

Executive Manager: Jan-Robert Riise
Director of Corporate Services: Christine Ferguson

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All Councillors

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If calling please ask for
Lynne Geddes
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Date: 21 June 2017

Dear Sir/Madam

You are invited to the following meeting:

Shetland Islands Council
Room 16, Islesburgh Community Centre, Lerwick
Wednesday 28 June 2017 at 10.00am

Apologies for absence should be notified to Lynne Geddes at the above number.

Please note the venue for this meeting.

Yours faithfully

Executive Manager – Governance and Law

Convener: M Bell
Depute Convener: B Wishart

AGENDA	
(a)	Hold circular calling the meeting as read.
(b)	Apologies for absence, if any.
(c)	Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d)	Confirm minutes of meetings held on (i) 15 February 2017, (ii) 8 March 2017, (iii) 22 March 2017, and (iv) 18 May 2017 (enclosed).
1.	Chair's Report – Development Committee – 12 June 2017: Living Lerwick Business Improvement District (BID) Ballot <i>SIC-0628-DV-38</i>
2.	Chair's Report – Policy and Resources Committee – 19 June 2017 : Island Games – Gotland 2017 <i>SIC-0628-F-057</i>
3.	Appointments to Integration Joint Board Committees <i>GL-35-17</i>
4.	Appointment of Religious Representatives to the Education and Families Committee <i>GL-30-17</i>
5.	Appointment of a Member to the Shetland Islands Area Licensing Board (SIALB) <i>GL-37-17</i>
6.	Appointments to External Organisations <i>GL-36-17</i>
7.	Shetland College Board Membership <i>GL-33-17</i>
8.	Local Development Plan 2 – Vision Statement <i>DV-25-17</i>
9.	Constitutional Reform Project <i>CE-01-17</i>
10.	Zetland Educational Trust: Annual Report and Financial Statements for the Year to 31 March 2017 <i>F-054</i>
11.	Shetland Islands Council 2016/17 Draft Outturn <i>F-041</i>
12.	Shetland Islands Council Unaudited Accounts 2016/17 <i>F-058-D</i>
13.	Fund Management Annual Investment Report 2016/17 <i>F-060</i>



MINUTES

AB – Public

**Special Shetland Islands Council
Auditorium, Shetland Museum and Archives,
Hays Dock, Lerwick
Wednesday 15 February 2017 at 10.00am**

Present:

M Bell	M Burgess
P Campbell	G Cleaver
A Cooper	S Coutts
B Fox	R Henderson
A Manson	D Ratter
F Robertson	G Robinson
D Sandison	C Smith
G Smith	T Smith
M Stout	A Westlake
J Wills	A Wishart
V Wishart	

Apologies

A Duncan

In Attendance (Officers):

M Boden, Chief Executive
H Budge, Director – Children's Services
C Ferguson, Director – Corporate Services
N Grant, Director – Development Services
M Sandison, Director – Infrastructure Services
J Belford, Executive Manager – Finance
A Jamieson, Executive Manager - Housing
J Riise, Executive Manager – Governance and Law
C Anderson, Senior Communications Officer
B Hall, Partnership Officer
C McCourt, Financial Accountant
H Tait, Team Leader - Accountancy
L Geddes, Committee Officer

Chair:

Mr Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest

None

03/17

Integration Joint Board (IJB) Appointment

The Council considered a report by the Executive Manager – Governance and Law (GL-03-17-F) which sought appointment of a Member to the IJB to fill a temporary vacancy.

The Executive Manager – Governance and Law explained that the vacancy had arisen as the result of a resignation, and that there was provision within the IJB's Scheme of Administration to deal with vacancies. It was the view of the Chair of the IJB and the Chair of the IJB Audit Committee that although it was late in the term of this Council, the vacancy should be filled, and Councillor Allan Wishart had expressed his interest.

In moving that Councillor Allan Wishart be appointed, Mr C Smith advised that it was important that there was a full complement of councillors on the IJB until the end of this Council's term.

Mr Cooper seconded.

Mr Wishart advised that he was willing to accept the nomination.

Decision:

The Council appointed Councillor Allan Wishart to the IJB for the remaining term of the Council.

04/17

Community Asset Transfer Policy

The Council considered a report by the Partnership Officer (DV-14-17-F) which recommended adoption of the Community Asset Transfer Policy.

