



Meeting(s):	Shetland Islands Council	15 February 2017
Report Title:	IJB Appointment	
Reference Number:	GL-03-F	
Author / Job Title:	Jan Riise Executive Manager - Governance and Law	

1.0 Decisions / Action required:

1.1 That the Shetland Islands Council appoints one Councillor to the Integration Joint Board for the remaining term of this Council.

2.0 High Level Summary:

2.1 The purpose of this report is to make an IJB appointment, ensuring that a temporary vacancy is filled, in accordance with the Integration Scheme.

3.0 Corporate Priorities and Joint Working:

3.1 Approval of the decision required in this report will ensure that membership of the IJB is maintained, which supports the strategic aims of the Partnership to ensure joint strategic and operational planning, clear accountability for decision-making and spending decisions, and responding to community needs and aspirations.

4.0 Key Issues:

4.1 Councillor Gary Cleaver has resigned from the IJB.

4.2 The Integration Scheme and the IJB Scheme of Administration and Delegations, places responsibility on the SIC to address any matters in relation to its membership.

4.3 Councillor Cecil Smith and Councillor Billy Fox are the existing Council appointed IJB members. Whilst the IJB can operate with a temporary vacancy, the Council appointed IJB members are keen to ensure that full membership is maintained at this critical point. They have also advised that Councillor Allan Wishart has indicated he would be willing to accept an appointment at this time.

4.4 The term of office would be for the remaining term of this Council.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :	
6.1 Service Users, Patients and Communities:	The decision in this report will not impact on service users, patients or communities.
6.2 Human Resources and Organisational Development:	The decision in this report will not impact on employees and/or wider workforce management and development. There are no issues health, safety and well being which need to be addressed.
6.3 Equality, Diversity and Human Rights:	The decision in this report does not have any Equalities, Diversity or Human Rights and do not require an Equalities Impact Assessment to be undertaken.
6.4 Legal:	Appointment of the members of the IJB is in line with the Integration Scheme and the Public Bodies (Joint Working) (Scotland) Act 2014.
6.5 Finance:	Any expenses and costs associated with attendance at meetings of the IJB will be met from within existing budgets of the Council. As this appointment is to fill a vacancy in an existing appointment, no additional resources are required.
6.6 Assets and Property:	There are no implications for major assets and property arising from this report.
6.7 ICT and new technologies:	There are no implications for ICT and ICT systems arising from this report.
6.8 Environmental:	There are no environmental issues arising from this report.
6.9 Risk Management:	<p>The main risk addressed by this report is failure to make all the appointments necessary to populate the IJB in line with secondary legislation and the Integration Scheme.</p> <p>If an appointment was not made at this time, the vacancy would remain, and in accordance with the IJB Scheme of Administration and Delegations (Section 2.23), any vote which would be exercisable by a member appointed to that vacancy may be exercised jointly by the other two members appointed by the Council.</p>
6.10 Policy and Delegated Authority:	<p>Section 2.9 of the IJB Scheme of Administration and Delegations relating to terms of office, states that "... individual IJB appointments will be made as required when a position becomes vacant for any reason."</p> <p>Section 2.22 of the IJB Scheme of Administration and Delegations relating to temporary vacancies in voting membership, states that "Shetland Islands Council and the Shetland NHS Board shall also attend to any issues relating to</p>

	the resignation, removal and disqualification of members in line with the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014”.	
6.11 Previously considered by:	Integration Joint Board	25 January 2017

Contact Details:

Anne Cogle, SIC Team Leader - Committee Services

Anne.cogle@shetland.gov.uk 01595 744554

9 February 2017

Appendices:

None.

Background Documents:

None.



Meeting(s):	Policy and Resources Committee Shetland Islands Council	13 February 2017 22 February 2017
Report Title:	Community Asset Transfer Policy	
Reference Number:	DV-14-17-F	
Author / Job Title:	Brendan Hall/ Partnership Officer, Community Planning and Development	

1.0 Decisions / Action Required:

1.1 That the Policy and Resources Committee RECOMMENDS that the Council adopts the Community Asset Transfer Policy, in the terms proposed.

2.0 High Level Summary:

2.1 A Community Asset Transfer policy has been developed in line with the Council's obligations under Part 5 of the Community Empowerment (Scotland) Act 2015 (the Act) – Asset Transfer. This Part of the Act is now in force, as of 23 January 2017.

Development of the policy has been overseen by a Project Board, chaired by the Director Corporate Services and involving Executive Managers from relevant Council Services. There have been a number of opportunities for stakeholders across the Shetland Partnership to learn about the requirements under the Act including presentations in Shetland by Scottish Government officials (27 May 2016).

The proposed Community Asset Transfer Policy was also discussed by the Council's Policy Forum on 17 January 2017. Members at the Policy Forum were of the view that there should be no delegated authority to officers of the Council regarding asset transfers. This issue has been discussed by the Project Board and further information is presented in this regard in the Key Issues section of this report. At this stage, the recommendation from the Project Board is that the initial decision is delegated to officers via the Chief executive in line with the Council's other policies on asset / property management with Members involved at the review stage.

2.2 The Policy sets out the steps that the Council will take when a community body makes an enquiry about Council-held land or buildings. The Policy is underpinned by procedures setting out in detail what officers, managers and services will do at each stage of the process.

2.3 "Asset Transfer" is a process to allow a community organisation to acquire publicly owned land or buildings, in a way that recognises the public benefits that the community use will bring. That may be a discounted price, a grant or other support, or simply the agreement to transfer something the public authority did not plan to sell. The Community Empowerment (Scotland) Act 2015 confers rights on eligible community bodies to request to transfer the lease or ownership of land and buildings to them to deliver improved outcomes for their community.

2.4 The Policy acknowledges the rights afforded to community bodies under the Community Empowerment (Scotland) Act 2015 and commits to support and uphold these rights in the spirit of the legislation. However, the Council has a duty to protect the public interest and maximise community benefit and, therefore, there must also be an acknowledgement of the responsibilities that go along with stewardship of public assets. Asset transfer is about a different kind of public ownership, designed to empower communities, but it cannot be at the expense of the wider public good. When terms and conditions for asset transfer are developed, these responsibilities will form a key part of the agreement to transfer ownership.

2.5 The Policy process is summarised below:

- When a community body makes an enquiry regarding Asset Transfer, they will be directed to the Community Planning and Development Service who will begin a process of informal dialogue and information sharing to establish the group's eligibility, readiness and ability to deliver their proposal in conjunction with staff from other key services (such as Assets and Properties, Legal and Planning Services).
- When all parties are happy to proceed, a formal asset transfer request will be submitted, once the validity of the application is confirmed a time limited process is initiated for a decision to be taken (six months from the validation date).
- Decisions on whether to approve or reject proposed asset transfer will be taken in the first instance by the Chief Executive or their nominee. Decisions will be based on a robust, two-stage appraisal framework that will assess the ability of the community body to deliver their proposal and the level of community benefit that will result. This framework is set out in procedures and will be publically available once the Policy is approved to ensure transparency over the requirements for asset transfer.
- Should the request be turned down, the community body can then request a review by the Council's review panel (the Policy and Resources Committee) with an appeal to the Scottish Ministers also being available to them beyond this.
- The concluding of contracts is also subject to fixed timescales and it is at this stage that the formal arrangements for the asset transfer will be negotiated and agreed.

2.6 The full Policy is attached at Appendix A. A comprehensive procedural handbook is being produced which detail the roles and functions to be carried out by Managers and employees of the Council in order to fulfil the obligations set out in the legislation and the Policy.

3.0 Corporate Priorities and Joint Working:

3.1 The Policy directly supports several of the priorities identified under the 'Community Strength' section of the Council's Corporate Plan; namely:

- Communities will be supported to find local solutions to issues they face.
- People in Shetland will be feeling more empowered, listened to and supported to take decisions on things that affect them, and to make positive changes in their lives and their communities.

- Communities will be taking ownership of community assets and putting them to best use, as set out in the Community Empowerment (Scotland) Act.

3.2 The Policy also supports priority D2 from the Local Outcomes Improvement Plan:

- Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development.

3.3 Several local partners are covered by Part 5 of the Community Empowerment (Scotland) Act 2015. In 2015, the Shetland Partnership Board agreed an approach whereby the Council would lead on local policy development (Minute Reference 30/15). The Shetland Partnership Board have received regular updates on progress and discussion with partner agency representatives has also taken place while the Policy has been developed. The Council's Community Planning and Development Service will act as a single point of contact for community bodies in Shetland, co-ordinating initial dialogue with all partner agencies. This simplifies the process for community bodies and ensures that the benefits of joint working can be maximised from the earliest opportunity.

4.0 Key Issues:

4.1 The Policy and Resources Committee are asked to discuss the Policy and recommend to the Council that the Policy be agreed and adopted by Shetland Islands Council. Key issues for Policy and Resources Committee to consider include:

- The Council's obligations under the legislation and the Policy's role in ensuring that these are upheld
- The potential for all parties to benefit from community asset transfer where there is balance between rights and responsibilities
- The decision making and review processes and the role of officers and Elected Members in these

4.2 In relation to decision-making, it is recommended that the Council delegate authority in the first instance to the Chief Executive or their nominee as described above. This is in line with the current scheme of delegation for the disposal of assets and allows for a review by a panel of Elected Members in line with legislation. It is recommended that the Policy and Resources Committee becomes the Council's review panel, as this is the committee with delegated authority for the management of the Council's assets and property.

4.3 At a recent Policy Forum, some Elected Members were of the view that they should be involved in both the initial decision and any review; however, if Elected Members were involved in decisions both in the first instance and in relation to reviews, significant further work would be required to establish the correct governance and scheme of delegation around this – this would not be possible within the remaining lifetime of this Council. Given that the legislation is now in force, it is advisable for the Council to have policy arrangements in place. However, under the Act, there is a six month window for decision making after a formal asset transfer request is received and this window would allow for a review of arrangements under the new Council should this be necessary.

5.0 Exempt and/or Confidential Information:	
5.1	None
6.0 Implications	
6.1 Service Users, Patients and Communities:	The Policy sets out how communities in Shetland can exercise their rights under Part 5 of the Community Empowerment (Scotland) Act 2015 and how the Council will fulfil its duties in this regard. The focus of the Act and the Policy is the improvement of outcomes and, as such, communities will benefit from asset transfer where the conditions of the Policy are met and an asset is transferred to their control or ownership. The Policy and associated procedures set out clearly what is expected of community bodies and what Council Services will do to support them pre- and post-applying for an asset transfer.
6.2 Human Resources and Organisational Development:	Asset transfer requests will be handled on a case-by-case basis. The procedures set out what teams are likely to be involved and the form that their involvement will take, these will be available to staff and will include explicit guidance on how staff will participate in the process. No capacity or competency issues have been raised to date. The implementation of the Policy will be monitored to address any issues as they arise. Training will be provided to officers and Members as relevant to ensure that all are familiar with the legislation, the Policy and their roles in delivering the Council's duties.
6.3 Equality, Diversity and Human Rights:	An integrated impact assessment has been completed for the policy. The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the policy is that outcomes will be improved as a result of asset transfer. Community bodies pursuing an asset transfer will be required to give consideration to any negative impacts that may arise from their proposal. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise. Furthermore, when the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. This offers a further safeguard that differential impacts will not be experienced as this would preclude the transfer going ahead. The implementation of the Policy will be monitored to address any issues as they arise. The integrated impact assessment is attached at Appendix B.
6.4 Legal:	The Policy sets out the Council's approach to meeting its legislative duties under Part 5 of the Community Empowerment (Scotland) Act 2015. The policy draws on Part 5 of the Act and the regulations below:- <ul style="list-style-type: none"> • The Asset Transfer Request (Procedure) (Scotland) Regulations 2016 • The Asset Transfer Request (Appeals) (Scotland)

	<p>Regulations 2016</p> <ul style="list-style-type: none"> • The Asset Transfer Request (Review Procedure) (Scotland) Regulations 2016 • The Asset Transfer Request (Appeal Where No Contract Concluded) (Scotland) Regulations 2016 • The Community Empowerment (Registers of Land) (Scotland) Regulations 2016 <p>The full legislation is linked under Background Documents, below.</p>
6.5 Finance:	<p>There are no direct financial implications arising from this report.</p> <p>There are clear financial implications associated with the transfer of ownership or control of Council assets to community bodies via asset transfer; however, the decision on whether to transfer an asset or not will be subject to consideration of Best Value to ensure that the Council and the Shetland community as a whole do not lose out. Community bodies seeking transfer below the Market Value must demonstrate that their proposal provides a community benefit or outcomes improvement commensurate with the reduction.</p>
6.6 Assets and Property:	<p>The legislation and, therefore, the Policy have implications for all Council Assets and Property – technically any buildings or land owned or leased by the Council could be transferred to community ownership or control by asset transfer. The Assets and Properties Service have been involved in the development of the Policy and will participate in dialogue with community bodies at the earliest opportunity when an enquiry about asset transfer is made.</p> <p>Under the Community Empowerment (Registers of Land) (Scotland) Regulations 2016, the Council has a duty to prepare a publically available register of assets. This is currently underway and will be completed by 2019, in accordance with the Scottish Government’s ambition to have all public sector land included on the Land Register by this date.</p>
6.7 ICT and New Technologies:	<p>The Policy and additional information will be hosted on the Community Planning and Development Service’s website. This will include contact details and signposting to support available for community bodies. Notices regarding asset transfer will also be posted on the website.</p>
6.8 Environmental:	<p>The Policy has no direct environmental implications and no Strategic Environmental Impact Assessment is required. Community bodies may have to have regard to environmental impact when considering an asset transfer depending on the condition of the asset, the local environment and the intended use. See Appendix B.</p>
6.9 Risk Management:	<p>As per paragraph 3, above, the Policy supports the Council’s priorities identified under the ‘Community Strength’ section of the Corporate Plan. The Community Planning and Development</p>

Background Documents:

Part 5 of the Community Empowerment (Scotland) Act 2015 can be accessed here:
<http://www.legislation.gov.uk/asp/2015/6/part/5>

Shetland Islands Council: Community Asset Transfer under the Community Empowerment (Scotland) Act 2015 – POLICY

Contents

Introduction	Page 2
Procedures	2
Definition of Asset Transfer Request	2
Rights and Responsibilities	2
Principles	3
Eligibility	3
Eligibility for Ownership	4
Pre-application stage	4
Valuation – prior to submission	5
Joint Valuation	5
Submitting a formal asset transfer request	5
Receiving asset transfer requests	6
Notification and publication	7
Repeat requests	7
Prohibition on disposal of land	7
Publication of request documents	8
Decision Making	8
Decision notice	8
Reviews and Appeals	8
Review by Elected Members	9
Appeal to the Scottish Ministers	9
After agreement	9

Document Version Control

Policy Date	Version	Review Date
22 nd February 2017	1.0	February 2018
Complete for every review and update to the policy		

1. Introduction

- 1.1 Shetland Islands Council (the Council) holds assets as resources to be used in the delivery of services and support in the delivery of objectives and outcomes.
- 1.2 The Council recognise that the best use of assets may involve certain assets being transferred to community transfer bodies as a means of empowering communities to help achieve improved outcomes. The development of a Community Asset Transfer Policy is an acknowledgement of the role assets can play in enhancing community empowerment and sustainability, where appropriate measures are put in place from the outset.
- 1.3 This Policy sets out the Council's approach to meeting its legislative duties under Part 5 of the Community Empowerment (Scotland) Act 2015 (the Act). This policy draws on Part 5 of the Act and the regulations below:
 - The Asset Transfer Request (Procedure) (Scotland) Regulations 2016
 - The Asset Transfer Request (Appeals) (Scotland) Regulations 2016
 - The Asset Transfer Request (Review Procedure) (Scotland) Regulations 2016
 - The Asset Transfer Request (Appeal Where No Contract Concluded) (Scotland) Regulations 2016
 - The Community Empowerment (Registers of Land) (Scotland) Regulations 2016
- 1.4 The full legislation can be viewed at <http://www.legislation.gov.uk/asp/2015/6/part/5>

2. Procedures

- 2.1 The accompanying procedures to this Policy detail the roles and functions to be carried out by Managers and employees of the Council in order to fulfil the obligations set out in the legislation and this Policy.

3. Definition of Asset Transfer Request

- 3.1 An 'asset' refers to land or buildings owned or leased by a public body. This Policy relates to assets owned or leased by the Council. An 'Asset Transfer Request' can be made by a community transfer body to the Council asking to have:
 - land owned by the authority to be transferred to them;
 - land owned or leased by the authority to be leased or assigned to them; or,
 - the authority to confer rights of management or occupancy for a specific purpose.

4. Rights and Responsibilities

- 4.1 This Policy acknowledges the rights afforded to community transfer bodies under the Community Empowerment (Scotland) Act 2015 and commits to support and uphold these rights in the spirit of the legislation. However, the Council has a duty to protect the public interest and maximise community benefit and, therefore, there must also be an acknowledgement of the responsibilities that go along with stewardship of public assets.

5. Principles

- 5.1 The Policy is based on the following principles:
- Informal dialogue to establish shared understanding of needs, circumstances and ways forward is the foundation upon which successful asset transfer is built;
 - Proposed asset transfer should support Local Outcomes Improvement Plan outcomes, and should not be to the detriment of other strategies and policies;
 - The Council and has an important role in supporting community bodies, but also acknowledge their stewardship of publicly owned assets;
 - Arrangements for asset transfer strike a balance between rights and responsibilities to ensure the best possible outcome for Shetland;
 - The transfer of assets will be carried out in a transparent, equitable and accountable way;
 - A strategic approach will be adopted for all assets, in accordance with the Council's Asset Strategy and associated Implementation Plan;
 - All Council services will support the Council's Policy on the community transfer of assets and assist in delivering the aims and objectives contained in this Policy, and;
 - All assets being transferred for less than market value will be subject to satisfying the terms and conditions of the Disposal of Land by Local Authorities (Scotland) Regulations 2010.

6. Eligibility

- 6.1 To make an asset transfer request, an organisation needs to be a 'community transfer body' as defined in section 77 of The Community Empowerment (Scotland) Act 2015. Community transfer bodies can be either a 'community controlled body' or a body 'designated by the Scottish Ministers'.
- 6.2 A community transfer body must fulfil certain criteria when it wants to make an asset transfer request for lease or other rights in respect of land and additional criteria when it wants to make an asset transfer request for ownership – see paragraph 7 on page 4.
- 6.3 A community controlled body means a body that has a written constitution which includes:
- (a) **A definition of the community to which the body relates** (whether geographic or a community of interest¹),
 - (b) **Provision that membership of the body is open to any member of that community** (the body must be open to anyone who is a member of the community defined above; there must be no additional requirements. Where membership is based on a fee, this should be affordable to anyone from the defined community),
 - (c) **Provision that the majority of the members of the body is to consist of members of that community** (people (and organisations) who are not members of the defined community may be allowed to join the body, but the governing documents must require that those who are members of the community must always be in the majority. This can be accomplished by providing for Ordinary Members and Associate Members or Junior Members – the number of Ordinary Members should always exceed the number of other members),
 - (d) **Provision that the members of the body who consist of members of that community have control of the body** (having "control of the body" means that the members of the community are in charge of the decisions made by the body.

¹ Communities of interest could include faith groups, ethnic or cultural groups, people affected by a particular illness or disability, sports clubs, conservation groups, clan and heritage associations, etc.

This may be arranged by providing that only Ordinary Members can vote at General Meetings, a majority of the Board must be made up of Ordinary Members and the Chair and Vice-Chair must be Ordinary Members, where they have a casting vote),

- (e) **A statement of the body's aims and purposes, including the promotion of a benefit for that community** (the aims and purposes may include activity that goes wider than the defined community, such as raising money for charity, promoting their interest to other people or sharing experience with communities in other areas; however, at least one of the purposes of the body must clearly be for the benefit of the community they represent), and
 - (f) **Provision that any surplus funds or assets of the body are to be applied for the benefit of that community** (any money or property the body has, after covering its running costs, must be used to benefit the community as a whole. Bodies incorporated as co-operatives, which distribute their profits or dividends to members of the body, are not eligible to make requests for ownership).
- 6.4 The Scottish Ministers can also designate a body to be a community transfer body. They will do this by making an order.

7. Eligibility for Ownership

- 7.1 If a community transfer body wants to acquire ownership of a property, it must meet additional requirements. It must be a community controlled body (as above), and it must also be a company, a Scottish Charitable Incorporated Organisation (SCIO) or a Community Benefit Company, and its constitution must require that it has at least 20 members. If the request is for ownership, and the community transfer body is a company, the Articles of Association must include arrangements for what happens to the body's assets if it is wound up. This must require that the property is transferred:
- to another community transfer body;
 - to a charity;
 - to such community body (within the meaning of section 34 of the Land Reform (Scotland) Act 2003) as may be approved by the Scottish Ministers;
 - to such crofting community body (within the meaning of section 71 of that Act) as may be so approved, or;
 - if no such community body or crofting community body is so approved, to the Scottish Ministers or to such charity as the Scottish Ministers may direct.
- 7.2 If the organisation is a SCIO or Community Benefit Society, there will be similar provisions to ensure that remaining property is transferred to another body with similar structure and aims.
- 7.3 Should the Council deem it appropriate, community transfer bodies will have to constitute themselves in one of the ways outlined above. This could be because the terms or the responsibilities (maintenance, energy etc.) entailed by the type of asset transfer involved would be difficult for an unincorporated body to administer. If a community transfer body wishes to use the asset to deliver a service, they must be incorporated.

8. Pre-application stage

- 8.1 In accordance with Scottish Government guidance and order to maximise the benefits afforded by this Policy, the Council has designed a pre-application stage for prospective community transfer bodies wishing to consider the possibility of making an

asset transfer request. This process will be administered by the Council's Community Planning and Development Service, acting as a single point of contact for community transfer bodies to discuss their proposals at an early stage.

- 8.2 The pre-application stage is designed to help community transfer bodies understand the requirements of the legislation and to assess their readiness to submit a competent application. This stage will also involve dialogue with key officers from relevant Council Services (such as Governance and Law, Planning and Capital Programme) to enable all parties to share information and knowledge.
- 8.3 Community transfer bodies are strongly advised to contact the Council's Community Planning and Development Service and discuss their proposals before any formal request is submitted.

9. Valuation – prior to submission

- 9.1 The Act does not say how much should be paid to purchase an asset or in rent, whether it should be at market value² or at a discount. The community transfer body has to state in the asset transfer request how much they are prepared to pay, alongside the benefits the project will deliver, and the Council has to decide whether to accept that price. Valuation of an asset is a key consideration that can be discussed during the pre-application stage.

10. Joint Valuation

- 10.1 Where market value can be determined, both the Council and the community transfer body are likely to need to understand the market value of the asset, for accounting, borrowing or funding purposes, and to ensure transparency about the amount of any reduction from market value. A market value may also be required for Best Value and State Aid assessments.
- 10.2 This Policy recommends that, where possible, a joint valuation is obtained in order to reduce overall costs and provide an agreed asset valuation. The Council and community transfer body should share the cost of a joint valuation equally.
- 10.3 Where a joint valuation is not possible parties will require to seek their own valuations at their own expense.
- 10.4 The Council reserves the right to instruct its own independent valuation in addition to any joint valuation which has been obtained, should this be necessary.

11. Submitting a formal asset transfer request

- 11.1 Requests for a transfer of ownership can be made if the Council owns or leases the asset in question and the community transfer body is eligible.
- 11.2 Requests should be made in writing to the Council and must:

² Market Value: the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

- (a) state that it is an asset transfer request made under Part 5 of the Community Empowerment (Scotland) Act 2015;
 - (b) contain the name and contact address of the community transfer body;
 - (c) be accompanied by a copy of the constitution of the community transfer body;
 - (d) if the request is made by a body which is not a community controlled body, explain the basis on which the body is a community transfer body;
 - (e) specify the land or building to which the request relates;
 - (f) specify whether the request is a request for ownership, lease or other rights on the land or building;
 - (g) if the request is for ownership, specify the price that the community transfer body would be prepared to pay for the transfer of ownership of the land or building (with reference to the valuation – whether jointly or singly obtained);
 - (h) if the request is for lease, specify:
 - the amount of rent that the community transfer body would be prepared to pay,
 - the duration of the lease, and
 - any other terms and conditions that the community transfer body considers should be included in any lease;
 - (i) if the request is for other rights, specify the nature and extent of the rights sought;
 - (j) specify any other terms or conditions applicable to the request;
 - (k) specify the reasons for making the request;
 - (l) describe how the community transfer body proposes that the land or building is to be used;
 - (m) specify the benefits which the community transfer body considers will arise if the authority were to agree to the request;
 - (n) outline how it is proposed that—
 - the transfer of ownership of the land or building, the lease of the land or building or the conferral of other rights in respect of the land or building on the community transfer body (as the case may be); and
 - the proposed use of the land, are to be funded, and;
 - (o) describe the level and nature of support for the request from the community to which the community transfer body relates.
- 11.3 The request requires two signatures from officers of the community transfer body, with their full names and addresses. Requests should be accompanied by supporting information relating to the community transfer body itself and further details of how the asset is going to be used to provide positive outcomes in a sustainable manner.
- 11.4 Information, guidance and asset transfer forms are available from the Council's Community Planning and Development Service and are included in the procedures.

12. Receiving asset transfer requests

- 12.1 Requests received by the Council will be checked to ensure they are valid, and contain the correct information. In the event that a request is not valid, or required information is missing, the Council will write to the community transfer body to inform them what is missing and how to complete their request. This will happen only once. If a valid, completed request is not received after this or a completed request is found to be ineligible, then it is not an asset transfer request and no further action need be taken.
- 12.2 Once a completed request is submitted, the Council will issue an acknowledgment to the community transfer body. The acknowledgement will include:
- the validation date – the date the request was received in its complete form. This is the date from which other time limits will be calculated

- an explanation of the time period for the Council to make its decision (within 6 months of the validation date)
- information about the right to appeal to the Scottish Ministers or request a review, as appropriate.
- whether another asset transfer request has already been made to the Council in respect of the same asset
- whether the Council considers that it is prohibited from disposing of the land to any other person (see 'Prohibition on disposal of land' below)

13. Notification and publication

- 13.1 The Council is obliged by the legislation to make certain parties aware that an asset transfer request has been made and to give them the opportunity to comment on it. As soon as practicable after the validation date the Council must notify any tenant or occupier of the land the request relates to, and the owner if the Council leases the land that an asset transfer request has been received. It is recommended that this take place no later than 7 days after the validation date.
- 13.2 Notices sent to tenants, occupiers and owners and those published online (on the Council's website) and near the land all require to contain the same information. They must:
- state that an asset transfer request has been made
 - identify the community transfer body making the request and the land to which the request relates
 - give a brief description of the nature of the rights requested and how the community transfer body propose to use the land or building
 - say how the asset transfer request and associated documents can be inspected
 - say how representations about the request may be made, and by what date. This must be at least 20 working days after the notice is given or published
- 13.3 If any representations are received in response to these notices, the Council must send copies to the community transfer body and give the body at least 20 days to comment on them.

