

SHETLAND ISLANDS COUNCIL

Abstract of Accounts

2004/05

2004/05 Abstract of Accounts

1 EXPLANATORY FOREWORD

1. Introduction

The Council's accounts for the year ended 31st March 2005 have been prepared to comply with statutory requirements and also with reference to the Code of Practice on Local Authority Accounting in the United Kingdom 2004.

2. Explanation of statements which follow, their purpose and relationships

The following statements are contained in this Abstract of Accounts:

2 Statement of Accounting Policies

This statement explains the basis of the figures in the accounts, with particular reference to the treatment applied where more than one approach is possible.

3 Consolidated Revenue Account

This statement reports the net cost for the year of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and local taxation.

The statement consolidates the income and expenditure in all other statements in this abstract with the exception of the Pension Fund and other Trust Funds.

The net cost of services was £126m.

4 Consolidated Balance Sheet

This statement shows the balances and reserves at the disposal of the Council at the year end. It also shows the Council's long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

The Consolidated Balance Sheet includes the year end position of all funds covered in this abstract with the exception of the Pension Fund and other Trust Funds.

5 Total Movement in Reserves

This statement of total movements in reserves brings together all the recognised gains and losses of the Council during the year, and identifies those which have and have not been recognised in the Consolidated Revenue Account. It also separates these movements between the revenue and capital reserves of the Council.

6 Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It excludes the Pension Fund and other Trust Funds, apart from cash transfers between the Pension Fund and other Council funds.

7 Housing Revenue Account

The Housing Revenue Account shows the major elements of expenditure relating to Council housing, which include maintenance, administration, rent rebates and capital financing costs. The statement also shows how this expenditure is met by Council house rents, Housing Support Grant and other forms of income.

8 Council Tax Income Account

The Council Tax Account shows the net income raised from Council taxes levied under the Local Government Finance Act 1992.

9 Non-Domestic Rate Income Account

The Non-Domestic Rate Income Account shows the income from the rates levied under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property.

10 Pension Fund Account

This statement gives a stewardship report on the financial transactions of the Pension Fund during the year, and the disposition of its assets at the year end

11 Responsibilities for the Statements of Accounts

This statement sets out the respective responsibilities of the Council and the Head of Finance for the accounts of the authority.

12 Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed.

3. Overall comparison of expenditure with budget

The deficit for the year on the Consolidated Revenue Account of £4.13m was mainly due to the requirement to utilise £4.5m from reserves following the failure of the Council to agree to budget and service cuts. This draw on reserves was revised to £3.26m but was ultimately overspent by £0.84m. Against budget, General Fund departmental expenditure was up £1.3m, due mainly to overspends on employee costs, whilst income from interest on revenue balances was down £0.22m, due to lower interest rates and a lower balance brought forward from 2003/04.

Housing Revenue Account net expenditure was under budget, due mainly to reduced capital charges, and income was increased by some £0.65m as no adjustment was required for Housing support grant. This offset an increase in unplanned maintenance work, allowing a contribution of £0.56m to be made to the Housing Repairs and Renewals Fund.

Harbour Account income was £1.4m below budget due to reduced throughput at Sullom Voe. This resulted in a transfer from the Equalisation funds of £6.1m, £1.2m over budget.

Overall, the Council's trading undertakings had another satisfactory year, although one of those deemed to be significant failed to break even. The significant undertakings are judged on a three year rolling basis, of which 2004/05 is the second year.

4. Material assets acquired or liabilities incurred

The most significant major capital work during 2004/05 occurred with the ongoing building of new inter island ferry terminals.

Other significant capital expenditure included work on the new landfill site in Lerwick.

5. Comment on planned future developments, including a summary of revenue and capital investment plans.

The Council has reaffirmed its commitment to work towards its long term financial policies of achieving:

a self-sustaining Capital Fund ;

a self-sustaining Repairs and Renewals Fund;

a self-sustaining Reserve Fund;

a standstill budget for the General Fund and of increasing the property Band D Council Tax charge by the estimated average percentage increase throughout Scotland, plus £33.

6. Current borrowing facilities, actual borrowings, major financing transactions during the year

The Council continued its Treasury Management policy in 2004/05 which consists of:

continuing to have external management arrangements for all major funds;

extending the maturity of its external borrowings within approved policy limits to take advantage of low interest rates;

operating to a stringent set of borrowing and lending guidelines.

Within the Treasury Management policy, the Council currently finances its Housing Revenue Account from internal funds and balances and has no external borrowing.

During 2004/05 the Council conducted a tendering exercise with the result that a new banking contract was awarded to the Bank of Scotland from April 2005. The contract is for a period of five years and provides current overdraft facilities of £0.8m.

Major fixed asset acquisitions are mentioned in note 4 on page 4. Major disposals during 2004/05 occurred on Council house sales and the sale of a ferry to a leasing company.

7. **Summary of Council internal and external sources of funds**

The Council has prudently built up extensive reserves to meet future financial requirements, the main examples being the Capital Fund, Repairs and Renewals Fund, and the Reserve Fund, which have a combined Balance Sheet value at 31 March 2005 of £319m (£331m at 31 March 2004). The Council intends to preserve the value of these funds so far as is possible, so only the earnings on their investment are available to meet annual outgoings.

External sources of funds include the various forms of capital and revenue grant assistance available from the U.K. Government and the European Union which provided some £80.4m in cash in 2004/05, as can be seen in Note 5 to the Cash Flow Statement. There is also a contribution from the National Non-Domestic Rates Pool of £8.2m, but this is more than offset by the local contribution into that Pool of £12.8m.

The remaining sources of Council funding are the charges levied locally, which include the various Council Taxes, rents, and a wide variety of charges for goods and services provided by the Council.

8. **Pension Liability**

In order to comply with Financial Reporting Standard no. 17 (Retirement Benefits), a valuation of the Council's Pension Fund was made by the Fund Actuary as at 31 March 2005. This indicated a net pension liability of £47.7m compared to a net liability of £17.7m as at 31 March 2004. The movement is mainly due to a change in the method of estimating scheme liabilities.

It is important to recognise that FRS 17 is an accounting standard that details the pension information to be included in these accounts. It prescribes a method of calculation and some of the assumptions used and reflects the position of the Fund only on one particular day, 31 March 2005.

The pension fund is a long term commitment and the triennial actuarial valuation uses an approach that reflects that. The last valuation at 31 March 2002 in fact recorded a funding level of 101% and the contributions the Council makes to the pension fund are in line with the actuary's valuation and recommendations.

9. **Statutory Trading Accounts**

The Local Government in Scotland Act 2003 repealed legislation relating to DSOs/DLOs and introduced new requirements to maintain trading accounts for significant trading operations which are required to break even over a rolling three year period. Further information is shown in note 8 to the Consolidated revenue account. The net surplus on these activities (excluding FRS17 adjustments) of £0.39m (2003/04 £0.62m) was appropriated to the General Fund.

10. **Grant to Shetland Development Trust**

The Council made a Reserve Fund grant of £23.97m to the Shetland Development Trust so that it could purchase non-property assets, mainly fish quota, from Shetland Leasing and Property Developments Ltd (SLAP). These assets should provide a future revenue stream that will assist the Trust in achieving its economic development objectives.

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2 STATEMENT OF ACCOUNTING POLICIES

1. Introduction

The accounting policies presented below apply to all statements in this abstract, bar the Pension Fund which has a separate statement of accounting policies.

2. Debtors and creditors

All known debtors and creditors have been provided for, on an actual or estimated basis, in the accounts as at 31 March 2005.

3. Allocation of Central Support Costs

All central support costs are fully allocated to services. Allocations are primarily done on the basis of estimates of staff time.

4. Capital Charges

General Fund services have been charged for the use of assets. This charge covers the annual depreciation of the asset plus a capital financing charge set at 3.5% of their value for assets carried at current value (2003/04 3.5%) and 4.8% for assets carried at historic cost (2003/04 4.625%).

The charge to the Housing Revenue Account is equal to the principal, interest and expenses charged by the Council's Loans Fund.

Harbour Account capital charges are in the form of revenue contributions to finance capital expenditure in the year incurred. This treatment does not comply with the Code of Practice. In 2004/05, these contributions amounted to £0.77m as opposed to £2.31m that would have been charged in compliance with the Code of Practice. This treatment ensures that charges to the users of Council harbours are not based on notional capital charges.

5. Fixed Assets and Depreciation

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis, subject to a de-minimis limit for capital expenditure of £10,000. This includes assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Capital expenditure that does not provide a fixed asset or continuing benefit to the Council is written off to revenue in the year it is incurred.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value. Infrastructure and Community assets have been included at historic cost, net of depreciation.

Depreciation is provided on all assets with a finite useful life. Depreciation is not normally charged on freehold land or on non-operational investment properties.

6. Valuation Disclosure

Except where noted below, most of the Council's properties which were due to be revalued this year were valued over a four month period to April 2005, and the effective date for the valuation was 1 April 2004 unless the property became operational after that date. However, for properties below the de minimis level of £10,000, the effective date for valuation remains at 1 April 1994 and these will be updated on a rolling programme of revaluations.

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Council dwellings were revalued each year on an average cost calculated following the disposal of individual properties during the year. In 2003/04, this method was refined to take account of geographical variations along the lines of the 'Beacon Principle', this method has been updated to take account of disposals in the year. Non-operational properties were valued by reference to their

market value which has regard to both the existing use and any alternative use which may be sanctioned by planning permissions. Outstanding life and residual values have also been reviewed for all assets that have been revalued this year.

Full details of the valuation of each property are contained in Valuation Certificates which form the basis for the summary information in these accounts.

The valuations of operational and non-operational properties were carried out by Alan Rolfe MRICS of the Asset and Property Unit of the Council's Legal and Administration Services.

7. **Stocks and Work in Progress**

Stock and work in progress brought into account is valued at average cost, except for Ferry and Port stock (latest price), fuel (FIFO basis) and aggregates (lower of selling price/production cost).

8. **Investments**

All investments are shown at book cost less provision, where appropriate, for loss in value.

9. **Provisions**

The Council has made provision, where necessary, for bad and doubtful debts in respect of miscellaneous debtors, non-domestic rate debtors, community charge debtors, council tax debtors and Housing Revenue Account debtors.

10. **Capital receipts**

Capital receipts are treated as capital income on an accruals basis and have been applied in accordance with the Council policy on debt redemption on all funds.

All long term debtors on the Balance Sheet have been financed by the Capital Fund, creating a Deferred Capital Receipt. This means that when the debts are paid then the proceeds can be credited to the Capital Receipts Reserve, providing the potential for more flexible use than applies to the Capital Fund.

11. **Grants**

Revenue grants are treated as revenue income and credited to revenue in the year received.

Capital grants are treated as capital income and have been credited to the Government grants deferred account.

12. **Interest on balances**

Interest on revenue balances is charged or credited at fund level at the average seven day money market interest rate for each month, calculated from daily quotes obtained from several brokers.

Interest is charged or credited to internally held balances of Council reserves at varying rates, dependent on the nature of the reserve.

The interest charged or credited to Funds is calculated on the basis of monthly surpluses or deficits on those Funds, with interest on internally held reserves capitalised half yearly.

13. **Leases**

Operating lease payments are treated as operating expenditure.

Finance lease payments are treated as part of the cost of financing capital on the revenue accounts.

Details of finance and operating leases are provided in notes to the Consolidated Balance Sheet and Consolidated Revenue Account.

14. **Provisions for pensions**

Pension assets and liabilities have been included in the accounts on the basis of Financial Reporting Standard No. 17. Assets of the Pension scheme have been included at fair value, generally mid-market value, and liabilities have been measured on an actuarial basis using appropriate estimates and assumptions. In particular, scheme liabilities have been discounted at a rate linked to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Details are in note 14 to the Consolidated Balance Sheet.

The Council does not comply with recommended accounting practice in that the pension current service cost is not allocated to the Housing Revenue Account as recommended in the Best Value Accounting Code of Practice.