The Director – Corporate Services advised that she chaired the project board charged with implementing the Community Empowerment (Scotland) Act 2015 (the Act). Part 5 of the Act – Asset Transfer – was now in force, and there were a number of issues that the project board was looking at pulling together. Part 5 of the Act was powerful in terms of empowering community groups, but public resources would be safeguarded. The proposal would be supported through the Community Planning and Development team who worked closely with communities and would support groups through each stage of the process, although community groups would be responsible for taking initiatives forward. It was expected that the process would be straightforward, but any exceptional circumstances or issues would be discussed with Members.

The Partnership Officer advised that the Policy had been developed in line with secondary legislation and guidance supplied to local authorities. The Community Planning and Development Service would act as a single point of contact for communities who had identified a need, and the options for addressing this could include asset transfer. As other parts of the Act developed, they could also be included. If the asset was available, officers would facilitate communication between those involved and could feed into the development of business plans. When all parties were in agreement, a formal application for asset transfer could be submitted. When the request was confirmed as valid, this set the validation date from which the process had six months to be completed. Delegated authority was being sought for the Chief Executive, or his nominee, for the decision-making process. In

the event of a request being declined, the next step of the process would involve consideration by the Policy and Resources Committee, who would act as the Council's review panel. The procedure to back up the Policy would be agreed by the project board, and training was being developed to ensure that staff were familiar with the Policy.

It was noted that the third bullet point of 18.2 of the Policy would be amended to read "...This must be *no later* than six months from the date of the decision notice".

The Director of Corporate Services, the Partnership Officer, the Executive Manager – Governance and Law, and the Chief Executive then responded to questions, and Members noted the following:

- There were a number of strands to the Act. Community participation was one of these, and there would be far-reaching consequences regarding how local authorities worked with communities. Regulations relating to the enactment of the different provisions in the Act were at different stages, and these would be presented to Members as they happened.
- The work to date had been carried out in communication with the Shetland Partnership. As community empowerment applied to public bodies, it would be important to work in partnership through community planning. Each agency/body was responsible for dealing with the particular asset it owned and if it was the case that the asset was jointly used; the legal aspects would have to be dealt with by each body involved. It had been agreed that Community Planning and Development service would lead the project and implement the Act, given its responsibilities for leading on the community plan and the resources available to it. However there was nothing to prevent the Council's Policy from being adopted by other agencies, and it would be made available to them so that each could develop their own policy. It was hoped that because the agencies and bodies involved were already working in partnership through the Shetland Partnership, the approach would not be fragmented and the arrangements would end up reflecting the overall outcomes of the Shetland Partnership. With regard to the Integration Joint Board, legal teams would deal with what was appropriate for the Council, but responsibility would be taken by the appropriate body in line with the assets they owned.
- The Council's current policy relating to the disposal of assets stated that the decision could be made by a nominee rather than the Council. The new policy was consistent with this in that it was being suggested that delegated authority was granted to officers to manage the estate. The Act did not specify particular stages that each body must adhere to, but more work would be required if Members were looking to have a role in more than one stage. The guidance developed mirrored the process that was already in place regarding the consideration of planning applications, whereby those involved in the first decision-making process were quite separate from those responsible for reviewing that decision. This meant that the first decision-making stage would be delegated to a small body of Members, with any review being carried out by a different body of Members – maintaining a clear divide between the body making the

decision and the body reviewing it. Training for Members was being considered as part of the induction training that would be carried out for the new Council.

- Legislation required that there were at least 20 members on the community group that the asset would be transferred to. However a case could be made for exceptions if this was not feasible, as it was recognised that some community groups would be small, particularly in rural/island areas. If a community group expressed an interest but did not meet the criteria, this could be explored further at the pre-application stage, and the Scottish Government could be asked to make an Order to accommodate this under the Act. The Scottish Government had clearly expressed its intention that the Act should work for communities.
- It was expected that most requests for asset transfers would proceed without any problem and, where that did not happen, the role of Members would be to review this. An early review would be carried out in terms of how it was working in Shetland.
- The Policy covered circumstances whereby buildings on local authority land were leased, and it would depend on the leasing arrangements and scope for changes in occupancy. This was something that would be dealt with on a case-by-case basis. However if the title was limited, that would be the extent of the transfer to someone else. There was potential to go beyond the scope of the Act if it was the will of the Council, for example, to acquire a better title.
- There were additional provisions in the Act regarding community right-to-buy for private properties which were abandoned and neglected, and secondary legislation in this respect was expected later in the year. Under the terms of the current guidance, community councils would not be eligible to exercise this right. However they could technically create a body in the form of a company which would meet the criteria and allow them to qualify. Existing bodies could modify their constitutions to enable them to qualify.
- Only applications which were turned down and appealed would come in front of Members.
- If Members were involved in putting together a request, it would be for them to manage their own conflicts of interest and not become involved in a way that they could become compromised when it came to the final review process. This was the case with Members' involvement in the planning process, and it was something that would be dealt with when training was carried out.
- The Planning Committee had representation from each ward area, but this was not the case with the Policy and Resources Committee, who would be responsible for carrying out reviews. However the Policy and Resources Committee had responsibility for looking at issues in a corporate fashion, rather than representing ward interests. Members would have some rights with regard to advocating for their area on behalf