14. Repeat requests

- 14.1 The Act allows the Council the right to choose not to consider a request which is the same or very similar to a previous request which was refused. This applies if the new request relates to the same land or building, and seeks the same type of transfer, as a request made in the previous two years. It does not matter if the new request is made by the same body or a different one.
- 14.2 The Council can still choose to consider a repeated request if they wish.
- 14.3 The Council will write to the community transfer body to advise them of the situation and the reason for declining the request.

15. Prohibition on disposal of land

- 15.1 Once an asset transfer request has been made, the Council is not allowed to sell, lease or otherwise dispose of the land or building the request relates to, to anyone

other than the community transfer body that made the request, until the whole process is completed.

- 15.2 The prohibition on disposal does not apply if, before the asset transfer request is made, the land or building has already been advertised for sale or lease, or the relevant authority has entered into negotiations or begun proceedings to transfer or lease the land or building to another person.

16. Publication of request documents

- 16.1 The Council is required to make available copies of the asset transfer request, any supporting documentation and any representations or comments made in relation to the request. These will be displayed on the Council website until such time as the asset transfer process is completed.

17. Decision Making

- 17.1 Where a valid asset transfer request has been made by a community transfer body to the Council, the Council must decide whether to agree to or refuse the request. The Council must agree to the request unless there are reasonable grounds for refusing it.
- 17.2 This policy is based on delegated authority for decisions to be taken in the first instance by the Chief Executive or their nominee. Decisions will be informed by an appraisal of the completed asset transfer application conducted by a core team of senior officers drawn from relevant areas of business across Shetland Islands Council. Using a standardised decision making framework, these senior officers will assess whether the asset transfer request should proceed or not and, if the recommendation is to proceed, the terms and conditions that the Council should put forward. The appraisal framework and membership of the core team is outlined in procedures.
- 17.3 A decision notice will be issued by the Council to the community transfer body no later than 6 months after the validation date.

18. Decision notice

- 18.1 The decision note will set out the decision reached and the reasoning for that decision.
- 18.2 If the decision is to accept the asset transfer request, the decision notice will:
- Specify the terms and conditions on which the authority is prepared to transfer ownership, lease the land or building or confer the rights requested
 - State that, to proceed with the process, the community transfer body must submit an offer
 - Specify the period within which the offer must be submitted. This must be at least 6 months from the date of the decision notice

19. Reviews and Appeals

- 19.1 A community transfer body can ask for their asset transfer request to be re-examined in certain circumstances. This can either be in the form of a review (where the asset transfer request is considered by Members) or an appeal (where the asset transfer request is considered by the Scottish Ministers).

- 19.2 A community transfer body can seek a review or appeal if:
- their request is refused;
 - the terms and conditions in the decision notice are significantly different from those in the request;
 - no decision notice is issued within the required period.
- 19.3 A community transfer body cannot seek a review or appeal in relation to the terms and conditions in the decision notice if it has already made an offer, unless it first withdraws that offer. If the community transfer body makes an offer after submitting an appeal or application for review, the appeal or review is treated as having been withdrawn.

20. Review by Elected Members

- 20.1 A community transfer body can ask for an internal review if their asset transfer request to the Council is declined. This review will be carried out by the Policy and Resources Committee. Applying for a review must take place within 28 days of the decision notice being issued.
- 20.2 The review can proceed either via written submission or a hearing panel. The Policy and Resources Committee will constitute the hearing panel. In carrying out a review, the Council must consider the request in the same way as the original process, taking account of the same factors and benefits of the request as well as any additional or alternative proposals.
- 20.3 Having carried out the review, the Council may confirm the original decision, modify it or any part of it (including the terms and conditions set out in the decision notice) or substitute a different decision. They must issue a new decision notice, which replaces the previous decision notice. The time period for issuing the decision notice is 6 months from the date that the application for review was received.

21. Appeal to the Scottish Ministers

- 21.1 If they are still not satisfied with the result following the review by the Council, the community transfer body can appeal to the Scottish Ministers. This request should be submitted within 28 days of the original or revised (following review) decision notice. Procedures for the appeals process are set out in regulations (Asset Transfer Request (Appeals) (Scotland) Regulations 2016).

22. After agreement

- 22.1 The Act sets out the next steps after the Council has issued a decision notice agreeing to an asset transfer request. The same process applies whether the request was agreed to initially or following a review or appeal.
- 22.2 In response to the decision notice, the community transfer body must submit an offer to take ownership of the land, lease it or take up the rights covered by the request. That offer must reflect the terms and conditions set out in the decision notice.
- 22.3 The offer must be submitted to the Council within the period stated in the decision notice, which must be at least 6 months. If no offer is made within that time (and the community transfer body does not appeal or request a review) the process comes to

an end. The agreement to transfer the property to the community transfer body has no further effect, and the relevant authority is free to keep it or dispose of it as it wishes.

- 22.4 The contract must normally be concluded within 6 months of the community transfer body's offer. This does not mean the transfer has to take place within that time, but the date for the transfer, the price or rent and any other terms and conditions must be agreed. The contract may be conditional on other factors that are needed to allow the community proposals to go ahead, such as receipt of funding or planning permission. The process for concluding a contract is set out in procedures.
- 22.5 If a contract for the transfer has not been concluded within 6 months of the community transfer body making an offer, the asset transfer request comes to an end and the agreement to transfer has no further effect. If the community transfer body wants to extend the period but the Council does not agree, the community transfer body can apply to the Scottish Ministers for a direction to extend it.
- 22.6 If a contract is not agreed within the required period, the community transfer body can appeal to the Scottish Ministers. An appeal should be made within 14 days of the end of the period to conclude a contract.

Integrated Impact Assessments

What is Integrated Impact Assessment?

Everything that the Council does affects people in Shetland. Some decisions can have different effects on different groups in the community. This can make it harder for some people to use a service or to be part of their community.

An Integrated Impact Assessment (IIA) is a way to look at how a proposal could affect communities and if different groups within the community will be affected differently.

If an IIA is done while the proposal is being developed, we can look at the needs of different groups and think about how the proposal will affect them. Some of these impacts will be positive and some negative. We can then think about ways to reduce the negative impacts so that everyone will be able to benefit from the proposal. This guidance will help you to complete an IIA.

An IIA should be part of the development of any new policy or practice. It should also be done when a policy or strategy is being reviewed.

Shetland's Integrated Impact Assessment focuses on the following areas:

- **Social –**
 - Equality & Diversity
 - Social Inequalities
 - Health
- **Environmental**
- **Rural proofing**
- **Economic**

By reviewing social, economic and environmental assessments together we can make sure what we do is sustainable in the widest sense.

Legal Requirements

There are also statutory duties for local authorities that need to be met:

- We have to give due regard to the need to eliminate discrimination, advance equality and foster good relations between people. We need to do this before we make final decisions concerning policy or practice. If we fail to do this, and operate policies and practices that adversely affect a section of the community disproportionately, we could be subject to legal challenges and financial penalties (Equality Act 2010).
- We have to ensure that development projects, plans and strategies with a spatial dimension are screened for their requirement for an Environmental Impact Assessment. If you're unsure of the requirement for one of these assessments, contact Planning.

Who Carries Out an Impact Assessment?

Carrying out an IIA is a group exercise. The IIA group should include those involved in developing the proposal and bring together different perspectives on the topic being discussed. A good understanding of what is being proposed is essential to allow the IIA to be completed successfully.

Gathering Evidence

Gather existing evidence on the proposal and how it may affect different groups. You can use the table on the following page to help you. The completed table can then be circulated to all participants in the group exercise before the IIA meeting, so that it can inform the discussion and be reviewed.

During the meeting, the group should consider whether further evidence is needed to understand impacts and inform recommendations. In this case you should identify how this evidence can be collected.

Evidence Table

Evidence	Available?	Comments: what does the evidence tell you?
Population data	N/A	The policy does not depend on an evidence base in itself as it represents the local arrangements for enacting national legislation. However; when the policy is applied, community bodies will have to demonstrate – through evidence such as that listed here – that they have a sound understanding of the needs they have identified, the outcomes they want to improve and the impacts that will result. This is reflected in the forms and appraisal framework contained in the procedures accompanying the policy.
Data on service uptake/ access	N/A	As above
Data on equality outcomes	N/A	As above
Research/ literature evidence	N/A	As above
Public/ patient/ client experience information	N/A	As above
Evidence of inclusive engagement of service users & involvement findings	N/A	As above
Evidence of unmet need	N/A	As above
Good practice guidelines	N/A	As above
Environmental data	N/A	As above
Risk from cumulative impacts	N/A	As above

Other (please specify)	N/A	As above
Additional evidence required	N/A	As above

Identifying Impacts – the IIA Meeting

Once the evidence has been collected the group should get together to go through it and identify possible impacts. The group needs to critically consider the possible impacts on different groups in the community. Your comments should focus on how the proposal will meet the needs of and impact on different groups and circumstances. There is a checklist on the following page to help you.

Before going through the checklist, consider:

What do you think will change as a result of this proposal?

Now consider impacts on different groups of people:

Which groups will be affected?

Now, go through the checklist to identify how different people could be affected differentially, and possible areas of impact.

Think about:

Who is likely to be directly affected by the proposal?

Who is likely to be indirectly affected by the proposal?

Is it likely that some people might be excluded from the proposal?

Impacts Checklist

Group	Differential Impacts
Diversity	
Age (consider across age ranges. This can include safeguarding, consent & child welfare)	<p>The policy itself has no implications for any particular groups as the rules for eligibility are set out in legislation and designed to be inclusive – this is reflected in the policy. Community bodies pursuing an asset transfer will be required to give consideration to any negative impacts that may arise from their proposal. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. This offers a further safeguard that differential impacts will not be experienced as this would preclude the transfer going ahead.</p>
Disability (consider attitudinal, physical & social barriers)	See above
Ethnic Minority (consider different ethnic groups, nationalities, language barriers)	See above
Gender	See above
Gender Reassignment (consider transgender & transsexual people. This can include issues such as privacy of data & harassment)	See above
Lesbian, Gay & Bisexual	See above
Marriage & Civil Partnership	See above
Pregnancy & Maternity (consider working arrangements, part-time working, infant caring)	See above

Appendix B (DV-14-17)

responsibilities)	
Religion & Belief (consider people with different religions, beliefs or no belief)	See above
Economic	
Education, Skills & Lifelong Learning	There are potentially many significant benefits to community bodies and their members to develop skills and gain valuable knowledge by exploring asset transfer. The pre-application stage includes support for this through Community Learning and Development and community bodies are encouraged to think about their skills development needs from the outset.
Employment	Community owned and operated assets can be valuable resources for local employment, particularly in rural areas. Examples from across Scotland demonstrate that employment opportunities can be developed as a part of improving socio-economic outcomes through community ownership.
Business Development	Community owned and operated assets can form the basis for social enterprise and other business activities. Maximising revenue from an asset can be an important element in ensuring the sustainability of the venture.
Encouraging Investment	As noted above, community assets can be used to improve socio-economic outcomes and this could play a positive part in stimulating further economic activity in a community
Financial Inclusion	Inequalities are one of key the factors community bodies should take consideration of when thinking about asset transfer – financial inclusion in terms of how the asset is used will be considered through this
Environment	
Transportation	Community ownership of assets could have positive implications for community transport and other areas and are therefore more likely to benefit transport arrangements. When the policy is applied, assets will only be

Appendix B (DV-14-17)

	<p>transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. Community bodies are also encouraged to align their proposals with Local Outcome Improvement Plan outcomes to ensure a good fit with existing service delivery.</p>
Waste Minimisation	<p>Community bodies can use community ownership as a means of improving their local environment and explore solutions to issues such as waste.</p> <p>When the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. Community bodies are also encouraged to align their proposals with Local Outcome Improvement Plan outcomes to ensure a good fit with existing service delivery.</p>
Energy & Climate Change	<p>Community bodies can use community ownership as a means of improving their local environment and explore solutions to issues such as climate change and community energy solutions.</p> <p>When the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. Community bodies are also encouraged to align their proposals with Local Outcome Improvement Plan outcomes to ensure a good fit with existing service delivery.</p>
Health	
Mental Health & Wellbeing	<p>When the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. Community bodies are also encouraged to align their proposals with Local Outcome Improvement Plan outcomes to ensure a good fit with existing service delivery.</p>
Physical Activity	As above
Substance use (tobacco, alcohol or drugs)	As above

Appendix B (DV-14-17)

Affordable food & a healthy diet	As above
Sexual Health	As above
Those vulnerable to falling into Poverty	
Young people whose parents are not able to ensure they can access opportunities	<p>Inequalities are one of key the factors community bodies should take consideration of when thinking about asset transfer. Reducing inequalities would therefore be supportive of a successful application. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. This offers a further safeguard that negative impacts on vulnerable groups will not be experienced as this would preclude the transfer going ahead.</p>
Adults with low self-esteem and/or poor mental health	As above
Physically disabled or with a long-term illness & their carers	As above
Young families without access to their own transport (particularly in remote areas)	As above
Older people who are unable to access opportunities	As above
People of no fixed address, homeless or in temporary accommodation	As above
Ethnic minorities (consider cultural, employer barriers, degrees of social exclusion for white incomers to Shetland)	As above

Appendix B (DV-14-17)

Rurality	
Is the policy likely to have a different impact in different areas / communities?	The policy will be applied consistently across communities both geographic and of interest. Implementation of the policy will be monitored to ensure that communities are not disadvantaged by any characteristic.
Will the impacts be significant in rural areas?	In national terms, community ownership has been most prevalent in rural areas. It remains to be seen whether the implications of this policy will be different in urban and rural settings. Implementation of the policy will be monitored to ensure that communities are not disadvantaged by any characteristic.
Staff	
Full-time	Asset transfer requests will be handled on a case-by-case basis. The procedures set out what teams are likely to be involved and the form that their involvement will take. No capacity or competency issues have been raised to date. The implementation of the policy will be monitored to address any issues as they arise.
Part-time	As above
Shift workers	As above
Staff with protected characteristics	As above
Staff vulnerable to falling into poverty	As above

Summary of Impacts

Having considered the evidence and critically considered the potential impacts, the group should decide whether it needs further evidence to determine likely impacts or make recommendations –

- If further evidence is to be gathered, this could be marked as an interim IIA and be finalised when this evidence has been gathered.
- If the evidence is considered to be sufficient the group should discuss and agree a summary of the positive and negative impacts identified and recommendations.

Look again at any negative impacts and think about:

What actions are required to improve the proposal as a result of the IIA?

How will the proposal be monitored after full implementation and how will you ensure that the recommendations made in the IIA are effective?

Have you planned reviews of the proposal? If so, how often and who will be responsible?

Remember - If the proposal shows actual or potential unlawful discrimination you will only be able to meet your legal obligations under the duties by stopping, removing or changing the policy.

Then complete the IIA report form on the following page. This report must be included as an appendix to any Council report.

Please note that all IIAs are required to be published on the Council's website and so once completed, the report should be sent to Anna Sutherland.

IIA Outcomes Report

Name of Proposal	Community Asset Transfer Policy
Description of Proposal	A Community Asset Transfer policy has been developed in line with the Council's obligations under Part 5 of the Community Empowerment (Scotland) Act 2015 – Asset Transfer.
Lead Organisation / Partnership	Shetland Islands Council
IIA Lead Person	Brendan Hall
Date of IIA	January 2017

Recommendations from IIA
<p>Positive Impacts</p> <p>The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the policy is that outcomes will be improved as a result of asset transfer. A number of positive impacts are identified in a range of areas where communities and service providers can benefit from the improvement in outcomes that can result from community ownership.</p>
<p>Negative Impacts</p> <p>No direct negative impacts are identified for the policy itself. Community bodies pursuing an asset transfer will be required to give consideration to any negative impacts that may arise from their proposal. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied, assets will only be transferred when a clear community benefit is demonstrated and outcomes will be improved as a result. This offers a further safeguard that differential impacts will not be experienced as this would preclude the transfer going ahead. The implementation of the policy will be monitored to address any issues as they arise.</p>
<p>No Impacts</p> <p>The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the policy is that outcomes will be improved as a result of asset transfer.</p>

Issues arising from IIA

There is a clear need to monitor the implementation of the policy and to provide support to community bodies to ensure that no unintended negative consequences arrive. This will be set out in procedures and community bodies will also be invited to use the IIA to assess the impact of their proposals and design mitigating action as best practice.



Shetland Islands Council

Agenda Item

3

Meeting(s):	Development Committee Policy and Resources Committee Shetland Islands Council	8 February 2017 13 February 2017 15 February 2017
Report Title:	Housing Revenue Account (HRA) Business Plan 2017-2022	
Reference Number:	DV-16-17-F	
Author / Job Title:	Anita Jamieson / Executive Manager - Housing	

1.0 Decisions / Action Required:

- 1.1 That the Development Committee RECOMMEND that the Policy and Resources Committee RECOMMEND that the Council approves the Housing Revenue Account (HRA) Business Plan 2017-2022 (Appendix A), as part of the Council's Policy Framework, to be managed by the Development Committee.

2.0 High Level Summary:

- 2.1 The HRA Business Plan draws together the financial, property and customer aspects of the Housing Service to demonstrate a sustainable and affordable service to tenants. The Business Plan is supported by 30 year financial modelling and projections, an Asset Management Strategy (Appendix B) and a refreshed Tenant Participation Strategy (Appendix C). The Business Plan looks at a five year window of operation but will be refreshed annually in line with the Medium Term Financial Plan and will be used to form the basis of the HRA budget process.

3.0 Corporate Priorities and Joint Working:

- 3.1 'By the end of this Plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland.'
- 3.2 The proposed Business Plan aligns with the vision set out in the Corporate Plan, in seeking to demonstrate to our tenants, applicants, the public and those we are accountable to, that the HRA is financially sustainable and that it seeks to provide a quality service to its customers.

4.0 Key Issues:

- 4.1 This is the first time that there has been a holistic plan for the Housing Revenue Account (HRA). The HRA was for many years driven by the high level of historic debt and the resolution of the outstanding debt has provided a clear opportunity to think and plan differently for the future to ensure the sustainability of the service. Over the initial five year period of the Plan, the priority will be to ensure that sufficient investment is made in the existing housing stock to ensure that it meets the appropriate national standards, that rents are maintained at an affordable level and that tenants continue to be included in shaping the service provided by their landlord.

5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Existing tenants will benefit from the reassurance that the service is sustainable and that a degree of certainty can be provided on future investment and rent levels.
6.2 Human Resources and Organisational Development:	The Business Plan identifies priority areas for service review to ensure that we meet the service needs.
6.3 Equality, Diversity and Human Rights:	No specific implications.
6.4 Legal:	The operation of the Housing Revenue Account is set out in the Housing (Scotland) Act 1987 and subsequent amendments. The statutory provision of tenant participation is contained in the Housing (Scotland) Act 2001.
6.5 Finance:	The financial modelling is key to the demonstration of a sustainable and affordable service over time. The work done has demonstrated that the account is sustainable over the long term view. The modelling will form the basis of the annual business plan and budget reviews and will assist greatly in providing certainty on expenditure and income to the account including rent levels.
6.6 Assets and Property:	The development of an Asset Management Strategy provides a clear future plan of investment based on robust survey data. This will shift spending patterns away from reactive repairs and move to a planned, component –based system. Information on assets and their condition will also be improved.
6.7 ICT and New Technologies:	The current Housing Management system is designed to be integrated across the service and there are no additional implications as a result of the HRA Business Plan.
6.8 Environmental:	Through the Asset Management Strategy we will be looking at ensuring we have efficient procurement procedures and practices that meet the Council’s environmental obligations.

6.9 Risk Management:	<p>The greatest risk of not having an HRA Business Plan in place is the need to plan holistically around the parts of the service and to ensure that investment decisions are taken in a balanced way, which can weigh up the relevant risks. The financial modelling is able provide ‘what-if’ scenarios to assist with appropriate decision making.</p>	
6.10 Policy and Delegated Authority:	<p>In accordance with Section 2.3.1 of the Council’s Scheme of Administration and Delegations, the Development Committee has delegated authority to take decisions in relation to those functions within its remit which includes Housing. It is appropriate therefore that the Development Committee consider and decide on the HRA Business Plan and its associated appendices.</p> <p>In accordance with Section 2.2.1 of the Council’s Scheme of Delegations, Policy and Resources Committee has referred authority to recommend the inclusion of strategies contained in the Policy Framework, for final determination and approval by the Council (Section 2.1.3.2).</p>	
Previously considered by:	n/a	n/a

Contact Details:

Anita M Jamieson, Executive Manager – Housing
01595 744363, anita.jamieson@shetland.gov.uk
02 February 2017

Appendices:

Appendix A - Housing Revenue Account Business Plan 2017-2022
Appendix B - Asset Management Strategy
Appendix C - Tenant Participation Strategy

Background Documents: None



Housing Revenue Account (HRA)

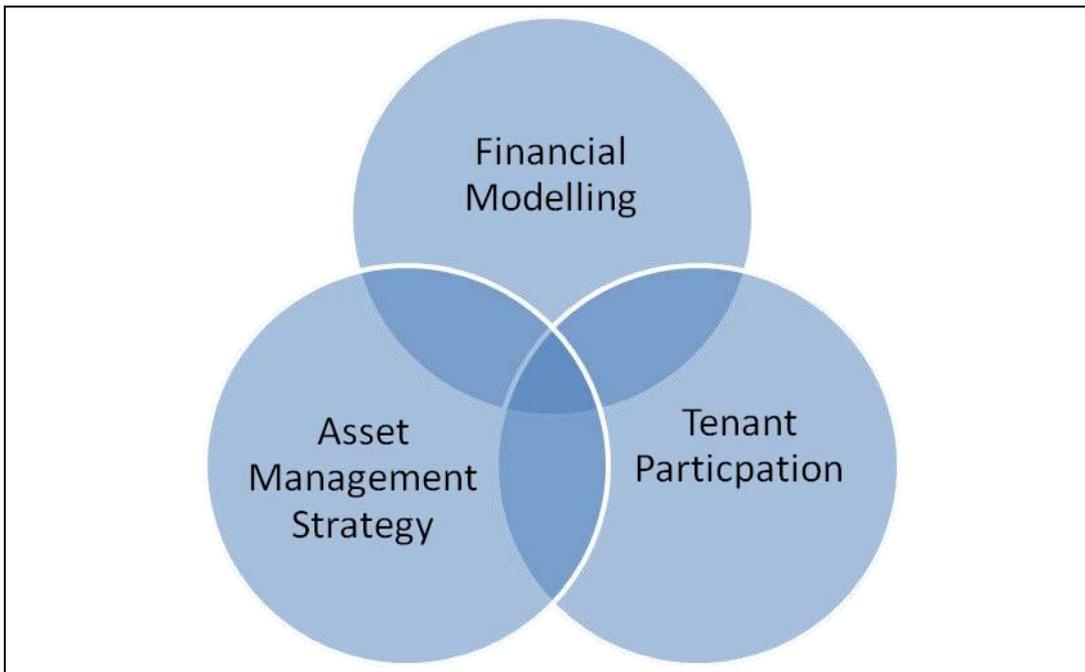
Business Plan 2017

Executive Manager - Housing

1.0 Introduction

1.1 Development of the Business Plan

- 1.2 The Housing Revenue Account (HRA) Business Plan explains where we want to be as a Council housing service and our proposals for getting there. Shetland Islands Council's HRA has for many years been constrained by a burden of historic housing debt. Following successful negotiations with both UK and Scottish Governments in 2013, a debt resolution was agreed that reduced the debt burden in line with the Scottish average. This makes it all the more important that we take time to produce a business plan for the future that ensures the ongoing sustainability of the account and provides some certainty to our tenants and customers about future service levels.
- 1.3 The purpose of the HRA Business Plan is to set out our vision, core objectives and key actions so that they are clear to our tenants and customers, our staff, the general public, our colleagues and partner agencies, and to external scrutiny bodies. The Business Plan is designed to set out the strategic goals of the Council's Housing Service and measure progress toward achieving these goals. The Business Plan provides a realistic appraisal of how these strategic goals will be achieved within the limitations of available funding and the likely economic climate.
- 1.4 The Business Plan expresses the values which influence all that we do and how we seek to improve. It also addresses how we will change and respond to the challenges ahead. This will involve a strong focus on more efficient and effective public services. At the same time, we want to ensure that our customers are satisfied with the services we provide and have the opportunity to build on the Tenant Participation structures that we have in place. Tenants enjoy a significant level of statutory input into the service and in order to ensure that, where possible, their customer experience is enhanced, it is vital to recognise those structures and to continuously review and improve the mechanisms available to our tenants to be directly involved.
- 1.5 The Business Plan is intended to be easily accessible to stakeholders. It provides information to demonstrate that the Council has a clear picture of its strategic direction and the associated financial position of the service in order to deliver this.
- 1.6 The Business Planning process has involved several work-streams culminating in the final document, this is illustrated in the diagram on page 3, to show the inter-dependence of each area:



1.7 The overlapping sections of the graph can be further detailed by the following list of key areas which need to be considered and addressed through the HRA Business Plan and budget process.

- Rent Levels and Affordability
- Quality Standards e.g. Energy Efficiency Standard for Social Housing (EESH)
- Levels of Service Provision
- Capacity for investment
- Inflation
- Capacity for new build development
- Available Balances
- Public Sector Borrowing
- Tenants views

1.8 Our starting point needed to be extensive financial modelling carried out to establish our base case financial position. The financial sustainability of the account had to be tested and we also needed to be clear on what capacity there was on the HRA for future investment plans. The financial model enables us to look at short, medium and long term projections of the HRA and to test a number of scenarios. We also carried out sensitivity analysis of the impact of changes to inflation and interest rates. While this produces a 30 year long term picture, for planning purposes we are focussing on a five year window with ongoing annual review.