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3 CONSOLIDATED REVENUE ACCOUNT

YEAR ENDED 31 MARCH 2005

2003/04			2004/05 Expenditure £000	2004/05 Income £000	2004/05 Net £000
£000					
	NET COST OF SERVICES				
	CONTINUING SERVICES:	<u>Notes</u>			
2,072	Central services		2,333	(254)	2,079
36,590	Education services		42,925	(5,631)	37,294
5,245	Environmental services		7,474	(2,013)	5,461
528	Housing services		4,404	(3,087)	1,317
4,504	Cultural and related services		5,605	(390)	5,215
7,024	Planning and development services		32,081	(1,443)	30,638
12,150	Roads and transport services		13,174	(901)	12,273
7,405	Trading services		21,594	(11,566)	10,028
10,918	Social work		16,718	(3,738)	12,980
4,893	Corporate and democratic core		5,507	0	5,507
5,900	Non distributed costs	7	500	0	500
1,765	Police	1	1,921	(1)	1,920
1,134	Fire	1	1,333	0	1,333
49	Housing revenue account		7,687	(8,264)	(577)
100,177	TOTAL CONTINUING SERVICES	1	163,256	(37,288)	125,968
	CORPORATE INCOME AND EXPENDITURE				
(11,995)	Interest and investment income	14			(10,603)
(6,002)	Transfer from Asset Management Revenue Account	10			(6,715)
(724)	Net Surplus trading undertakings				(267)
1,500	Pension interest cost & expected asset return	7			(1,100)
82,956	NET OPERATING EXPENDITURE				107,283
	APPROPRIATIONS				
	Contribution to/(from) earmarked reserves:				
8,529	General Fund	15			6,876
156	Housing Revenue Account	15			781
2,999	Harbour Account	15			2,888
(9,206)	Contribution to/(from) Capital Financing Account				(33,394)
(7,400)	Movement on Pension Reserve	7			(900)
78,034	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS				83,534
	PRINCIPAL SOURCES OF FINANCE				
(6,365)	Council Tax				(7,008)
(61,067)	Revenue Support Grant				(64,165)
(7,297)	Contribution from non-domestic rate pool				(8,229)
3,305	(SURPLUS)/DEFICIT FOR THE YEAR				4,132
	BALANCES				
(7,500)	Balance at 1st April				(4,195)
3,305	(Surplus)/Deficit for the year				4,132
0	Application of Balances in the year				0
(4,195)	Balance at 31st March				(63)

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3 NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Service Expenditure Analysis of Services

The Accounting Code of Practice requires the Council to present the net cost of services using the Service Expenditure Analysis set out in the Best Value Accounting Code of Practice. The Police and Fire categories mainly relate to the payment of requisitions to respectively the Northern Joint Police Committee and the Highlands & Islands Fire Board.

The current service cost, as required under FRS17, is contained within the service lines, except for the Housing Revenue Account and Harbour Operations.

2. Revenue effects of acquiring assets using finance and operating leases

Finance leases are agreements where the major features of ownership of the asset pass to the Council. These leases are distinguished by longer duration, options to buy at the end of the primary period, and maintenance being the Council's responsibility. Assets under such leases are included in Vehicles, Plant and Equipment, and Other Land and Buildings in the Council's Balance Sheet.

Operating leases leave the major responsibilities of ownership with the leasing company, and these leases are not subject to capital controls.

The following table summarises 2004/05 payments made for assets acquired under finance and operating leases.

Finance and Operating Lease Payments:

2003/04		2004/05	
£000		£000	
103	Finance leases	654	
2,193	Operating leases	2,518	
<u>2,296</u>	Total	<u>3,172</u>	

The future cash payments under operating leases are as follows:

2005/06	£2,244,412
2006/07- 2009/10	£7,651,334
2010/11 onwards	£24,955,414

3. Publicity expenditure

Expenditure on publicity must be recorded under Section 5 of the Local Government Act 1986. The table below summarises 2004/05 expenditure.

Publicity expenditure

2003/04		2004/05	
£000		£000	
127	Recruitment advertising	159	
154	Other advertising	188	
<u>281</u>	Total	<u>347</u>	

4. **Agency expenditure**

Below is a summary of Council income and expenditure under agency agreements, whereby the Council does work for other public bodies, or has work done on its behalf by other public bodies.

Agency expenditure and income (included in the Consolidated Revenue Account):

Net Expenditure 2003/04 £000		Expenditure 2004/05 £000	Income 2004/05 £000	Net Expenditure 2004/05 £000
	Northern Joint Police			
1,767	Committee	1,921	0	1,921
1,134	Northern Fire Board	1,333	0	1,333
	Orkney and Shetland			
270	Valuation Joint Board	267	0	267
	Emergency Planning:			
0	Shetland Health Board	20	(20)	0
	Accommodation Charges:			
287	Child Client	58	0	58
<u>3,458</u>	Total	<u>3,599</u>	<u>(20)</u>	<u>3,579</u>

5. **Expenditure and Income under Goods and Services Act**

The Council undertakes maintenance of police and fire properties on behalf of the Joint Boards. The table below shows the maintenance expenditure and the amounts billed to the Joint Boards by the Council.

Expenditure and income under the Local Authority (Goods and Services) Act 1970:

Net Expenditure 2003/04 £000		Expenditure 2004/05 £000	Income 2004/05 £000	Net Expenditure 2004/05 £000
	Northern Joint Police			
0	Committee	71	(71)	0
0	Northern Fire Board	9	(9)	0
<u>0</u>	Total	<u>80</u>	<u>(80)</u>	<u>0</u>

6. **Pension Costs (Teachers)**

In 2004/05 the Council paid an employer's contribution of £1.9m (£1.4m in 2003/04) to the Scottish Public Pension Agency in respect of teachers' pension costs, which represented 12.5% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2004/05 these amounted to £0.44m (£0.35m in 2003/04), representing 2.89% of teachers pensionable pay (2003/04 2.49%).

7. **Pension Costs (Other Employees)**

The Local Government Superannuation (Scotland) Scheme is a funded scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pension liabilities are balanced with investment assets.

The Council is required to recognise the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid. The following transactions have been included in the Consolidated Revenue Account.

2003/04 £000		2004/05 £000
4,000	Current service costs	6,400
1,400	Past service costs	300
500	Curtailments and settlements	200
(5,900)	Expected return on assets	(8,300)
7,400	Interest cost	7,200
5,800	Actual employers contributions payable	5,700

Note 14 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

Note 6 to the statement of Total Movements in Reserves shows the costs arising from the difference between expected and actual events.

8. **Significant Trading Operations**

Section 10 of the Local Government in Scotland Act 2003 requires the Council to maintain trading accounts for significant trading operations and that they should break even over a three year rolling period.

The Council has deemed as significant trading operations its Highways construction and repair undertaking and its Building Maintenance undertaking, concerned with the repair and maintenance of council houses, schools and public buildings.

The three year rolling basis period commenced in 2003/04.

2003/04 £000		2004/05 £000
	Highways	
(7,374)	Turnover	(6,157)
(583)	(Surplus)/Deficit	(247)
	Building Maintenance	
(3,251)	Turnover	(4,145)
(38)	(Surplus)/Deficit	107

9. **Audit Costs**

Audit Scotland has appointed PricewaterhouseCoopers to carry out the audit of the Council's accounts for a period of five years from April 2001. The fees for audit services undertaken in accordance with the 'Code of Audit Practice' are paid to Audit Scotland and were as follows:-

2003/04 £000		2004/05 £000
155	External Audit fees	182
48	Audit Scotland Recharge	51
<u>203</u>		<u>233</u>

The increase in the 2004/05 audit fee is due to Audit Scotland no longer being able to recover input VAT and the Council now having to bear this burden. As a result the fee disclosed for 2004/05 includes VAT.

10. Asset Management Revenue Account

The transactions on the Asset Management Revenue Account are summarised as follows:

2003/04 £000		2004/05 £000	2004/05 £000
	<u>Income</u>		
(16,130)	Capital Charges		(18,265)
	<u>Expenditure</u>		
8,296	Provision for Depreciation	8,589	
0	Impairment Loss	0	
1,806	External Interest and Expenses	2,461	
26	Finance Lease Interest	500	
<u>10,128</u>		<u>11,550</u>	
<u>(6,002)</u>	Balance to Consolidated Revenue Account		<u>(6,715)</u>

11. Members' Allowances and Expenses

Regulations made under section 50 of the Local Government (Scotland) Act 1973 require that the Council publish a record of Members' allowances and expenses. This is done annually in a local paper. Summarised information is given below.

2003/04 £000		2004/05 £000
347	Allowances	378
114	Expenses	138
<u>461</u>		<u>516</u>

12. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 were:

Remuneration Band	2003/04 No.	2004/05 No.
£40,000 - £49,999	50 (1)	66 (-)
£50,000 - £59,999	18 (14)	19 (12)
£60,000 - £69,999	2 (-)	6 (3)
£70,000 - £79,999	1 (-)	- (-)
£80,000 - £89,999	-	1
£90,000 - £99,999	-	-

The figures in brackets show the number of pilots, employed at the Sullom Voe Harbour operation, included in the totals. The increase in the £40,000 - £49,999 band mainly reflects the impact of the McCrone recommendations on teachers' salaries.

13. Related Parties and Trusts

The Council has a substantial legal and financial relationship with Central Government, mainly through the devolved Scottish Government. They provide the bulk of revenue finance, as can be seen in the consolidated revenue account and cash flow statement.

The Council also has substantial financial relationships with a number of bodies such as its Pension Fund, the Northern Joint Police Committee and the Orkney and Shetland Valuation Joint Board. Financial information on these relationships, and others, is shown in notes 4 and 5 to the Consolidated Revenue Account and elsewhere within this Report. The Council also provides material financial assistance to a number of organisations but the terms attached to that assistance do not give the Council effective control over those organisation's financial and operational policies.

Members of the Council exercise direct control over the Council's financial and operating policies. The Register of Members' Interest records those organisations in which members have declared an interest. Other than those organisations mentioned below, in 2004/05, the Council made payments totalling £0.45m to organisations in which members had declared an interest.

Shetland Charitable Trust

The Trustees of the Charitable Trust comprise all the Council members and two non-council members.

The Council provides some administrative and payroll services to the Trust and its companies. Charges of £0.1m were made in the year in respect of this and £0.04m was owed in payroll costs.

The Trust has a wholly owned property company, Shetland Leasing and Property Developments Ltd that leases buildings and four ferries to the Council. In 2004/05, the Council made payments of £2.92m to SLAP and received £12.8m from the sale of two ferries.

Other Trusts

The Charitable Trust financially supports a number of other Trusts that provides services which complement those of the Council or are purchased by the Council in pursuit of its objectives. The Shetland Welfare Trust provide care services in a number of homes, the Shetland Arts Trust promotes the arts throughout Shetland, the Shetland Recreational Trust provides recreational activities in a number of centres throughout Shetland, the Islesburgh Trust provides cultural, recreational and artistic services in Lerwick and the Shetland Amenity Trust provides various services mainly relating to the environment.

In 2004/05, the Council made the following payments:

Shetland Welfare Trust	£1.77m
Shetland Arts Trust	£0.07m
Shetland Recreational Trust	£0.13m
Shetland Amenity Trust	£0.15m

The Council provides payroll services to the Islesburgh Trust. At 31 March 2005, the Council was owed £0.09m in payroll costs. The annual fee for services provided was £11,161.

Shetland Development Trust

The Shetland Development Trust was established in 1996 to provide assistance to business in Shetland.

The Trustees comprise four Council Members plus four non-member Trustees. The Council provides payroll services to the Trust for which it charged the Trust £750 in 2004/05 and £0.03m was owed in payroll costs. It also made a grant of £0.5m to the Trust.

14. Interest and Investment Income

The transactions comprising Interest and Investment income are as follows:

2003/04		2004/05
£000		£000
106	General Fund Interest on Revenue Balances	(88)
(6,596)	External Capital Fund	(5,524)
(1,947)	External Repairs & Renewals Fund	(1,947)
(2,818)	External Reserve Fund	(2,425)
(205)	External Housing Repairs & Renewals Fund	(204)
(528)	External Harbour Equalisation Funds	(408)
(7)	External Insurance Fund	(7)
<u>(11,995)</u>		<u>(10,603)</u>

15. **Contributions to/from Earmarked Reserves**

The table below shows the detail of the various transfers between the Consolidated Revenue Account and the various reserves.