of applicants or objectors, and the Code of Conduct covered this advocacy role. It was the advocacy role that covered the ward representative aspect, rather representation at a decision-making level.

- Should a community group cease to function following an asset transfer taking place, there were statutory limitations in terms of bodies that could be successors to that community group. The Council had a right to impose conditions on the title on transfer, and this was something that people may seek to review, so would come before Members. There was a mechanism allowing for the property to revert back to the Council, or to place the burden of transfer to another like body.
- It was important to note that although the legislation specified community bodies, they were in effect private bodies. So public assets would be transferred to private bodies, and the Council would lose control of them. There were provisions to limit the risks and this was one of the reasons that the numbers for the community body had been set at 20 as this added some legitimacy to the definition of it being a community body.
- During the evaluation process, which would take place in the first six-month period, community groups would work with Community Development on their application and this would include work on areas such as the planning consent that may be required. The lawyers acting for the community group would have to make their offer in line with the conditions that would be imposed, and it would be for the transferee to get the valid permissions during that process.
- It was difficult to ascertain how many potential asset transfers were in the pipeline, but there had been discussions with some community groups around asset transfer and other elements of the Act.
- All assets should be serving the public and the community, and it was important to safeguard that interest and preserve the value to the public purse and public good.
- One of the stipulations set out in the guidance was that community transfer bodies had to take account of community support, and this specifically related to the relationship between a community of interest and the geographic community in which the asset was situated. The community body would require to demonstrate that it had community support, as this was one of the things that could hamper a successful transfer. It would be important to be rigorous in applying assessment of the criteria against the policies and procedures that were in place, and other legislation and conditions which would apply and must be observed. It was recognised that the community did not always speak with one voice, but assurance was given that officers would take cognisance of all aspects when applying the criteria.

During the discussion that followed, it was commented that when the Policy had been considered at the Policy Forum, Members had been of the view that they would like more involvement. It could therefore be considered somewhat ironic that elected members appeared to be those who were

being excluded from this element of community empowerment. Members had expressed willingness to become more involved in the initial stages, but would only be involved when an application was refused, so this was an area of concern. It was suggested that there was a need for a quarterly report to be presented to the Policy and Resources Committee which detailed all applications that had been determined – either positively or negatively.

However it was pointed out that the comparison with the planning process was a good one as the Council was in fact leading the process in its role in setting the Local Development Plan, the planning process framework, and the Local Outcomes Improvement Plan. Therefore it was not as if the process would be happening in isolation. It was also appropriate that members of the Policy and Resources Committee should not be involved in the process as they would be involved in any review, and would not be acting as ward representatives.

Concern was expressed that Members would not be notified when applications were submitted, but it was pointed out that this was encompassed within Section 13 of the Policy.

Members commented that they welcomed the Policy and that it was recognised that the Council should be making the best use of its assets. However some reservations were expressed about the practical implementation of the Policy and potential issues that may arise, particularly in respect of the criteria relating to community bodies. It was suggested that the next Council could explore whether Community Councils could be empowered to lead for the community.

Mr Robinson advised that having seen the recommendation from the Policy and Resources Committee and the correction that would be made to paragraph 18.2 of the Policy, he would be moving that the recommendation in the report be approved, with the addition that Members are notified of any applications at the earliest opportunity, and that a detailed breakdown of all applications which have been determined by officers is to be presented to the Policy and Resources Committee on a quarterly basis.

Dr Wills seconded.

Decision:

The Council adopted the Community Asset Transfer Policy, with the addition that Members are notified of any applications at the earliest opportunity, and that a detailed breakdown of all applications which have been determined by officers is to be presented to the Policy and Resources Committee on a quarterly basis.

