

The Council confirmed the minute of meeting held on 13 February 2020, on the motion of Mr Thomson, seconded by Mrs Macdonald.

21/20 **SIC Overall Management Accounts 2019/20 Projected Outturn at Quarter 3**

The Council considered a report by the Executive Manager – Finance (F-002-F) that presented the overall Council projected financial position as at Quarter 3.

The Executive Manager – Finance introduced the report.

The Leader commented that the variances described amounted to less than 1% of the general fund. He said that he welcomed the report and paid tribute to staff working within the tight budget set.

Mr Coutts moved that the Council approve the recommendations contained in the report, Mrs Macdonald seconded.

Decision:

The Council **RESOLVED** to:

- **NOTE** the Management Accounts showing the overall projected outturn position at Quarter 3; and
- **APPROVE** the carry forward of slippage on capital projects for inclusion in the 2020/21 Asset Investment Plan as shown in Appendix 7.

22/20 **Shetland Islands Council Budget Book 2020/21**

The Council considered a report by the Executive Manager – Finance (F-009-F), that presented the 2020/21 Budget Book, setting out the spending plans for Shetland Islands Council in the next financial year.

The Executive Manager – Finance introduced the report and commented on the delays by both the UK and Scottish Government in providing their budget announcements. He advised that confirmation on some parts of the budget were yet to be received. In terms of a circular received last night, he advised that the £5m ferry funding sought had not been provided in full.

The Executive Manager – Finance provided the detail of the budget and advised that with the reduced ferry funding allocation a £10.5m draw on reserves was required. He stated that this was not sustainable into the future and he had illustrated the impact of reliance on the reserves in a chart at paragraph 4.33 of the report. The Executive Manager – Finance advised that if the situation was not addressed the reserves would diminish within a decade, therefore it was important for the Council to recognise that every decision made has a financial consequence.

The Executive Manager – Finance advised that a draft approach was being prepared to improve this position and would be explained more fully in May 2020. He said that the Council would look at ways to make its business a more commercial way of working, within its financial limitations. He said that this approach would be part of the Medium Term Financial Plan (MTFP) linking with the Council's corporate plan, with the aim of being fully sustainable within 5 years.

The Executive Manager – Finance informed Members that all individual charges had been presented to the relevant service Committees and he thanked Members for their engagement in the process.

During questions, comment was made that there were services not making changes or meeting savings targets, with spend still taking place. The Executive Manager – Finance was asked how a sustainable budget could be achieved if no cuts are made. The Executive Manager – Finance referred to Appendix 3 and advised that the plan is to maintain service delivery but reductions cannot happen without significant impacts. He said that where reductions in cost can happen is through redesign and Appendix 3 sets out a road map to get the Council back on track.

In responding to a question on how far the Council can go to sustain the level of service provided, the Executive Manager – Finance advised that, if improvements are not made, or reliance on the reserves reduced, within the next two years there would be questions from Audit Scotland and the Accounts Commission. He said that the Council has to demonstrate that the Council are planning to move this matter forward next year.

Reference was made to the expansion of the Early Year's initiative, and in responding to a question the Executive Manager – Finance advised that such initiatives would be fully explained in the MTFP, and he confirmed that some initiatives are fully funded. He said however that not all changes are tangible in cash terms but preventative in nature. He said that the Early Years initiative has an overall economic benefit and is currently ring fenced and will be fully funded for some years to come. In addition, the Director of Corporate Services said that Council has had difficulty in recruiting to posts in Early Learning and Community Care but these opportunities will allow people to come return to work reducing reliance on agency staff which will contribute to the wider economic benefit in a tangible way.

There followed discussion in regard to the Council's previous decision to agree a minimum reserve of £250m. The Executive Manager – Finance confirmed that there remains a minimum reserve level but the Council's current net assets are £533m with a useable reserve of £369m. He said that the Council is not yet close to that minimum but it is important to look closer into the future to ensure that the reserves are maintained. The Director of Corporate Services added that the measures previously taken were to halt the decline of the reserves and that provided the Council the means and flexibility to draw on reserves where other Local Authorities could not. She said that the review of the MTFP will determine what threshold needs to be put on our current situation. The Director of Corporate Services said that the Council is not yet in a concerning position but it could be if action is not taken.