2003/04		2004/05
£000		£000
	General Fund	
6,595	Contribution to external funds-Capital	5,524
1,947	-Repairs & Renewals	1,947
2,818	-Reserve Fund	2,425
7	-Insurance Fund	7
(2,838)	Contribution from Reserve Fund	(3,027)
8,529		6,876
	Housing Revenue Account	
205	Contribution to external Housing Repairs & Renewals Fund	204
(49)	Contribution from Housing Repairs & Renewals Fund	577
156		781
	Harbour Accounts	
528	Contribution to external Harbour Funds	408
7,938	Contribution to Reserve Fund	8,636
(5,433)	Contribution from Equalisation Funds	(6,121)
0	Contribution from Pilot Boat Revenue Fund	0
(34)	Contribution from Marine Fund	(35)
2,999		2,888

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4 CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2005

31 March 2004 £000		<u>Notes</u>	31 March 2005 £000	31 March 2005 £000
	<u>LONG TERM ASSETS</u>			
	Operational assets			
42,968	Council dwellings		43,198	
88,895	Other land and buildings		92,647	
8,242	Vehicles, plant and equipment		20,607	
99,836	Infrastructure assets		114,816	
4,614	Community assets		4,989	
<hr/>				
244,555				276,257
	Non-operational assets:			
32,177				14,411
<hr/>				<hr/>
276,732	TOTAL FIXED ASSETS	2		290,668
279,592	Long-term investments			262,632
25	Long-term debtors:Housing Loans			15
33	Long-term debtors:Other			29
<hr/>				<hr/>
556,382	TOTAL LONG TERM ASSETS			553,344
	<u>CURRENT ASSETS</u>			
2,285	Stocks and work in progress		2,351	
8,768	Debtors, less bad debt provisions	3	10,850	
30,858	Short term investments		20,919	
3,887	Cash and bank		3,321	
				<hr/>
				37,441
<hr/>				<hr/>
602,180	TOTAL ASSETS			590,785
	<u>CURRENT LIABILITIES</u>			
(13,525)	Creditors	3	(14,416)	
0	Bank overdraft		0	
				<hr/>
				(14,416)
<hr/>				<hr/>
588,655	TOTAL ASSETS LESS CURRENT LIABILITIES			576,369
	<u>LONG-TERM LIABILITIES</u>			
(3,004)	Long-term creditor	3	(1,402)	
(181)	Deferred liabilities	9	(12,775)	
(58)	Deferred capital receipts		(44)	
(17,700)	Pension Asset/ (Liability)	14	(47,700)	
				<hr/>
				(61,921)
<hr/>				<hr/>
567,712	TOTAL ASSETS LESS LIABILITIES			514,448

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Accounts

4 CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2005

31 March 2004 £000		Notes	31 March 2005 £000	31 March 2005 £000
	<u>REPRESENTED BY:</u>			
(97,514)	Fixed Asset Restatement Account			(85,751)
(124,900)	Capital Financing Account			(137,330)
(1,481)	Government Grants-Deferred			(3,473)
17,700	Pension Reserve	14		47,700
(3,916)	Usable Capital Receipts Reserve			0
	General Fund:			
(146,766)	Capital Fund		(153,088)	
(75,472)	Repairs and Renewals Fund		(76,878)	
(113)	Quarry Repairs and Renewals Fund		(119)	
(108,813)	Reserve Fund		(88,666)	
(250)	Insurance Fund		(230)	
0	Shetland College of Further Education Balance		132	
(91)	Devolved School Management Balances	7	0	
			<hr/>	(318,849)
	Housing Revenue Account:			
(7,196)	Housing Repairs and Renewals Fund			(7,894)
	Habour Accounts:			
(11,362)	Harbour Charge Equalisation Funds		(5,444)	
(711)	Pilot Boat Renewal Fund		(744)	
(2,632)	Marine Fund		(2,600)	
			<hr/>	(8,788)
<hr/>				<hr/>
(563,517)				(514,385)
	Balances			
(4,195)	General Fund		(63)	(63)
			<hr/>	
<hr/> <hr/>	TOTAL EQUITY			<hr/> <hr/>
(567,712)				(514,448)

.....
Graham Johnston B.Sc (Hons.) C.P.F.A.
HEAD OF FINANCE

2004/05 Abstract of Accounts

4 NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Introduction

This statement shows the balances and reserves at the disposal of the Council at the year end. It also shows the council's long term indebtedness, and the fixed and net current assets employed in its operations, together with the summarised information on the fixed assets held.

2. Summary of capital expenditure and income for the year

The table below analyses the sources of finance utilised in 2004/05 to provide for the expenditure incurred.

Sources of finance for capital accounts in 2004/05:

2003/04 £000		2004/05 £000
1,330	Loans	595
16,807	Capital receipts	18,196
879	Grant receipts	2,110
17,851	Revenue/Other	27,623
<u>36,867</u>	Total	<u>48,524</u>

The following table sets out the amount of outstanding contractual commitments on capital projects as at 31 March 2005. These amounts relate to contracts commenced but not concluded by the end of the financial year.

Significant commitments under capital contracts beyond 31 March 2005:

	Outstanding Contractual Liability beyond 31/3/05 £000
Landfill site	3,390
Kantersted respite unit	2,477
Special needs unit	523
Papa Stour terminals	493
Dunrossness burial ground	307
Cinema and music venue	235
Housing environmental works	212
Bressay bridge	200
SSIS upgrade	186
Hendra refurbishment	179
Aith ventilation	175
Other projects under £150,000	849
Total	<u>9,226</u>

The table below analyses capital expenditure and income on fixed assets over the various categories of assets.

Movements in fixed assets in 2004/05 were:

Operational Assets	Council Dwellings	Other Land and Buildings	Vehicles, Vessels, Plant & Equipment	Infrastructure	Community Assets	Total	Non-Operational Assets	Total All Assets
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Certified valuation at 31 March 2004	42,976	98,766	15,281	107,368	4,620	269,011	32,341	301,352
Accumulated Depreciation & Impairment	(8)	(9,871)	(7,039)	(7,532)	(6)	(24,456)	(164)	(24,620)
Net book Value of assets at 31 March 2004	42,968	88,895	8,242	99,836	4,614	244,555	32,177	276,732
Movement in 2004/05								
Additions	0	21	14,390	2,989	56	17,456	10,572	28,028
Disposals	(1,118)	(184)	(13,126)	0	0	(14,428)	(22)	(14,450)
Revaluations	1,293	(1,772)	12,739	0	0	12,260	(13,845)	(1,585)
Depreciation	55	6,122	(1,638)	(2,634)	0	1,905	39	1,944
Transfers/Appropriations	0	(435)	0	14,625	319	14,509	(14,510)	(1)
Impairments	0	0	0	0	0	0	0	0
Net Book Value of Assets at 31 March 2005	43,198	92,647	20,607	114,816	4,989	276,257	14,411	290,668

Deferred Charges

Deferred Charges are expenditure of a capital nature which does not impact on the acquisition or enhancement of a council fixed asset.

The table below analyses the movement in deferred charges in 2004/05.

	Balance at 1/4/04	Expenditure in 2004/05	Charged to Revenue in 2004/05	Balance at 31/03/05
	£000	£000	£000	£000
<u>Improvement Grants</u>				
Other Capital Grants	0	26,228	(26,228)	0
Marina Provision	0	130	(130)	0
Housing Improvement & Repair Grants	0	179	(179)	0
Reserve Fund Property Grants	0	176	(176)	0
Island Games 2005	0	489	(489)	0
General Assistance Grants	0	552	(552)	0
Renewable Energy Grants	0	10	(10)	0
Agri Landslip Hardship Grants	0	63	(63)	0
	0	27,827	(27,827)	0
<u>Other</u>				
Feasibility Studies	0	105	(105)	0
	0	105	(105)	0
Total	0	27,932	(27,932)	0
2003/04				
Improvement Grants	0	2,874	(2,874)	0
Other	0	132	(132)	0
	0	3,006	(3,006)	0

Progress of Valuation Rolling Programme

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

The valuations of the Operational and Non-operational properties have been carried out by Alan Rolfe MRICS of the Asset and Property Unit.

The basis for valuation is set out in the statement of accounting policies.

GBV as at 31/03/04	Council Dwellings	Other land and Buildings	Vehicles, Vessels, Plant & Equipment	Non- Operational Assets	Total All Assets
	£000s	£000s	£000s	£000s	£000s
Valued at historical cost	0	0	N/A	10,114	10,114
Valued at current value in:					
2004/05	43,151	60,012	N/A	1,875	105,038
2003/04	42,976	8,659	N/A	187	51,822
2002/03	46,034	6,948	N/A	1,712	54,694
2001/02	49,792	2,667	N/A	549	53,008
2000/01	N/A	N/A	N/A	N/A	N/A

Council Dwellings are revalued each year on an average cost calculated following the disposal of individual properties during the year. This method was refined last year to take account of geographical variations along the lines of the 'Beacon Principle'. This has been updated for actual acquisitions and disposals during 2004/05.

The figure valued at historical cost under Non-operational assets is in respect of work in progress assets.

The Table below gives information on the numbers of some of the Fixed Assets held by the Council as at 31 March 2005.

2,025	Council Dwellings	2,044
	Community Assets	
32	Burial Grounds	32
16	Museum Exhibits:	18
1	Other Community Assets	1
	Non Operational Assets	
41	General Non Operational Assets	44
13	Industrial Estate	13
6	Commercial Properties	6
4	Non Operational - Other	4
1	Land awaiting development	1
	Operational Land and Buildings	
1	Airstrips	1
1	Bus Stations	1
4	Car Parks	4
1	Town Hall	1
2	Leisure Facilities	1
1	Libraries	1
4	Museums	3
16	Offices	16
26	Public Conveniences	26
35	Schools	35
1	Colleges	0
7	Social Services Homes	7
27	Other Misc Land and Bldgs	28
5	Finance leases	2
	Vehicles Plant and Equipment	
212	Vehicles	216
122	Plant	130
12	Ferries	10
5	Boats	5
19	Computer Equipment	20
0	Other Equipment	15
0	Finance leases	2
	Infrastructure Assets	
1,043	Roads (km)	1,045
	Investment Properties	
250	Strategic Land Holdings (acres)	250

The entry for computer equipment reflects the fact that individual computers are not held within the Asset Register unless they are over the de-minimis sum.

3. Analysis of Debtors and Creditors

This note shows the main constituents of debtors, creditors and long-term creditors in the Consolidated Balance Sheet.

31 March 2004 £000		31 March 2005 £000
Debtors:		
2,642	Sundry Debtors (less bad debt provision)	2,309
1,135	Recoverable Costs	235
1,234	Value Added Tax	1,046
442	Council Tax	453
250	Non Domestic Rates	1,597
276	Rents	180
5	Payroll	451
2,784	Other Debtors	4,579
<u>8,768</u>	Total	<u>10,850</u>
Creditors:		
(7,215)	Sundry Creditors	(6,726)
(851)	Housing Support grant provision	(2,453)
(2,496)	Non Domestic Rates	(1,471)
(678)	Government Grants	(1,653)
(1,022)	Employee	(416)
(375)	Council Tax	(402)
(888)	Other Creditors	(1,295)
<u>(13,525)</u>		<u>(14,416)</u>
Long Term Creditors:		
<u>(3,004)</u>	Housing Support grant provision	<u>(1,402)</u>

4. Analysis of net assets employed by the various funds

The table below analyses the net assets employed by the Council over the various accounts of the Council.

Analysis of net assets employed:

31 March 2004 £000		31 March 2005 £000
97,514	Fixed Asset Restatement Account	85,751
124,900	Capital Financing Account	137,330
1,481	Government Grants-Deferred	3,473
(17,700)	Pension Reserve	(47,700)
3,916	Usable Capital Receipts Reserve	0
335,700	General Fund	318,912
7,196	Housing Revenue Account	7,894
14,705	Harbour Accounts	8,788
<u>567,712</u>	Total	<u>514,448</u>

5. Analysis of borrowing repayable in excess of 12 months

The Council has no borrowings repayable in excess of 12 months.

6. **Trust fund and third party funds administered by the Council**

The Council administers, as sole trustee, 10 trust funds related to specific services. These are varied in nature and relate principally to legacies left by individuals over a great many years. Funds are in the main held in deposit accounts with local banks. The funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet. As such, these individual funds have not been subject to audit.

Trust funds:

Fund Balance at 31/3/04 £000		Fund Balance at 31/3/05 £000
(578)	Zetland Educational Trust	(600)
(45)	Gilbertson Trust	(46)
(3)	William Strong Bequest	(3)
(7)	Other	(6)
<u>(633)</u>	Total	<u>(655)</u>

The Zetland Educational Trust, with an income of £24,700 and expenditure of £3,600, pays bursaries to university students, aids apprentices and supports educational trips. The Gilbertson Trust, with an income of £1,200, makes annual payments of £20 to deserving persons, mainly in Lerwick, amounting to £280 whilst the William Strong Bequest makes an annual payment to the ten oldest persons in Fair Isle. The other trusts are, due to their low annual income, dormant.