1.9 This document uses the Scottish Housing Regulator's best practice framework for housing business planning¹ as well as the the Scottish Government's guidance on the

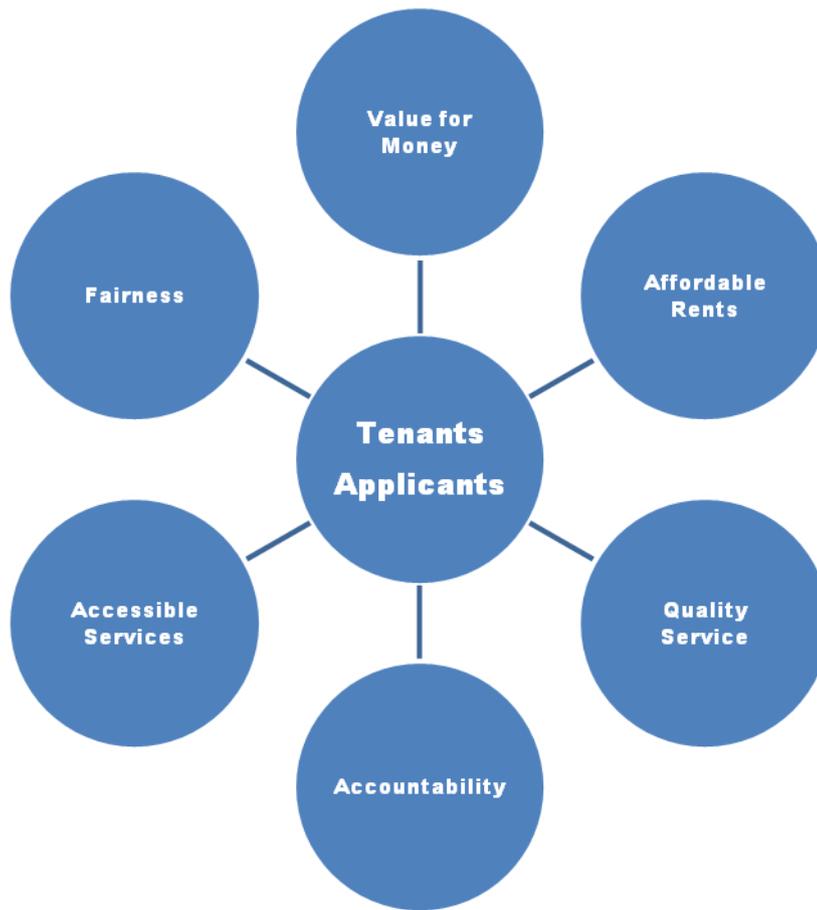
¹<https://www.scottishhousingregulator.gov.uk/sites/default/files/publications/Business%20Planning%20RP%20-%20FINAL%20-%20Version%205%20-%202014%20December%202015.pdf>

operation of HRAs² published in 2014. This ensures that the Council follows the prevailing guidelines in creating its HRA Business Plan for the next 30 years.

- 1.10 External support to the process came from Robert McDowall Consultancy, The Tenant Participation Advisory Service – Scotland (TPAS) and Michael Dyson Associates. Internally, the financial modelling was carried out by the Management Accountancy team in Finance Services.
- 1.11 The Council has not previously had an Asset Management Strategy for its housing stock so the opportunity to integrate that into the Business Plan was timely and necessary. Whilst the Council had a volume of stock information this needed to be verified by way of a sample stock condition survey to provide the base starting point for developing the strategy.
- 1.12 Tenants are at the heart of everything the housing service does and are entitled by law to be involved in the decisions that affect their homes. A revised Tenant Participation Strategy was produced and all tenants were consulted on the document. A refreshed action plan will be produced during 2017.

² <http://www.gov.scot/Resource/0044/00445684.pdf>

2.0 Business Plan Objectives



- 2.1 The objectives of the HRA Business Plan are to demonstrate that we can operate a sustainable HRA into the future that allows for fair, accessible and good quality services to be delivered to our tenants and applicants at an affordable cost, demonstrating good value for money. The Housing Service must be accountable to its tenants and also to elected members, the Scottish Government, the Scottish Housing Regulator and service delivery partners.
- 2.2 The Business Plan aims to align corporate and service strategic documents to demonstrate how the service will operate into the future and to continue to provide services that meet the core objectives set out in the diagram above.

3.0 Strategic Links

3.1 Links to other Strategies

3.1.2 The Housing Service fits into the Council's strategic and performance management framework as detailed below.

3.2 Community Plan & Local Outcomes Improvement Plan (LOIP)

3.2.1 The Community Planning Partnership (Shetland Partnership) involves key agencies from the public, private and voluntary sector working together with communities to develop a community plan that aims to make Shetland the best place to live and work by creating communities that meet the national targets of: Wealthier & Fairer; Learning & Supportive; Healthy & Caring; Safe; Vibrant & Sustainable.

3.2.2 These are delivered through the Local Outcome Improvement Plan (LOIP) agreed in June 2016. Outcome D of the plan focuses on sustainable economic growth and ensuring that all people have the chance to be part of island life. Within the plan is a priority action of attracting more people to Shetland to live, work, study and invest. Housing has a pivotal role in contributing to these outcomes and this is reflected through the Local Housing Strategy and its delivery.

3.3 Council Corporate Plan

3.3.1 The Council sets out its corporate vision in its Corporate Plan:

By the end of this Plan (2020), we want to be known as an excellent organisation that works with our partners to deliver sustainable services for the people of Shetland.

3.3.2 Housing is high on the agenda of the key priorities set out in the Corporate Plan, with **Increased the supply of affordable housing in Shetland** featuring as one of the listed five key priorities for the Council.

3.4 Local Housing Strategy

3.4.1 The Housing Service operates within a strategic framework which links to local and national policies. These are contained in the Local Housing Strategy³. and underpinned by the evidence base presented in the Housing Need and Demand Assessment which identifies housing supply and demand, trends, affordability level and imbalances in housing stock and tenures based on a range of robust and credible datasets and information⁴. The five key themes of the Local Housing Strategy are:

³ http://www.shetland.gov.uk/housing/policies_housing_strategy.asp

⁴ http://www.shetland.gov.uk/housing/policies_housing_need.asp

- Future housing supply
- Homelessness
- Housing support/ housing needs of an ageing population
- Fuel Poverty
- Private Sector

3.5 Directorate Plan

- 3.5.1 The Housing Service is part of the Development Directorate. The Development Directorate encompasses Housing, Planning, Economic Development, Transport Planning, Community Planning and Development and Shetland College.
- 3.5.2 There are clear strategic connections and synergies between the services that comprise the Development Directorate. These are brought together in an annual Directorate Plan which identifies the key drivers and links between the services and the delivery of the Corporate Plan priorities.

3.6 Strategic Housing Investment Plan (SHIP)

- 3.6.1 The Strategic Housing Investment Plan is the delivery plan for the Local Housing Strategy and specifically details the capital investment projects to meet the outcomes identified. The SHIP covers a five year time period and is reported every two years. SHIP's are submitted to Scottish Government for approval and forms the basis of the funding allocation from the Governments Affordable Housing Investment programme.

4.0 Asset Management

4.1 The Council's Housing Stock

- 4.1.1 An integral part of the business planning process has been the detailed work that has gone into the Asset Management Strategy.

The Council supplemented its own stock information with an externally commissioned survey of 20% of the stock. The findings of the survey conclude that the stock is generally in good condition and that good investment had been made in recent years. However, it was noted that a number of properties have components which are approaching the end of their useable life. This is to be expected given the age profile of our housing stock. Key areas for future investment are energy efficiency, replacement heating systems, kitchen replacements and roof covering replacement.

- 4.1.2 Some additional structural concerns in particular stock design or materials have been identified and consultant engineers commissioned to provide detailed survey information on these to be prioritised for remedial works.
- 4.1.3 The purpose of the housing stock asset management strategy is to ensure that we maintain our housing stock to current standards and that we procure component replacement in the most cost effective way. Our investment

programmewill be developed around planned repairs to housing stock, thus reducing the expenditure on reactive repairs. As part of the Asset Management Strategy we will also develop standardised specification documents and will ensure that replacement components are quality products which are suitable for the Shetland environment and with consideration to the lifetime of the asset, represent good value for money. Tenants will be consulted and involved in decisions on the introduction of specification standards.

4.2 Stock Profile

4.2.1 As at 31 March 2016, the Council's housing stock on the HRA numbered 1725 properties throughout Shetland. Details of the housing stock are set out in the Asset Management Strategy. In summary, just over half (52%) of the stock is located in Lerwick with the remainder dispersed throughout Shetland. The majority of the housing stock was built after 1965 and are mainly two and three bedroom properties.

5.0 How We Work

5.1 The Housing Service is organised into the following sections:

- Housing Management & Homelessness
- Asset Management
- Repairs Service
- Housing Support
- Research & Information
- Business Support

With around 87 FTE staff, the Housing Service is managed by an Executive Manager and three Team Leaders (Asset Management, Housing Management and Housing Support) covering both the HRA and General Fund activities of the Housing Service.

5.2 An annual training programme aims to balance mandatory and developmental training with the aim of providing a professional, customer focused service. Use of career-grades has given staff opportunities to 'grow' into professional roles with formal qualification and supported work experience. The Service uses the Shelter Training package to provide recognised national standard training in Housing Advice, Information and Law for all staff. Regular one-to-one support and formal annual employee review meetings are carried out within all teams.

5.3 Team structure service reviews have been recently carried out in Housing Support and Housing Management to ensure that the service meets current needs and is fit for purpose.

Within the Development Directorate reviews of admin/business support and research and information teams has led to the development of virtual teams and more joined-up working across the directorate.

5.4 Identified areas for team structure service review in 2017/18 are: Asset Management and Housing Repairs.

5.5 All our policies are compiled into an accessible Quality Manual and are regularly reviewed and updated.

5.6 Recent achievements within the Housing service include:

- Achieving resolution of the Housing Debt
- Implementing a new integrated housing management system
- Achieving an excellent Care Inspectorate report for Housing Support Service
- Redesigning the Housing Support Service
- Continuing to work in partnership with Hjalmland Housing Association on the delivery of new housing supply
- Removing the Trading Account status from the DLO to enable an integrated housing repairs service to be developed
- Focusing on prevention of homelessness to reduce numbers of homeless presentations

5.7 Service Strengths

5.7.1 Through various methods, such as inspection, benchmarking and national reporting, we have been recognised as having significant strengths in the following areas:

- Commitment to Tenant Participation
- Partnership working being at the core of our strategic planning and service delivery
- Focus on early intervention and offering a housing options approach
- High levels of satisfaction with repairs and maintenance service
- Dedicated and professional staff

5.8 Areas for Improvement and Service Priorities

5.8.1 We are currently reviewing and evaluating a number of key areas with a view to improving service planning, provision and delivery:

- Energy efficiency needs of our housing stock
- Rent levels and affordability
- The workforce requirements of the repairs service
- Use of technology and mobile working options
- Formalised benchmarking
- Updating of our Tenant Participation action plan

5.9 Partnership Working

5.9.1 The Housing Service is committed to partnership working to deliver on its aims and objectives and to support a range of services and projects with links to Housing. There are multiple partnerships in place at both strategic and operational levels. Some examples of partnership/multi-agency working include Anti-Social Behaviour; Corporate Parenting; Domestic Abuse Partnership; Welfare Reform; Fuel Poverty etc.

5.9.2 We also consider our tenants and applicants to be partners in our work and have produced a refreshed Tenant Participation Strategy as part of the business plan process. This has been consulted on with all tenants and has been positively received. The Tenant Participation Strategy sets out our partnership commitment to our tenants. A new action plan for greater tenant involvement in line with the Scottish Housing Regulator's national frameworks will be developed in 2017.

5.10 Common Housing Register

5.10.1 Shetland Islands Council and Hjaltland Housing Association operate a shared housing waiting list. In practice this means that applicants only need to complete one form to apply for social housing in Shetland. This provides applicants with a more efficient housing application process. Regular reviews are carried out and tenants' views are sought on the process to provide feedback and allow continuous improvement.

6.0 Quality of Service – Accountability and Value for Money

6.1 The Housing Service must be accountable to its tenants and also to elected members, the Scottish Government, the Scottish Housing Regulator and service delivery partners.

In 2014, the Scottish Housing Regulator introduced new reporting requirements through the Scottish Social Housing Charter. All social landlords must produce an annual return on the charter (ARC) reporting against a range of key performance measures devised in consultation with tenants nationally. Also locally landlords must produce a report card on annual performance for distribution to all tenants.

6.2 The Scottish Housing Regulator has also produced a comparison tool using the charter returns from all landlords in Scotland so that benchmarking and peer group comparisons can be done.

In developing our tenant scrutiny further, we will look to expand our internal audit process to widen involvement of tenants in reviewing our policies and procedures, as set out in the Tenant Participation Strategy.

7.0 Scottish Housing Regulator

7.1 The Scottish Housing Regulator (SHR)⁵ is an independent external body that assesses the effectiveness of housing landlords across Scotland, both local authority and housing association landlords. The SHR introduced a uniform set of performance indicators for all landlords to report on annually, together with a requirement to publish performance data annually in a report card format for all tenants, known as the Annual Return on the Charter (ARC). The ARC focuses on enabling tenants to hold landlords accountable for performance in achieving the outcomes that matter to them. This data also provides accessible and valuable benchmarking information across all social housing landlords in Scotland

⁵ <https://www.scottishhousingregulator.gov.uk/>

8.0 Tenant Participation and Consultation

- 8.1 The Council has a long history of involvement in tenant participation and consultation. The establishment of an independent Tenant Participation Worker through the Shetland Tenants Forum was hailed as a model of good practice when it was established. The refreshed Tenant Participation Strategy which has been developed alongside this Business Plan shows the evolution of tenant participation. Tenant participation was given statutory status in the Housing (Scotland) Act 2001.
- 8.2 Traditionally tenant participation has focused on tenant groups, however changes brought about by the Scottish Housing Regulator make it clear that wider tenant involvement is needed. Not all tenants want to be part of a formal group but do want to have a say in how their landlord provides services to them. The Council recognises that there are different ways for tenants to be involved and through our refreshed Tenant Participation Strategy, we will seek to develop a range of options for tenants throughout 2017 and beyond. This will include providing views, opinions and feedback on services through surveys, focus groups, estate inspections, tenant led audits etc.

9.0 Tenant Satisfaction

- 9.1 From the Scottish Housing Charter survey carried out in 2014, 77.9% of tenants reported that they were satisfied with the overall service provided. From the Charter survey sample, 84.7% of tenants reported that they were satisfied with the repair and maintenance service they had had. From our own feedback surveys which we carry out for each repair we recorded higher levels of satisfaction, with 94% of responses indicating that they were satisfied with the service received. However from the survey tenants satisfaction with their opportunities to participate in landlord's decision making and who felt that their landlord was good at keeping them informed about their services and outcomes was lower than average at 50% and 67.4% respectively.

10.0 Performance Management

- 10.1 It is important to have a performance monitoring framework in place that allows us to:
- Clearly demonstrate what our customers can expect from us;
 - Assess systematically whether we are meeting the standards and targets we have set;
 - Ensure that performance is reviewed and actions to correct or improve performance can be identified and implemented;
 - Make clear to staff what the standards of service that they need to work to are.
- 10.2 We measure our performance through the use of performance indicators developed from national and local sources. This ensures consistency and allows management to focus on our key priorities. Our integrated housing management system allows managers to access user-defined monitoring reports in real time. Areas of poor performance are investigated quickly and appropriately by managers. Regular reports to Committee ensure that elected members are apprised of the service performance on a regular, quarterly basis.

10.3 Annual reporting on the Housing Charter to both the SHR and to tenants through the Report Card ensures that our tenants and external scrutiny body are fully informed of our performance. Through our refreshed Tenant Participation Strategy we plan to extend tenant involvement in shaping policy through a range of focus groups and tenant audit programmes.

11.0 **Benchmarking**

11.1 Benchmarking, or comparing performance with others, can be a useful way of checking performance levels. The Scottish Housing Regulator has published all the Charter information returns in a way that allows comparisons with other landlords. This tool is available online and can be accessed by anyone. It is a useful way for tenants to do their own comparisons. As with all high level statistical reporting, further analysis and understanding of context is needed to properly understand where there are differences. Formal benchmarking and performance is an area that we have identified to be developed further. There are national membership organisations who are providing this service and we plan to investigate what services they are able to offer.

An initial comparison carried out using the SHR reporting tool with the published 2015/16 information to compare Shetland Islands Council with our closest comparators across a range of the reported indicators shows the following:

2015/16		SIC	OIC	HC	HHA	HHP	SHR Ave.
Homes & Rents	Stock Number	1741	952	13899	630	2191	4418
	Ave rent 1 bed home	£57.82	£65.06	£61.11	£75.60	£65.41	£62.76
	Ave rent 3 bed home	£84.53	£77.07	£74.95	£87.27	£76.63	£75.66
Tenant Satisfaction	Overall % tenants satisfied with service	74.8	87.6	74.0	90.3	83.0	83.7
Quality & Maintenance	Ave time taken to carry out emergency repair (hours)	5.0	6.9	7.9	5.5	9.4	8.1
	% repairs carried out 'right first time'	83.7	93.7	95.3	94.8	88.3	94.5
	% tenants satisfied with repair	82.7	84.3	83.3	89.2	83.6	85.1
Neighbourhood	Cases of anti-social behaviour per 100 homes	0.6	4.0	15.1	11.6	1.5	12.7
	% of anti social behaviour	70	81.6	81.0	83.6	81.2	81.1

Appendix A (DV-16-17)

	cases resolved within local targets						
Value for Money	% rent not collected through void/empty homes	1.3	1.5	1.0	0.1	0.7	1.0
	Average time taken in days to re-let homes	64.2	40.6	47.1	6.5	21.1	41.5

Key: SIC – Shetland Islands Council
OIC – Orkney Islands Council
HC – Highland Council
HHA – Hjaltland Housing Association
HHP – Hebridean Housing Partnership
SHR Ave – Scottish Average as per SHR charter report

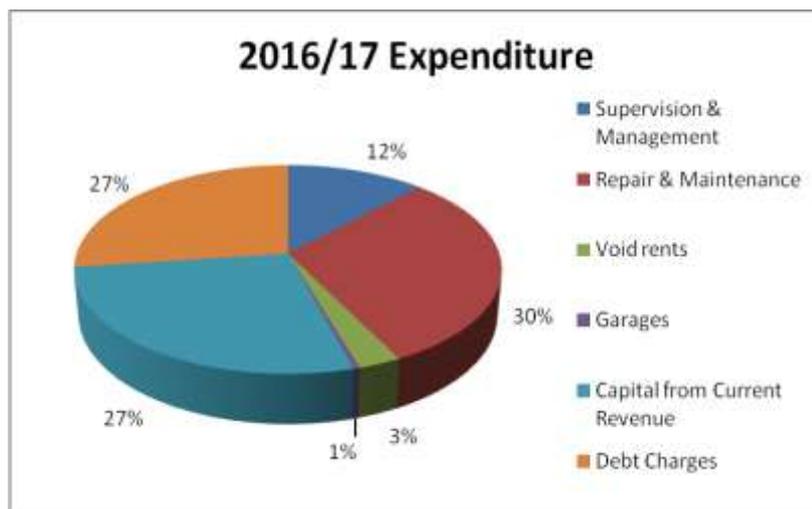
12.0 Financial Plan

12.1 Housing Revenue Account

12.1.1 The HRA is a statutory requirement for all local authorities that provide a housing landlord service. It is a ring-fenced account with income mainly being generated from tenants' rents. Expenditure is incurred through the management and maintenance of, as well as investment in, the housing stock to ensure that tenants' homes are safe, secure, warm free from defects and meet current standards.

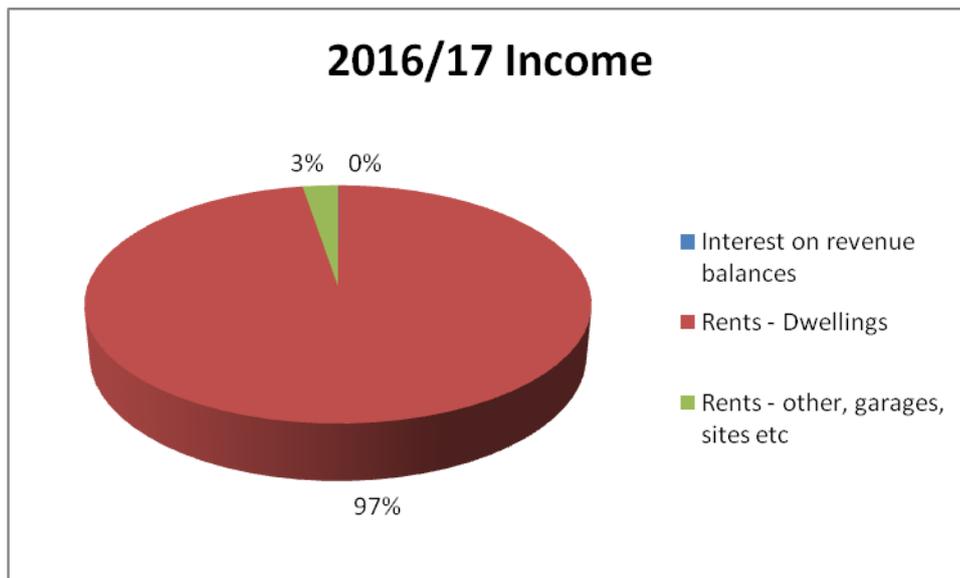
The HRA is divided into Capital and Revenue items. Expenditure on Capital items is where money is invested in major works (such as external refurbishment, replacement roofs, full house heating and insulation upgrades) to improve the physical quality of the houses.

Revenue income is predominantly the rent that tenants pay to the Council and Revenue expenditure is associated with the day-to-day management and maintenance of the houses. Further detail on the revenue income and expenditure is provided within Figures A and B below.



(Figure A – 2016/17 HRA Agreed Expenditure Budget)

The greatest proportion (30%) of revenue spend is on repair and maintenance, with funding for capital projects and debt charges the next highest.



(Figure B – 2016/17 Agreed HRA Income Budgets)

It should be noted that homelessness services and housing support services are funded from the Council’s General Fund and do not form part of the Housing Revenue Account.

12.2 Overview

12.2.1 The primary focus of the financial modelling which underpins the Business Plan was to ensure that the HRA can be sustained over the 30 year period, with more detailed focus on the medium term (3-5 years). The model has allowed the review and assessment of the required level of funding over the medium to long term.

12.3 History of the HRA

12.3.1 The HRA has historically been constrained by a very high level of housing debt, which peaked at around £59m in the late 1980’s. The debt was incurred when the oil industry arrived in Shetland in the 1970s and money was borrowed to build houses and to maintain and refurbish the original housing stock over a period of years.

A debt resolution was sought from the Scottish Government and agreed in 2013, which has brought borrowing levels down to £15m. This means that the debt is now at a more manageable level.

12.4 Stock Valuation

12.4.1 The 2015-16 Annual Accounts of Shetland Islands Council states the valuation of Council Dwellings on the HRA at £65.771M. Other land, buildings and vehicles held on the HRA have a stated value of £1.078M.

12.5 Financial Modelling

12.5.1 Financial modelling has been done, taking the 2017/18 proposed HRA budgets as the base year. The actual housing stock numbers as at 31 October 2016 have been used to model opening stock.

12.6 Key Financial Assumptions

12.6.1 Inflation

The model has used the longer-term expected rate of 2% CPI over the 30 year period. An assumption as to the future value of inflation is available from government forecasts, which although low at present, with the Consumer Prices Index (CPI) currently⁶ 1.6%, the Office for Budget Responsibility shows government forecasts for CPI to return to 2% by 2020. Given the long-term nature of these assumptions, looking back over the last 20 years, UK CPI averaged 2.7% over the last 10 years, 2.2% over 15 years and 2.1% over 20 years.

Using all of this as a backdrop it is not unreasonable to forecast that CPI may exceed 2% in the long-term and as such to recommend using future inflation proofing of investments at 2.1%, the 20 year average.

12.6.2 Real Growth Above Inflation

The model has assumed growth of 0.5% per annum above underlying inflation. This reflects the increased costs associated with managing and maintaining housing services within a remote community.

12.6.3 HRA Costs

The main expenditure items on the HRA are repairs and maintenance, supervision and management, capital expenditure (including exceptional works) and borrowing costs.

Repairs and Maintenance

This covers the cost of the responsive and cyclical maintenance and the staffing costs associated with providing these services. This takes account of the cyclical maintenance costs detailed in Asset Management Strategy, along with the cost of running the Housing Repairs Service.

Supervision and Management

The HRA requires proper supervision and management in order to ensure that its properties are effectively managed, maintained and let to tenants.

⁶ Office for National Statistics: Consumer Price Inflation, December 2016

Capital Expenditure

Capital expenditure includes the cost of major component replacement. The Asset Management Strategy has been developed following a detailed stock survey and this information has been fed into the model. The focus in the medium term will be to ensure that energy efficiency targets and required planned maintenance of existing housing stock is achieved and maintained. It was acknowledged in the stock condition survey that there will be peaks and troughs in relation to the expenditure from year to year for major component replacements and other capital works. The modelling has smoothed out the impact of those peaks and troughs by building in a flat rate of £3.155m per annum, adjusting for stock numbers, underlying inflation and growth. This flat rate recognises and takes account of the current annual capacity limits within the both the Housing Repair Service and the local construction industry to undertake repair works.

Exceptional Works

The Asset Management Strategy also recognises some additional capital expenditure which is deemed as exceptional works. This expenditure relates to identified failure of blocks manufactured between 1975 and 1981 and used in the construction of some of the HRA's housing stock, and also issues with Cruden design steel frames used in properties built in the late 1940s and early 1950s. It is difficult to forecast the cost of these works accurately until all properties are inspected. Only then will the full extent of the works be known.

Based on the repair work already undertaken and the structural surveys commissioned on the properties, a best and worst case scenarios for the exceptional works has been calculated. The financial modelling uses a mid-point costing in this respect, of £20.706M, programmed over years 2 to 8 of the model.

Borrowing Costs

Historically, borrowing has been required to fund the HRA. The model includes the costs associated with the repayment of this old debt, which will be repaid in full in year 15. There is also a requirement for new borrowing to ensure the Asset Investment Strategy can be met, this is discussed in more detail below.

It is expected that borrowing will be undertaken at the Council's internal pooled rate, on which interest has been estimated at 5.75% for the purpose of the financial modelling.

12.7 How is the HRA Funded?

The HRA must be self-sustaining, so the expenditure detailed above must be funded. The primary ways in which the HRA is funded are through rental Income, use of reserves and borrowing. In year 1 the model also shows Capital Receipt income.

Rental Income

Rent modelling has been undertaken and assumes the underlying inflation rate and real growth factor over the 30 year lifetime of the model. A key service priority for the HRA is to provide affordable rents.