Attention was drawn to the significant income received from the Oil and Gas industry and the question was asked, given the climate worldwide, whether plans were in place to mitigate any changes in that area so as not to be reliant on that income. The Council were advised that there is a small reserve equalisation account in place, and as part of the MTFP a range of scenario planning would be presented to Members in due course.

During debate, the Leader advised that there had been full discussion at the Policy and Resources Committee and he thanked staff involved in creating the budget and

Members for their engagement in the process. The Leader said that the draw on reserves was unsustainable year on year and that rested with the Scottish Government as they had not delivered full and fair funding for ferries and had not provided funding for the Shetland Colleges. He said that when those elements were stripped out of the budget, the Council was managing its growth. The Leader said that the budget reflects what the Council does and that it should continue to press the Scottish Government for fair funding as Shetland should no longer be subsidising the internal ferry service. He said that this was a sensible budget but it was important so show leadership with each Member taking responsibility to provide for the future of Shetland.

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

During further debate it was highlighted that constituents need to understand how much Shetland relies on the reserves, above the funding allocation received. It was noted that the Council has been in a difficult situation before and it was important to consider what was required in order to stop the draw on reserves, by keeping a close hold on future costs.

Concern was expressed that the Council continues to overspend when its finances continue to decline. Comment was made that as a local authority Members have a responsibility for its budgets and the question was asked how the other local authorities in Scotland manage. It was also suggested that the Council stop dishing out money and motivate for the change needed.

A request was made that two versions of the MTFP be prepared that sets out the finances, were fair funding to be received, and another that keeps the ferry funding at the current level. This would help demonstrate the magnitude of the problems for Shetland, with and without ferry funding.

Decision:

The Council

- **CONSIDERED** information provided by the Chair of Policy and Resources Committee in relation to the 2020/21 Budget recommendations made by the Committee and contained in the Budget Book; and
- **RESOLVED** to approve the 2020/21 Budget by:
 - a. Approving the Council Budget Book 2020/21 (Appendix 1); and
 - b. Approving the Schedule of Charges (Appendix 2); and
- **NOTED** the content of the Council's approach to deal with continued restrictions in funding (Appendix 3).

23/20

Proposed 5 Year Asset Investment Plan 2020/21

The Council considered a report by the Executive Manager – Finance (F-011-F) that presented the capital budget for the Council over a five-year period from 2020-2025 in line with the Capital Investment Planning Policy set out in the 2018/19 to 2023/24 Medium Term Financial Plan.

The Executive Manager – Finance introduced the report, and in responding to questions he confirmed that Appendix 1 of the Asset Investment Plan included detail of each project and when the spend was expected to happen.

There were no questions. During debate, the Leader advised that the report had been presented to the Policy and Resources Committee where the stark cuts to grant funding had been presented. He said that the report sets out the reality of the current position, and during discussion on ferry funding at Policy and Resources Committee it was clear that the transport infrastructure has to be funded by the Scottish Government. The Leader commented that Fair Isle had requested that the Scottish Government carry out procurement work so that the replacement ferry can be progressed, but that funding has to come from Central Government. He added that Members would continue to make a case to the Scottish Government on funding for infrastructure.

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

During further debate it was noted that the business case for the Fair Isle ferry had been completed and the progression of that project rests firmly with the Scottish Government. Comment was made that it was clear that, having funded other areas, the Scottish Government were not supporting its remotest island, Fair Isle.

Officers were thanked for setting out the reality of the position within the report.

The Leader acknowledged further comment made in regard to the Scottish Government's obligation to provide nationally important transport networks such as the Cullivoe Road. The Leader took cognisance of the level of aquaculture and fisheries transported over the Cullivoe Road and the economic benefit this provided nationally. He said that while the Cullivoe Road would be considered to be a local road, the message to the Scottish Government is that it is a nationally significant route to the export market and Shetland is relying on the Scottish Government to acknowledge that fact and provide necessary funding.