05/17

Housing Revenue Account (HRA) Business Plan 2017-22

The Council considered a report by the Executive Manager - Housing (DV-16-17-F) which recommended approval of the HRA Business Plan 2017-22.

The Executive Manager – Housing summarised the main terms of the report, advising that a structured and comprehensive review of the

components of the service had been carried out following resolution of the housing debt, which would no longer act as the main driver.

Responding to questions, she advised that the financial modelling for exceptional works used a mid-point costing, but the worst-case scenario could cost up to £41.4million. Experience to date suggested that the mid-point costing would be realistic, but it would depend on a number of factors that it would not be possible to forecast accurately until all properties had been inspected. To date, there had been no indications that the Scottish Government would provide financial support to rectify issues relating to the failure of blocks manufactured between 1975 and 1981, but an application for support could be considered given the significance of the problem.

She also advised that there were a number of factors relating to why the Council took significantly longer than Hjaltsland Housing Association (HHA) to relet its properties. It was important to note that the Council had three-times more stock than HHA, and that the Council had older properties in areas that were sometimes hard to let. The figures could be skewed by a few properties which were vacant as a result for a long period of time. HHA also used a choice-based letting process that contributed to their quicker turnaround time.

Members acknowledged the work that had gone into the development of the business plan, and thanked staff for this work.

Mr Cooper moved that the recommendation in the report be approved, and Mr Robinson seconded.

Decision:

The Council approved the Housing Revenue Account (HRA) Business Plan 2017-22 as part of the Council's Policy Framework to be managed by the Development Committee.

06/17

Five Year Asset Investment Plan 2017-22

The Council considered a report by the Executive Manager - Finance (F-014-F) which set out the proposed sustainable capital budget for the Council over a five-year period from 2017-22, in line with the Capital Investment Planning policy set out in the 2015-20 Medium Term Financial Plan.

The Executive Manager – Finance summarised the main terms of the report, advising that the Plan was reviewed on an annual basis and that the Scottish Government grant incorporated the additional capital grant of £267,000 that had been announced on 2 February 2017. The Plan identified a small sum available for protection against construction price inflation on projects, but it was worth noting that the project costs were estimated and may change. The funding for the projects referred to in paragraph 4.4 would only be allocated following approval through the Council's gateway process. The Plan incorporated the ferry and terminal replacement programme, in light of the knowledge that action would be required to address an ageing fleet of vessels but paying for all these works was not affordable for the Council.

The Executive Manager – Finance and Director – Infrastructure Services then responded to questions, and the Members noted the following:

- Construction inflation could be extreme and it was not known if the sum of money set aside would be enough. However it did allow for the opportunity to revise and respond to things that were required.
- Business transformation was a wide-ranging phrase which would allow for a framework that captured benefits from things like digital technology and the procurement strategy, and it would allow for service redesign to take place on frontline services. There were potentially huge changes in terms of the way forward, and this would include gathering information and an understanding of where the Council wanted to be in five and ten years' time. It was recognised that business transformation was vital to the way in which the Council would operate in future, and it was a piece of work which would require to be taken forward urgently.
- A bare-boat charter process was currently taking place in respect of tug replacement, and a tug would be chartered before any decision was made to move ahead to buy. A preferred tug had been identified and should be here in June, and staff would be trained by the charterer.
- The £22.9 provision for ferry and terminal replacements over the next five years was specific to the Ferry Vessel and Terminal Replacement programme. Costs for other projects and jobs required would be spread across the ferry infrastructure. The vessel replacement programme had scheduled replacement dates for vessels, but vessels had to be maintained and those that were being replaced later would require more maintenance. The two vessels which were considered highest priority for replacement due to their condition and pressure on the service were the "Good Shepherd" and the "Hendra".

It was commented that in the absence of a long-term investment plan, which would be something for the new Council to consider, the projects outlined in the report represented a good start at maintaining the assets the Council held and looked to the future needs of the Council. It had been highlighted before that the money required to maintain assets outstripped what the Council held, so it was important to move forward in an informed way, consider how much it would cost to look after the assets held, and not contribute further to financial difficulties. It was cautioned that the new Council would have to be careful about spending money on maintaining assets that it may end up disposing of.