It has been recognised that there is a disparity between the average rental we charge on our smaller properties and that charged by other Councils and Housing Associations. In the medium term (5 years), the plan has incorporated the application of 2% inflation on an annual basis to all rents, with an additional £1 per week to be added to the rent for one and two apartment properties. This will bring the rents in line with benchmark figures, ensuring the differential between rental cost per apartment size does not continue to widen. Tenants were consulted on this for the 2016/17 and agreed with this principle. The impact of this change versus a straight 2.5% increase to all property rentals in the first 5 years is minimal.

In considering rental income there is a need to take account of the levels of rent arrears, bad debts and void costs and make provision for these. The bad debt provision has been estimated at 1% of total rental income as debt written off over the last 5 years have not exceed this level (2013/14 0.66% peak). Void costs are calculated for general and sheltered accommodation at 2.4% and 3% of total rental income, respectively, again this has been modelled on voids data collated over the last 5 years.

To fund the forecast expenditure of the HRA over the medium to long term, solely through rental income, would require rent to rise by more than the underlying inflation and growth rates. Our modelling showed that rental income would need to increase by 6-7% during the years the exceptional works were being undertaken to meet the costs. This would increase rents to an unaffordable level, so has been ruled out as a funding option.

Use of Reserves

The Council has a specific reserve which has been built up over a number of years initially created from the Reserve Fund. This reserve is necessary to ensure the HRA is financially sustainable and can meet any unforeseen or exceptional circumstances.

As at 31 March 2016 the Housing Repairs and Renewals Reserve balance was £13.1m. The financial modelling identified that additional funding, beyond the planned rent increase, is required to meet planned expenditure over the medium to long term. Use of reserves has been tested and will be insufficient to meet the whole of the remaining cost.

The use of the reserve needs to be sustainable, so it is necessary to set a minimum level to which the Housing Repairs and Renewals Reserve can fall. Given that any major fluctuations in the timing of expenditure are likely to be within the Asset Investment Programme, the minimum reserve level has been set at £4m. This is equal to the annualised cost of one year's planned asset investment (£3.2m) plus an allowance of 4% of the current estimated overall cost of exceptional works (£800k). It is felt this is a prudent level to set reserves at to account for fluctuations and unexpected circumstances.

Borrowing

Capital expenditure can also be funded from borrowing. This means that the cost of capital in any particular year is spread over a number of years in line with the conditions of borrowing (i.e. 20 years/30 years or a combination). This results in an annual charge for borrowing which has to be met from revenue. Any borrowing has to be undertaken in line with the current Council's Borrowing Policy.

Borrowing can be internal or external to the Council. The economic case for borrowing externally or using the Council's own reserves to finance capital expenditure is essentially down to whether interest rates are higher or lower than the long term average return on the Council's external investments (with fund managers).

As at 31 March 2016 the HRA borrowing was £13.828m. At this level of borrowing, the debt cost per dwelling is £7,460. This compares to national average of £12,807 per dwelling⁷ for 2015/16.

Further borrowing will be required from year 4 to 26 based on the financial modelling, to meet the remaining funding gap necessary to facilitate the Asset Investment Programme. The total additional borrowing requirement has been estimated at £38.504m, with the debt per dwelling peaking in year 7 at £12,981.

Capital Receipts

In the model it is predicted that a further 4 house sales will occur in 2017/18 through Right to Buy Legislation. The Tenant's Right to Buy came to an end on 1st August 2016, so this is anticipated to be the final year where house sales will take place. The sale of houses generates a capital receipt which is used to funding capital expenditure.

12.10 Financial Risks

There are many variables in the financial modelling to be considered. The assumptions made in the financial modelling have been tested, but financial risks still remain.

- Interest rates are currently at a very low level, but over the lifetime of the model are likely to rise. This is mitigated to some extent with the use of a pooled rate of interest, which are less likely to show major fluctuations.

The uncertainty over the cost of exceptional work required could have a major impact on the model. The worst case scenario, would involve further borrowing and push the model towards a less sustainable position. Comfort can be taken from the findings of work done to date on the affected properties that the worst case scenario is not the likely outcome and that the mid-point estimation used is prudent

⁷ <https://www.scottishhousingregulator.gov.uk> – Sector Analysis – Statistics – 2016 Table FRS102(8) – Financial Ratios and Costs

13.0 Future Investment

13.1 New Affordable House Building

The supply of new affordable housing is a key theme in the Local Housing Strategy. The delivery of new social housing is currently undertaken in partnership with Hjaltland Housing Association who is the lead developer in the delivery of social rented housing. This arrangement maximises external funding into Shetland and is detailed in the Strategic Housing Investment Plan (SHIP) It is important that the Council, as the statutory enabling body for housing, seeks to maximise this kind of opportunity as it offers different funding mechanisms that do not impact on the HRA.

13.2 Asset Management & National Standards (SHQS and EESSH)

The production of an Asset Management Strategy sets a clear course for future investment in the existing housing stock. This information is based on verified data. The shift to planned maintenance and reduced reliance on reactive maintenance will provide clearer programmes of work for staff and tenants. Initial focus will be in ensuring that national standards such as the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESSH) can be met. This will require significant investment in heating and insulation programmes for our housing stock. A five year planned work programme will be developed and shared with tenants. This will be regularly reviewed and progress reported. The Asset Management Strategy makes an explicit link to the Tenant Participation Strategy and the work plan will identify a number of workstreams to develop tenant involvement in this area.

A further strand of the Asset Management Strategy is to evaluate efficient procurement, with assistance from our Corporate Procurement team.

13.3 Other Investment Plans

While the Asset Management Strategy has identified and costed the major component replacements required (e.g kitchens, bathrooms, windows etc), there are a number of additional areas which may require investment due either to construction methods or structural concerns. Where these occur we will commission specific professional surveys and reports and will prioritise investment through review of the programme and the financial modelling outputs.

14.0 Rent Strategy

14.1 Council rents in Shetland have traditionally been at the higher end of the scale in comparison to other local authorities. The high level of rents was due to the historic housing debt which was a main driver in rent-setting in the past. Rent increases have in recent years, up to the resolution of the housing debt, been in excess of inflation. The Business Planning process has allowed us to financially model the impact of costs and investments on rents. Consultation with tenants has indicated that while most tenants feel that their rents are high, they are generally happy with the service they receive. Tenants have expressed concerns about affordability should rent increases be above inflationary level. The business planning process allows a degree of certainty over planned future rent levels. It is recommended to advise tenants of the likely rent levels over the coming three year period, subject to annual review.

14.2 In looking in detail at benchmarking data, it is clear that our previous strategy of applying a flat percentage increase across all property sizes has skewed our rent differentials. In practice this means that our bedsit, one-bedroom and two bedroom properties have rent levels well below the Scottish average. These rents are also much lower than our comparator landlords (see table at 11.1). This gap is being addressed in future rent increases by applying an appropriate formula to the smaller properties. Further rent modelling and tenant consultation will be carried out annually as part of the HRA Budget process.

15.0 Conclusions

15.1 The HRA can demonstrate financial viability over the 30 year life of the Business Plan, whilst at the same time fulfilling the strategic priorities of the Local Housing Strategy.

15.2 The financial modelling gives the HRA a solid base for annual review to be translated into HRA budget proposals.

15.3 The financial modelling allows us to be clear that the financial demands on the HRA over the short to medium term are the maintenance of the existing Housing stock, leaving little scope for new build projects.

15.4 The Business Plan will be reviewed annually and updated for any significant change to the investment plan and reported to the relevant committee through the Budget Process.

Executive Manager – Housing

January 2017



Asset Management Strategy

Responsible Officer:	Team Leader – Asset Management
Last Revision Date:	07 December 2016 (DRAFT H)
Document Reference:	Asset Management Strategy

Contents

5-6 Asset Management Strategy

Background
What is an Asset Management Strategy?
Vision Statement
Aims Objectives

6-9 Asset Profile

Stock Data
Right to Buy

9-10 Asset Condition Review

Stock Condition Survey
Identified Structural Surveys
Block Failure
Cruden Design
Energy Assessments
Stock Condition Review Action Points

10-11 Investment

Stock Condition Survey
Exceptional Works
Energy Efficiency

12-13 Resources

14-15 Energy Efficiency

The Scottish Housing Quality Standard (SHQS)
Energy Efficiency Standard for Social Housing (ESSH)
Energy Efficiency Action Points

15-17 **Tenant Involvement**

Shetland Tenants Forum
Inspection Officers
Estate Inspections
Tenant Home Improvement
Feedback
Complaints
Condensation

17 **Information Technology**

Information Technology Action Points

17-18 **Procurement**

Procurement Action Points

18 **Cyclical Maintenance**

Cyclical Maintenance Action Points

18-19 **Housing Repairs Service**

Right to Repair
Repair Service Action Points

20-21 **Health and Safety**

Asbestos
Legionella
Electrical Testing
Gas
Fire Safety
Recorded Data
Health and Safety Action Points

22 **Review**

Management is a key part of Business Planning which connects at a strategy level, decisions about an organisation's business needs, the deployment of its assets and its future investment needs"

Sir Michael Lyons (2004)

Asset Management Strategy

Background

As part of Shetland Islands Council (SIC) ongoing review and development of the Housing Service it was agreed that a new Asset Management Strategy was required to identify how the SIC propose to deliver the best use of the Housing Service assets.

This Housing Asset Management Strategy will compliment and support the new Housing Service Business Plan.

What is an Asset Management Strategy?

Asset management is the range of activities undertaken to ensure the housing stock meets the needs and standards now and for the future. The Asset Management Strategy is about reviewing and developing the asset to provide the right accommodation in the right location. This Strategy will demonstrate the SIC is effectively managing their assets and is therefore evidence that the organisation is well managed and governed.

Vision Statement

Shetland Islands Council Vision Statement;

‘We will provide affordable, well maintained and energy-efficient homes for now and the future’

Underpinning this vision are three values;

Putting people first;

We value our tenants and our employees and we consider actions before making decisions.

Supporting communities;

We will work with others to do what is right.

Spending money wisely;

We will achieve value for money by consulting with tenants and involving employees to help make the right choices.

Aims and Objectives

The following aims and objectives have been developed to complement and support the SIC with meeting its Vision Statement;

- To deliver home improvements which are sustainable and represent best value.

- To continue to maintain homes in line with statutory standards and property related legislation.
- To provide a range of good quality homes to people in housing need and those requiring care and support.
- To achieve continuous improvement in all property related services through effective performance management and benchmarking.
- To ensure that funding is maximised and to deliver value for money and identify efficiency savings wherever possible.
- To improve the energy efficiency of homes in order to help reduce fuel poverty and contribute to the wider environmental sustainability agenda.
- To create successful, sustainable communities through ongoing regeneration activity with partners and stakeholders.
- To ensure resident involvement and consultation is effective, allowing views to be heard and services to be applied accordingly.

Asset Profile

Stock Data

The SIC has a total housing stock of 1787 as at October 2016.

The earliest property was constructed during the mid 18th century with the latest built during 2014. Diagrams One and Two provide an indication of the construction age for our current housing stock. The busiest period for constructing new homes in Shetland occurred between 1965 and 1982 when 1010 homes were built, which accounts for 55% of our housing stock. During this period oil was discovered within the North Sea and Shetland underwent a change in industry and prosperity as a result of the needs to service this new commerce.

Construction Period	Properties Built
Pre 1944	163
1945-1965	328
1965-1982	967
1983-2000	247
Post 2000	82
Grand Total	1787

Diagram One – Current Housing Stock Built Date Data

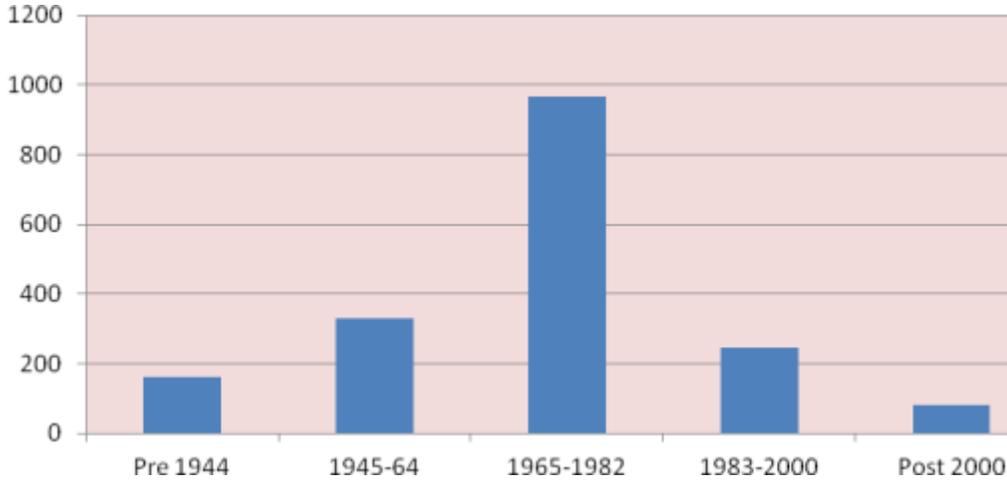


Diagram Two – Built Date Profile

Diagrams Three and Four detail the size of properties based upon the number of bedrooms provided. The largest provision of the current stock is for three bedroom properties accounting for 36% of our stock. The smallest allocation of four plus bedroom sized properties accounts for only 2% of our stock.

Property Size	Property Numbers
Bedsit/1 Bed	558
2 Bedrooms	545
3 Bedrooms	641
4+ Bedrooms	43
Grand Total	1787

Diagram Three – Property Size Data

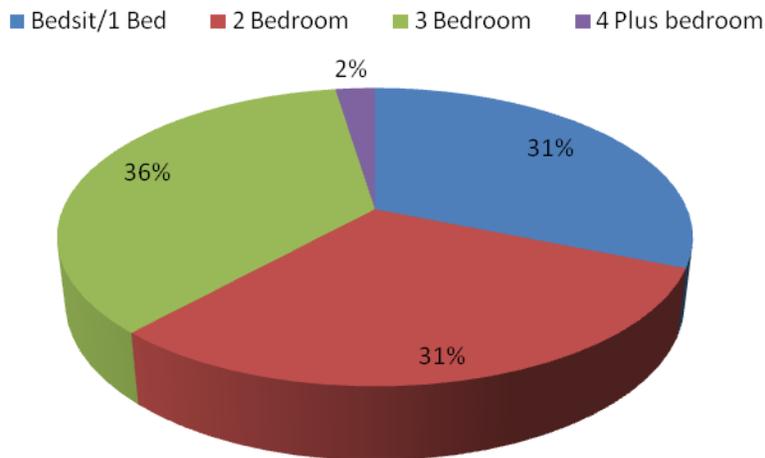


Diagram Four – Property Size Chart

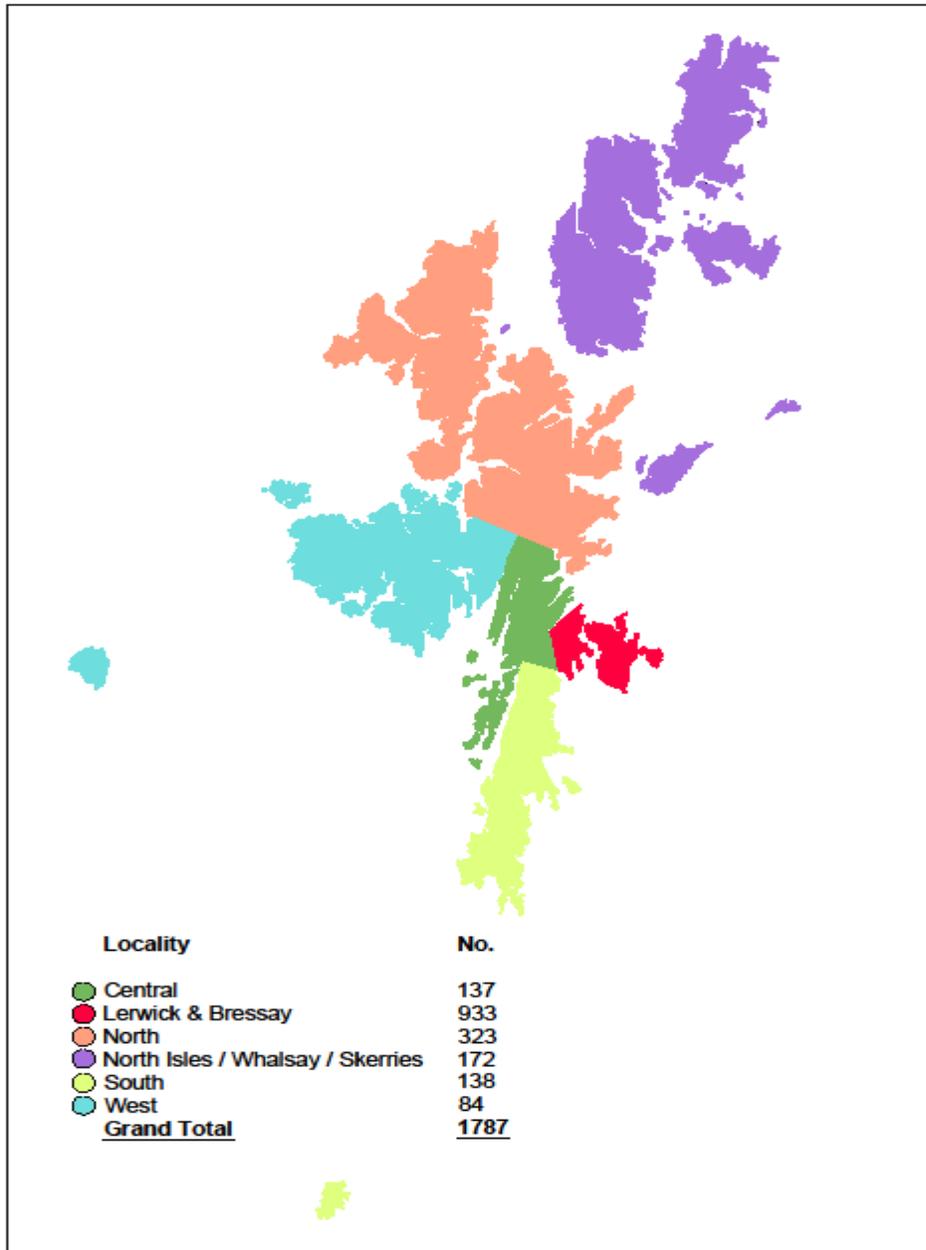


Diagram Five – Stock Location

The above map provides an indication of the location and numbers of housing stock within Shetland. The largest group is located within the Lerwick/Bressay area at 933 homes, this would reflect the area of largest population within Shetland.

Right to Buy

The Housing (Scotland) Bill was passed by the Scottish Parliament on 25 June 2014 and became an Act on 1st August 2014. The Act entitled council and housing association tenants in Scotland the opportunity to buy their property for a limited time. The Right to Buy for tenants ended on 1 August 2016 and as at 18 November 2016 there are 76 active Right to Buy applications. Further guidance can be found on the following dedicated website;

http://www.shetland.gov.uk/housing/housing_options_right_to_buy.asp

Asset Condition Review

The SIC have undertaken the following investigations to establish the condition of the existing assets;

- Stock Condition Survey
- Identified Structural Surveys
- Energy Assessments

Stock Condition Survey

The SIC commissioned a 20% Stock Condition Survey which was undertaken during October 2014. The headline findings from the Stock Condition Survey are as follows;

- Externally the consultant stated that the “**properties appeared to be in good condition.**”
- The surveys identified that “**investment had been made in recent years, however it was noted that a number of properties have components which are approaching the end of their useable life.**”
- The greatest immediate cost liability across the stock lies with replacement kitchens, with slightly over 21% of all properties requiring a new kitchen within the next 5 years.
- The replacement of heating systems presents the highest likely cost liability over a 30 year period.
- Roof coverings present the highest cost liability for external components.

Identified Structural Surveys

The SIC commissioned consultant engineers to undertake surveys of recognised structural issues. These surveys were undertaken during October 2014. The surveys related to concerns with block failure and properties constructed with a Cruden design.

Block Failure

The predominant issue identified related to concrete blocks manufactured between 1975 and 81. Some blocks manufactured during this period are now showing a loss of structural strength, presumably due to failings within the block manufacturing process.

To date the SIC have undertaken exceptional remedial repairs to 60 properties affected by block failure. Investigations are ongoing to identify any further stock affected.

Cruden Design

Cruden design properties were built throughout Britain during the late 1940's and early 1950's. These properties are built with a structural steel frame over clad with an outer finish. Through the passage of time it has been established that the steel frames were susceptible to failure. As a result of these failings exceptional remedial works are required to repair the affected areas.

To date the SIC have undertaken exceptional remedial repairs to 28 properties affected by frame failure. Investigations are ongoing to 6 further properties, which are the only remaining Cruden design homes within our housing stock.

Energy Assessments

The SIC undertook a desktop study to establish the current Energy Efficiency Ratings for our housing stock. This exercise identified the energy improvement works required to improve the energy ratings in line with the requirements of The Scottish Housing Quality Standards and Energy Efficiency Standards for Social Housing (ESSH). These are mandatory standard for social landlords which must be met by the end of 2020.

This desktop exercise identified that approximately 67% of our properties required remedial energy improvement works to meet the legislative standards by the end of 2020.

Stock Condition Review Action Points

The Housing Service will continue to monitor, record and assess the condition of our asset. When issues are identified we will proactively undertake remedial works to ensure our properties are well maintained and are energy efficient.

Investment

The SIC are responsible for financing housing management, maintenance and investment costs through the full rental income generated from our housing stock.

The outcomes of the Stock Condition Review assisted with the identification of the overall costs required to maintain and improve the housing asset over a 30 year business planning period. This information will enable the SIC to make

informed investment decisions against the estimated rental income over future years. This information is incorporated into the financial modelling of the Housing Service Business Plan.

Stock Condition Survey

The 20% Stock Condition Survey undertaken on behalf of the SIC identified the condition and likely renewal date for property components. Through the initiation of these projects we will continue with a programme of cyclical replacement which will ensure that components are replaced before they reach the end of their affective life.

The initial five year planned programme identified the following component areas as requiring significant investment;

- Kitchens
- Windows/doors
- Roof finishes
- External wall finishes
- Heating

Following the results of the Stock Condition Survey, the SIC reviewed the recorded data and developed a programme of capital component replacement and cyclical maintenance. Through the establishment of these programmes a reduction with reactive and emergency repairs is anticipated and therefore a decline in expenditure on unplanned repairs.

The SIC are developing a standard specification document for the replacement of components. The SIC believe that replacing components with good quality products, which are suitable for the chosen environment and with consideration to the life of the asset represents good value for money.

Exceptional Works

The SIC and consultant engineer are currently reviewing the Reports produced following the engineers surveys. This review will result in the establishment of a programme of remedial works required to rectify the identified structural issues, together with agreed timescales. This information will be included within the 30 year Investment Plan supporting the Housing Service Business Plan.

Energy Efficiency

Following a study by our Contracts Manager (Services/Energy) we identified a programme of remedial works required to meet current legislation standards. The study identified the need for the following property improvements works;

- Increase attic insulation
- Increase external wall insulation
- Increase underfloor insulation
- Improvement to heating systems

Resources

The SIC Housing Service Asset Management and Repairs Service who are responsible for the repair and maintenance of the Housing Service asset.

The Asset Management Section employs a mixed team of professionals to manage and monitor construction and maintenance projects. The estimated value of these projects can range from £10,000 to in excess of £1,000,000. The disciplines employed by the SIC are listed below;

- Contract Administration
- Inspection
- Architectural
- Contract Management (Services/Energy)
- Quantity Surveying

The Repair Service employs a multi trade workforce who provides a 24 Hour, 365 days a year responsive service. The trades employed by the SIC are listed below;

- Joinery
- Plumbing
- Electrical
- Painting

When works are identified that requires either specialist trades or our own workforce does not have the capacity to undertake the work we appoint external trade contractors.

Diagram Six Identifies the professional disciplines required to undertake a typical construction project. The positions shown in blue are those roles carried out by SIC employees. The positions shown in orange would be met by the appointment of external consultants. We do not have a sufficient workload to justify the employment of either an engineer or health and safety professional and therefore appointing this resource when required provides us with the correct balance and best value approach.



Diagram Six – Typical Construction Project Team

When planning future projects the SIC Housing Service have to take into account the 'Shetland factor'. This relates to the Islands remote location, our access to limited resources and the impact of other construction related projects.

As a result of this factor we work closely with other construction related organisations to identify future market trends. We also look to develop projects to reflect what the local market can best accommodate in relation to resources and availability.

Training

The SIC recognises that reviewing employee performance and the identification of development needs is central to the continuous improvement of service delivery and the motivation of employees.

We proactively ensure that our employees are trained to meet the standards required by current legislation and to keep our staff well informed with new developments.

The SIC have an Employee Review and Development Policy. Employees meet with management annually to review and discuss performance, future training needs and development and career planning.

The SIC operates an e-learning system. This gives the opportunity for staff to access a range of online training courses using Brightwave, which is an e-learning system developed by local authorities in Scotland.

Energy Efficiency

The SIC aim to improve the energy efficiency of our homes, reduce energy consumption, fuel poverty and the emissions of greenhouse gases.

The Scottish Housing Quality Standard (SHQS)

SHQS was introduced in February 2004 and was the Scottish Government's principal measure of housing quality in Scotland. The SHQS is a set of five broad housing criteria which must all be met if the property is to pass SHQS. These criteria in turn consist of 55 elements and nine sub-elements against which properties need to be measured.

The purpose of introducing a minimum housing standard in Scotland is essentially to provide a 'floor' below which a property should ideally not fall. In the case of the social housing sector (local authority landlords and Registered Social Landlords), Scottish Government has set a policy target for landlords to bring their stock up to every element of the standard (where applicable) by April 2015.

The SIC informed the Scottish Housing Regulator following the April 2015 deadline that 99.9% of our homes met SHQS with exemptions in relation to element 54 (Common Door Entry). The buildings we occupy eligible for a door entry system provide accommodation for a small number of mixed SIC and private tenancies. Historically we have had no issues highlighting the need for a door entry system. This is likely due to our Islands environment, where the issues that occur in the larger polluted areas on the mainland do not exist within Shetland.

The Energy Efficiency Standard for Social Housing (ESSH)

ESSH is a further legislative requirement from the Scottish Government. This is a mandatory standard for social landlords which must be met by the end of 2020. ESSH succeeded the energy targets and guidance of SHQS.

ESSH aims to encourage landlords to improve the energy efficiency of social housing in Scotland. This supports the Scottish Governments vision of warm, high quality, affordable, low carbon homes and a housing sector that helps to establish a successful low carbon economy across Scotland, as set out in the Scottish Governments Sustainable Housing Strategy.