7. **Devolved School Management (DSM)**

The DSM scheme allows schools to carry forward into the next financial year 10% of any surplus balance held on specific devolved budget heads. Conversely, any deficit balances on these budget heads must be met by schools in full in the next financial year.

The DSM balances are committed solely to the Education Service and to be used on schools expenditure. For 2004/05, it was decided that the DSM scheme would not be utilised.

2003/04 £000's		2004/05 £000's
91	Unspent balances at schools	0
<u>91</u>		<u>0</u>

8. **Details of insurance provisions and the risk carried**

The Council operates an insurance fund to offset any uninsured losses and excesses on claims. The authority assesses its likely funding needs and this reflected in the internal recharges, which take account of insurance premia, and all other permitted insurance costs incurred.

The Council carries some uninsured risks. These are:

- Theft cover (with the exception of computers and some specialised equipment);
- Gradually occurring pollution;
- Terrorism damage in excess of £100,000 per building.

9. **Assets held under finance leases**

The Council holds other land and buildings and vessels valued at £13.14m under finance lease. As at 31 March 2005 some £0.36m of this sum has been depreciated, leaving a net value on the Balance Sheet of £12.78m. The future cash payments under finance leases are as follows:-

2005/06	£1,257,908
2006/07-2009/10	£4,881,908
2010/11 onwards	£17,516,000

10. **Contingent Assets and Liabilities**

Former part time employees of the Council have submitted a claim for compensation for being denied access to the Council's pension scheme which, at the time, was open only to full time employees. The claims have been sisted pending resolution of certain test cases nationally. The Council may be liable for backdated pension contributions from 1976 although the exact amount of contributions and the number of employees affected cannot be determined at this stage.

The Council is currently in the process of implementing the Single Status agreement introduced to align the terms and conditions for manual and other workers. Until this process is complete, the amount of any potential obligations in respect of equal pay claims that may arise cannot be quantified.

11. **Movements in Provisions**

The Council has made provision for the risk of incurring bad debts on its General Fund and Housing Revenue Account.

The provision has been determined by the Council's Income and Recovery Manager, using his professional judgement and experience.

The tables below show the movement in the provision.

2003/04 £000		2004/05 £000
(485)	Opening balance-General Fund	(515)
90	Miscellaneous Invoices written off	59
25	Non-domestic Rates written off	55
19	Council Tax written off	44
0	Cash received on debts written off	0
<u>(164)</u>	Charge to General Fund for new provision	<u>(195)</u>
<u>(515)</u>		<u>(552)</u>
(113)	Opening balance-Housing Revenue Account	(134)
13	Miscellaneous Income written off	11
34	Rents written off	34
<u>(68)</u>	Charge to HRA for new provision	<u>(112)</u>
<u>(134)</u>		<u>(201)</u>

12. **Euro Costs**

The Council has considered the possible effect of the introduction of the euro into the United Kingdom.

Due to the uncertainty over entry into the euro, no commitments in respect of costs to be incurred have been made.

No firm assessment of the total costs likely to be incurred has been made. However, the Council's financial management system is a multicurrency system and should be capable of dealing with the euro at little extra cost.

13. **Depreciation Methodologies**

The Council provides for depreciation on all fixed assets with a finite useful life.

Depreciation is provided on a straight line basis over the useful life of the asset. Depreciation was charged on Council Dwellings for the first time in 2002/03. There are a number of non-operational assets that are not depreciated as the asset has not yet been brought into use.

The useful life of an asset has been determined by the officers of the Council in charge of the relevant asset. The life of the operational and non-operational properties have been determined by Alan Rolfe MRICS of the Asset and Property Unit.

The useful lives of various classes of assets are given below:

Asset	Years
Council Dwellings	30
Community Assets	100
Infrastructure Assets	0- 60
Operational Land & Buildings	0- 120
Vehicles, plant, ferries, boats & equipment	0- 30
Non-operational Land & Buildings	0- 60

The depreciation for the year and cumulative depreciation is shown below:

Asset	Depreciation 2004/05 £000	Cumulative Depreciation £000
Council Dwellings	1,536	(46)
Community Assets	0	6
Infrastructure assets	2,634	10,166
Operational Land & Buildings	2,339	3,749
Vehicles, plant, ferries, boats & equip	2,018	8,677
Non operational assets	62	125
	<hr/> 8,589 <hr/>	<hr/> 22,677 <hr/>

14. Pension Assets and Liabilities

In accordance with Financial Reporting Standard No.17 (Retirement Benefits) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to the pension scheme for its employees. Although these benefits will not actually be paid until employees retire, the Council's commitment to make such payments requires to be disclosed at the time employees earn their future entitlement.

The Council participates in two formal pension schemes, the Local Government Superannuation Scheme which it itself administers and the Teachers Pension Scheme administered by the Scottish Executive. In addition, the Council has liabilities for discretionary pension payments outside the main schemes.

The Local Government Superannuation (Scotland) Scheme is a funded scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pension liabilities are balanced with investment assets. In 2004/05, pension costs have been charged to the Consolidated Revenue Account on the basis of the contributions payable for the year to the Pension Fund, based on the formal actuarial valuation as at 31 March 2002.

The net pension liability of £47.7m exceeds the General Fund surplus of £0.06m by £47.64m. The actuarial valuation sets the appropriate employer's contribution rates and this, together with returns on investments, will be utilised to meet the fund's commitments.

Net Pension Liability

The Council's assets and liabilities amounted to:

2004		2005
£'000		£'000
111,700	Share of Pension Fund Assets	126,600
(118,600)	Less: Estimated liabilities in Pension Fund	(161,200)
(10,800)	Estimated liabilities for discretionary pensions	(13,100)
<u>(17,700)</u>	Net pension asset/(liability)	<u>(47,700)</u>

Assets are valued at fair value, principally market value for quoted investments and an estimate for unquoted investments, and consist of:

2004			2005			
%	Market Value £'000	Expected rate of return %		%	Market Value £'000	Expected rate of return %
85.4	95,400	7.7	Equity Investments	86.3	109,267	7.7
10.8	12,100	5.1	Bonds	10.2	12,933	4.8
0.0	0	6.5	Property	0.0	0	5.7
3.8	<u>4,200</u>	4.0	Cash	3.5	<u>4,400</u>	4.8
	<u>111,700</u>				<u>126,600</u>	

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The main assumptions used in the calculation are:

2004		2005
%		%
2.9	Price Increases	2.9
4.4	Salary Increases	4.4
2.9	Pension Increases	2.9
6.5	Discount Rate	5.4

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Accounts

5 TOTAL MOVEMENTS IN RESERVES

CAPITAL RESERVES

	Fixed Asset Restatement Account	Capital Financing Account	Government Grants Deferred	Capital Fund	Usable Capital Receipts Reserve	Pilot Boat Renewal Fund	Total
	£000	£000	£000	£000	£000	£000	£000
Balances 1/4/2004	(97,514)	(124,900)	(1,481)	(146,766)	(3,916)	(711)	(375,288)
Net (surplus)/deficit for year	0	26,830	117	(6,992)	(184)	(33)	19,738
Unrealised gains from revaluation of fixed assets	11,763	0	0	0	0	0	11,763
Value of assets disposed of	0	0	0	0	0	0	0
Proceeds of disposal	0	0	0	0	(12,964)	0	(12,964)
Capital grants	0	0	(2,109)	0	0	0	(2,109)
Other capital receipts	0	0	0	0	(13)	0	(13)
Financing of fixed assets	0	(39,260)	0	670	17,077	0	(21,513)
Applied to repay Debt	0	0	0	0	0	0	0
Balance 31/3/2005	(85,751)	(137,330)	(3,473)	(153,088)	0	(744)	(380,386)

Balance as at 1/4/04	Net (surplus)/deficit for Year	Financing of Assets	Appropriation to/from revenue	Actuarial gains & losses for pensions	Balance as at 31/03/05
£000	£000	£000	£000	£000	£000

REVENUE RESERVES

General Fund	(4,195)	4,132	0	0	0	(63)
Housing Revenue Account	0	(577)	0	577	0	0
Pension Reserve	17,700	0	0	100	29,900	47,700
Reserve Fund	(108,813)	20,147	0	0	0	(88,666)
Repairs & Renewals Fund	(75,472)	(1,406)	0	0	0	(76,878)
Housing Repairs & Renewals Fund	(7,196)	(698)	0	0	0	(7,894)
Harbour Charge Equalisation Funds	(11,362)	5,918	0	0	0	(5,444)
Marine Superannuation Fund	(2,632)	32	0	0	0	(2,600)
Insurance Fund	(250)	20	0	0	0	(230)
Quarry Repairs & Renewals Fund	(113)	(6)	0	0	0	(119)
Shetland College of F.E. Balance	0	132	0	0	0	132
Devolved School Management Balance	(91)	91	0	0	0	0
Total	(192,424)	27,785	0	677	29,900	(134,062)

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Accounts

5 NOTES TO THE TOTAL MOVEMENTS IN RESERVES STATEMENT

1. Capital Reserves

The Fixed Asset Restatement Account and the Capital Financing Account were both created as a result of the new method of accounting for capital assets at current cost. Their balances vary with the accounting entries for capital expenditure and revaluation of assets. Neither account is available for use by the Council for its purposes.

The Capital Fund was established under the Local Government (Scotland) Act 1975. This fund may be used to defray certain items of capital expenditure and for the repayment of the principal of loans. The fund is managed by Baillie Gifford and is mainly invested in bonds.

The Usable Capital Receipts Reserve was established for the purpose of financing capital expenditure and its capital can be applied for that purpose. Returns in the year are credited to the General Fund. The source of funding for the reserve is capital receipts not applied during the year and it is invested in the Council's Loans Fund.

The Pilot Boat Renewal Fund was established by the Council, as Pilotage Authority in 1983 to defray expenditure on the building of vessels for boarding and landing duties. It has been funded by contributions from the Harbour Account and is invested in the Council's Loans Fund.

2. Revenue Reserves

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

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

The Harbour Charge Equalisation Funds were established for the purpose of restricting the increase in harbour charges at Sullom Voe. They are funded by contributions from the Harbour Account.

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

The above Funds are invested together by Baillie Gifford and Henderson Global Investors who manage equity portfolios and Insight Investment Management who manage a bond portfolio.

The Quarry Repairs and Renewals Fund was established under the provisions of the Local Government (Scotland) Act, 1975 to fund environmental works at Council quarries. It is invested in the Council's Loans Fund.

The Shetland College of F.E., although part of the Council, is required to report to its funding bodies on a financial year ending 31 July. Its balance after eight months operation (August – March) is therefore carried forward rather than being subsumed within the General Fund.

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

3. Accounting Policies

The Reserves are subject to the same accounting policies defined for Council expenditure and income. These can be found in section 2 of this Abstract. Council policy concerning the use of certain reserves can be found in section 1, note 5.

4. **Fund Managers**

As mentioned in notes 1 and 2 above, the Council's funds are largely managed externally by fund managers.

The managers hold funds on behalf of the Council with a book value at 31 March 2005 of £284.9m.

The market value of the funds at 31 March 2005 was £282.5m and was invested as follows:

	Amount (£m)	%
UK equities	91.0	32
Overseas equities	45.1	16
UK Government bonds	113.3	40
Other bonds	12.0	4
Cash	21.1	8
	<u>282.5</u>	<u>100</u>

5. **Housing Revenue Account**

It is Council policy to balance the Housing Revenue Account to zero by transfers to or from the Housing Repairs and Renewals Fund.

In 2004/05, a contribution of £0.58m was made from the Housing Revenue Account to the Housing Repairs and Renewals Fund (2003/04 £0.05m contribution to the Housing Revenue Account).

6. **Pension Reserve**

The Pension Reserve shows the surplus or deficit on pensions as calculated according to the strictures of Financial Reporting Standard No 17 (Retirement Benefits). This balance is not available for use by the Council but it does give an indication of the long term solvency of the pension fund.

The actuarial gains and losses shown as movements on the Pension Reserve can be analysed as follows, measured as absolute amounts and as a percentage of assets or liabilities.