Some discussion took place in relation to the Ferry Vessel and Terminal Replacement programme which would be difficult to fund unless the Scottish Government came forward with funding. It was questioned if inclusion in the Plan would give the Scottish Government a reason not to fund it, and suggested that it would be better just to say that the Council could not afford it. However it was pointed out that the Scottish Government was fully aware that the Council could not afford to fund the programme, and the money that would require to be spent was less than the Scottish Government spent on the Western Isles service. The

Government had agreed in principle that it was unfair to expect the local authority to bear the burden of revenue and capital costs.

It was pointed out that the Policy and Resources Committee had acknowledged that the long-term asset plan may not be complete, and that there was a need for the current Council to have a further opportunity to debate it, given that it had kept tight control of the Capital Programme during its term.

It was noted that the a progress report would be presented to the next Policy and Resources Committee meeting, so there would be an opportunity for the Council, prior to the elections, to discuss challenges relating to assets in the longer-term.

Concern was expressed that the sum of money set aside to cover construction price inflation would not be enough, given that the price of materials and timber had gone up in the region of 20% since June. It was also noted that there would be substantial costs arising in future in relation to road replacement, all of which were likely to arise around the same time, so the new Council would have to come up with a solution for this issue.

Mr Robinson moved that the recommendations in the report be approved. Mr Stout seconded.

Decision:

The Council approved the capital budget proposals for 2017/18 included in the report and as set out in detail in Appendix 1 of the report, and adopted Appendix 1 as the Council's Five Year Asset Investment Plan 2017-22, subject to any requirements of the Council's Gateway Process for the Management of Capital Projects.

07/17

Shetland Islands Council Budget Book 2017/18

The Council considered a report by the Executive Manager - Finance (F-013-F) which set out a summary of the spending plans for Shetland Islands Council in the next financial year.

The Executive Manager – Finance gave a PowerPoint presentation to Members regarding the 2017/18 budget which outlined the context for budget setting, the response by the Council to the decrease in Scottish Government funding, the importance of Council resources, and the changes affecting Council Tax.

He advised that since 2007/8, there had been a 20% reduction in funding from the Scottish Government, and this highlighted the need for service redesign and transformation. The Council had responded remarkably well to this reduction, moving from a position where it had been living significantly beyond its means to a position where net expenditure had been brought down to £110million and there had been less draw on reserves. Resources had been shifted in line with priorities, and a zero-based budgeting approach had been introduced. An increase to the local government settlement had been announced on 2 February and, as a result, £1.039million had been added to revenue budgets and £267,000 to capital budgets. The Council continued to generate resources from

investment returns and the Harbour Account, so Shetland was well positioned compared to other Councils in this respect. There were a number of proposals aimed at closing the budget gap for 2017/18, but the use of reserves would still be required, and the budget gap had the potential to double by 2020-21 if action was not taken. The General Fund Revenue Budget was 0.1% less than the current financial year, and this was despite the cost pressures that had been described. It had been possible to maintain the budget at a level similar to 2016-17.

He concluded by thanking staff who had been working on the Budget Book exercise, which had taken an extraordinary amount of effort and resources.

The Executive Manager – Finance then responded to questions, and Members noted the following:

- The contribution from the Council in relation to the Integration Joint Board (IJB) was subject to due diligence, and the IJB's Chief Financial Officer would shortly be presenting a report to the IJB that would consider this in detail.
- The information presented was based on the information available at this particular time in relation to 'Brexit'. The impact of Brexit was unknown, although the value of investments recently had risen and had a positive impact. However the full impact in respect of the rise in inflation had not yet been seen, and this was something that would be monitored in the Medium Term Financial Plan. There was an expectation that inflation rates would grow to 2.5% and this had been taken account of, but there were many other factors which could not be taken into account yet.
- Contingent liabilities had been taken account of during preparation of the accounts, and various liabilities were identified. The general fund balance had an uncommitted figure of £10million. This offered the opportunity to manage risks and costs that arose. Things like fuel price increases were recognised as a potential cost pressure, but costs related to emergency or unexpected situations would not be allocated within contingencies and would be covered elsewhere.
- People were entitled to apply for exemptions and reductions to Council Tax following the changes that will be introduced from 1 April 2017. This had been factored in to the forecast income with an 18-20% reduction on the basis that people would apply for these exemptions and reductions.
- No specific contingency had been included for repairs to North Ness but certain factors had been flagged up as potential costs. If a cost arose, there was money set aside to deal with such matters – the uncommitted general fund balance - but this was not included in the budget.
- Assumptions had been made regarding what the Council could expect to achieve from its own investments by way of the return on these investments, and assumptions had been made about them being sustainable over a long period. Getting to a point of equilibrium on sustainability would be very difficult, as there would always have to be an

element of the costs borne by the Council having to decrease as income from the Scottish Government decreased.