The Standard aims to improve the energy efficiency of social housing and reduce energy consumption, fuel poverty and the emission of greenhouse gases. Meeting this standard will help to achieve the Climate Change (Scotland) Act 2009 target of reducing carbon emissions by 42 per cent by 2020 and 80 per cent by 2050.

The standards are available on the following dedicated website:

<http://energyefficientsocialhousing.org/>

The SIC identified a program of remedial works required to ensure that our homes meet the EESSH standards by the end of 2020. This will include the homes identified as exceptions from SHQS.

Energy Efficiency Action Points

Our Contracts Manager (Services/Energy) manages our energy efficiency projects. With the advent of SHQS and EESSH we have noted a steady increase in energy efficiency projects. Annually these works account for almost 25% of our annual budget and affect circa 350 properties. We have forecast that this profile will continue over the next 5 years to meet the needs of EESSH before the 2020 deadline. Subsequent ongoing analysis against legislative targets will identify future project needs.

Our Contract Manager (Services/Energy) has the added responsibility of developing and managing contracts in relation to services, which are identified under cyclical maintenance.

Taking into consideration the growth of energy efficiency projects together with the continued need to deliver our cyclical maintenance works we are reviewing our resource need to meet this increased service demand.

Tenant Involvement

Tenant involvement is important to us, it allows us to share information, evaluate needs and take onboard views prior to decisions being made. Feedback is also important, from this we can identify what works, what does not, and where improvements can be made.

During May 2015 the SIC arranged a workshop with stakeholders to review tenant feedback regarding building related works. The following points were raised as important;

- Tenants want more involvement with decision making.
- Improved communication before, during and after works are undertaken.
- Tenant involvement with performance monitoring.

Shetland Tenants Forum

The Shetland Tenants Forum was formed in 1991 and is the independent ear and voice for tenants. The way Shetland has approached tenant participation is held up as a model of good practice. The Housing Service and Tenants Forum

are in regular contact discussing asset management issues for both individual tenants and estate wide concerns. Involving and valuing the tenants is a key theme and as an organisation there is a strong focus on access and customer care across all aspects of the Housing Service. Further information regarding the Shetland Tenants Forum can be found on the following website;

<http://www.shetlandtenantsforum.com/>

Inspection Officers

All tenants have a named Inspection Officer who can provide technical advice and guidance. The officers liaise with tenants, assist with issues and provide technical advice. When required they will organise and manage repair works.

Estates Inspections

Estates inspections are carried out annually with invites issued to tenants, tenant groups, elected members and Environmental Health. These inspections are an opportunity for all to raise estate management issues on a formal or informal basis.

Tenants Home Improvement

Under the Scottish Secure Regulations 2002 tenants have the right to carry out improvement works to their homes, provided they obtain approval from the SIC. Tenants who carry out improvement works may have the right to claim compensation for any agreed specific works when their tenancy comes to an end.

Feedback

The SIC periodically carry out Tenants Satisfaction Surveys to provide feedback on the services provide by Housing to our customers. The responses from these surveys are summarised and included within the Scottish Social Housing Charter Return.

The information from the last Survey was also used within the Housing Report Card 2015-16 which was issued to all tenants. This Report Card summed up how the Council performed based on the information provided by tenants. The Housing Report Card can be found at the following web address;

<http://www.shetland.gov.uk/housing/documents/2015.16HousingReportCard.pdf>

Complaints

We are an organisation committed to continual improvement and see customer complaints as an essential part of that process. It is important to listen and work together to resolve issues. The SIC has provided a leaflet on how complaints are dealt with and this leaflet can be found at the following web address;

http://www.shetland.gov.uk/comments_complaints/

Condensation

Complaints associated with condensation related dampness have increased significantly in the last year. This issue is not specific to Shetland with other mainland social landlords reporting that these complaints have tripled over the last 12 months.

The SIC issued to all householders and published a leaflet during March 2015 to inform tenants of the causes of condensation. The leaflet also provided advice on how tenants and the SIC can work together to eliminate dampness caused by condensation. The leaflet can be found at the following website;

<http://www.shetland.gov.uk/housing/documents/SICHousingCondensationLeafletFINAL13022015.pdf>

Information Technology (IT)

The Housing Service operates a fully integrated housing management system (Capita).

Capita is regularly updated by staff to ensure that the data stored is current and the information can be used to inform SIC staff, tenants, contractors and anyone with a need for this data of the current status of a property/tenant.

The SIC also operate complimentary Capita software which can produce reports to assist with monitoring and future planning.

The SIC has a comprehensive Internet homepage that provides the public with an extensive library of information on Council Services. The Housing Service section of this site supplies the viewer with information on a wide range of housing related topics. The SIC Housing page can be found at the following web address;

<http://www.shetland.gov.uk/housing/>

Information Technology Action Points

We are developing Operational Procedures to ensure the Housing Service have agreed recorded guidance for staff to update and operate our IT systems. We acknowledge that IT is an area known for development and change, therefore we recognise the need to continually monitor and develop our Service needs to maximise the benefits from technology developments.

Procurement

In 2010 the SIC agreed that a corporate procurement approach be adopted with the establishment of a Procurement Section. The remit of the section is to ensure

that the regulatory procurement regime is adhered to and to take steps to improve procurement practice in order to realise significant cost savings.

The strategy sets out good procurement practice which in turn is aimed at delivering considerable cost savings, greater collaboration at a national and local level. It will also support local contractors, suppliers, service providers and benefit the local economy. We are exploring the potential to use community benefit clauses when the SIC enters into future contracts with the private sector. The strategy promotes and develops good procurement practice for the benefit of all concerned.

Procurement Action Points

The Housing Service is an active member of the Council's Procurement Contacts network. This network was created to monitor and develop procurement in line with regulatory requirements, changing industry standards and other procurement opportunities. We are a committed member of this network and acknowledge the positive benefits of collaborative working to identify and develop best procurement practice for Housing and the Council.

Cyclical Maintenance

Cyclical maintenance covers the work undertaken on an annual or long term basis. The current cyclical maintenance programme includes the following work areas;

- Legionella
- Heat pump servicing
- Ventilation servicing
- Fire alarm servicing
- Septic tank maintenance
- External painting
- Electrical testing

Cyclical Maintenance Action Points

The Housing Service will continue to proactively undertake a program of maintenance projects to meet legislative and manufacturers written guidance.

Housing Repairs Service

The Housing Repair Service is made up of a multi trade workforce that provides a 24 hour 365 days a year responsive service. The responsibility for repairs to SIC houses is shared between the SIC and the tenant in line with the tenancy agreement. In general, the SIC is responsible for maintaining the fabric and permanent fittings of the building. The tenant is responsible for internal decoration, furnishings and removable fittings like clothes lines, TV aerials, curtain rails, light bulbs and so on.

The SIC operate a repairs helpdesk where issues can be reported. Through this facility, repairs can be logged and tickets issued based upon priority. Repairs are categorised by the SIC as emergency, urgent, routine or 'other'. Tenants have the right to a repair being carried out within the timescales set out below.

- Out of Hours Emergency Repairs (same day)
- Emergency Repairs (same day)
- Urgent Repairs (response within 3 working days)
- Routine Repairs (response within 1 month)
- 3 Month Repairs

Further information regarding repairs can be found on the following dedicated website;

http://www.shetland.gov.uk/housing/tenants_repair_responsibilities.asp

Right to Repair

Under the Housing (Scotland) Act 2001, Scottish secure tenants have the right to have small urgent repairs carried out by their landlord within a given timescale. This is called the '*Right to Repair*'. It covers certain repairs which are known as 'qualifying repairs'. If the SIC repair service does not start the qualifying repair within the time limit set, the tenant can select another contractor from a provided list of contractors. The new contractor will inform the SIC and the tenant will receive compensation for the inconvenience caused.

Repair Service Action Points

Following the development and introduction of a new Housing Management System (Capita) our ability to evaluate performance and the changing service needs of the Repair Service has improved. We can now identify the localities where service need is greatest by trade together with the types of works undertaken. Through the analysis of this data we can develop our Repair Service to meet the developing needs of our housing stock.

The Repairs Service operates a Schedule of Rates to assist with calculating repair costs. The Housing Service engaged an external consultant to review our current schedule. We are looking to develop the schedule to provide a more specific list of items, which will be comparable with nationally recognised standards and assist with our performance reporting.

Through the development of our evaluation and monitoring procedures, we will establish and target service delivery together with developing the Service to limit the number of reactive repairs and proactively plan long term maintenance of the housing stock.

Health and Safety

The Scottish Housing Quality Standard (SHQS) was introduced in February 2004 and was the Scottish Government's principal measure of housing quality in Scotland. The SHQS is a set of five broad housing criteria which must all be met if the property is to pass SHQS and Section E of this Standard relates to Healthy, Safe and Secure. The Scottish Government set a policy target date for landlords to bring their stock up to meet the standard by April 2015. In the case of Section E there are 15 elements to comply with, the SIC met all of these standards and applied for an exemption from element 54, this relates to the need to provide secure door entry systems to common front doors. Only two properties were identified that met the criteria of requiring a door entry system. Historically no issues have been identified to necessitate the need to install door entry systems within these properties.

Asbestos

The SIC engaged external consultants to review and update our Housing Asbestos Management Plan in accordance with the following legislation;

- The Control of Asbestos at Work Regulations 2012
- Health and Safety at Work Act 1974
- Management of Health and Safety at Work Regulations 1999

Our Plan details the approach that the SIC will take with the day to day management of asbestos contained within our assets.

The Capita computer system operated by the SIC incorporates our Asbestos Register. In its present form the Register indicates where known or suspected asbestos containing materials have been located and their generic type. This is a live document, which is continually updated.

The Control of Asbestos at Work Regulations 2012 continues a specific duty to manage the risk from asbestos containing materials in non-domestic premises. These regulations can also be used as guidance for domestic premises where the landlord has a duty of care to staff and tenants living and working within these properties.

Legionella

As a residential accommodation provider our obligations come under the approved code of practice 'The Control of Legionella Bacteria in Water Systems' guidance.

Water quality testing is carried out on a 6 month cycle and Legionella Risk Assessments are carried out at 24 monthly intervals to all 'at risk' buildings managed by the SIC.

Electrical Testing

In accordance with the 17th edition of the IET Wiring Regulations BS 7671:2008 electrical testing will be carried out at 10 year intervals unless the qualified electrician recommends an earlier inspection.

Inspections of the electrical installations will be carried out at every change of occupancy by a competent person. Competent person are those who hold a certification for attending the Electrical Awareness course provided by CORGI Technical Services.

Gas

Shetland does not have mains gas supply and therefore we have no properties with gas central heating.

We supply a small number of gas appliances which are serviced annually in accordance with our statutory obligations.

Fire Safety

The Regulatory reform (Fire Safety) Order 2005 came into effect on the 1 April 2006.

As a result of this legislation, all organisations were made responsible for their own fire safety. All employers must conduct a fire risk assessment regardless of the size of the risk, provide staff with fire awareness training, fire marshal training and the provision of fire safety management plans, log books and maintenance of fire safety precautions.

To ensure SIC is fully compliant, fire risk assessments of all offices and common areas of residential properties have been carried out.

Recorded Data

All information collected regarding health and safety is uploaded onto our Capita Housing Management System. This system provides our staff, tenants and contractors with readily available information about the health and safety data arising for our housing assets. In addition, this information assists us with managing all respective repair work tickets and managing our planned works program.

Health and Safety Action Points

The SIC is an organisation that proactively meets its statutory obligations with regards to Health and Safety. We will through continuous review, training and development ensure the safety of staff, contractors, tenants and stakeholders.

Review

To enable us to monitor and assess progress in relation to our Asset Management Strategy we have developed an Action Plan (Appendix 1) This Plan will provide the appropriate foundations and allow us to progress with a structured plan towards specific goals.

The Asset Management Team Leader within the Housing Service will monitor and manage the Action Plan. The Team Leader will meet with the Housing Services Executive Manager regularly to review progress. The Executive Manager will report on the progress to appropriate Council committees.

The Asset Management Strategy and Action Plan will be reviewed annually and updates published as required.

The Asset Management Strategy and the associated documents are live documents, which through continual review and development will assist the SIC to provide *“affordable, well maintained and energy-efficient homes for now and the future”*

**Tenant Participation Strategy for Shetland
2016-2019**

“Working together to provide a quality housing service”

Shetland Islands Council and Shetland Tenants Forum

Our commitment to Participation and involvement

Tenants are at the very heart of the service we provide. We are committed to providing quality services to our tenants and to ensuring that all tenants have access to participate in shaping the service that they receive. This strategy document sets out a variety of ways that we have agreed will help enable this to happen. Tenant participation is a two-way process that involves sharing information and ideas to help improve standards and services.

Anita Jamieson

Executive Manager - Housing

Aims and objectives

- ✓ To actively encourage and involve tenants in decisions which will affect them, their homes and communities
- ✓ To support Tenants and the Council working together to improve services for all tenants
- ✓ To offer a range of options for tenants and residents to participate collectively through tenant and resident groups and individually.
- ✓ To ensure tenants have the support and information needed to enable them to get involved.
- ✓ To provide tenants with up to date information
- ✓ To develop training opportunities for elected members, staff and tenants across a range of housing activities
- ✓ To ensure tenant participation activities reflect equal opportunities and are accessible

Equal opportunities - we recognise the importance of equality of opportunity for all our tenants. We will not discriminate on the basis of age, disability, gender reassignment, pregnancy and maternity, race religion and belief, sex, sexual orientation and marriage and civil partnership. We will assist tenants who may need support to participate.

Introduction to the Strategy

This Strategy sets out what we plan to do, how we will consult with our tenants and residents, options available for getting involved, how we will take account of tenants and residents views and how we will feedback to tenants and residents.

The strategy 2016-2019

The past the present and the future

Shetland Islands Council is committed to ensuring tenants take part in decisions that affect them. The Council has a long and strong history of tenant involvement and since 2000 has supported the Shetland Tenants Forum (STF), the representative body for tenants and residents in Shetland. The Shetland Tenants Forum has a tenant participation worker to support and promote participation.

The past - Our strategy was out of date and needed a complete review. Since our first strategy, housing law has changed, more opportunities for tenant involvement have been introduced. TPAS Scotland, a national social enterprise organisation has worked with us to develop our new strategy.

The present - A draft strategy which incorporated new legislation and new opportunities for involvement was sent to tenants groups, STF members and tenants seeking their views on the draft in 2016. A large scale Tenants Satisfaction Survey in 2014 also informed the development of the revised strategy.

The future - The strategy 2016-2019 was approved by STF in July 2016. It is a “living” document, which will change over time to take account of emerging initiatives and tenants’ ideas.

Shaping the Strategy – new opportunities

The Scottish Social Housing Charter was developed by tenants in Scotland for tenants in Scotland. It sets out housing standards and outcomes that all Councils and housing associations should achieve in performing housing activities for tenants. It outlines what tenants should expect from their landlords.

The Charter is important to tenants; homeless people and other service users because it will help tenants have

- a clear understanding of what they can expect from their landlord
- It will give landlords clarity and certainty around what they should be achieving for their tenants and other service users

The Charter gives tenants more opportunities to get involved in developing good housing services. A copy of the Charter is available from the Council’s Housing service or STF offices or www.scotland.gov.uk

The Scottish Housing Regulator (SHR)

The SHR’s role is to safeguard and promote the interests of current and future tenants, homeless people and other people who use the services provided by all social landlords. The SHR monitors and regulates the Council’s housing services. The SHR requires landlords to work with their tenants to make sure tenants are at the heart of their organisation and tenants have opportunities to monitor performance and improve services.

The Annual Report to Tenants

Annually, landlords must complete the Annual Return against the Charter (ARC) and It must be delivered to the SHR by the end of May each year.

The Council and tenants will work together every year to develop a report card for tenants. This will be a summary of information on the Councils housing service performance over the year. The report card is to be completed by the end of October each year. In August of each year, the SHR will publish on line the performance of every landlord in Scotland and this information will be available to every tenant in Scotland. www.scottishhousingregulator.gov.uk.

Getting involved

Open to all – equal opportunities

We will ensure that we actively promote equal access to participation. In all our participation and consultation activities we will promote and encourage our tenants to get involved regardless of their age, disability, gender reassignment, pregnancy and maternity, race religion and belief, sex, sexual orientation and marriage and civil partnership. We will use a wide range of methods to consult, involve and enable participation which reflects and respects the diversity of our tenants.

We will make every effort to ensure that any barriers that may prevent tenants from participating are addressed. We will for example:

- ✓ When requested provide information in a range of formats
- ✓ Make sure all our information is easy to read and understand, written in plain language
- ✓ Make sure all our information, before it is published is approved by STF and has the Tenant Tick approved logo
- ✓ Hold meeting, events and other activities in places that are accessible
- ✓ Pay reasonable travel expenses or provide transport to attend events
- ✓ Pay reasonable care costs to enable tenants to attend events
- ✓ Provide additional support as required such as digital hearing systems

The Council is a member of Language Line.

How can you get involved?

There is no one way of getting involved that suits everyone. We recognise that some tenants will be more interested in participating than others.

There are a range of ways you can get involved and give your opinions. The Council and STF welcomes the view of all its tenants and residents, and there may be some occasions where only the views of tenants are taken into account, for example in annual consultations over rents; only tenants pay rent so only tenants views count.

Shetland Tenants Forum

What is it? – tenants from all over Shetland meet monthly and discuss and give their views on a range of local housing issues, local community issues, as well Council and Scotland wide issues for tenants. The forum is run and controlled by a committee of tenants.

The STF works in partnership with the Council to ensure tenants are actively involved in shaping proposals to change services, new initiatives, consultations etc.

The STF is open to all tenants in Shetland;, it is funded by the Council and employs a worker to actively encourage and support tenants to get involved as individuals or to help set up and support existing and new tenants and residents groups. The STF gives grants of £300 to help with the start-up costs for new groups and annual grants of £300 to support groups activities.

The STF also offers an advice service for tenants;, if you have a complement, complaint, issue or problem you can take that to STF.

The STF has its offices in Lerwick –

Shetland Tenants Forum

1a Water Lane

Lerwick

ZE1 0AG

Email: joann@shetlandtf.plus.com

Tel / Fax: 01595 695197

If you would like more information about STF or to join the STF and to take part in shaping the future of Council housing services in Shetland contact the Forum. It doesn't involve a huge amount of time or effort and STF will pay towards your travel to attend meetings.

Information from STF – STF keeps tenants up to date through its newsletter, which will be full of topical information and will give you a chance to have your say.

All publications from the Housing Service are edited by the STF . On approval new publications will show the tenant tick logo.

The website www.shetlandtenantsforum.com gives up to date information on consultations, forum meetings, groups in your area, up and coming events.

STF is an equal and active member on a range of Housing Service working groups, such as rent setting, satisfaction surveys etc.

Annual quality audits are carried out on all aspects of the housing service by STF members .

STF can make positive change to tenants' lives – it's easy to get involved and be part of that change.

Tenants and Residents Groups

A Tenants and Residents Group is made up of local people who represent the interests of everyone living in their area. It plays a large part in dealing with problems that people come up against, as well as organising things like social events. Groups are set up for everyone to join and membership is open to all local people.

The Council and STF actively promote the setting up of groups to discuss local issues and to represent local communities directly with the Council. STF gives annual and start up grants to help support groups. Help and guidance to form a group is available from STF.

A Tenants and Residents Group must have a constitution and an active committee to qualify for a grant. STF has a constitution which groups can use as a guide. To become a Registered Tenants Organisation (RTO) the Scottish Government has laid down certain requirements; for more information please contact STF.

The Council is obliged to maintain a register of RTOs as a public document.

Formal and informal groups have access to support, information and training through STF and the Council.

Register of Interested Tenants

If you want to keep up to date with what is happening, and you want to have your views heard on one or a range of subjects, join the Register of Interest. You will be invited to take part in surveys, working groups and meetings. Or if you prefer, you can choose to take part only by surveys. You can express an interest in all topics or just ones which are of particular interest to you. Joining the Register is a way of getting your views across without leaving your armchair. To find out more contact STF.

Tenant Information Volunteers (TIVS)

TIVs represent their local community by speaking to their neighbours, asking their views on a variety of issues or topics and reporting these views back to the Forum. TIVs will be supported by STF by keeping you up to date with what's new, what's being consulted on, methods of gathering your friends and neighbours views etc. You will be trained and supported by STF.

Working Groups

The Council and STF often get together to look in depth at a subject and form working groups. Tenants' voices are very important in these working groups to drive forward change and improvements. These working groups focus on a range of key issues and are set up as required with timescales attached. They are informal groups and are used to look at, for example, a housing policy review or a change to a policy for example, repairs, communications etc. These groups will be made up of tenants, service users, council officers and elected members as appropriate.

If you have a particular area of interest look out for adverts in the newsletter on the website, or if you are on the register of interested tenants, you will be invited to take part.

Surveys

The Council will carry out a tenant satisfaction survey of all tenants every two years. The Council and STF will undertake short surveys, on for example your satisfaction with the quality of repairs.

Tenant conference/information day

Every year the STF and Council along with other local organisations such as the CAB and credit union will hold an information day or conference for tenants. The day will enable tenants to pick up information and have a say in an informal setting.

Meetings

The Council or the STF might occasionally organise a meeting in your local area to discuss a project or an issue, to give you information or to get your view on a specific issue.

Service Enquiry Group

Tenant Service enquiries are carried out by a team of informed council tenants and other service users. They will closely examine a particular area of Housing and the Repairs Service to identify strengths and recommend areas for improvement in the service. This will allow tenants to review the services delivered by the Council and work in partnership to deliver better more efficient services in the future. The Council provides training and support to enable this group to undertake the service enquiry reviews.

The Council and STF have set up a panel of tenants to look in depth at a service area or at the how the Housing Service performs in a particular area. The Group members will all be fully trained and supported to undertake their scrutiny role.

The Group will thoroughly investigate a specific area or service and recognise things that are done well and make recommendations for improvement.

Keeping you up to date

It is important that you are kept up to date with information. The Housing Service and the STF will provide you with a range of good quality information which is accurate, up to date and written in plain language. You can receive information in a number of ways, face to face, by post, by email, through the STF or Council web site and through local papers and radio.

The information will include:

- ✓ Your tenancy agreement
- ✓ Tenants handbook
- ✓ Newsletter from STF
- ✓ Newsletter from the Council
- ✓ Any proposed changes to policy or services
- ✓ Annual rent consultation
- ✓ Annual tenants report card on how we are performing
- ✓ And feedback on any consultation exercises

You will be asked your views on?

The Housing Service and STF will ask you for your views on and consult you on for example:

- Any changes to our housing management policies and procedures such as
 - Allocations
 - Repairs service
 - How we manage our estates
 - Anti-social behaviour
 - Tenant participation
- Our rents
- How satisfied you are with our services
- Our service standards for example our relet policy
- Our new build homes
- Any proposals to transfer our homes to another landlord
- Any changes in Scottish Government laws
- Any other local or Shetland wide issue

The Housing Service and STF will:

- make sure you have all the information you need
- have a named person to contact for further information or to ask a question
- give you time to consider your view
- give you a range of options to express your views, for example by survey, by phone, email or at a meeting etc

- make sure your views are taken into account before any decision is taken
- let you know what is the process for reaching a decision
- let you know the final decision and reasons for the decision

Support for participation

The Housing Service has given funds to the STF to give grants to local groups.

Tenants organisations can receive a start-up grant to get going of £300

An annual grant of £300 is awarded to existing groups, to receive this grant groups must provide their annual accounts.

Groups will have support from STF and Housing Service staff

Training can be given to groups either from STF, the Housing Service or from an independent organisation.

Transport and reasonable care costs will be covered for attending Housing Service or STF events and meetings.

Have we got it right?

This strategy is a working documents, it is a living document. We need to make sure it continues to be fit for purpose. We will review this strategy with tenants every 3 years. We will include any new legislation updates in newsletters etc.

STF and the housing service will develop and monitor progress through an annual action plan

This strategy can be given in different formats and languages on request.



Meeting(s):	Policy & Resources Committee Shetland Islands Council	13 February 2017 15 February 2017
Report Title:	5 Year Asset Investment Plan 2017-22	
Reference Number:	F-014-F	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 That the Policy and Resources Committee RECOMMENDS that the Council RESOLVES to:
- 1.1.1 approve the capital budget proposals for 2017/18 included in this report, and set out in detail in Appendix 1; and
 - 1.1.2 adopt Appendix 1 as the Council's 5 Year Asset Investment Plan 2017-22, subject to any requirements of the Council's Gateway Process for the Management of Capital Projects.

2.0 High Level Summary:

- 2.1 The purpose of this report is to set out the proposed sustainable capital budget for the Council over a five year period from 2017-2022 in line with the Capital Investment Planning policy set out in the 2015-2020 Medium Term Financial Plan.
- 2.2 The proposed capital budget for 2017/18 totals £15.5m, and the full 5 year total from 2017-22 is projected to be £75.8m.
- 2.3 There is substantial provision for ferry and terminal replacements over the 5 years (£22.9m). The delivery of these projects is the subject and a key element of discussions with Transport Scotland in relation to the Government's commitment to fair funding for the inter-island ferry services. The Plan assumes that grant funding will be received to support the replacements, pending the outcome of the work with Transport Scotland and the Scottish Government.
- 2.4 The Plan identifies a relatively small sum (£2.2m) that is available, over the 5 year period that provides, in the first instance, protection against construction price inflation on the projects contained therein. Additionally Council officers continue to undertake work on business cases in a range of areas, to which no funding is allocated. Only after business cases have been developed in accordance with the Council's Gateway Process for the Management of Capital Projects and been given appropriate consideration and the necessary approvals will funding be considered. More information is provided in section 4 below.

- 2.5 It is likely that everything the Council would seek to bring forward will not be affordable within the limitations of the £2.2m available over the life of the Plan therefore prioritisation of effort by officers and of projects themselves will be required.
- 2.6 The Plan has been prepared after taking account of the £267k of additional capital grant that the Council will receive in 2017/18, announced on 2 February 2017.
- 2.7 Where ports and harbour assets are concerned then borrowing would be the recommended means of financing any projects, which is repayable over the life of the assets.
- 2.8 Appendix 1 of this report details the projects and funding requirements over the 5 year period and also details the anticipated funding sources.