31 March 2004 £000		31 March 2005 £000
18,200	Difference between the expected and actual return on assets	3,300
111,700	Value of assets	126,600
16.3%	Percentage of assets	2.6%
800	Experience gain/(loss) on liabilities	(800)
129,400	Present value of liabilities	174,300
0.6%	Percentage of the present value of liabilities	0.5%

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Account

6 CASHFLOW STATEMENT

2003/04		2004/05	2004/05
£000		£000	£000
	REVENUE ACTIVITIES		
	Cash Outflows		
64,069	Cash paid to and on behalf of employees	69,174	
45,033	Other operating cash payments	50,649	
342	Housing Benefit paid out	370	
5,497	National Non-Domestic Rates : payments to Pool	4,560	
			124,753
	Cash Inflows		
(3,392)	Rents (after rebates)	(3,379)	
-	Community Charge income (after rebates)	-	
(5,883)	Council Tax income (after rebates)	(6,321)	
(14,228)	Non-domestic rate receipts	(10,451)	
	National Non-Domestic Rates : receipts from Pool		
(61,737)	Revenue Support Grant	(65,079)	
(329)	DSS grants for benefits	(392)	
(11,704)	Other government grants	(13,313)	
(7,775)	Other operating cash receipts	(6,648)	
(14,307)	Cash received for goods & services	(16,743)	
			(122,326)
(4,414)	NET REVENUE CASH (IN)/OUTFLOW		2,427
	SERVICING OF FINANCE		
	Cash Outflows		
0	Interest paid	0	
26	Interest element of finance leases	500	
			500
	Cash Inflows		
(3,365)	Dividends received	(1,630)	
(9,078)	Interest received	(8,011)	
			(9,641)
(16,831)	BALANCE c/f		(6,714)

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6 CASHFLOW STATEMENT (continued)

2003/04		2004/05	2004/05
£000		£000	£000
(16,831)	BALANCE b/f		(6,714)
	CAPITAL ACTIVITIES		
	Cash Outflows		
33,901	Purchase of fixed assets	21,408	
165,206	Purchase of long-term investments	153,647	
2,875	Other capital cash payments	14,146	
			189,201
	Cash Inflows		
(6,448)	Sale of fixed assets	(1,284)	
(163,109)	Sale of long-term investments	(167,653)	
(775)	Capital grants received	(1,641)	
(19)	Other capital cash receipts	(13)	
			(170,591)
<u>14,800</u>	Net cash inflow/outflow before financing		<u>11,896</u>
	MANAGEMENT OF LIQUID RESOURCES		
(17,101)	Increase/(decrease) in short term investments		(11,484)
	FINANCING		
	Cash Outflows		
76	Repayments of amounts borrowed-finance leases	154	
0	Repayments of amounts borrowed-other	0	
-	New loans issued	-	
			154
	Cash Inflows		
0	Repayments of amounts loaned	-	
0	New loans raised	0	
			0
<u>(2,225)</u>	(INCREASE)/DECREASE IN CASH		<u>566</u>

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6 NOTES TO THE CASH FLOW STATEMENT

1. Analysis of and Reconciliation to Net Debt

Reconciliation to Net Debt

2003/04 £000		2004/05 £000
(2,225)	(Increase)/decrease in Cash	566
0	Decrease in Debt Financing	0
17,101	(Increase)/decrease in Liquid Resources	11,484
<u>14,876</u>		<u>12,050</u>
(51,166)	Opening Net Debt	(36,290)
<u>(36,290)</u>	Closing Net Debt	<u>(24,240)</u>

Analysis of Net Debt

	Balance at 31/3/04 £000	Cash Flow £000	Other Non Cash £000	Balance at 31/3/05 £000
Cash and bank	(3,887)	566	0	(3,321)
Overdraft	0	0	0	0
		<u>566</u>		
Debt due after 1 year	0	0	0	0
Debt due within 1 year	0	0	0	0
		<u>0</u>		
Current Investments	(32,403)	11,484	0	(20,919)
Total	<u>(36,290)</u>	<u>12,050</u>	<u>0</u>	<u>(24,240)</u>

2. **Reconciliation of Consolidated Revenue Account surplus to Net Cashflow from revenue activities**

2003/04		2004/05	2004/05
£000		£000	£000
3,453	(Surplus)/Deficit for Year		4,132
	<u>Non cash transactions</u>		
344	Contributions to/from reserves	(2)	
0	Transfer from DLO/DSO surplus	0	
(1,879)	Loans Fund principal repayments	(1,912)	
<u>(813)</u>	Capital from current revenue	<u>(843)</u>	<u>(2,757)</u>
	<u>Items on an accruals basis</u>		
358	Movement in stocks	66	
(9,948)	Movement in debtors	3,102	
<u>5,847</u>	Movement in creditors	<u>(398)</u>	<u>2,770</u>
	<u>Items classified elsewhere</u>		
(76)	Finance lease capital	(154)	
(26)	Finance lease interest	(500)	
(1,677)	Interest paid	(2,017)	
<u>3</u>	Other	<u>953</u>	<u>(1,718)</u>
<u><u>(4,414)</u></u>			<u><u>2,427</u></u>

3. **Reconciliation of Relevant Movements within Financing and Management of Liquid Resources**

	Balance at 31/3/04 £000	Balance at 31/3/05 £000	Movement 2004/05 £000
Management of Liquid Resources			
Short Term Investments	32,403	20,919	11,484
Financing			
Bank Loans	0	0	0
Building Society Loans	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Principal element of finance lease rental			<u>154</u>
			<u><u>154</u></u>

4. **Definition of Liquid Resources**

Liquid resources are defined as short term investments.

5. **Analysis of government grants**

Government grants received in 2004/05:

2003/04 £000		2004/05 £000	2004/05 £000
(61,737)	Revenue Support Grant		(65,079)
	Rebates Grants		
(540)	Council Tax Rebate	(728)	
(1,808)	Rent Rebate	(1,910)	
(329)	Rent Allowance	(392)	
			(3,030)
	Other Revenue Grants		
(2,548)	Housing Support Grant	(2,656)	
(1,288)	Further Education Grant	(1,239)	
(425)	Training Grants	(479)	
(13)	Milk Subsidy	(20)	
(40)	Housing Benefit Administration	(38)	
(47)	Council Tax Administration	(45)	
(4,996)	Other	(6,197)	
			(10,674)
<u>(73,771)</u>	Total Revenue Grants		<u>(78,783)</u>
(775)	Capital Grants		(1,641)
<u><u>(74,546)</u></u>	Total		<u><u>(80,424)</u></u>

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7 HOUSING REVENUE ACCOUNT

2003/04		2004/05	2004/05
£000		£000	£000
	EXPENDITURE		
2,187	Repairs and maintenance	2,242	
639	Supervision and management	409	
3,676	Capital financing costs	4,367	
68	Bad or doubtful debts	112	
<u>303</u>	Other expenditure	<u>557</u>	
6,873			7,687
	INCOME		
(4,896)	Dwelling rents (gross)	(4,948)	
(423)	Non-dwelling rents (gross)	(359)	
(1,321)	Housing Support Grant	(2,656)	
<u>(184)</u>	Other income	<u>(301)</u>	
(6,824)			(8,264)
49	(Surplus)/Deficit for Year		(577)
	Appropriation to/(from) Housing		
<u>(49)</u>	Repairs and Renewals Fund		<u>577</u>
<u><u>0</u></u>			<u><u>0</u></u>

SHETLAND ISLANDS COUNCIL

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7 NOTES TO THE HOUSING REVENUE ACCOUNT

1. Number and types of dwelling

Housing stock:

31 March 2004		31 March 2005	
No.		No.	
60	1 Apartment	59	
423	2 Apartment	423	
566	3 Apartment	592	
798	4 Apartment	791	
45	5 Apartment	43	
2	6 Apartment	2	
1	8 Apartment	1	
<u>1,895</u>	Total	<u>1,911</u>	

2. Amount of rent arrears

The table below summarises the rent arrears position.

Although the table below shows the total amount of arrears increasing by £67,000 during 2004/05 to £215,000 and arrears as a share of gross rents increasing to 6.79%, the 2005 figures are not directly comparable with 2004. This is due to a problem with the computerised rents system which meant that overpayments of housing benefit were included along with genuine rent arrears.

Although this problem has now been solved, the figures at 31 March 2005 could not be restated.

The number of properties in arrears has increased by 5 over the period.

Rent arrears:

31 March 2004		31 March 2005	
148	Amount (£000)	215	
2.78	Amount as share of gross rents (%)	6.79	
512	Number of properties in arrears (No.)	517	
21.9	Properties in arrears as share of total stock (%)	21.9	
289	Average amount per property in arrears (£)	415	

3. **Provision for bad debts**

The following table summarises the movements on the bad debt provision during 2004/05

Bad debt provision:				
2003/04			2004/05	2004/05
£000			£000	£000
(113)	Balance as at 1st April			(134)
	Bad rent debt written off			
14	Over £1,000 (Council approved)		18	
20	Under £1,000 (delegated authority)		16	
				34
13	Miscellaneous bad debt written off			11
(66)				(89)
(68)	Contribution to/(from) Housing Revenue Account			(112)
(134)	Balance as at 31st March			(201)

4. **Housing Support Grant clawback**

Housing Support Grant (HSG) is a form of deficit grant. The Scottish Executive estimate expenditure and income for each local authority from data supplied by the Council. Any deficit thus arrived at is the basis for payment of HSG. The estimate for the capital charges element of HSG is adjusted three years later to reflect the actual charges, and the amount of HSG is subsequently adjusted.

The Council's capital charges are consistently below the Scottish Executive estimate due to the achievement of a borrowing rate below the Scottish local authority average. This means that the grant received by the Council in the first instance exceeds its eventual entitlement, giving rise to a downward adjustment three years hence. During 2004/05, the Scottish Executive reduced the Council's HSG in respect of capital charges relating to 2000/01 and 2001/02.

At 31 March 2005, the Council had provided £3.85m in respect of anticipated clawback. No provision was made in 2004/05 for any future clawback and no adjustment was made in respect of previous years. The amounts relating to each year are:

2001/02	£0.85m
2002/03	£1.6m
2003/04	£1.4m

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8 COUNCIL TAX INCOME ACCOUNT

2003/04		2004/05	2004/05
£000		£000	£000
	Gross Council Tax levied		
(7,544)	Council Tax	(8,175)	
<u>(7,544)</u>			<u>(8,175)</u>
51	Council Tax benefits (net of Government grant)		(50)
60	Provision for bad and doubtful debts		52
1,052	Other deductions		1,134
16	Prior year adjustments		31
<u>(6,365)</u>	Net Council Tax income		<u>(7,008)</u>

1. Council tax base

Overleaf is the analysis of the Council Tax base used to set the 2004/05 charges. The analysis sets out the number of chargeable dwellings in each valuation band, before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

2. Charge setting

The analysis then sets out the tax yield and the charge per property in each band for the General Fund.

3. Deductions

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

Exemptions

Properties are exempted from Council Tax if wholly occupied by students or persons under 18. Exemption also applies to certain vacant properties, but in most cases for a limited period only.

Discounts

Discounts on Council Tax are awarded at 25% if only one adult is in residence, and at 50% if there is no adult occupant. Students, some nurses, apprentices, YT trainees and persons who are severely mentally impaired are excluded from the count of adult residents.

Reliefs

A property adapted for the disabled will have its Council Tax band reduced by one band, unless it is valued in band A.