During the discussion that followed, Members added their thanks to staff that had been involved in preparation of the Budget Book. It was commented that the current Council had worked hard to balance its books whilst protecting the delivery of vital services, against a background of having to deal with the consequences of overspending councils in the past. The Council was now in a position of managing to deliver largely the same services at a reduced cost of 30% in real terms. The Housing Revenue Account was now also in a healthy position, as a result of the efforts of the current Council's negotiations in respect of the housing debt. It was essential for the public to acknowledge that having the best services meant that they had to be paid for. The increase in the Council tax for most people would equate to only 9p per day, and this would help enable vital local services to be protected. Disappointment was expressed that the Scottish Government had not stuck to its promise to review local taxation. Whilst the challenges for the new Council should not be under-estimated, the Council was now in much better shape than it had been when the current Council had been elected in 2012.

Concern was expressed that the implications of the budget on the services delivered had not been explored. This was very important as the Council was currently delivering services beyond what it was being funded to deliver and it would be useful to quantify the added value of the services delivered. The ongoing situation could not be sustained, and there was a need to make continued representations regarding the cost of delivering services in Shetland. The budget-setting exercise had been conducted via a finance-led approach rather than focusing on delivering service priorities, and it would have been useful to have set out what each of the directors had gone through in an attempt to meet savings targets. It was important that the community were aware of what the Council was going to be unable to deliver because of the resources available to it, and to continue making representations about the inadequacy of funding to deliver the services required.

Mr Robinson moved that the recommendations in the report be approved, acknowledging the information had been circulated following the Policy and Resources Committee relating to the amendment made in respect of the two new charges relating to Landings of Fresh Shellfish.

Mr Stout seconded.

Decision:

The Council considered the information provided by the Chair of the Policy and Resources Committee in relation to the 2017/18 Budget recommendations made by the Committee and contained in the Budget Book and approved the 2017/18 Budget by:

- Approving the Council Budget Book 2017/18 (Appendix 1) (to include the decision made by the Policy and Resources Committee in respect of the Harbour Board budget proposals – namely that the two new charges listed in Appendix 2 of that report relating to Fresh Shellfish will not be

implemented until this is considered in a further report to the Harbour Board on 6 March 2017).

- Adopting the Formal Resolutions (Appendix 2)
- Agreeing to increase the Council Tax by 3%
- Accepting the package of funding and conditions that was contained in the Scottish Government funding settlement for 2017/18

The meeting concluded at 12.35pm.

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Convener



MINUTES

B - PUBLIC

Shetland Islands Council
Auditorium, Shetland Museum and Archives, Hays Dock, Lerwick
Wednesday 8 March 2017 at 2pm

Present:

M Bell	M Burgess
P Campbell	A Cooper
S Coutts	B Fox
R Henderson	A Manson
D Ratter	F Robertson
G Robinson	D Sandison
C Smith	G Smith
T Smith	A Westlake
A Wishart	V Wishart

Apologies

G Cleaver	A Duncan
M Stout	J Wills

In Attendance (Officers):

M Boden, Chief Executive
S Bokor-Ingram, Director of Community Health and Social Care
H Budge, Director of Children's Services
C Ferguson, Director of Corporate Services
N Grant, Director of Development Services
J Belford, Executive Manager - Finance
P Peterson, Executive Manager – Executive Services
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Capital Programme
J Smith, Acting Executive Manager – Ports and Harbours
M Holmes, Coastal Zone Manager
C Anderson, Communications Officer
L Gair, Committee Officer

Also in Attendance:

H Sutherland, Head of Planning and Modernisation, NHS

Chair:

Mr Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read. Members were advised that items 4 and 5 on the agenda had been delayed and would therefore be presented to the next meeting of the Council.

Declarations of Interest

Mr Cooper, Chair of Delting Community Council and Mr Burgess, Chair of Scalloway Community Council, declared their interest in item 1 "Notice of Motion proposed by Councillor J Wills, seconded by Councillor G Robinson". They advised that they would not participate in discussion but would not leave the meeting.

Mr Henderson declared an interest in item 8 "Fresh/Caught Shellfish Landing Dues 2017/18" but advised that he would not leave the meeting during that discussion.

Minutes

The minutes of the meeting held on 18 January 2017 were approved on the motion of Mr C Smith, seconded by Mr Robertson.