3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.
- 3.2 Despite the work done so far, sustainability in particular is extremely challenging at this time with reducing Scottish Government funding being the trend since 2011/12. It is expected that this will continue while the UK and Scottish Governments seek to balance their budgets and prioritise their spending. As shown in the Long Term Financial Plan, agreed by the Council in December 2014 the Council has an extensive asset base which it is not financially sustainable to maintain, let alone grow. It is therefore vital that as part of the proposals for the future in terms of service redesign and transformation investment is applied in the most effective ways that fully consider the capital and revenue implications. Asset investment proposals are only progressed in light of appropriate business cases being prepared and reviewed through the approved Council's Gateway Process for the Management of Capital Projects.

4.0 Key Issues:

- 4.1 The capital budget proposals for the Council for the period 2017-2022 are summarised in the following table:

Description	2017-22 Budget £000
Maintenance of Existing Assets	31,071
New Developments	4,624
Housing Revenue Account Projects	14,415
Potential Projects	2,794
Fair Funding for Ferry Projects	22,900
Expenditure	75,804
Scottish Government General Capital Grant	(30,011)

External Grant Funding	(24,429)
Capital Receipts	(1,895)
Funded from Revenue	(18,568)
Draw from Reserves	(30)
External Borrowing	(3,111)
Funding	(78,043)
Net Surplus	(2,239)

- 4.2 At present the forecast for the current financial year is that there will be an underspend on the Asset Investment Plan. A report will be presented to Members at the end of the financial year, which will address any proposals for carry forward of existing approved 2016/17 budgets due to project slippage, and they are therefore not addressed in this report.
- 4.3 The continuing focus of this Plan is on the maintenance and life extension of existing assets as recommended in the Capital Expenditure Policy, with the exception of new developments for 2017/18 being:
- the new Anderson High School Halls of Residence; and
 - the new Eric Gray Resource Centre.
- 4.4 As referred to in section 2 above there are a number of areas where work is progressing in relation to the necessary business cases required by the approved Council's Gateway Process for the Management of Capital Projects. Areas of the Council where business cases are yet to be fully developed and therefore costs are not known include:
- Knab site redevelopment;
 - business transformation;
 - recycling legislative requirements;
 - tug vessel replacement programme;
 - Toft pier; and
 - Children's Resources accommodation.
- 4.5 The funding for projects in these areas will only be allocated following approval through the Council's Gateway Process and until then these projects do not represent a commitment in the Plan..
- 4.6 Funding sources for projects in the General Fund can include specific capital grants and capital receipts, and in addition a further funding option is the Council's Spend to Save scheme where the relevant criteria are met. Projects in relation to ports and harbour assets or General Fund assets that cannot be met by other funding would have to be met by borrowing. The cost of that borrowing is a direct cost to the relevant Council Account, whether that be the Harbour Account or General Fund and has to be affordable, sustainable and prudent.
- 4.7 The Scottish Government has not specified the level of core capital grant that it will provide to the Council over the next five years, but the indications are that there will be a reduction in the level of the grant over the period. Therefore, a figure of £5.5m has been forecast for the later years of the Plan. This will be updated at each annual review of the Plan.

4.8	As referred to in section 2 above, a significant part of the Plan focuses on the vessels and terminals that are required to support the inter-island ferry services. Approximately a third of the total expenditure in the Plan relates to either life extension or replacement works and is a critical component of capital investment for the Council. However paying for all of these works is not affordable to the Council, the cost of borrowing for the 5 years cost identified in the Plan is approximately £1.2m per annum for 30 years. The work with Transport Scotland and the Scottish Government is therefore fundamental to the affordability of these projects. The Plan incorporates the replacement programme in light of the knowledge that action is required to address an ageing fleet of vessels.
4.9	The General Fund revenue budget for 2017/18 has provision within it to pay for the level of borrowing that the Plan requires, and is mainly in connection with the current projects to build the Halls of Residence and the Eric Gray Resource Centre. Should the Scalloway Fishmarket rebuild proceed then the Harbour Account will also fund borrowing costs in 2017/18.
4.10	Appendix 1 to this report details the proposed capital expenditure budgets for the 5 Year Plan from 2017-22.
5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None arising directly from this report, the detailed implications will be addressed through the Council's Gateway Process using the 5 case business model.
6.2 Human Resources and Organisational Development:	None arising directly from this report, the detailed implications will be addressed through the Council's Gateway Process using the 5 case business model and in adherence to the Council's approved Human Resources and Organisational Development policies and procedures.
6.3 Equality, Diversity and Human Rights:	None arising directly from this report, the detailed implications will be addressed through the Council's Gateway Process using the 5 case business model.
6.4 Legal:	Under Section 95 of the Local Government (Scotland) Act 1973, there is a requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief financial officer/Section 95 officer has responsibility for the administration of those affairs.
6.5 Finance:	Any decision to recommend changes to the budget proposals in this report will result in an increased or decreased draw on reserves, and may result in not meeting the affordable position set out in the Medium Term Financial Plan. This will require a formal amendment and be fully quantified in the Committee decision.

6.6 Assets and Property:	This budget proposes a risk based approach for the maintenance of assets to minimise deterioration and potential failure.	
6.7 ICT and new technologies:	This budget includes provision for the annual maintenance and replacement of existing ICT equipment, as required.	
6.8 Environmental:	None arising directly from this report, the detailed implications will be addressed through the Council's Gateway Process using the 5 case business model.	
6.9 Risk Management:	<p>The main budget risks for the delivery of the Asset Investment Plan are:</p> <ul style="list-style-type: none"> • the level of Scottish Government capital grant that will be received during the five years of the Plan, as there has been no specific forecast; • the anticipated level of capital receipts is not realised from the sale of existing assets; • a negative outcome from the Scottish Government/Transport Scotland in relation to the Fair Funding for Ferries for ferry terminal and vessel replacements – the costs of replacing these assets is not affordable to the Council without support; • cost projections for future year projects are adversely affected by external factors such as construction inflation and contractor availability; <p>These risks are mitigated by using a realistic approach and the most up-to-date information when setting the budget.</p> <p>A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for other significant unforeseen events.</p>	
6.10 Policy and Delegated Authority:	The Policy and Resources Committee is required to make recommendations to the Council as to the estimates of capital expenditure. Approval of the capital budget requires a decision of Council, in terms of Section 2.1.3 of the Council's Scheme of Administration and Delegations.	
6.11 Previously considered by:	n/a	n/a

Contact Details:

Brenda Robb, Management Accountant, brenda.rob主@shetland.gov.uk, 7 February 2017

Appendices:

Appendix 1 - 5 Year Asset Investment Plan 2017-2022

Shetland Islands Council
5 Year Asset Investment Plan 2017-2022

F-014 - Appendix 1

Directorate	Project	Year 1 2017/18 £	Year 2 2018/19 £	Year 3 2019/20 £	Year 4 2020/21 £	Year 5 2021/22 £	5 Year Total £	Gateway Stage Achieved
Development	24/25 Leaside Conversion	30,000					30,000	Implementation Stage
Corporate	Town Hall Windows	80,000					80,000	Implementation Stage
Corporate	Lerwick Library Redevelopment	800,000	50,000				850,000	Implementation Stage
Infrastructure	Building Maintenance Capital Works	997,875	1,000,000	1,000,000	1,000,000	1,000,000	4,997,875	Business Justification Case Approved
Infrastructure	Bells Brae Primary School Refurbishment	300,000					300,000	Implementation Stage
Infrastructure	Landfill Capping		159,000		211,000		370,000	Business Justification Case Approved
Infrastructure	Energy Recovery Plant	50,000	50,000	50,000	50,000	50,000	250,000	Business Justification Case Approved
Infrastructure	Vehicle & Plant Replacement Programme	995,000	1,130,000	1,144,000	1,130,000	1,146,000	5,545,000	Business Justification Case Approved
	Building Maintenance & Vehicle Replacement	3,252,875	2,389,000	2,194,000	2,391,000	2,196,000	12,422,875	
Corporate	PC & LAN Replacement	100,000	100,000	100,000	100,000	105,000	505,000	Business Justification Case Approved
Corporate	Schools ICT Equipment	194,000	194,000	194,000	194,000	194,000	970,000	Business Justification Case Approved
Corporate	Photocopier Replacement	75,000	75,000	75,000	75,000	75,000	375,000	Business Justification Case Approved
Corporate	Shetland Public Sector Network	256,000	256,000	256,000	256,000	256,000	1,280,000	Business Justification Case Approved
	ICT Equipment	625,000	625,000	625,000	625,000	630,000	3,130,000	
Infrastructure	Hendra life extension			1,000,000			1,000,000	Awaiting Business Justification Case
Infrastructure	Leirna life extension	800,000					800,000	Awaiting Business Justification Case
Infrastructure	Geira Life Extension		200,000	800,000			1,000,000	Awaiting Business Justification Case
Infrastructure	Filla Fire Detection System		75,000				75,000	Awaiting Business Justification Case
Infrastructure	Daggri/Dagalien Radar Replacement	100,000					100,000	Awaiting Business Justification Case
Infrastructure	Ferry Life Saving Equipment	30,000	30,000				60,000	Awaiting Business Justification Case
	Ferry Vessel Life Extensions	930,000	305,000	1,800,000	0	0	3,035,000	
Infrastructure	Bridge Repairs/ Replacement	210,000	375,000	161,000	200,000	200,000	1,146,000	Business Justification Case Approved
Infrastructure	Streetlighting Replacement	225,000	175,000	175,000	196,000	200,000	971,000	Business Justification Case Approved
Infrastructure	Streetlighting Removal	0	26,000	24,000	3,000		53,000	Business Justification Case Approved
Infrastructure	Road Reconstruction	604,000	615,000	615,000	615,000	615,000	3,064,000	Business Justification Case Approved
Infrastructure	Pelican Crossings Lk, repl complete installations	35,000	20,000	20,000	20,000	20,000	115,000	Business Justification Case Approved
Infrastructure	Road Safety Barrier Replacement	138,000	120,000	120,000	120,000	120,000	618,000	Business Justification Case Approved
Infrastructure	Hillhead Railing Replacement					34,000	34,000	Business Justification Case Approved
Infrastructure	Traffic Management	50,000	50,000	50,000	50,000	50,000	250,000	Business Justification Case Approved
Infrastructure	Road Accident Investigation & Prevention	35,000	35,000	35,000	35,000	35,000	175,000	Business Justification Case Approved
Infrastructure	Scord Quarry Plant Replacement	195,000	245,000	160,000	200,000	200,000	1,000,000	Business Justification Case Approved
Infrastructure	Trondra Bridge Painting	5,000					5,000	Business Justification Case Approved
Infrastructure	Burra Bridge Painting			25,000	365,000	5,000	395,000	Business Justification Case Approved
Infrastructure	Muckle Roe Bridge Painting	200,000	3,000				203,000	Business Justification Case Approved
	Roads Repairs & Maintenance	1,697,000	1,664,000	1,385,000	1,804,000	1,479,000	8,029,000	
Infrastructure	P&H Plant, Vehicles & Equipment	70,000	70,000	70,000	70,000	70,000	350,000	Business Justification Case Approved
Infrastructure	P&H Navigational Aids	70,000	70,000	70,000	70,000	70,000	350,000	Business Justification Case Approved
Infrastructure	Terminal Linkspan Life Extensions	600,000	650,000	300,000			1,550,000	Awaiting Business Justification Case
Infrastructure	Piers Cathodic Protection	350,000	250,000	250,000	220,000	134,000	1,204,000	Business Justification Case Approved
Infrastructure	Tug Jetty - Cathodic Protection	500,000	500,000				1,000,000	Business Justification Case Approved
	Ports & Harbours Repairs & Maintenance	1,590,000	1,540,000	690,000	360,000	274,000	4,454,000	
	TOTAL MAINTENANCE OF EXISTING ASSETS	8,094,875	6,523,000	6,694,000	5,180,000	4,579,000	31,070,875	
Children's Services	Anderson High School Replacement	1,065,000	22,268				1,087,268	Implementation Stage
Children's Services	Anderson High School Halls of Residence	538,944	412,000				950,944	Implementation Stage
Children's Services	Anderson High School - Sports Facility	6,924					6,924	Implementation Stage
Community Health & Social Care	Eric Gray Replacement	781,650	1,797,400				2,579,050	Implementation Stage
	TOTAL NEW DEVELOPMENTS	2,392,518	2,231,668	0	0	0	4,624,186	

Directorate	Project	Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	Year 5 2021/22	5 Year Total	Gateway Stage Achieved
Development	Heating Replacement Programme	660,000	660,000	660,000	660,000	660,000	3,300,000	Business Justification Case Approved
Development	Housing Quality Standard	2,152,500	2,152,500	2,152,500	2,152,500	2,152,500	10,762,500	Business Justification Case Approved
Development	Vehicle Replacement Programme	100,000	70,000	56,000	70,000	56,000	352,000	Business Justification Case Approved
	TOTAL HOUSING REVENUE ACCOUNT PROJECTS	2,912,500	2,882,500	2,868,500	2,882,500	2,868,500	14,414,500	
Infrastructure	Scalloway Fishmarket Rebuild	1,930,700	863,500				2,794,200	Outline Business Case Approved
	TOTAL POTENTIAL PROJECTS	1,930,700	863,500	0	0	0	2,794,200	
Infrastructure	Ferry Vessel & Terminal Replacement	200,000	2,000,000	9,800,000	9,400,000	1,500,000	22,900,000	Preparation of Strategic Outline Programme underway
	TOTAL FAIR FUNDING FOR FERRIES PROJECTS	200,000	2,000,000	9,800,000	9,400,000	1,500,000	22,900,000	

TOTAL ASSET INVESTMENT PLAN EXPENDITURE	15,530,593	14,500,668	19,362,500	17,462,500	8,947,500	75,803,761
--	-------------------	-------------------	-------------------	-------------------	------------------	-------------------

Area	Funding Source	Year 1 2017/18 £	Year 2 2018/19 £	Year 3 2019/20 £	Year 4 2020/21 £	Year 5 2021/22 £	5 Year Total £
General Fund	Scottish Government General Capital Grant	(7,177,000)	(5,916,000)	(5,918,000)	(5,500,000)	(5,500,000)	(30,011,000)
General Fund	Scottish Govt Cycling Walking Safer Streets	(32,000)	(25,000)	(25,000)	(25,000)	(25,000)	(132,000)
General Fund	Fair Funding for Ferries - Transport Scotland	(200,000)	(2,000,000)	(9,800,000)	(9,400,000)	(1,500,000)	(22,900,000)
Harbour Account	European Maritime Fisheries Fund	(965,350)	(431,750)				(1,397,100)
	FUNDED BY EXTERNAL GRANTS	(8,374,350)	(8,372,750)	(15,743,000)	(14,925,000)	(7,025,000)	(54,440,100)
General Fund	Capital Receipts (Properties)	(300,000)	(200,000)	(200,000)	(295,000)	(200,000)	(1,195,000)
General Fund	Capital Receipts (Vehicles)	(79,000)	(85,000)	(80,000)	(75,000)	(80,000)	(399,000)
General Fund	2nd Homes Ctax Reserve	(30,000)					(30,000)
Harbour Account	Harbour - Capital from Current Revenue	(1,590,000)	(1,540,000)	(690,000)	(360,000)	(274,000)	(4,454,000)
HRA	HRA - Capital from Current Revenue	(2,691,500)	(2,867,500)	(2,848,500)	(2,857,500)	(2,848,500)	(14,113,500)
HRA	HRA - Capital Receipts (Land & Properties)	(200,000)					(200,000)
HRA	HRA - Capital Receipts (Vehicles)	(21,000)	(15,000)	(20,000)	(25,000)	(20,000)	(101,000)
	FUNDED BY RESERVES	(4,911,500)	(4,707,500)	(3,838,500)	(3,612,500)	(3,422,500)	(20,492,500)
	FUNDED BY BORROWING	(2,244,743)	(866,018)	0	0	0	(3,110,761)

TOTAL ASSET INVESTMENT PLAN FUNDING	(15,530,593)	(13,946,268)	(19,581,500)	(18,537,500)	(10,447,500)	(78,043,361)
--	---------------------	---------------------	---------------------	---------------------	---------------------	---------------------

NET TOTAL BALANCE OVERALL	0	554,400	(219,000)	(1,075,000)	(1,500,000)	(2,239,600)
----------------------------------	----------	----------------	------------------	--------------------	--------------------	--------------------



Meeting(s):	Policy & Resources Committee Shetland Islands Council	13 February 2017 15 February 2017
Report Title:	Shetland Islands Council Budget Book 2017/18	
Reference Number:	F-013-F	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 That the Policy and Resources Committee CONSIDER information provided by the Chairs of Service Committees/Boards in relation to the 2017/18 Budget recommendations made by their Committees and contained in the Budget Book;
- 1.2 That the Council CONSIDER information provided by the Chair of Policy and Resources Committee in relation to the 2017/18 Budget recommendations made by the Committee and contained in the Budget Book; and
- 1.3 That the Policy and Resources Committee RECOMMEND that the Council RESOLVE to approve the 2017/18 Budget by:
 - a. Approving the Council Budget Book 2017/18 (Appendix 1);
 - b. Adopting the Formal Resolutions (Appendix 2);
 - c. Agreeing to increase the Council Tax by 3%; and
 - d. Accepting the package of funding and conditions that was contained in the Scottish Government funding settlement for 2017/18.

2.0 High Level Summary:

- 2.1 The purpose of this report, and the 2017/18 Budget Book that accompanies it, is to set out a summary of the spending plans for Shetland Islands Council in the next financial year.
- 2.2 The 2017/18 Budget Book covers the General Fund, the Harbour Account, the Housing Revenue Account (HRA) and also incorporates the Capital programme for each, as part of a 5-year Asset Investment Plan.
- 2.3 Overall the budgeted use of Council reserves is affordable in 2017/18.
- 2.4 The General Fund budget has been set in the context of the Medium Term Financial Plan 2015-2020, however it fails to deliver the level of savings that had been anticipated. While options and proposals present a balanced budget there is a one-off use of reserves in 2017/18, to the value of £2.753m. This increased use

of reserves by the General Fund (£21.247m in 2017/18) is not sustainable in the medium term.

- 2.5 The Council has again faced a reduction in Scottish Government grant funding, that is £2.8m less than the current year, and this is after including the additional funding announced on 2 February 2017.
- 2.6 The Harbour Account is budgeted to make a surplus during the year and for over £5.6m to be used to deliver day to day General Fund services.
- 2.7 The Housing Revenue Account (HRA) proposes to increase rents by an inflation rate of 2% plus and additional £1 per week for one and two bedroom properties. This is in line with the HRA Business Plan 2017-2022 and current rent strategy.
- 2.8 The Asset Investment Plan for 2017/18 proposes capital investment of over £15m in 2017/18, as part of a 5 year Plan that outlines projects to the value of £75m.
- 2.9 In capital terms due to the scale and timing of capital projects, which are delivered over a period of years, the funding is calculated over a five year planning cycle. As such the funding that is re-profiled is estimated to be sufficient to balance the 5-year Asset Investment Plan for 2017-22. The 5-year Asset Investment Plan is reviewed on an annual basis to ensure that the plan, year on year, remains affordable.
- 2.10 The next meeting of the Policy and Resources Committee will consider a report on the Investment Strategy and Prudential Indicators, which will present the Council's prudential indicators that are required following the approval of the budget.
- 2.11 Appendices 1 and 2 of this report provide the 2017/18 Budget Book, which incorporates all of the budgets proposed for revenue and capital, and the formal resolutions in relation to the setting of the Council's budget for financial year 2017/18, consecutively.

3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.
- 3.2 Despite the work done so far, sustainability in particular is extremely challenging at this time with reducing Scottish Government funding being the trend since 2011/12. It is expected that this will continue while the UK and Scottish Governments seek to balance their budgets and prioritise their spending. In order to take action on improving the Council's approach to identifying and implementing sustainable solutions for the future Directorate plans identify core priority areas for action between now and 2020.
- 3.3 The Council must address the underlying challenges that have already been highlighted in the Medium Term Financial Plan, including the anticipation of

continued reductions in grant funding, to reduce expenditure and to recognise the need for service redesign that successfully responds to the financial realities that it faces.

4.0 Key Issues:

- 4.1 Each of the Council's service committees, the Harbour Board and Shetland College Board considered the budget and charging proposals for 2017/18 for the services in their remit at meetings as follows:

Education and Families Committee	6 February 2017
Environment and Transport Committee	7 February 2017
Development Committee	8 February 2017
Shetland College Board	9 February 2017
Harbour Board	10 February 2017

- 4.2 Earlier on this agenda, the Policy & Resources Committee (13 February 2017) has considered the budget and charging proposals for Corporate and Executive Services.

- 4.3 Similarly, the Policy & Resources Committee (13 February 2017) has considered the budget and charging proposals for the Community Health & Social Care services delivered by the Council that are delegated to the Shetland Islands Health & Social Care Partnership Integration Joint Board (IJB). The Committee also made a recommendation in relation to the funding that the IJB is to receive from the Council.

- 4.4 The IJB is due to meet on 17 February and will discuss the funding that it will receive from its partners and provide comment thereafter. If those comments are significant then a further report will be prepared for the Committee.

- 4.5 The budget and charging proposals were originally prepared in line with the budget targets for 2017/18 as set out in the Council's Medium Term Financial Plan 2015-2020 and included measures to address cost pressures from a number of sources including, for the General Fund, an estimated reduction in funding from the Scottish Government of 1.6%. The announcement of the Scottish Government's 2017/18 financial settlement is a reduction of 3.3% which has significantly impacted on the funding of the budget.

- 4.6 The Council's Budget Book 2017/18 and Formal Resolutions are attached as Appendices 1 and 2 respectively to this report.

- 4.7 It is recommended that the Council Tax Band D for 2017/18 increase by 3% to £1,084.59. The budget proposals assume a 98.5% collection rate.

Brief Summary of the 2017/18 Local Government Financial Settlement

- 4.8 A report was presented to the Special Shetland Islands Council meeting on 18 January 2017 to agree the financial package for the Shetland Islands Council.

4.9 Since then, on 2 February 2017, the Scottish Government has announced further funding for Local Government and this amounts to £1.039m (revenue) and £0.267m (capital) for Shetland Islands Council.

4.10 Having taken into account this additional funding the comparative figures for the settlement are shown in the table below and indicate a Scotland wide funding increase of 1% from the current year, with a significant difference between the impact on revenue and capital. The announcement by the Cabinet Secretary for Finance and the Constitution identified that an additional £107 million had been provided through the National Health Service budget for the purpose of providing funding for Integration Joint Boards to deliver on Social Care outcomes.

	2016/17 £m	2017/18 £m	Movement £m	Movement %
Total Scotland Funding	10,312	10,413	101	1.0%
Revenue	9,705	9,626	(79)	-0.8%
Capital	607	787	180	29.7%
Shetland				
Revenue Distributed	82.628	79.705	(2.923)	
Revenue Undistributed	0	0.181	0.181	
	82.628	79.886	(2.742)	-3.3%
Capital	6.831	7.209	0.378	5.5%
Total Shetland	89.459	87.095	(2.364)	-2.6%

4.11 For Shetland, a further £0.188m in 2017/18 is to go directly to schools to close the gap in the educational attainment of young people from Scotland's most and least deprived areas. This is to be paid as a ring fenced grant.

Revenue

4.12 Although the revenue funding in Scotland has increased by 1.0%, the impact of the hugely complex allocation methodology is not the same for each local authority. The figures above show that Shetland Islands Council received a particularly low share of the reduced funding pot for 2017/18. After factoring in an estimate of funding that will be distributed during 2017/18, this amounts to a grant reduction of 3.3%.

4.13 In addition to having less funding there are conditions, which if not accepted will result in a revised offer being made by the Scottish Government. The conditions are:

- Pupil/Teacher ratios are to be maintained at a national level (Shetland 10.2:1);
- Secure places for all probationers who require one under the teacher induction scheme;
- That the Council's share of the additional £120m of the Attainment Fund to support closing the attainment gap is additional funding to schools rather than substitutional funding (Shetland £0.188m); and
- That the Council's share of the additional £107m (Shetland £0.450m) provided through the NHS to Integration Joint Boards is used to meet the full year costs of the aspiration to deliver the living wage for social care, sleepovers and sustainability and the removal of social care charges for

those in receipt of war pensions and pre-implementation work as regards the new carers legislation. £80m of this funding (Shetland £0.340m) may be used by local authorities to adjust their funding to the Integration Joint Boards, taking their level of funding below that of 2016/17 (as adjusted for any one-off items of expenditure which should not feature in the baseline).

4.14 Further information can be obtained on the financial settlement in the report that was presented to Council on 18 January 2017.

Capital

4.15 Including the additional funding announced on 2 February 2017, the 2017/18 capital funding of £7.209m is £0.378m or 5.5% more than the 2016/17 funding of £6.831m, which included £1.240m of capital funding which was withheld and will only be paid to local authorities in 2018-2020.

Balancing the General Fund Revenue Budget for 2017/18

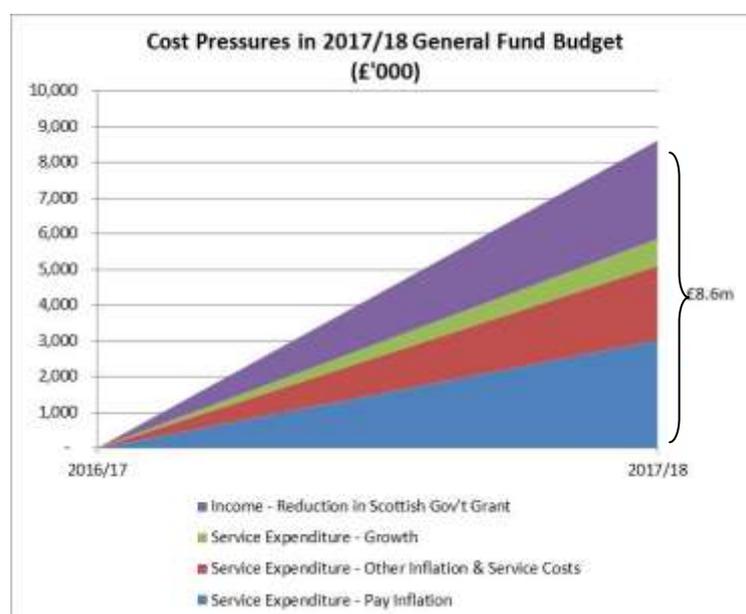
4.16 Preparation for the revenue budget started last summer and was subject to scrutiny by the Corporate Management Team on a number of occasions, with the detailed proposals being presented at Members' Seminars in November 2016 and January 2017. As stated above the proposals were considered by all Service Committees earlier this month.