COUNCIL TAX VALUATION BANDS 2004/05

	BAND A Subject to Disabled Relief	BAND A (£0 to £26,999.99)	BAND B (£27,000.00 to £34,999.99)	BAND C (£35,000.00 to £44,999.99)	BAND D (£45,000.00 to £57,999.99)	BAND E (£58,000.00 to £79,999.99)	BAND F (£80,000.00 to £105,999.99)	BAND G (£106,000.00 to £211,999.99)	BAND H (£212,000.00 to infinity)	TOTAL
Council Tax Weighting per Band	5	6	7	8	9	11	13	15	18	
Total Properties per Register (No.)		3,210	1,767	2,489	1,484	959	172	37	2	10,120
Gross Tax Base (Properties x Weighting)		19,260	12,369	19,912	13,356	10,549	2,236	555	36	78,273
Adjusted Properties (Band D Equivalents)		2140.00	1374.33	2212.44	1484.00	1172.11	248.44	61.67	4.00	8,697
Vacant Properties (No.):										
Mandatory Standard Exemptions		(164)	(83)	(62)	(21)	(4)	(3)	(1)	(1)	(339)
Chargeable Dwellings subject to Disabled Reduction (No.)		(10)	(9)	(13)	(11)	(6)	0	(1)	0	(50)
Dwellings Effectively Subject to Tax by Virtue of										
Disabled Relief (No.)	10	10	13	11	6	0	1	0	0	51
Class 18 (MoD) Dwellings (No.)	0	24	22	7	0	1	0	0	0	54
Revised Total Properties (No.)	10	3,070	1,710	2,432	1,458	950	170	35	1	9,836
Types of Property (No.):										
Single Discount (25%)	4	1,275	693	906	305	126	9	3	0	3,321
Double Discount (50%)	0	424	95	63	37	20	4	1	1	645
No Discount (0%)	6	1,346	900	1,456	1,116	803	157	31	0	5,815
	10	3,045	1,688	2,425	1,458	949	170	35	1	9,781
Properties Subject to Council Tax (No.)	9.00	2,514.25	1,467.25	2,167.00	1,363.25	907.50	165.75	33.75	0.50	8,628.25
Net Tax Base (Properties x Weighting)	45	15,086	10,271	17,336	12,269	9,983	2,155	506	9	67,659
Adjusted Properties (Band D Equivalents)	5.00	1,676.17	1,141.19	1,926.22	1,363.25	1,109.17	239.42	56.25	1.00	7,517.67
COUNCIL TAX 2004/05:										
General Fund Charge										
Tax Yield (£)	4,680	1,568,892	1,068,158	1,802,944	1,276,002	1,038,180	224,094	52,650	936	7,036,536
Charge per Property (£)	520.00	624.00	728.00	832.00	936.00	1,144.00	1,352.00	1,560.00	1,872.00	

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9 NON-DOMESTIC RATE INCOME ACCOUNT

2003/04		2004/05	2004/05
£000		£000	£000
	Gross rates levied		
(14,937)	General Rate		(14,603)
<u>(14,937)</u>			<u>(14,603)</u>
(3)	Provision for bad and doubtful debts		23
1	Payment of interest		3
2,566	Reliefs and other deductions (net)		2,909
4,548	Contribution to national non-domestic rate pool		3,439
<u>(7,825)</u>	Net non-domestic rate income		<u>(8,229)</u>

1. Analysis of rateable values

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

The amount paid for Non-Domestic Rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Executive. The national Non-Domestic Rate poundage set for 2004/05 was £0.488.

Category	No. of Subjects	Rateable Value
		£000
Commercial	574	3,870
Industrial	495	14,639
Other	763	7,698
TOTAL	<u><u>1,832</u></u>	<u><u>26,207</u></u>

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10 PENSION FUND ACCOUNT 2004/05

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

2003/04		Notes	2004/05	2004/05
£000			£000	£000
	CONTRIBUTIONS AND BENEFITS			
	Contributions receivable			
(6,222)	Employers	10	(6,509)	
(2,428)	Employees	10	(2,609)	
<u>(8,650)</u>			<u>(9,118)</u>	
(727)	Transfers in		(605)	
(161)	Other income		(277)	
<u>(9,538)</u>			<u>(9,118)</u>	(10,000)
	Benefits Payable			
3,175	Pensions	10	3,336	
600	Lump sums	10	505	
	Payments to and on account of leavers			
19	Refunds of contributions		19	
812	Transfers out		631	
230	Administrative expenses	7	179	
<u>1</u>	Other expenditure		<u>0</u>	
4,837				4,670
<u>(4,701)</u>	NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS			<u>(5,330)</u>
	RETURNS ON INVESTMENTS			
(2,779)	Investment income		(4,082)	
(24,453)	Change in market value of investments- Realised and unrealised		(9,851)	
657	Investment management expenses	7	700	
<u>(26,575)</u>	Net returns on investments		<u>(13,233)</u>	(13,233)
(31,276)	Net (increase)/decrease in the fund during the year			(18,563)
(99,690)	Opening net assets of the scheme			(130,966)
<u><u>(130,966)</u></u>	Closing net assets of the scheme			<u><u>(149,529)</u></u>

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10 PENSION FUND ACCOUNT 2004/05

NET ASSETS STATEMENT AS AT 31 MARCH 2005

2003/04 £000		Notes	2004/05 £000	2004/05 £000
	Investments at Market Value	9		
	Fixed interest securities-			
(8,351)	Public sector		(9,620)	
(2,870)	Other		(2,762)	
(108,950)	Equities		(125,394)	
(2,971)	Index-linked securities		(3,943)	
	Unit Trusts-			
0	Property		0	
(2,951)	Other		(3,569)	
<u>(126,093)</u>	Total investment assets		<u>(145,288)</u>	
	Current assets			
(3,381)	Bank and cash - external		(2,650)	
(89)	internal		(213)	
(1,889)	Debtors	11	(1,996)	
<u>(5,359)</u>			<u>(4,859)</u>	
	Current liabilities			
0	Bank overdraft		0	
486	Creditors	12	618	
<u>486</u>			<u>618</u>	
(4,873)	Net current assets			(4,241)
<u><u>(130,966)</u></u>	Net Assets			<u><u>(149,529)</u></u>

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10 NOTES TO PENSION FUND ACCOUNT

1. Introduction

The Council is Trustee for a Pension Fund covering 2,919 members (including 695 who are members of other admitted bodies and 13 who are members of a scheduled body), 602 pensioners, 139 dependents and 720 deferred members. These figures do not include teachers, who are covered by the Scottish Public Pensions Agency.

The scheduled body is:

Orkney and Shetland Joint Valuation Board

The admitted bodies are:

Lerwick Port Authority
Shetland Amenity Trust
Shetland Arts Trust
Shetland Recreational Trust
Shetland Fisheries Training Centre Trust
Shetland Islands Tourism
Shetland Enterprise Company
Shetland Welfare Trust
Shetland Alcohol Trust
Shetland Careers Service
ABA Services
Shetland Youth Information Service
Islesburgh Trust
Shetland Seafood Quality Control Ltd
Shetland Business Innovation Centre Ltd
CT Shetland Services
Advocacy Shetland
Shetland Development Trust
Shetland Charitable Trust

2. Administration, operation, management of the Fund

The Pension Fund is funded by contributions from employees and employers, as well as investment income, and pays pensions and lump sum benefits to members. The contributions from employees are fixed by statute and the employers contributed, during 2004/05, an additional £2.50 (admitted bodies £2.70) for every £1 paid by employees. The last actuarial valuation of the Fund carried out as at 31st March 2002 indicated a funding level of 101%. As a result, the rate of employer's contribution for admitted bodies rose to £2.80 and for Shetland Islands Council it fell to £2.40 at 1 April 2005. The method of calculating the employer's rate of contribution is known as the "Projected Unit" method.

This method determines the future contribution rate required by considering the benefits accruing over the following three years. The employer's contribution rate is set to ensure that the assets of the Fund are sufficient to cover the expected benefits. In order to determine the contribution rate, a number of assumptions are made based on the historical performance of the Fund and on forecasts for the future.

These assumptions were:

Investment returns	6.2% p.a.
Salary increases	4.1% p.a.
Pension increases	2.6% p.a.
Inflation	2.6% p.a.

The Council manages the Fund in terms of the Local Government Pension Scheme (Scotland) Regulations 1998. The Council discharges this duty by appointing a Pension Fund Management Consultative Committee comprising three councillors, one representative of the Admitted Bodies' employers, three employee representatives (one representing the Admitted Bodies' employees) and a retired beneficiary. The Management Committee is advised by relevant officers of the Council as appropriate and meets approximately twice a year.

Actuarial valuations and fund management advice are provided by Hymans Robertson. At the date of the last actuarial valuation (31 March 2002) the market value of the Scheme's assets was £108.7m.

The Fund's investments are currently managed by Capital International. In addition to making presentations to the Management Committee at least annually they provide detailed quarterly reports and weekly valuations of all assets to the Finance Service, which are used to monitor Fund activity and performance on an ongoing basis. The Fund also uses the services of a custodian, The Northern Trust Company.

3. **Accounts preparation**

The accounts, which have been prepared with regard to statute and the Code of Practice on Local Authority Accounting in the United Kingdom, summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pension and other benefits in the future.

The transactions of the Fund are accounted for on an accruals basis, thereby taking into account all known and determinable amounts due by and due to the Fund in 2004/05.

4. **Valuation of investments**

Valuations of all the investments have been carried out by the custodian, The Northern Trust Company, at mid market values on 31 March 2005.

5. **Foreign currency translations**

Items denominated in foreign currency have been translated into sterling at the closing exchange rate as at 31 March 2005.

6. **Purchases and sales during the year**

The value of purchases and sales in 2004/05 were £68.2m and £58.9m respectively as compared to £62.8m and £56.2m in 2003/04.

7. **Fund administration costs**

Expenses of the Fund in 2004/05 include an administration charge from the Council of £148,218 (2003/04 £179,695). This represents the time spent by the staff of the Council (principally in Finance) in administering the Fund.

Capital International's management fee for 2004/05 amounted to £572,610 (2003/04 £534,021).

There are also management fees to be paid to The Northern Trust Company as the Fund's custodian. The total paid to them for 2004/05 amounted to £97,538 (2003/04 £101,299). This is calculated on the basis of the number of transactions undertaken during the period and also a charge levied on the basis of the assets held per country.

8. **Investment return**

Capital International achieved a return for 2004/05 of 10.5% versus the benchmark return of 12.4%

9. **Investments**

The holding of the following investments was greater than 5% of the total portfolio at 31 March 2005:-

Company	% Total Portfolio		Amount £000	
	2005	2004	2005	2004
Vodafone Group	7.2	6.4	10,711	8,305
AstraZeneca plc	4.2	5.1	6,255	6,622

The table below gives details of investments held, and of movements during the year.

Investments held:

	Market Value at 31/3/04	Net (Purchases) /Sales during 2004/05	Realised (Profits)/ Losses	Unrealised (Profits)/ Losses	Market Value at 31/3/05
	£000	£000	£000	£000	£000
Fixed interest - public sector					
UK	(2,033)	(1,258)	32	(21)	(3,280)
Foreign	(6,318)	(71)	158	(109)	(6,340)
Fixed interest - other					
UK	(760)	(347)	(15)	201	(921)
Foreign	(2,110)	422	20	(173)	(1,841)
Equities					
Quoted-U.K.	(77,842)	(4,006)	(4,735)	(3,199)	(89,782)
-Foreign	(31,108)	(2,990)	(1,666)	152	(35,612)
Index linked					
UK	(2,971)	(806)	(47)	(40)	(3,864)
Foreign	0	(75)	0	(4)	(79)
Unit Trusts					
Property	0	0	0	0	0
Other	(2,951)	(213)	0	(405)	(3,569)
Total investment assets	<u>(126,093)</u>	<u>(9,344)</u>	<u>(6,253)</u>	<u>(3,598)</u>	<u>(145,288)</u>

10. **Contributions receivable and benefits payable**

The total contributions receivable and benefits payable during the year were as follows:-

	Administering Authority £000		Scheduled Body £000		Admitted Bodies £000	
	2005	2004	2005	2004	2005	2004
Contributions receivable						
employers	(4,912)	(4,801)	(48)	(46)	(1,549)	(1,375)
employees	(2,003)	(1,870)	(19)	(19)	(587)	(539)
Benefits payable						
pensions	3,109	2,980	9	9	218	186
lump sums	406	569	0	0	99	31

11. **Debtors**

The figure for debtors includes amounts due by Shetland Islands Council of £171,513 for employee contributions (2003/04 £168,080) and £420,117 for employer contributions (2003/04 £428,810).

12. **Creditors**

The figure for creditors includes an amount due to Shetland Islands Council of £148,218 for administration recharge costs (2003/04 £179,695).

13. **Statement of Investment Principles**

The Council has prepared and approved a Statement of Investment Principles in relation to investments made by its fund manager for the Pension Fund. The Statement is made available to Pension Fund members in a Pension Fund report sent to them.

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Accounts

11 RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Council's Responsibility

The Council is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.

to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

2. The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

In preparing this statement of accounts, the Head of Finance has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the Code of Practice, in so far as local circumstances and the overriding requirement to present fairly the financial position and transactions of the Council permit;

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

.....
Graham Johnston B.Sc. (Hons) C.P.F.A.
Head of Finance

SHETLAND ISLANDS COUNCIL

2004/05 Abstract of Accounts

12 STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Shetland Islands Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a reasonable period.