The minutes of the meeting held on 22 February 2017 were approved on the motion of Mr C Smith, seconded by Mr Robertson.

Convener's Opening Remarks

"Members, although we have a special meeting now scheduled for 22 March, this being the final public session of an ordinary full council meeting before the pre-election period commences, I wanted to make some personal remarks.

Firstly, I don't know where the last 5 years have gone! That being said when you consider what we faced when we first sat around these tables and what we now have, I am sure you will agree we leave the Council in a much better and more sustainable state than we found it. I wouldn't quite say we found the patient dead on arrival but it was certainly in intensive care and the prospects were not good. By mid-term the patient was well enough to be moved to the general ward to continue recovery and now, as we complete our term, it is home recuperating and building strength ready to face the fresh challenges, no doubt shortly, to come.

We haven't achieved everything everybody set out to achieve but even in the best of circumstances that would never have been possible. But in any circumstances what we have achieved has been extremely noteworthy. Against the backdrop of the most sustained and savage budget cuts imposed by central government post-war, we are about to deliver, for example, a brand new Anderson High School and Hostel; a new Eric Gray centre is being built, both of which will benefit service users throughout Shetland for decades; we resolved the historic 40-year-old housing debt through dogged and careful negotiation with both Westminster and Holyrood thus protecting our tenants from terrible rent rises; we balanced the books; protected our reserves and live within our means. I could go on but many of the Chairs at their individual committees will have been much more specific.

Most of all, from my point of view, we have adopted and have followed a sound constitution and model of governance. Far from being a national laughing stock we are now held up as an example of how a good Council does business. On that note I would like to personally thank officers, Chairs and Members for their efforts in that respect and for the respect consistently shown to this Chair.

We leave the Council in much better state than we found it and however difficult the next 5 years will be, the new Council will start in a much healthier position than this one had. We can be satisfied we have done our bit.

Finally members, whether you are standing again or are standing down I wish you all the best.”

Ms Wishart thanked Mr Bell, who she said had been an excellent Convener, Members unanimously concurred.

11/17 **Notice of Motion proposed by Councillor J Wills, seconded by Councillor G Robinson**

The Council considered a Notice of Motion by Councillor J Wills, attached as Appendix 1.

In the absence of Dr Wills, Mr Robinson introduced the Notice of Motion and advised on the importance of having local control rather than have the Scottish Government decide for Shetland. He said that a report was required to inform the process and to present a workable option and how that would be delivered. Mr Robinson moved that the Council approve the Notice of Motion attached as appendix 1. Mr Robertson seconded.

During lengthy debate, some Members spoke in support of the motion and the need to ensure that communities are more involved in their communities as once was the case.

In response to a question, the Convener confirmed that the only amendment to the motion could be a direct negative.

In response to a question regarding what level of discussion there had been with the Scottish Government on this route of groundbreaking change, the Leader advised from discussions with the Local Government Minister that the Scottish Government want to explore the options and there is an opportunity for the Council to be involved in a pilot.

Comment was made that there would be experiences of Community Councils that are less enthusiastic and as Community Councils are made up of volunteers there may not be the commitment to take these powers. It was however suggested, should this proposal be approved, that empowerment should not be limited to Community Councils but to include other Community organisations, such as the North Mainland Community body, who have started three successful businesses and have made great progress to becoming self sustaining.

Mr Fox said that he agreed with the concept but had difficulty with the timing, he questioned the ability of communities to develop their own companies and believed that a request for a report would be adding to the workload of officers. Mr Fox therefore moved, as an amendment, a direct negative to the motion. Mr C Smith seconded.

Following summing up, voting took place with a show of hands and the results were as follows:

Amendment (Mr Fox)	6
Motion (Mr Robinson)	9

Mr Burgess asked that his abstention be recorded.

Decision:

The Council approved the following:

“That the Council,

- Seeing considerable potential benefits to the people of Shetland by Community Councils becoming corporate bodies with the ability, among other things, to own property, enter into contracts, employ staff and raise their own revenue, including (but not restricted to) a portion of Council Tax;
- Recognising that this can only be achieved through the powers of the Scottish Parliament;
- Consider that working without islands council partners in Our Islands Our Future initiative may be a suitable way forward, perhaps with a pilot scheme;
- And wishing fully to engage with Shetland’s community council’s and to consult widely on the development of this proposal for community empowerment;

therefore asks officers to prepare a report, for an early meeting of the next council, on how such a proposal might be taken forward.”