4.17 Arriving at the balanced budget proposals has been achieved despite a backdrop of rising costs. For example pay awards for all staff of 1%, pension fund contributions (1.0%), the final element of pension auto-enrolment, the introduction of the apprenticeship levy and numerous inflationary and contractual uplifts.

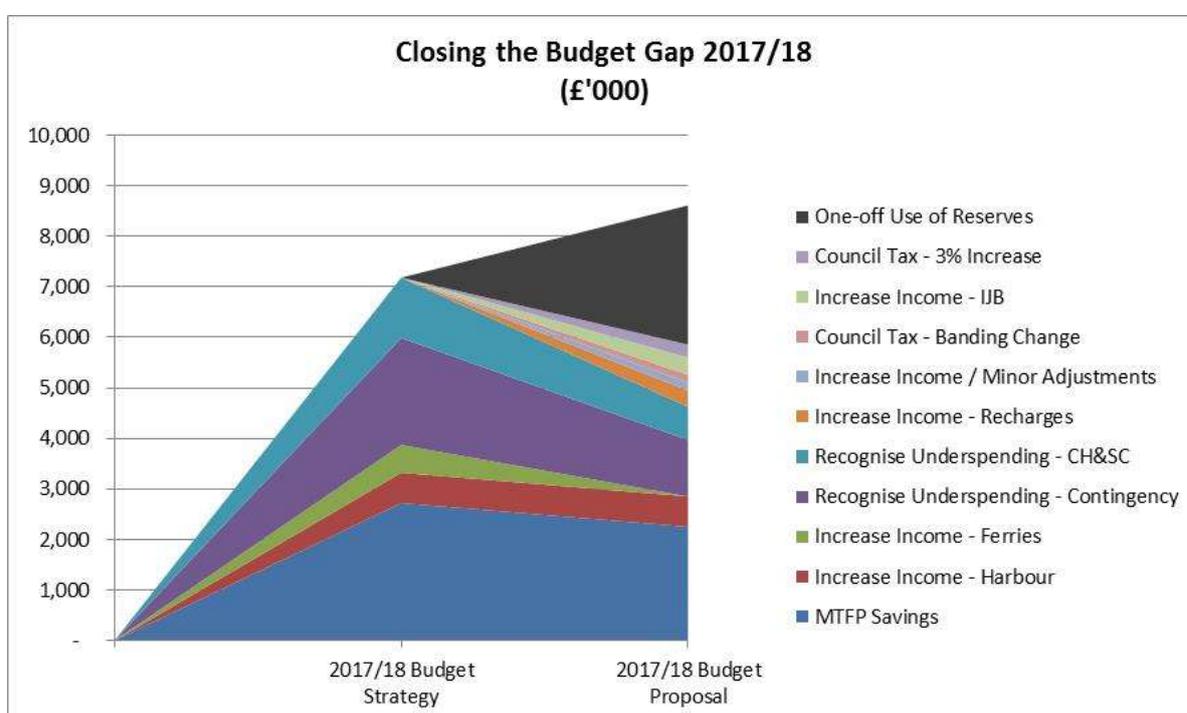
4.18 In addition the Council has taken into account a number of areas where costs are rising due to need, for example, in relation to the care of children.

4.19 The cost of all of these elements and upward cost pressures in the 2017/18 Budget is £5.859m.

4.20 When added to the reduction in funding by the Scottish Government of £2.753m, the total cost pressure that has to be funded is £8.612m.



- 4.21 Finding the solutions required to close the gap in the budget was not easy and throughout the process of preparing the 2017/18 Budget Book there has been an awareness, amongst other things, of decisions that have previously been taken, policies that are in place, the Corporate Plan outcomes and the underlying need for the Council to maximise its external income to support service delivery.
- 4.22 Developing a balanced budget starts with proposals for the recognition of additional income and the delivery of savings in line with the Medium Term Financial Plan 2015-2020. The investment income/return that was utilised in the current year's budget was on the basis of maximising them to support service delivery. This meant there was limited scope to increase the assumption further for 2017/18, although inflation increases of 2.1% have been incorporated.
- 4.23 Services have been set the challenge of 3.3% savings year on year by the Medium Term Financial Plan and this was the starting point for preparing revenue estimates. Thereafter the budget strategy was to increase income where possible, to take account of areas of service where underspending had taken place and, as a last resort, to consider any prior year underspending that could be used on a one-off basis from reserves.
- 4.24 The budget strategy, in August 2016, had anticipated a budget gap of £7.2m, however with the added cost pressure of reducing grant from the Scottish Government, announced in December 2016 and updated in February 2017, this rose to £8.6m.
- 4.25 The continued work on the budget identified changes and amendments that had to be taken account of, including a recognition that any announcement on fair funding for inter-island ferry services would be after the Council has considered its budget proposals. This has meant, for example, that a working assumption around receiving funding from Transport Scotland has been removed (represented by the green slice in the graph below).



- 4.26 The graph above shows the changes in options used to close the budget gap of £8.6m.
- 4.27 The core Medium Term Financial Plan savings targets were not fully achieved but proposals have been taken up to a value of £2.3m, an 18% shortfall placing pressure on finding other options.
- 4.28 Income from a variety of sources has been identified, from the Council's own resources by way of appropriately recharging support and service costs to other Council accounts; increasing the use of surpluses expected from the Harbour Account; and investment income has risen too. A total value of a further £1m has been recognised in the budget from Council resources.
- 4.29 Furthermore, income that will transfer from NHS Shetland to the IJB can also be recognised by the Council (£0.34m).
- 4.30 Additional income is also available following the legislation changes in relation to Council Tax bandings. With effect from 1 April 2017 the Council Tax bands E to H will be subject to an increased multiplier, the effect of this is that an increase in the charge for Council Tax will apply and as such the Council will generate increased income. In Shetland it is estimated that an additional sum of £0.155m will arise. There is no discretion for the Council to alter these multipliers.
- 4.31 Underspensing has been a feature of the last few years and the Council has worked hard to reduce its reliance on its own resources such that the amounts that are drawn from reserves have reduced. The benefit of this was that the Council could look at reducing the amount that was budgeted in those areas. Particular areas that were the focus of attention were the Cost Pressures and Contingencies budget that is held centrally and also the Community Health and Social Care budgets.
- 4.32 Initially removing a sum of over £2.1m was considered as potentially possible from the Contingencies element of this budget however on further consideration through the process it was recognised that the reduction had to be less. A reduction in the Contingencies budget to the value of £1.1m has been built into the budget proposals. This leaves limited scope for addressing any unplanned or unexpected expenditure but is reasonable in the overall context of the other parts of the budget.
- 4.33 The underspensing in Community Health and Social Care services delivered by the Council was carefully looked at and a number of changes were made to recognise budgets that were not being fully used or where there was an over-provision of budget. Similar to the situation found with the Contingencies budget the first estimate of what was possible and what was then achieved were quite different. An initial assumption that a further £1.25m could be saved from this area resulted in actual adjustments of £0.66m being identified and built into the revenue estimates for 2017/18.
- 4.34 A number of these adjustments have been identified as baseline adjustments that have been taken into account when considering the value of funding being allocated to the IJB.

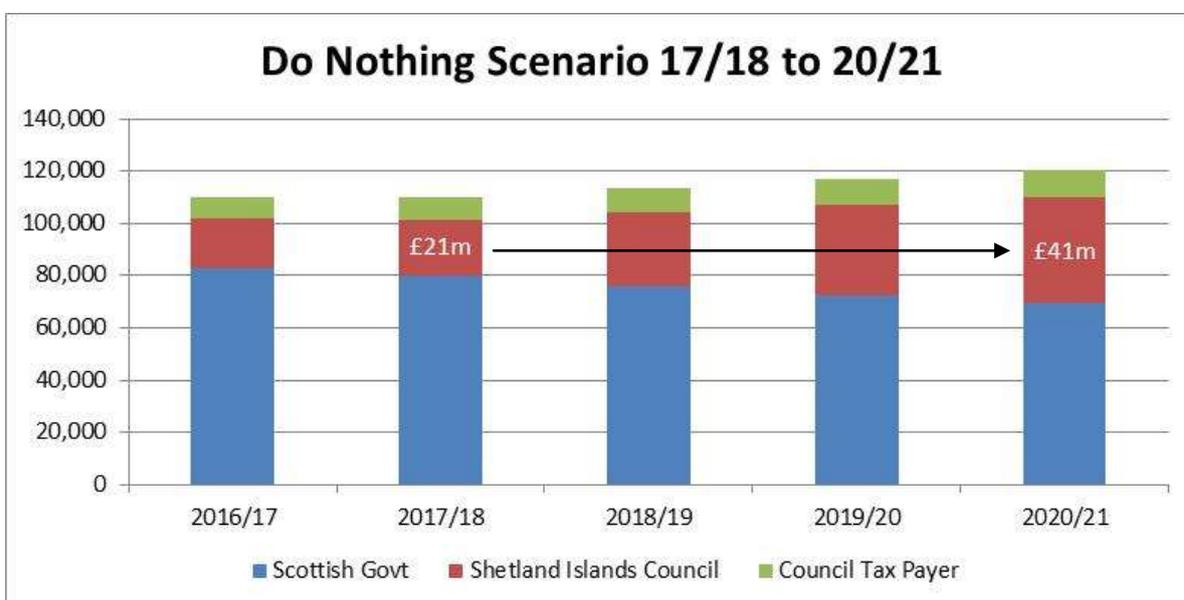
- 4.35 Having utilised all of the options, which amount to a total of £5.6m, described above, there is still a shortfall in balancing the budget.
- 4.36 The proposal therefore is to consider the value of reserves that the Council has and the level of Council Tax.
- 4.37 It is recommended that Council Tax is increased by 3%, the maximum, in accordance with guidance included in the financial settlement received from the Scottish Government. The reason for this is that Shetland Islands Council currently charges the 4th lowest level of Council Tax in Scotland and while proposing to make use of more of the reserves it is prudent to take the opportunity to increase income on a recurring basis rather than use even more of our reserves, which are one-off in nature.
- 4.38 The recommendation to increase Council Tax by 3% will generate approximately £0.258m on a recurring basis. The increase will be in addition to the increases introduced by the Scottish Government for properties in bands E to H.
- 4.39 Finally the issue of reserves that are available to be used on a one-off basis. It is proposed that the benefit that arose from the underspending in 2015/16 is taken advantage of and to balance the budget by utilising some of the underspend. A sum of £2.753m is required to balance the budget.
- 4.40 In light of the potential for an announcement about fair funding for inter-island ferry services then to use a sum from reserves is affordable, particularly as the underspend in 2015/16 had not been taken into the Medium Term Financial Planning assumptions therefore is not relied upon to deliver ongoing investment returns.
- 4.41 The proposals for 2017/18 were discussed at a Budget Seminar on 24 January 2017, to which all Councillors were invited.
- 4.42 Overall, the General Fund budget, presented in the 2017/18 Budget Book is balanced, is prudent and is affordable.

Sustainability – the case for change

- 4.43 The question of the extent to which the budget is sustainable is less clear, due to the uncertainty over rising costs and falling income in the future, and the degree of which is not apparent from a national or local perspective. These two features of public service service delivery mean that new and creative options for transforming the way we do things as a Council are essential. Transformation needs to be carried out in the context of service redesign and the Council must take the opportunity to embrace this and to move services forward with the express understanding that there are financial limitations. Future budgets need to adapt and take account of this and Directorate Plans, while in line with the Corporate Plan priorities, must consider the financial consequences of not addressing the continuing reduction in resources available.
- 4.44 For the second year in a row there is a reliance on non-recurring monies held in reserve, underlining the fact that the current costs of service delivery are not sustainable.

Preparing for 2018/19 and beyond

- 4.45 On 18 November 2015 the Policy and Resources Committee noted that the Council’s Medium Term Financial Plan makes assumptions with regard to the local government settlements in future years. This and other factors indicated that each year up to 2019-20 will be increasingly challenging for the Council and work has been planned to continue to look at how to maintain the good progress that has been made by the Council in balancing its budget.
- 4.46 More recent information on local government finances clearly show that there is no end in sight in relation to Scottish Government funding reductions, therefore to do nothing into the future about our costs is not an option. The graph below provides an indication of the extent to which Council resources would be required to address the scenario of rising costs and falling grant income resulting in a gap of over £20m to be tackled by 2021.
- 4.47 The Corporate Management Team will be working to capture the benefits from business transformation and service redesign so that this can be addressed while there is time to do so. Further reporting on business cases, options appraisals and opportunities will be undertaken as part of this work. A more detailed analysis of the Medium Term Financial position of the Council will be presented to Council in March 2017.



5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	The proposed budgets ensure that there is limited impact on users and communities. Where proposals for service change require it then an equalities impact assessment will require to be carried out and relevant consultation undertaken.
6.2	Each individual service will be responsible for addressing human

Human Resources and Organisational Development:	resource issues prior to making any changes to the existing level of service delivery.
6.3 Equality, Diversity and Human Rights:	The proposed budgets ensure that there is limited impact on users and communities. Where proposals for service change require it then an equalities impact assessment will require to be carried out and relevant consultation undertaken.
6.4 Legal:	<p>Under Section 95 of the Local Government (Scotland) Act 1973, there is a requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief financial officer/Section 95 officer has responsibility for the administration of those affairs, and Section 93 of the Local Government Finance Act 1992 requires the Council to set a balanced budget.</p> <p>Each individual service will be responsible for addressing legal issues prior to making any changes to the existing level of service delivery.</p>
6.5 Finance:	<p>The Council is setting a budget which is affordable.</p> <p>The Council has reached a positive position through responsible decision-making and taking action on its costs in recent years. This has enabled it to continue to support the General Fund budget with a sustainable use of reserves, which rely on global investment returns.</p> <p>An affordable draw from reserves has been calculated at approximately £12m.</p> <p>As a result of the investment returns generated it is possible for the Council to have a higher cost base for service delivery than mainland councils. This budget seeks to ensure that the real value of the reserves is protected during 2017/18.</p> <p>It is important that the Council continues this responsible budgeting approach into the future and starts planning how to meet future years' budget challenges.</p> <p>A decision to recommend changes to the budget proposals in this report that would result in an increased or decreased draw on the reserves which would mean that the affordable draw from reserves would have to be reconsidered.</p> <p>Changes to the budget proposals will require a formal amendment and would have to be fully quantified in the Committee decision.</p>
6.6 Assets and Property:	The Medium Term Financial Plan recommends that the Council focus on effective asset management and a reduction in the number of operational properties used by the Council. The

	<p>Executive Manager – Capital Programme will determine the opportunities for maximising revenue income and capital receipts from the property estate.</p> <p>There is an assumption in the Asset Investment Plan that capital receipts will be generated during the year.</p>
<p>6.7 ICT and new technologies:</p>	<p>Business transformation is a crucial element of the Council adapting to the current financial and technological environment. Corporate and Executive Services, in conjunction with Service led redesign, are leading a programme of work that seeks to maximise the benefits that can be achieved from ICT and new technologies.</p>
<p>6.8 Environmental:</p>	<p>This budget proposes continuing work on reducing carbon emissions to support the Council's duty under the Climate Change (Scotland) Act 2009.</p> <p>Each individual service will be responsible for assessing environmental issues prior to making any changes to the existing level of service delivery.</p>
<p>6.9 Risk Management:</p>	<p>There are numerous risks involved in planning the delivery of services for the future and the awareness of these risks is critical to successful financial management.</p> <p>These budgeted assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p> <p>There are a number of assumptions around anticipated income levels, returns on investments and cost pressures within the budget that are based on the latest information available and these may vary throughout the year.</p> <p>A significant financial risk exists in relation to the income projections from the Harbour Account and from the Shetland Gas Plant as a result of the volatility around levels of throughput and the price of oil and gas. For example, the oil and gas price has had a significant impact on the level of income the Council is expecting to receive from the Shetland Gas Plant. By revising the value of income downwards the robustness of the Budget is improved, removing over-optimistic values and any complacency that may arise from having unachievable income levels.</p> <p>The budget provides for a net 5.2% return on reserves annually which results in an estimated return of over £12m. Taking a long term view of investment returns is vital to providing assurance that this level of return can be achieved as the value of investments will go down as well as up. A net 5.2% return has been based upon a gross return of 7.3% per annum, and is at the upper end of the range over the last 21 years that has seen longer term rates of between 3.56% and 8.19% per annum.</p>

	<p>Managing the Council's investments through a diversified investment strategy and monitoring performance ensures the Council remains in a position to achieve this level of investment return over the long term.</p> <p>The budget contains savings of over £3m; there is a risk that should savings not be achieved it will result in an increased draw on reserves. The 2017/18 budget will require a net draw on reserves of £12.252m.</p> <p>These risks are mitigated by using a realistic approach and the most up-to-date information when setting the budget. Also, the inclusion in the overall Council budget of a corporate cost pressure and contingency budget to support volatile and unexpected additional costs.</p> <p>A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for other significant unforeseen events. As at 31 March 2016 an uncommitted General Fund balance of more than £10m is available.</p>
<p>6.10 Policy and Delegated Authority:</p>	<p>The Policy & Resources Committee is required to make recommendations to the Council as to the estimates of capital and revenue expenditure. The decisions required in this report may only be determined by the Council, in accordance with Section 2.1.3 of the Council's Scheme of Administration and Delegations, including the power to fix the Council Tax.</p> <p>The budget fits within the policies included in the Medium Term Financial Plan. The Chief Executive and Directors will deliver the Council's budget in accordance with the Scheme of Delegations and Financial Regulations.</p>
<p>6.11 Previously considered by:</p>	<p>Service Committees, as notified in section 4 of the report</p>

Contact Details:

Jonathan Belford, Executive Manager - Finance, jonathan.belford@shetland.gov.uk
01595 744607
6 February 2017

Appendices:

Appendix 1 – 2017/18 Budget Book
Appendix 2 – Formal Resolutions

Background Documents:

Shetland Islands Council



The Council Budget Book 2017/18

Corporate Plan Vision:
By the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland.

Contents

1. Executive Summary.....	3
2. Introduction to the Budget Report.....	8
3. Linking the 2017/18 Budget to the Council’s Corporate Plan.....	11
Revenue Budgeting	
4. The 2017/18 General Fund Budget.....	12
5. The 2017/18 Harbour Account Budget	17
6. The 2017/18 Housing Revenue Account Budget.....	19
Capital Budgeting	
7. The Asset Investment Plan 2017/18.....	20

Executive Summary

- 1.01 Shetland Islands Council's 2017/18 budget will ensure that public services in Shetland continue to be better funded than any other local authority in Scotland. This is because the Council will top up its Council Tax income and core Scottish Government grant with an additional £21.247m, which is affordable as a result of the budgeted Harbour Account surplus, budgeted income from the Shetland Gas Plant and drawing from expected long-term investment returns.
- 1.02 The Council is setting a budget that requires a draw from investment returns (underpinned by Council reserves) of £12.252m which is an affordable amount, this includes £2.753m of one-off interim funding from 2015/16 underspends. This is unsustainable going forward but as a short term solution using the underspend from 2015/16 (which was not included in the current Medium Term Financial Plan), the capital value of reserves is protected. This has enabled the Council to offset the significant reduction in government funding over and above the level anticipated when planning the budget, and will assist to meet the rising cost pressures that will impact in 2017/18.
- 1.03 This budget has been set using one-off underspends whilst the Council awaits confirmation of fair funding for ferries from Transport Scotland. An announcement by Transport Scotland is unlikely until the Scottish Government budget bill has been approved later in February 2017.
- 1.04 The medium term is fundamental to setting this budget, as it recognises that to make choices on service changes at this time, when such a significant element of the budget (internal ferries) is the subject of ongoing discussions, could have an adverse impact and give rise to unintended consequences.
- 1.05 In looking at the medium term, taking account of the underlying downward trend in core government funding, there is an undoubted need to address the cost of Council services and the affordability issues. For this reason the proposals and the Directorate priorities for the forthcoming year are presented to look to the future, to develop a framework of transformational change and to do this in conjunction with service redesign. There is an absolute requirement for different ways of working to be identified that can work in Shetland and to move towards implementation of solutions that make better use of modern technology and digital improvements that are planned by 2020.
- 1.06 The Council is extremely fortunate to be able to supplement its annual budget from funds generated by its own resources, but these are not limitless, and it is important that the Council continues its responsible budgeting approach into the future as this represents the greatest benefit over the long term for the delivery of Council services in Shetland.
- 1.07 The 2017/18 budget does not adhere to the Medium Term Financial Plan as a result of the significant grant funding reductions it has experienced; in this and next year almost 9% of Scottish Government grant has been lost. The level of required savings of £3.409m has not been achieved as it faces rising costs and growing demands, particularly in caring for children.
- 1.08 Financial sustainability needs to be reviewed in light of the latest data and forecasts available, therefore Councillors will need to continue to receive updates to the Medium Term Financial Plan

annually and set future budgets in line with it to ensure that the responsible and positive approach taken in recent years continues into the future. A revised Medium Term Financial Plan will be presented to the Council in March 2017.

Progress to Date & Future Challenges

- 1.09 At present the Council is on course to deliver its 2016/17 Budget which included £2.9m of savings. When added to the £2.1m of savings delivered in 2015/16, £12.7m in 2014/15, £12.5m in 2013/14, £15m in 2012/13 and £11.5m in 2011/12, the Council is demonstrating a track record of budget delivery.
- 1.10 Despite the work done so far, sustainability in particular is extremely challenging at this time with reducing Scottish Government funding being the trend since 2010/11. This downward trend is expected to continue while the UK and Scottish Governments seek to balance their budgets and prioritise their spending.
- 1.11 This year there has been a further significant reduction in the general revenue grant from the Scottish Government whilst the Council has to manage an ever increasing demand for Council services and manage cost pressures that apply to the models of service delivery, such as pay awards and national policy changes.
- 1.12 It is important that the Council carries out any analysis and research required to make the right decisions for Shetland and to achieve the outcomes it seeks. Based on the findings of that work it will enable the Council to formulate a plan and prepare to redesign services and transform the way it works and, at times, make what will be difficult decisions.
- 1.13 In order to take action on improving the Council's approach to identifying and implementing sustainable solutions for the future, Directorate plans identify core priority areas for action between now and 2020.
- 1.14 It is important in this process to engage with communities and involve them in decision-making. Within Shetland Community Choices one of the workstreams is to progress towards a more mainstream approach to participatory budgeting encouraging and facilitating idea generation, debate and discussion around ideas for improving the community and also in relation to different ways of delivering services efficiently and effectively through the use of a digital tool.

1.15 Draw on Reserves

1.16 The Council is asked to approve a draw on reserves to balance the 2017/18 budget, as shown in the table below:

Draw on Reserves	Budgeted Draw Contribution from/ (to) Reserves £m
General Fund	21.247
Harbour Account Surplus	(9.509)
Housing Revenue Account	0.484
Asset Investment Plan	0.030
TOTAL NET BUDGETED DRAW ON RESERVES 2017/18	12.252

1.17 The total net budgeted draw on reserves for 2017/18 is £12.252m. This is possible due to investment returns (income and growth in value), increased income being applied from the Harbour Account surplus and a one-off application of 2015/16 underspends which has not been taken into account in the current Medium Term Financial Plan. The Medium Term Financial Plan outlines the challenges that the Council faces in relation to the next five years in terms of delivering a balanced and affordable budget.

Key Budget Messages

1.18 The most significant budget proposals are as follows:

- The Scottish Government has increased the amount that people living in properties in Council Tax bandings E-H will have to pay. This is estimated to generate £0.155m for the Council.
- The Shetland Islands Council currently charges the 4th lowest level of Council Tax out of the 32 local authorities in Scotland whilst providing the best funded services.
- The reduction in Scottish Government revenue funding of 3.3% was significantly higher than the earlier estimate of a 1.6% reduction, resulting in an additional reduction in funding of £1.43m. This is including the additional funding for local government that was announced on 2 February 2017 – which provided revenue funding of £1.039m to Shetland.
- 2016/17 funding of £250m through the NHS to the Community Health & Social Care Integration Joint Boards (IJB) has been included in the baseline for 2017/18 and beyond. This ensures a sum of £1.024m continues to be available to the IJB. An additional £107m, £80m of which councils can access immediately, was also announced as part of the Scottish Government's budget. The IJB receives £0.450m and Shetland Islands Council's share is £0.340m.

- The Council's contribution to the IJB for social care services takes account of the baselined and additional funding referred to above, and complies with the direction on funding levels for IJBs given by the Scottish Government.
- The budget contains total savings of £3.187m, this was just short of meeting the Council's savings target of £3.409m as set out in the Medium Term Financial Plan.
- The cost pressures and contingencies budget totalling £6.218m is higher than last year due to the cost pressures for pay inflation and associated employer costs, i.e. pay award, pension contributions, pension auto-enrolment, apprenticeship levy, etc. This budget ensures that there is a corporate budget to mitigate any unplanned expenditure.
- The cost pressures and contingencies budget includes a sum of £0.5m to fund change projects.
- The Shetland Gas Plant is now operational, however, due to fluctuating gas prices, it is estimated that there will be limited income from this source in 2017/18. Therefore, it has been prudently estimated that an income of £0.550m from the lease will be received.
- The Harbour Charges at Sullom Voe are to remain at the 2016/17 level. This will enable the Council to continue to generate the surplus it requires (subject to actual tanker numbers), in line with the Medium Term Financial Plan, to support Council service expenditure.
- The Housing Revenue Account (HRA) budget has been prepared in line with the proposed HRA 30 Year Business Plan.
- The Asset Investment Plan (AIP) budget provides significant investment in the Council's asset infrastructure and while business cases are developed for a number of priority areas there remains, over the whole 5 year period, £2.2m of capital funding that can be applied to these business cases. However it is very unlikely that all of these priorities can be funded over the 5 year period.
- An outline ferry vessel and terminal replacement programme has been included in the AIP, with the funding being assumed as receivable from the Scottish Government/Transport Scotland by way of external capital grant. If this is not forthcoming under the Scottish Government's commitment to fair funding for inter-island ferry services then the Council will face costs that are not affordable.

Budget Decisions

1.19 The 2017/18 Budget Book contains the following specific proposals, subject to approval by the Council on 15 February 2017:

- It is proposed the Council Tax is increased by 3%, following a period of nine years' freeze of the Council Tax, so a Band D property will now incur an annual charge of £1,084.59.

- An initial allocation of £19.231m in 2017/18 is proposed to be paid to the Shetland Health & Social Care Partnership IJB for functions delegated to it by the Council.
- For the Housing Revenue Account it is proposed to increase rents in 2017/18 by an inflationary sum of 2%, plus an additional £1 per week on all one and two bedroom properties.
- Each Council Committee has proposed to set a range of fees and charges for Council Services during 2017/18 (and 2018/19 in a few specific circumstances).
- It is proposed that 2017/18 budgets for each Council account are as set out in Sections 4 to 7 of this Budget Book.