The system of internal financial control is based on a framework of guidance and management information. Key aspects include:

- Comprehensive and up to date financial regulations
- Comprehensive budgeting systems
- Regular review of financial data
- Targeted reporting of budget against actual to managers
- Close management of capital expenditure

The Head of Finance is responsible for Internal Audit within the Council. The Service Manager-Internal Audit is responsible to the Head of Finance for the day to day discharge of the internal audit function. In accordance with the Council's Internal Audit Charter, it is the responsibility of Internal Audit to assist management in establishing an operating environment which is controlled, efficient and effective.

As required by the Audit Charter, Internal Audit plan and perform their work in accordance with an annual audit plan. This plan is a prioritised schedule of assignments to be performed during the year within the framework of a 5-year risk based Strategic Audit Plan. The plan requires the approval of the Management Team and the Council's Executive Committee, acting as an Audit Committee. Six monthly reports are made to the Committee to monitor progress against the annual audit plan.

The effectiveness of internal financial control is also informed by:

- The work of managers within the Council
- The work of Internal Audit, as mentioned above
- The external auditors in their annual audit letter and other reports

The conclusion of Internal Audit, reporting to the Executive Committee, on 2004/05 was that the Council's system of internal control was adequate and effective.

A review was undertaken on the Capital Project Units with the conclusion that reports detailing significant overspends on individual capital projects must be reported to the appropriate committee and regular reports should be made to the Capital Programme Management Team.

Audit Scotland reported in March 2005 on its Audit of Best Value and Community Planning of the Council. Whilst not specifically covering internal financial control, the conclusions reached on such areas as service planning, performance management and the failure to achieve balanced budgets are likely to impact on the Council's system of internal control in supporting solutions to these issues.

.....
Graham Johnston B.Sc. (Hons) C.P.F.A.
Head of Finance

Independent Auditor's Report

To the members of Shetland Islands Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements on pages 6 to 44 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 6 and 7.

This report is made solely to the bodies to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Chief Finance Officer and Auditors

As described on page 45 the Chief Finance Officer of the Council is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). Our responsibilities, as independent auditors, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements present fairly the financial position of the Council at 31 March 2005, and its income and expenditure for the year. We also report if, in our opinion, the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control on page 46 complies with the requirements of the SORP. We report if, in our opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Finance Officer in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly the financial position of the Council as at 31 March 2005 and its income and expenditure and cash flows for the year then ended.

APPENDIX 1 – Summary of Performance Management Information

Social Work - Community Services

Performance Management Report

1 April 2004 – 31 March 2005

Service: Social Work		
Functions:	To provide support services to the vulnerable members of the community, ensuring services are targeted at those that are in most need.	3 broad areas of provision: Community Care Children and Families Criminal Justice

Budget Position		
Annual Budget	Projected Year End	Projected Budget Variance
£11,490,226	£11,338,644	£151,582

N.B The above figures do not taken into account re-charges and insurance, hence the projected figures may alter.

Performance Indicators		
Description	Actual YtD	Target
Community Care		
i) Increasing the number of people receiving Care At home for more than 10 hours per week.	17%	5%
ii) Reduce waiting list for equipment and adaptation services	7%	20%
iii) Improvement in time taken for assessments to be completed within 20 days	52%	65%
iv) Improvement in time taken for first package of care to be delivered within 21 days	40.6%	55%
v) Increase % of qualified staff in residential homes for older people	64%	100%
Children and Families		
i) Number of children on supervision orders seen within 15 days	100%	100%
ii) Number of reports submitted to reporter within target times (20 or 25 days)	56.5%	100%
Criminal Justice		
i) Number of Social Enquiry Reports allocated within 2 days	100%	100%
ii) Number of Social Enquiry Reports submitted to court by due date	100%	100%
iii) Average hours per week for Community Service Orders	5	Comparator with other LA's (av for Scotland 3.6 hrs)

APPENDIX 1 – Summary of Performance Management Information

Social Work - Community Services

Performance Management Report

Service Achievements (last 12 Months)

- Successful transfer of Shetland Welfare Trust
- Establishment of redesigned Care at Home Service
- Preparation of a Joint Carers' Strategy and Joint Carer Information Strategy
- Implementation of revised Single Shared Assessment
- Annsbrae Support Service highlighted as an example of best practice in relation to quality standards of provision for users with schizophrenia
- Reduction of off-island placements for children to zero
- Enhanced integrated working with education to provide services for young adults with complex needs in transition between services
- Production of Integrated Children and Young People's Services Plan
- New allocation system for respite services for children and young people with disability

Service Development (next 12 months)

- Completion of feasibility study for redesign of day services for adults with learning disabilities (Eric Gray Resource Centre)
- Continuing development and expansion of Independent Living Service
- Preparation for opening of Kantersted development
- Consolidation of Care at Home Services
- Redesign of Dementia Services with NHS Shetland Islands Council
- Complete feasibility study for Joint Equipment Store with NHS Shetland (OT)
- Establishment of Community Health Partnership
- Completion of service reviews in line with national standards and development of action plans for residential provision for Looked After Children, Fostering and Adoption services, Children with Disabilities, Throughcare and Aftercare
- Recruitment of additional Mental Health Officers to meet requirements of new Mental Health Act
- Progress development of Integrated Children's Services within Shetland
- Introduction of Integrated Assessment for Children and Young People
- Enhance the arrangements for performance management within Social Work ensuring robust practices and accountability at all levels

Service Issues

- Recruitment and retention of qualified social workers, managers, social care workers, home helps. Particular difficulties in recruiting childcare social workers
- Ensuring social care workforce in Shetland meets qualification requirements of Scottish Social Services Council (i.e. SVQ Level 3)
- Multi-agency inspection of Child Protection Services – will require considerable planning and preparation by both managers and front-line staff
- Introduction of Performance Outcomes Framework for Social Work. To be introduced in childcare social work in 2005 and then Learning Disabilities in 2006
- Establishment of Community Justice Authorities and how this will impact on Criminal Justice Social Work Services in Shetland Islands Council
- Care Commission inspection of supported accommodation and Care at Home services. This is to occur at same time as reduction in inspection of care homes
- Increased complexity of need in all social work service areas
- Ensuring the effective management of sex offenders
- No charging policy to assist with resourcing of services, e.g. domiciliary care
- Ability to provide a "safe" service within childcare due to vacancies and overall lack of capacity

1 April 2004 – 31 March 2005

Service: Education		
Functions:	To create and maintain a framework and culture in which individual learners can strive to realise their full potential.	To manage and evaluate systems and resources to provide an efficient and ongoing education service according to the principles of Best Value.

Budget Position		
Annual Budget	Projected Year End	Budget Variance
£33,649,803	£34,710,538	(£1,060,735)

Performance Indicators (where variance >10%)		
Description	Actual YtD	Target
Performance Measure 1.1B % of S2 who have met or exceeded level E in writing by the end of S2	56	70
Performance Measure 1.2D As above for 1+ awards at SCQF level 6 or better	54	79.5
Quality Indicator 1.2G (HGIOS 2.1) Overall quality of attainment - Number of schools at 4 - Number of schools at 3	14 19	30 4
Performance Measure 2.3B % of schools classified as Health Promoting schools - Primary	86	100
Performance Measure 2.3C % of schools with quality award or applying for a quality award - Primary	63	45
Performance Measure 3.1A % who have attained SCQF level 3 or above in English and Maths	14	0
Quality Indicator 3.2E (HGIOS 4.7) Placement of pupils with special education needs and disabilities - Number of schools at 4	14	26
Quality Indicator 5.1D (HGIOS 3.5) Pupils' learning experiences - Number of schools at 3	25	10

Summary of Service Achievements (last 12 Months)
<ul style="list-style-type: none"> Baltasound Junior High School was rated the best "small" school in Scotland as regards Standard Grade Results. Brae High School pupil Kerr Johnson was third out of 1414 candidates presented across Scotland for the Advanced Higher in Physics. Cullivoe Primary School produced a tourist brochure for the island of Yell. They secured funding

and worked with a variety of agencies to produce a brochure promoting tourism for the island.

- **Cunningsburgh Primary School** took part in a record-breaking event to read 'Daffodils' by William Wordsworth to raise awareness for the Marie Curie Cancer Care campaign.
- **Foula, Mid Yell and Ollaberry Primaries** achieved the National Gold Award for Enterprise.
- **Hamnavoe Primary School** received its second Eco Flag in December 2004.
- **Scalloway Junior High School** pupils and teachers worked as part of a multi-disciplinary team of creative, marine and ICT specialists to produce The Scalloway Moving Image Web Project
- www.fishtastic-uk.net.
- **Uyeasound Primary School** were winners of the Shetland Environmental award for raising and releasing 6,400 sea trout into the wild.

Service Development (next 12 months)

- **To establish a framework for schools to become integrated community schools**
(All schools have to be integrated community schools by 2007 under the National Priorities.)
- **To encourage all schools in Shetland to work towards becoming health promoting schools**
(All schools have to be health-promoting schools by 2007 under the National Priorities.)
- **To improve attainment in writing**
(Levels of attainment in writing for Shetland are below the target set for 2005.)
- **To increase participation in the assessment is for learning programme**
(Formative assessment is being promoted as the way forward for assessing pupils. There is a need to consider alternative methods of assessment to the national tests.)
- **To develop school policy and practice regarding the implementation of the Additional Support Needs Act**
- **To continue to develop Information Communication Technology across early years provision**
(National initiative)

1 April 2004 – 31 March 2005

Service: Ferry Services	
Functions:	Delivery of inter island ferry services.

Budget Position		
Annual Budget	Projected Year End	Budget Variance
£12,844,623	£12,386,023	(£458,600)*

* Savings in vessel leasing charges.

Performance Indicators		
Description	Actual YtD	Target
Average age of fleet (years)	15	14
Age of oldest unit (years)	31	30
Passenger carryings	753,123	700,000
Vehicle carryings	350,177	325,000
Days off service for breakdown	26	50
Days off service for overhaul	334	273
Audit non-conformities		
Internal (major)	24	0
Internal (minor)	42	0
External (minor)	3	0
Observations	111	0
Reported accidents	35	0
Certificates gained	325	296
Days lost through sickness	1,664	1,660

Service Achievements (last 12 Months)
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- Agreed Service Specification.
- Training of crew for new Yell Sound vessels.
- Commissioning of 3 new terminals.
- Introduction of new vessels on Yell Sound.
- Introduction of 24 hour manning and new roster system on Yell Sound.
- Implementation of new timetables on Yell and Bluemull Sounds.
- Introduction of new fares policy on ro-ro services.
- Development and introduction of new ticketing system on Yell and Bluemull Sounds.
- Introduction of Variable Message Displays to 8 terminals.
- Established Skills Assessment system.
- Major refurbishment of m.v. "Snolda" and m.v. "Bigga".
- Establish Pool Crews on Yell Sound and Whalsay.
- Disposal of m.v. "Kooda" and m.v. "Grima".
- Establishment of Whalsay Ferry and Terminals Working Group in conjunction with Capital Project Unit (CPU).
- Establishment of Inter Island Links Working Group in conjunction with CPU.
- Improvement in standards.
 - Deck officers to undertake Bridge Resource Management training.
 - Reallocation of area management function to allow superintendents to focus on safety and standards.
 - Encourage senior officers to undertake familiarisation visits to other operators.
 - Development of in-house training facility including correspondence courses

- and lending library.
 - Senior sea staff seconded to Head Office.
 - Use of upgraded simulator for periodic refresher and checks for deck officers.
- Agreed mechanism for future delivery of Foula ferry service.
- Extension of Officer Cadet training scheme.
- Managed Sick Leave.
- Reduced outstanding leave and Time in Lieu.