Decision:

The Council **RESOLVED** to:

- **APPROVE** the capital budget proposals for 2020/21 included in this report, and set out in detail in Appendix 1; and
- **ADOPT** Appendix 1 as the Council's 5 Year Asset Investment Plan 2020-25 ("the Plan"), subject to any requirements of the Council's Gateway Process for the Management of Capital Projects

24/20

Annual Investment and Treasury Strategy for 2020/21

The Council considered a report by the Executive Manager – Finance (F-021-F) that presented the proposed Annual Investment and Treasury Strategy for the Council for the financial year 2020/21.

The Executive Manager – Finance introduced the report and advised that there had been significant changes since last year. He advised that the strategy is affordable

but that may become a risk if nothing is done to address the draw on reserves in the next five years.

During questions, Members were advised that grass cutting and weed control did not form part of this report, and the Chair of Environment and Transport Committee advised that a report would be provided, in the near future, to the Environment and Transport Committee.

In responding to a question on the recent fall in the stock market, the Executive Manager – Finance explained that between the end of January and the end of February 2020 there had been a fall in the Council's investments by £16m, and that there had been another fall in the last 10 days with further losses within the last 24 hours.

There being no debate, Mr Coutts moved that the Council approve the recommendations contained in the report. Mr Leask seconded.

Decision:

The Council **RESOLVED** to:

- **APPROVE** the Annual Investment Strategy Statement to be followed for the financial year 2020/21, as set out in Appendix 1, section 2.
- **APPROVE** the Treasury Management Strategy to be followed for the financial year 2020/21, as set out in Appendix 1, section 3.
- **APPROVE** the Treasury Management Prudential Indicators for 2019/20 to 2022/23, as set out in Appendix 1, section 6.

25/20

Strategic Outline Case: B9082 Cullivoe Road, Yell & Outline Programme Methodology

The Council considered a report by the Executive Manager – Roads and Team Leader – Roads Asset and Network (RD-02-20-F) that provided an update on the Cullivoe Road improvements and which sought approval for the ranking process and timeline in relation to the Strategic Outline Programme.

The Executive Manager - Roads introduced the report.

Officers were asked whether all stages of the process to be followed were necessary for each project and whether the process could be done more quickly. The Director of Corporate Services explained the Gateway Process, which had been approved by the Council in line with guidance that ensures the Council is making sound investments that demonstrate best use of public money. She said that it was important to follow all stages, given the high level of scrutiny faced on compliance. The Director of Corporate Services advised that on smaller projects it may be possible to carry out all five stages of the process in one go, however on projects of this size a staged approach provides confidence in the ranking of projects and the timeline for completion of full business cases. She said that the design budget was essential for speeding things up as this is required for the funding process. The Director of Corporate Services stated that it was important that all projects withstand scrutiny.

During discussion, it was acknowledged that the compulsory purchase order required to secure the land for these projects could take up to 2 years to complete, and this had been built into each project. It was noted that this time could be reduced if landowners were in agreement and willing to sell their land, and the Executive Manager – Roads advised that Officers always enter into direct negotiations, in the first instance, but where required CPOs will be initiated.

In responding to a question in regard to design staff resources, the Executive Manager – Roads explained that staff numbers had reduced following the Council's decision, in 2012, not to build new infrastructure. He said that outsourcing the design work would be expensive and he explained that the cheapest option was to provide the design and supervision work in house.

In terms of the timeline for the Cullivoe Road, the Executive Manager – Roads indicated that the Strategic Outline Case would be prepared by April 2020, and he hoped the next stage would be complete by June 2020 with the Full Business Case presented in October 2020.

In noting that the Gateway Process had been implemented by the Council 8 years ago, a request was made that the Council refresh and revamp the current processes. The Director of Corporate Services agreed to take this forward.

Following a request for an update on the Levenwick Road, the Executive Manager – Roads advised that there had been no further developments to report. He confirmed that a compulsory purchase order for land could not be progressed until the final design was complete, but that the preliminary design work was being developed.