Introduction to the Budget Report

Medium Term Financial Plan

2.01 The Medium Term Financial Plan is the Council's strategic finance document which focuses on the next five year period. The financial strategy included within the plan is:

- To take a prudent approach to core Scottish Government funding projections for the next five years; to take a cautious approach to the benefits that may be generated from fluctuating oil and gas prices; and to take a measured approach to the long-term investment returns that will be generated, to determine the overall value of Council income;
- To treat all non-specific grants received as a corporate resource despite the implied treatment described in funding award letters / Scottish Government circulars;
- To take action on costs over the life of this Plan on the basis that Scottish Government funding will not increase for years to come and that it is likely to never return to the funding level (in real terms) that it has now to deliver services;
- To structure services in a way that maximises productivity and operates as efficiently and effectively as is possible;
- To prioritise service delivery that is identified as being most likely to successfully achieve the Corporate Plan objectives and outcomes in the long term or is required to fulfil the Council's statutory duties, and to agree to stop discretionary services that do not contribute to that achievement;
- To build upon the financial management improvements that have already been made, and continue to base decision making on evidence based reporting, following the building better business cases methodology, demanding fully costed options and recognition that the use of Council resources all come with a cost;
- To capture savings from improved and robust procurement and commissioning processes, including the re-negotiation of contracts;
- To improve the consistency and application of charging policies to take account of the principles outlined in the Plan;
- To focus investment returns on supporting revenue expenditure;
- To limit capital expenditure to a programme that is deliverable and affordable based on the estimated level of Scottish Government Capital Grant, supplemented by capital receipts;
- To borrow in specific circumstances for capital investment, that cannot be funded from Capital Grant or capital receipts, the cost of which will be borne by the service that the investment benefits. Borrowing will be carried out under the Prudential Code framework of prudence, sustainability and affordability in line with the Council's Borrowing Policy;

- To seek all opportunities to enter into dialogue with the Scottish Government in relation to services for which the Council does not receive its fair share of funding, or where inconsistency exists between Shetland and other local authorities;
- To commit resources to ensure that the Island Proofing provisions within the current Consultation on Provisions for a Future Islands Bill¹ adequately reflect funding and financial aspects. The consultation refers to the concept of placing a duty on Scottish Ministers and other relevant public bodies to 'island proof'

The 2017/18 Budget

- 2.02 The 2017/18 Council budget is a financial plan that complements the strategic Medium Term Financial Plan and moves the Council towards delivering its strategic financial objectives.
- 2.03 The Budget encapsulates all aspects of the Council's business; the General Fund, the Housing Revenue Account, the Harbour Account and the Asset Investment Plan. This means it is clearer for Councillors to see the full impact that the spending proposals will have on the Council's reserves during the financial year. This is important because the Council relies upon drawing an affordable sum from its invested reserves to fund the delivery of services.

The Approach to Setting the Budget

- 2.04 The Council has a rolling programme for selecting one directorate to use a zero-based budgeting approach each year while the remainder of directorates use traditional incremental budgeting. This year the directorate chosen to do zero-based budgeting was Corporate Services.
- 2.05 Assumptions were made regarding the level of Scottish Government funding in the early preparation of the budget. Unfortunately early assumptions anticipated a shortfall in grant funding which was significantly lower than that final settlement received. There were also assumptions that confirmation of grant funding from Transport Scotland would be known prior to setting the budget. The Council anticipates an announcement on the matter however, at the time of writing, this has not been made.
- 2.06 The resulting outcome of this budgeting exercise is that the aggregated budget proposals put forward by directorates are greater than the budget targets that were set within the Medium Term Financial Plan. Those proposals are aligned to the Council's priorities and outcomes as set out in the Corporate Plan.

Other Aspects of the Budget Report

- 2.07 The objective of the Shetland Islands Council Budget Book 2017/18 is to provide a high level summary of the proposals, their contribution towards delivering the Medium Term Financial Plan, and their impacts on the Council's reserves.

¹ Consultation on Provisions for a Future Islands Bill, Scottish Government, September 2015

2.08 The detailed budget proposals for each area of the Council are set out in separate reports which were presented to Service and Policy & Resources Committees during February 2017. This report guides Councillors to those other reports where more detailed information can be found on the General Fund services, the Harbour Account, the Housing Revenue Account and the Asset Investment Plan.

Spend to Save/Improvement Fund

2.09 The Council has a Spend to Save/Improvement Fund. The purpose of the Spend to Save scheme is to provide up front funding to a service in order to effect a change that will result in recurring savings in the future. It is expected to work in conjunction with the funding for change budget included in the revenue contingency budget. The funding for change budget will initially be used to fund feasibility studies to bring a project forward to a stage where a decision can be made to implement. The Spend to Save Fund would be used to fund project implementation for those which meet the Spend to Save scheme criteria.

Linking the 2017/18 Budget to the Council's Corporate Plan

- 3.01 The 2017/18 General Fund budget proposes to incur net expenditure of £110.136m on services to the people of Shetland during the next financial year.
- 3.02 Although budgets have reduced in recent years to move the Council to a position where it is closer to a sustainable footing, Shetland Islands Council is still providing some of the highest funded services to the public of any local authority in Scotland.
- 3.03 During that time the Council has sought to maximise the potential impact of the available funding for services by targeting resources towards the key priorities of the Council as set out in its Corporate Plan. In line with the new Medium Term Financial Plan the opportunity should be taken by Directors to prioritise the delivery of services that contribute most effectively to the successful delivery of the Corporate Plan objectives and outcomes in the long term, or are required to fulfil the Council's statutory duties. This should be taken forward by Directors in planning for the future beyond 2017/18.
- 3.04 Further detail on how these priorities will be delivered in the 2017/18 financial year can be found in the five Directorate Plans. These set out how the budgets of each directorate will be used to contribute towards the delivery of the Corporate Plan. These reports were presented to the Service Committee meetings. These can be found on the Council's website.

Community Health & Social Care Directorate	<p style="text-align: center;">CC-056-F</p> <p style="text-align: center;">Community Health & Social Care Directorate Plan 2017/18 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=</p>
Development Services Directorate	<p style="text-align: center;">DV-063-F</p> <p style="text-align: center;">Development Services Directorate Plan 2017/18 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=</p>
Children's Services Directorate	<p style="text-align: center;">CS-06-F</p> <p style="text-align: center;">Children's Services Directorate Plan 2017/18 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=</p>
Infrastructure Services Directorate	<p style="text-align: center;">ISD-01-F</p> <p style="text-align: center;">Infrastructure Services Directorate Plan 2017/18 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=</p>
Corporate & Chief Executive Directorates	<p style="text-align: center;">CRP-025-F</p> <p style="text-align: center;">Corporate and Chief Executive's Directorate Plan 2017/18 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=</p>

The 2017/18 General Fund Budget

4.01 The 2017/18 General Fund budget is set out in the table below:

Line No.	Description	2017/18 £000	2017/18 £000
1	Chief Executive & Cost of Democracy	1,871	
2	Children's Services	41,852	
3	Community Health & Social Care Services	20,494	
4	Development Services	14,902	
5	Infrastructure Services	19,809	
6	Corporate Services	8,329	
7	Corporate Services (Fund Manager Fees)	895	
8	GENERAL FUND SERVICES NET EXPENDITURE (equals lines 1-7)		108,152
9	Allocation to the Integration Joint Board (IJB)	19,216	
10	Allocation to the Integration Joint Board (Audit Fee)	15	
11	Contribution from the Integrated Joint Board (IJB)	(20,494)	
12	NET CONTRIBUTION FROM THE IJB (equals lines 9 - 11)		(1,263)
13	Contingencies and Budget Pressures		4,791
14	Capital Financing Costs		1,427
15	Support Recharges to Harbour Account , HRA and Capital		(2,044)
16	Interest on Revenue Balances		(27)
17	Economic Development Investment Income		(900)
18	TOTAL NET GENERAL FUND EXPENDITURE (equals line 8 plus lines 12-17)		110,136
	Funded by -		
19	General Revenue Grant/NNDR (Scottish Government Allocation)	(79,886)	
20	Council Tax	(9,003)	
21	TOTAL CORE FUNDING (equals lines 19-20)		(88,889)
	Deficit to be funded from Reserves		
22	Draw on Reserves – 2015/16 Underspend Carry Forward	(2,753)	
23	Draw on Reserves – Core Expenditure General Fund	(12,272)	
24	Draw on Reserves – Equivalent to Harbour Account Surplus	(5,672)	
25	Shetland Gas Plant Contribution	(550)	
26	TOTAL FUNDING FROM RESERVES (equals lines 22-25)		(21,247)
27	TOTAL FUNDING (equals line 21 plus line 26)		(110,136)
28	BALANCED BUDGET (line 18 plus line 27)		0

4.02 The proposals in the 2017/18 General Fund budget are over the agreed Directorate Target Operating Budgets as set out in the Medium Term Financial Plan 2015-2020.

4.03 The table below shows Directorate proposals compared to revised Target Operating Budgets:

	2017/18 Target £000	Cost Pressures/ Transfers £000	2017/18 Revised Target £000	2017/18 Actual Budget £000	Variance £000
Corporate & Executive Services	10,118	83	10,201	10,200	1
Children's Services	39,871	973	40,844	41,852	(1,008)
Community Health & Social Care Services	20,532	423	20,955	20,494	461
Integration Joint Board	(512)	(411)	(923)	(1,263)	340
Development Services	14,850	21	14,871	14,902	(31)
Infrastructure Services	19,985	(161)	19,824	19,809	15
Total Directorate budgets	104,844	928	105,772	105,994	(222)

The main cost pressures applied in 2017/18 have been for pay award, service specific spending such off island placements, free school meals, children's residential services and third sector payments, offset by increased income and reduced national insurance amount to a net £0.928m. Some of this was for cost pressures identified in the 2016/17 budget exercise which have been realised e.g. free school meals.

Expenditure

4.04 The General Fund services net expenditure is budgeted to be £108.152m in 2017/18 (as shown at Line 8 in the table at 4.01) which represents the spending on day-to-day Council services. Excluding the Fund Manager Fees (Line 7) and taking into account the net income from the IJB (Line 12) the table below shows how the Actual Directorate Budgets 2017/18 (as shown in the table at 4.03) reconcile to the detailed budget proposal reports that have been through the Service Committee meetings in February 2017:

Directorate	Develop- ment Committee £000	Education & Families Committee £000	Environment & Transport Committee £000	Policy & Resources Committee £000	College Board £000	Total £000
Executive & Corporate				10,200		10,200
Children's		41,852				41,852
Community Health & Social Care				20,494		20,494
Net Transactions between the Council and IJB				(1,263)		(1,263)
Development	8,480	323	5,974		125	14,902

Infrastructure			19,809			19,809
TOTAL	8,480	42,175	25,783	29,431	125	105,994

4.05 The detailed General Fund budgetary information which underpins this section of the budget report can be found in the following Budget Proposals Reports (including appendices) which were presented to Service Committee Meetings.

Education & Families Committee 6 February 2017	F-008-F 2017/18 Budget & Charging Proposals Education and Families Committee http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
Environment & Transport Committee 7 February 2017	F-002-F 2017/18 Budget and Charging Proposals Environment and Transport Committee http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
Development Committee 8 February 2017	F-004-F 2017/18 Budget and Charging Proposals Development Committee http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
Shetland College Board 9 February 2017	F-006-F 2017/18 Budget Proposals for Shetland College http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
Policy and Resources Committee 13 February 2017	F-007-F 2017/18 Budget and Charging Proposals Community Health and Social Care Partnership http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
Policy & Resources Committee 13 February 2017	F-005-F 2017/18 Budget and Charging Proposals Policy & Resources Committee http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=

Contingencies and Cost Pressures

4.06 A figure of £6.218m has been included in the General Fund budget to cover contingencies and cost pressures (as set out in Lines 13 and 14 of the table at 4.01). This figure has been calculated based on the best information known as at January 2017 and includes the anticipated cost of capital financing costs.

4.07 A sum has been calculated as relating to Social Care services to a value of £0.814m that will be transferrable to the IJB once the actual costs are known and the financial position of Social Care services is monitored during the year.

4.08 This budget line generally covers Council-wide issues and therefore will be held centrally by the Executive Manager – Finance. It will only be released when the Executive Manager – Finance is

satisfied that the cost pressure has materialised or the conditions exist to legitimately release contingency monies.

4.09 The following tables show how the figure of £6.218m (£5.768m for cost pressures and £0.450m for contingencies) has been calculated:

Cost Pressures	Description	Allowance in 2017/18 budget (£000)
Pay Award	This is to meet the additional cost of the 2017/18 annual pay award.	1,000
Holiday Pay/Sleepovers/Living Wage	This is to meet the estimated cost of holiday pay relating to overtime and additional hours to meet the cost of the living wage hourly rate and sleep-over payments.	739
Superannuation	This is to meet the actuarial increase on pension costs.	478
Pension Auto-Enrolment	In line with legislation all staff not in a pension scheme require to be auto-enrolled in the Council's pension scheme.	800
Apprenticeship Levy	This is to meet the new apprenticeship levy being applied by the Government. (0.5% of the pay bill)	474
AHS Maintenance/Lifecycle	This is to meet the cost of the maintenance/lifecycle costs which will be incurred from the new AHS build with the Scottish Government.	350
Capital Financing Charges	This is to meet the financing charges for external borrowing in relation to the Asset Investment Plan.	1,427
Funding for Change	To provide funding for transformational change across the organisation to be able to meet the budget reductions expected by 2020.	500
TOTAL COST PRESSURES		5,768

Contingencies	Description	Allowance in 2017/18 budget (£000)
Other Contingencies	This will provide a contingency budget for a range of possible contingencies which services have identified may arise in 2017/18 such as supply teachers, ferry vessel fuel costs etc.	1,379
Risk based reduction – 67%		(929)
TOTAL CONTINGENCIES		450
TOTAL FUNDING IN BUDGET	COST PRESSURES AND CONTINGENCY	6,218

Funding

- 4.10 Initially the Scottish Government was providing £78,847m of funding for General Fund services to Shetland Islands Council in 2017/18. This funding represents the Council's General Revenue Grant and includes the level of income that the Council will receive from the National Non-Domestic Rates Pool. This was £3.792m less than last year's settlement.
- 4.11 An announcement by the Scottish Government on 2 February 2017 increased revenue and capital funding to all local authorities. Shetland Islands Council benefits to the value of £1.039m in revenue grant (and £0.267m for capital grant). This means that the revenue grant reduction for 2017/18 has been reduced to £2.753m and is a 3.3% reduction from 2016/17.
- 4.12 The Council is proposing to raise the Council Tax following a nine year freeze; a Band D property will incur an annual charge of £1,084.59. The Shetland Islands Council has the 4th lowest level of Council Tax out of the 32 local authorities in Scotland whilst providing the best funded services. At this rate of taxation it is expected that the Council will generate £9.003m from Council Tax during 2017/18.
- 4.13 It has been assumed that a 1% increase in the property base will occur, and Central Government has increased the cost of Council Tax for people living in properties that are in Band E to H. The increase in band values will generate an estimated income of £0.155m. The Council has no discretion to alter these banding changes.
- 4.14 The remainder of the funding required to balance the General Fund will come from the Council's reserves. This is budgeted to total £21.247m in 2017/18 (Line 26 in the table at 4.01).

The 2017/18 Harbour Account Budget

5.01 The proposed budget for the Harbour Account is as follows:

Line No.	Description	2017/18 £000
	<i>Expenditure</i>	
1	Sullom Voe	11,502
2	Scalloway	1,154
3	Other Piers	428
4	Jetties & Spur Booms	2,070
5	Terminals	1,498
6	TOTAL EXPENDITURE (equals lines 1-5)	16,652
	<i>Income</i>	
7	Harbour Fees & Charges	(20,496)
8	Jetties & Spur Booms	(2,070)
9	TOTAL INCOME (equals lines 7-8)	(22,566)
10	HARBOUR ACTIVITY NET SURPLUS (equals lines 6-9)	(5,914)
11	Internal contribution from the General Fund for terminal berthing charges	(3,045)
12	Shetland Gas Plant	(550)
13	TOTAL SURPLUS (equals line 10-12)	(9,509)
	<i>Contributions to/(from) Reserves</i>	
14	Contribution to the Reserve Fund	9,509
15	BALANCED HARBOUR ACCOUNT (line 13 plus line 14)	0

5.02 The Sullom Voe Terminal operator requires a 24 hour, 7 day per week harbour operation to facilitate tanker movements. This means that there is a requirement on the Council to continue to incur considerable expenditure to maintain this level of service against reducing tanker numbers. Following the structural increase in tanker charges in 2016/17, there is proposed to be no increase applied to tanker charges for 2017/18.

5.03 It is proposed to increase other charges by approximately 2.5%. The increase on other charges is to contribute to national cost pressures relating to pay and pensions.

5.04 Overall, the Council forecasts that the surplus generated on ports and harbours activities will meet the requirement in the Medium Term Financial Plan for 2017/18.

5.05 The berthing charge for the inter-island ferry use of shore-based ferry terminal assets results in net income of £3.045m.

5.06 Income from the Shetland Gas Plant throughput activity is anticipated to be minimal in 2017/18 due to fluctuating gas and oil prices, therefore it has been estimated that there will be income of £0.550m from the base rent during the year.

5.07 The detailed Harbour Account budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendices) which was presented to the Harbour Board on 10 February 2017:

Harbour Board 10 February 2017	F-003-F 2017/18 Budget and Charging Proposals Harbour Board http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
---	--

The 2017/18 Housing Revenue Account Budget

6.01 The 2017/18 Housing Revenue Account budget is set out in the table below:

Line No.	Description	2017/18 £000
	Expenditure	
1	Supervision & Management	817
2	Repairs & Maintenance	1,884
3	Void Rents & Charges	165
4	Garages	30
5	Capital Funded from Current Revenue	2,692
6	Capital Charges - Dwellings	1,711
7	TOTAL EXPENDITURE (equals lines 1-6)	7,299
	Income	
8	Interest on Revenue Balances	(1)
9	Rents - Dwellings	(6,623)
10	Rents - Other i.e. garages/sites etc	(191)
11	TOTAL INCOME (equals lines 8-10)	(6,815)
12	TOTAL DEFICIT (line 7 plus line 11)	484
	Surplus to contribute to Reserves	
13	Contribution from Housing Repairs & Renewals Fund (Reserves)	(484)
14	BALANCED HOUSING REVENUE ACCOUNT BUDGET (line 12 plus line 13)	0

6.02 The objective of the 2017/18 Housing Revenue Account (HRA) budget is to deliver a sustainable position and minimise rent increases for the year in line with the proposed HRA 30 Year Business Plan.

6.03 The proposal on rents is to continue the 2016/17 rent strategy to remove the disparity between smaller and larger properties as the distinction is no longer reasonable, and this is in line with tenant feedback. Rents are proposed to increase by 2%, with an additional £1 per week being added to rents for one and two bedroom properties for 2017/18.

6.04 The capital expenditure in the Asset Investment Plan is set at £2.913m in 2017/18. This is in line with the HRA 30 Year Business Plan.

6.05 The detailed HRA budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendices) which was presented to the Policy and Resources Committee on 13 February 2017:

Development Committee 8 February 2017	F-010-F 2017/18 Housing Revenue Account Budget and Charging Proposals http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
--	--

The 2017/18 Asset Investment Plan (Capital Programme)

7.01 The 2017/18 Asset Investment Plan is set out in the table below:

Line No.	Description	2017/18 Budget £000
1	Maintenance of Existing Assets	8,095
2	New Developments	2,392
3	Housing Revenue Account Projects	2,913
4	Potential Projects	1,931
5	Fair Funding for Ferry Projects	200
6	TOTAL EXPENDITURE (equals lines 1-5)	15,531
7	Scottish Government General Capital Grant (General Fund)	(7,177)
8	Other Capital Grants (General Fund & Harbour)	(1,197)
9	Capital Receipts (General Fund and HRA)	(600)
10	Capital Funded from Current Revenue (Harbour and HRA)	(4,282)
11	Draw on Reserves – Second Homes Council Tax (General Fund)	(30)
12	TOTAL FUNDING (equals lines 7-11)	(13,286)
13	FUNDING SHORTFALL (equals line 6 plus line 12)	2,245
14	Borrowing (General Fund & Harbour)	(2,245)
15	TOTAL BORROWING (equals line 14)	(2,245)
16	TOTAL FUNDING AND FINANCING (equals line 12 plus line 15)	(15,531)
17	BALANCED ASSET INVESTMENT PLAN (equals line 6 plus line 16)	0

7.02 There are 13 key criteria for capital investment planning included within the Medium Term Financial Plan. These are:

- No growth in the operational asset base;
- Capital expenditure is primarily focussed on the capital maintenance of existing assets;
- A gateway process will ensure strategic fit is demonstrated early and decisions are taken at key stages. This will be supported by a full business case, including projected future demand, and options and investment appraisal process before a project can be considered for inclusion on the Asset Investment Plan;
- No project will be considered for inclusion on the Asset Investment Plan, and existing projects will be removed, unless they have a robust financial estimate of cost. The Executive Manager – Finance will determine whether the financial estimates of cost is robust;
- All capital projects must clearly demonstrate the revenue consequences arising from a capital spending decision to assist Councillors in understanding the full financial impact;
- The focus will be on effective asset management, driven forward through the Asset Strategy and Implementation Plan. This will ensure that the Council occupies a reduced number of properties in the future.

- Scottish Government Capital Grant will be applied initially to short life assets (e.g. vehicles, ICT, certain maintenance);
- Capital Receipts will be targeted at core capital maintenance costs.
- Capital Funded from Current Revenue (CFCR) will be used where appropriate to fund low value, shorter life capital expenditure.
- Where available and determined as appropriate by the Executive Manager – Finance, other assets may be funded from Capital Grants, Capital Receipts and CFR;
- All other capital expenditure will be financed by borrowing. If interest rates are lower than the return on the long-term investments described in the Medium Term Financial Plan, external borrowing will be undertaken. If interest rates are higher than investment returns, internal borrowing will be undertaken;
- The service(s) that benefit from the capital asset will be required to make sufficient revenue savings to free up budget to pay for the cost of capital (interest charges and principal repayments of debt) based on the amount borrowed. This will be calculated on the amount borrowed. The only exception to this will be in relation to the New Anderson High School as the agreement to borrow pre-dates this Policy;
- Capital financing products are affected by external and financial market factors and can develop in a way that may enable the Council to achieve its Corporate Plan outcomes through alternative means. Where new capital financial opportunities arise, such as Scottish Government Initiatives like the National Housing Trust models, then the Executive Manager - Finance will give consideration to such products, subjecting them to financial viability, affordability and risk tests, and make a recommendation prior to proceeding.

7.03 The level of borrowing required to finance the Asset Investment Plan is called the Capital Financing Requirement (CFR). The Council will be able to manage limits for borrowing based on what it thinks is prudent, affordable and sustainable through annually agreeing Prudential Indicators as part of the Annual Borrowing & Investment Strategy.

Asset Investment Plan 2017/18 to 2021/22

7.04 The Asset Investment Plan proposed expenditure totals £75.8m over the next five years which represents a significant investment in the Council's infrastructure.

7.05 The focus of the Asset Investment Plan over the five years is on the maintenance of existing assets rather than the creation of new assets. The main exceptions to this rule are the building of a new Anderson High School Halls of Residence and new Eric Gray Resource Centre.

7.06 Over a third of the Plan focuses on the vessels and terminals that are required to support the inter-island ferry services. The funding for the vessel and terminal replacement programme is subject to ongoing dialogue with Transport Scotland and a successful conclusion to that dialogue, with the Scottish Government meeting its commitment to fair funding for the inter-island ferry services is fundamental to the affordability of this programme.

7.07 Over the 5 years of the Plan there is a net surplus of capital funding of £2.2m. The allocation of this will be subject to the approvals made under the Council's Gateway Process for the Management of Capital Projects. Where the assets are held within the Harbour Account then it is recommended that borrowing would be the means of funding.

7.06 The detailed Asset Investment Plan budgetary information which underpins this section of the budget report can be found in the following budget proposals report (including appendix) which was presented to the Policy & Resources Committee on 13 February 2017.

Policy & Resources Committee 13 February 2017	F-014-F Proposed 5 Year Asset Investment Plan 2017/18-2021/22 http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=
--	--

Shetland Islands Council – Budget Estimates 2017/18**The Formal Resolutions Required:****Recommendation**

It is recommended that to provide for the expenses foreseen in the Budget Estimates for 2017/18, the Council RESOLVE THAT:-

1. they IMPOSE and LEVY the following assessments for the period from 1 April 2017 to 31 March 2018.

NON DOMESTIC RATES

- (a) **THE SHETLAND ISLANDS COUNCIL DO DECERN AND ORDAIN** the whole occupiers in Shetland Islands liable for the aforesaid assessments, to make payment thereof to the Executive Manager - Finance, either by ten instalments, as near equal amounts as practicable, the first on or before 1 April 2017 and at monthly intervals thereafter, or in a single payment on or before 30 September 2017.

COUNCIL TAX

- (a) **Council Tax:** Council Tax of £1,084.59 – Band D equivalent, on all chargeable dwellings in Shetland and to be paid by the persons liable therefor under the Local Government Finance Act 1992, as amended by the Local Government etc. (Scotland) Act 1994.
- (b) **THE SHETLAND ISLANDS COUNCIL DO DECERN AND ORDAIN** the persons liable as described in the Local Government Finance Act 1992, in respect of chargeable dwellings referred to in paragraph (ii) (a) for the aforesaid assessments to make payment thereof to the Executive Manager - Finance, either by 10 monthly instalments, as near equal in amount as practicable, the first on or before 1 April 2017 and at intervals thereafter, or in a single payment before 1 June 2017.

2. NON DOMESTIC RATES APPEALS

- (a) The Council adopt the following regulations with regard to the lodging and hearing of appeals against rates, in terms of Section 238 of the Local Government (Scotland) Act 1947, viz:
 - (b) persons complaining that they have been improperly charged, must lodge their appeals with the Executive Manager - Finance not later than 28 days after receipt of a rates demand note and these appeals will be heard by Council on a date to be notified to appellants. Appellants may appeal personally in support of their appeals or be represented by an agent.
 - (c) no appeal against the valuation entered in the valuation roll is competent.
3. The de minimis sum (used to establish whether expenditure of a capital nature should be charged to capital or revenue) for the year commencing 1 April 2017 should be set equal to £10,000.