• Service Development (next 12 months)

- Agree "Vision" for Ferry Services with, members, management and sea staff.
- Resource and reorganise management team.
- Completion of development of new ticketing system and introduction to rest of network.
- Introduction of Variable Message Displays to further 4 sites.
- Major refurbishment of m.v. "Hendra".
- Upgrade of NAFC Simulator for inter island ferries.
- Review of Safety Management System.
- Completion of Whalsay Ferry and Terminals Working Group project in conjunction with CPU.
- Completion of Inter Island Links Working Group project in conjunction with CPU.
- Participation in Ferries Task Group.
- Formalise carriage of dangerous goods and explosives.
- Update cargo securing manuals.
- Implement drug and alcohol testing policy.
- Continue to roll out Skills Assessment programme.
- Upgrade Planned Maintenance System.
- Continue to improve standards.
 - Deck officers to undertake Bridge Resource Management training.
 - Reallocation of area management function to allow superintendents to focus on safety and standards.
 - Encourage senior officers to undertake familiarisation visits to other operators.
 - Development of in-house training facility including correspondence courses and lending library.
 - Senior sea staff seconded to Head Office.
 - Use of upgraded simulator for periodic refresher and checks for deck officers.
- Monitor and implement disabled access regulations.
- Prepare for Implementation of ISPS Code by June 2007.
- Manage Sick Leave.
- Reduce outstanding leave and Time in Lieu.
- Develop electronic booking system.
- Ensure ferry services meet agreed expectations of Island Games Committee.
- Review sea staff agreement and obtain MCA approval.
- Disposal of m.v. "Fylga".
- Justify, specify and implement system to capture and report sailing performance information.
- Establish meaningful Performance Indicators.

Service Issues

- Work towards delivery of "Vision".
- Promote effective team working.
- Establish appropriate resource for agreed level of activity.
- Devolve responsibility to vessels.
- Control and reduce costs, especially overtime.

1 April 2004 – 31 March 2005

Trading Standards		
Functions:	Fair and Safe Trading Environment Enforcement of Consumer Protection Legislation	Consumer and Business Advice Weights and Measures Services Business Licensing and Registration

Budget Position		
2004 - 2005 Budget	2004 - 2005 Out-turn	Budget Variance
£ 201 000	£ 185 000	£ 16 000

Performance Indicators		
Description	Actual	Target
*Number of target businesses inspected within time	93	127
Number of statutory notices / warning letters not followed up within thirty days of expiry	12	10
Business advice requests completed within 14 days	93%	90%
Consumer enquiries completed on day of receipt	71%	80%
Consumer complaints completed within 14 days	89%	90%
Response to customers within target times	99%	100%
Issue of calibration certificates within target times	100%	100%
*Reduced staff complement (on extended secondment) means reprioritisation of work, with some areas (notably business inspections) not meeting performance targets.		

Service Achievements (last 12 months)
<p>Implement new work recording and quality monitoring systems. Develop and use appropriate enforcement activities other than inspection. Informal peer review with Trading Standards Services in similar authorities. Develop Trading Standards contribution to Council website. Investigate practicalities and implement outsourcing of testing some small weights. Implement customer survey programme. Provide updated petroleum enforcement training to all Trading Standards staff. Develop ISO 9001 Quality Management System ready for implementation. Extend performance appraisal to all staff and develop CPPD training & development plans.</p>

Service Issues
<p>New risk assessment scheme and target frequencies made a huge impact on our workload. At the same time, we lost an officer on secondment and received more consumer contacts. We have found, and are implementing, ways to use our limited resources more efficiently.</p>

1 April 2004 – 31 March 2005

Roads Service:
Roads is responsible for the management and maintenance of 1,045 kilometres (650 miles) of public roads in Shetland, including all bridges, streetlights and other assets associated with them, for the benefit of all road users and every member of the Shetland Community.

Budget Position (Revenue Operational Budgets)			
Service Area	Annual Budget	Projected Year End	Budget Variance
General road Maintenance	£4,095k	£4,351k	(£256k)
Winter Service	£1,048k	£939k	£109k
Statutory Duties & Roads Authority Functions	£216k	£205k	£11k
Support Services	£1,204k	£1,172k	£32k
Total - Roads Revenue	£6,563k	£6,667	(£104k)

Budget Position (Capital Operational Budgets)		
Capital Programmes (£k)	Budget 2004/05	Outturn 2004/05
Roads Rolling Programme	877	1,163
A970 Levenwick Junctions	525	650
A971 Haggersta	16	14
A971 Parkhall to West Burrafirth junction	57	79
A968 Haroldswick, Unst	2	3
Central - Stove Sandwick	175	142
Bressay Bridge	338	198
Other capital schemes	82	40
Total Capital Program - Roads	2072	2,289

Activity	Performance Indicator (Statutory or Council)	Actual 01-02	Actual 02-03	Actual 03-04	Actual 04-05
Carriageway Condition	Percentage of the road network that should be considered for maintenance treatment (Statutory)	NA	NA	40.7%	33.1%
Carriageway treatment	Percentage resurfaced (Statutory)	1.3%	2.1%	1.5%	1.7%
Carriageway treatment	Percentage surface dressed (Statutory)	7.3%	9.5%	6.3%	8%
Traffic light failures (Pelicans)	Repair completed within 48 hrs (Statutory)	87%	36%	0%	0%
Street light failures	Repair completed within 7 days (Statutory)	80%	77%	63%	58%

Service Development (next 12 months)

- While we have information on streetlights and other assets held in an inventory, there is significant scope for improvement. Much improved mobile survey equipment is now available; we are seeking to develop our road inspectors' skills, and the equipment they use, in order to collect and update inventory information simultaneously with maintenance inspections.
- We are consulting on the Winter Service we provide, and will be seeking ways to develop that service to provide it more effectively and if possible at reduced cost.
- To improve the quality of a section of the A970 South Road near the Bigton junction, and improvement of part of the A968 in Unst near Haroldswick. We also have a rolling programme of smaller capital schemes, mostly identified through technical appraisal and consultation with Community Councils.

Service Issues

- We have identified narrow roads as an issue that we now need to address. The problem is most acute where large lorries serving aquaculture or agriculture use remote roads never intended for vehicles of that size, giving us significant problems maintaining road edges.
- Work arrangements, in particular the split between work done by in-house staff and that done by external contractors, and the payment (or budget transfer) arrangements for work done in-house relate back to the situation prior to The Local Government in Scotland Act 2003. Those arrangements need to be reviewed and updated.
- Rainfall intensity and resulting flooding appear to be more prevalent in recent years, that is an issue that we will have to keep under review in relation to roads.
- While we have made significant progress in using our Road Maintenance Management System, there is scope for developing it further to gain greater benefits and efficiency improvements from it.

April 2004 – March 2005

Service: Economic Development	
Functions:	Business Development Development Resources

Budget Position		
Annual Budget	Projected Year End	Budget Variance
£36,148,736	£29,843,136	£6,305,600

Performance Indicators		
Description	Actual	Target
None available		

Service Achievements
<p>Marketing</p> <ul style="list-style-type: none"> • Style guide, origin device and initial website complete • Phase 1 of the Shetland Brand roll-out underway in tourism. • Tourism Action Plan Achieved <p>Skills Development</p> <ul style="list-style-type: none"> • Skills surveys completed in the following areas: Food and Drink Knowledge, Information Technology and Communications Hospitality, Tourism and Retail <p>Communications</p> <ul style="list-style-type: none"> • BT has enabled the Lerwick, Hamnavoe and Fair Isle exchanges for ADSL. Hiwide Ltd has set up a broadband satellite and wireless system for Foula. Around one third of the Shetland population has access to broadband. <p>Economic Diversification</p> <ul style="list-style-type: none"> • Funding in place for full economic production of cod. • Significant expansion of mussel farming – now employing 100 people. • Support provided to Lerwick Fish Traders; Shetland Soda Company; Blue Coo Ice Cream; and Walls Bakery • Support provided to Kildrummy Tech. Ltd – P2 Cost Manager Software

Strengthening Rural Communities

- Support provided to:
The Cabin Historical Collection – Vidlin;
New Scalloway Museum
New Aith Shop
- Development Workers appointed for both latE projects
- Support provided to Sandwick Knitwear Factory
- Assistance provided to 7 grading improvement projects in tourism accommodation
- Support provided for 1 new and 1 second hand white fish vessel.
- Support provided to DJ Henry – Soft fruit harvesting project and JK Mainland – vegetable washer and related equipment
- Expansion of Blue Shell Marine
- Support provided to Johnson Seafarms depuration plant

Summary of Service Development (next 12 months)

Marketing

- Structure developed to operate Shetland brand effectively
- Work with STA, the Shetland Hotels Group and VisitShetland to achieve an effective delivery system for promoting tourism
- Introduction of Shetland Brand style to entry and exit points such as Sumburgh Airport

Skills Development

- Course development at Shetland College and NAFC based on local industry requirements
- Co-ordination of a training course to encourage foreign students to take up work in local hotels

Communications

- Ensure a fibre optic cable to be included in the Scottish Executive's Highlands and Islands Pathfinder Project.
- To take a joint approach in external transport policy and strategic direction with Infrastructure Services

Economic Diversification

- Develop the Viking Energy project to a stage where it becomes a formal joint venture with SSE. MOU to be signed by end of June 2005. Robust wind data to be available by end March 2006. Ready to submit for full planning permission by end June 2006. Vehicle to deliver maximum community benefits from the project understood by end of December 2005.
- Research conducted into the need for modern slaughtering facilities in Shetland including preparation of a report to establish the way forward.
- Support for at least 4 projects in the Creative sector
- Completion of research work to identify opportunities for value adding in fisheries

Strengthening Rural Communities

- Completion of at least 3 community economic development infrastructure projects
- Work along with other agencies to achieve inward investment into a Fish Meal Plant and a Pelagic Factory in rural locations

Service Issues

- Complete an effective operational structure for the Economic Development Service
- Refinement of Economic Development Strategy and alignment of all assistance measures with the revised strategic approach
- Achieve EU authority to use funds within the terms of the ZCC act

1 April 2004 – 31 March 2005

Service: Building Services	
Functions:	Building Maintenance Building Cleaning Catering

Budget Position		
Trading accounts:		
Annual Budget (Income)	Year End Outturn	Budget Variance
Catering £1,327,874	£1,382,353	£54,479
Cleaning £1,091,049	£1,090,369	(£680)
Maintenance £2,300,000	£2,093,543	(£206,457)

Performance Indicators		
Description	Actual	Target
% ratio of planned: reactive maintenance	60:40	66 : 34
Average % variance between estimated and actual job cost	16.5%	10%
Overall % variance between estimated and actual costs	2.8%	5%
Percentage of jobs completed within priority rating (by category)		
Emergency	85%	80%
Urgent	69%	75%
Responsive	56%	70%
General	68%	70%
Planned	58%*	70%
Total	66%	70%
Number of days lost through reportable accidents	40**	<10
Number of safety audits undertaken	106	100
Number of catering monitoring visits	90	60
Number of cleaning monitoring visits	126	60
* Lack of Electricians delayed the testing programme (knock-on effect on other priorities)		
**One person off for 30days		

Service Achievements (last 12 Months)
<ul style="list-style-type: none"> • School meals – health promotion days • Fruit promotions in schools one day per week • Introduction of fresh fruit juice and wholemeal bread every lunchtime • Staff training on 'Nutmeg' menu nutrition database • Head cooks given 'Cook Safe' training • Cooks given knife skills and customer services training • Cleaning safety inspection check lists developed and introduced • Cleaners induction procedures reviewed and updated • Cleaning equipment upgraded new equipment introduced • Cleaners COSHH register reviewed and updated • Cleaners accident reporting procedures improved

- Risk assessments for maintenance operations reviewed and updated
- Scaffold inspection register introduced
- Workforce Consultative Committee set up and regular meetings held
- Managers and supervisors construction skills (CSCS) cards
- Workshop machinery upgraded to comply with new legislation
- The statutory and cyclical testing programme was issued in full Gantt chart format to the relevant trades groups
- The Building Maintenance section of the Estates Management Plan was submitted and approved by both the Council and the Scottish Office
- The Building Services Website is now live, and property maintenance records and works programmes are available through the website
- Extensive asbestos awareness training has been delivered across the Council, and all Building Services Staff have successfully completed part one theory and practical examinations of the P402 Asbestos Surveying and Sampling Course
- Service Level agreements have been implemented for Police Estate, Fire Estate, Charitable Trust, Devolved School Maintenance Consultancy for AHS, Sound and Bells Brae

Service Development (next 12 months)

- Take on trade apprentices to help develop the local construction industry
- Development of more comprehensive property condition survey data
- Works notification scheme
- Statutory and cyclical testing programme
- Asbestos surveying programme
- Data management systems
- Cleaner in charge safety awareness training
- Roll out programme of 'Cook Safe' training

Service Issues

- The implementation of Single Status is likely to have substantial implications for all of the services provided by Building Services
- Increasingly difficult to recruit and retain sufficient cleaning staff
- Lack of continuity of work for all trades on building and maintenance works
- Harder to deliver services improvements without increased resources