Mr Thomson advised that this report had been presented to the Environment and Transport Committee, and like other Members he had received a number of enquiries from constituents in regard to the Cullivoe Road. He said however that he was pleased to see the project programme presented today and moved that the Council approve the recommendations contained in the report. Mr Priest seconded.

Decision:

The Council **APPROVED** the ranking process and timeline, as detailed in the report for taking forward the remainder of the strategic road network improvements that are listed in the Strategic Roads Network Outline Programme ("the Programme"); and the inclusion in the 5 Year Asset Investment Plan of a new capital budget of £100k per year to enable advanced design of the schemes in the Programme.

The Council adjourned at 3.25pm
The Council reconvened at 3.35pm

26/20

Appointments of Councillors to the Integration Joint Board (IJB)

The Council considered a report by the Executive Manager – Governance and Law (GL-06-20-F) that sought the appointment of Councillors to the Integration Joint Board (IJB).

The Executive Manager – Governance and Law advised that the report had been brought to Council early in order to provide continuity to the IJB beyond 18 May 2020. He highlighted that the Councillor appointments had fallen out of line with the

3 year term of the IJB as a result of the Council elections. Therefore from 31 March 2020 to 17 May 2020 the role of Chair of the IJB would be undertaken by Mr Duncan.

The Executive Manager – Governance and Law referred to the decision required as set out in paragraph 1.3, and advised that as he was unable to predict the outcome of the appointments he would provide further clarity when that decision had been made. The Executive Manager – Governance and Law commented on the merit of substitutes as referred to paragraph 1.4 and advised that both the current substitutes have attended seminars and attended meetings when required.

Mr Duncan advised that he had made the decision not to continue in his role beyond 18 May 2020 due to the perceived conflict with his role on the Council's Audit Committee and on the IJB. He thanked the IJB and said that his intention remained to support and scrutinise the IJB in their continued work but he did not wish to be considered for reappointment.

The Leader thanked Mr Duncan for all he had done in his time on the IJB. He said that he understood Mr Duncan's reasons for his decision but he could see Mr Duncan would continue to be a strong advocate for the elders in the community.

At the invitation of the Chair the following three appointments were made for the role of Voting Member on the IJB.

- Mrs Macdonald, nominated by Mr Coutts, seconded by Mr Duncan.
- Mr Leask, nominated by Mr McGregor, seconded by Mr Cooper.
- Mr McGregor, nominated by Mrs Macdonald, seconded by Mr Thomson.

There being no further nominations, the three nominees accepted their appointment.

The Chair invited nominations for the role of Chair/Vice-Chair from the newly appointed Voting Members of the IJB.

Mrs Macdonald, nominated by Mr McGregor, seconded by Mr Leask. Mrs Macdonald accepted the appointment.

In referring to paragraph 1.3, the Executive Manager – Governance and Law advised that as the three Voting-Members for the IJB were also Members of the Policy and Resources Committee, and full geographic representation was in place, no further appointments were required.

The Chair invited nominations for the role of substitute for Voting Members of the IJB and the following appointments were made:

Ms Manson, nominated by Mr Thomson, seconded by Mr Cooper.
Mr Flaws, nominated by Mr Duncan, seconded by Mrs Macdonald.

There being no further nominations, and the nominees accepted the appointment.

Mrs Macdonald thanked Mr Duncan for his support over the last 3 years as a Voting Member of the IJB and looked forward to his continued support and scrutiny. Mr McGregor echoed the comments and said it had been privilege working with Mr Duncan.

Decision:

The Council:

- **APPOINTED** three Members to the Integration Joint Board for a period of 3 years, namely:
Mrs Macdonald
Mr Leask
Mr MacGregor
- **APPOINTED** one of these three Members to serve as Chair/Vice-Chair of the Integration Joint Board, noting that this Member will also serve as a member of the Council's Policy and Resources Committee;
- **NOTED** that with the appointments of these three Members to the Council's Policy and Resources Committee it has its complete membership.
- **APPOINTED** two substitute Members to the Integration Joint Board for a period of 3 years, namely:
Ms Manson
Mr Flaws

The meeting concluded at 3.40pm.

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Chair