12/17

Shetland Islands Health and Social Care Partnership: Joint Strategic Commissioning Plan

The Council considered a report by the Head of Planning and Modernisation, NHS Shetland, (CC-17-17-F) that presented the Shetland Islands Health and Social Care Partnership: Joint Strategic Commissioning Plan.

The Director of Community Health and Social Care and the Head of Planning and Modernisation introduced the report and advised that the report had been considered by Policy and Resources Committee yesterday and would be presented to the NHS Board in April 2017.

During questions reference was made to paragraph 3.3, and assurance was sought in terms of delivery of the Integrated Plan. The Director of Community Health and Social Care said that there was no reason to believe that the Plan would not work and that there was already a good record of joint working between the organisations and that each organisation whether statutory or not, recognise that if the IJB is to succeed everyone needs to work together. The Director of Community Health and Social Care also advised that paragraph 3.4 relates to aspirations that sets the direction of travel and puts down markers, however there has to be a degree of buy in and challenge to all organisations to operate differently. He advised that work has already begun in localities with Community Council engagement and consultation etc. The Director of Community Health and Social Care advised on the importance of focussing on the individual needs of clients, however there are some professional and organisation structures that get in the way of that which the IJB needs to be mindful of and try to break down

barriers in organisation. He said that there had already been some movement and some success that can be seen around how care is being provided in the community and the shift in balance is because of the change in the way services are delivered.

Reference was made to the closure of a ward in the Gilbert Bain Hospital to release staff onto other wards, and it was questioned whether this will be an ongoing trend to release more staff into the community. The Director of Community Health and Social Care said that if there is capacity in one area on a consistent basis the only way to alleviate issues in other areas is to shift resources accordingly.

Mr C Smith commented that on the work involved to develop the Integrated Plan and acknowledged that the future will be challenging. Mr C Smith moved that the Council approve the recommendation contained in the report. Mr Robinson seconded.

Decision:

The Council APPROVED the Shetland Islands Health and Social Care Partnership's Joint Strategic Commissioning Plan.

13/17

SIC Response to 'A Consultation on the Long Term Management of the Crown Estate in Scotland'

The Council considered a report by the Coastal Zone Manager (DV-27-17-F) that presented a draft response to the consultation on the long term future of the Crown Estate.

The Coastal Zone Manager introduced the report.

During discussion, the Coastal Zone Manager agreed to include in his response mention of marine spacial planning that is being taken forward in conjunction with the NAFC Marine Centre. Members spoke in support of the response and welcomed the opportunity to comment on the long term management of the Crown Estate assets in Scotland.

Members discussed the benefits that local control of the seabed would bring and in response to a question the Coastal Zone Manager explained that there was nothing to stop another party from making a case for control of the seabed around Shetland. The Executive Manager – Governance and Law also provided advice on a number of points, including at Q40 of the response, whereby under local control, should there be any revenue from rent or an annual return, the net value would be available for community benefit. The Chief Executive added that the sale of the seabed would be very rare and, only likely to happen if the seabed was reclaimed when it could be sold to the person reclaiming the land. In terms of capital receipts, these currently have to be put back into more capital assets, and not taken out of the system. The Chief Executive added that amending this duty would allow these receipts of income to be used for other purposes by whoever is managing it.

Further comment was made that the main clauses in the Zetland County Council Act 1974 requiring the Council to have a duty of care for looking after a fair share for Shetland needs to be emphasised.

Mr Cooper moved that the Council approve the recommendation contained in the report, Mr Robinson seconded.

Decision:

The Council RESOLVED that the attached response to the consultation on the long term future of the Crown Estate be sent as its official response, subject to any amendments or additions Members made.

14/17

Asset Investment Plan, Gateway Process – Business Cases

The Council considered a report by the Executive Manager – Capital Programme (CPS-02-17-F) that presented the Asset Investment Plan, Gateway Process – Business Cases.

The Executive Manager – Capital Programme introduced the report and advised that the recommendations in the report had been presented to and approved by the Policy and Resources Committee.

Mr Robinson moved that the Council approve the recommendations contained in the report, seconded by Mr C Smith.

Decision:

The Council APPROVED the projects as described in Section 4.0 of the report for implementation.

15/17

SIC Overall Management Accounts 2016/17
Projected Outturn at Quarter 3

The Council considered a report by the Executive Manager – Finance (F-028-F) that presented the Overall Management Accounts 2016/17 – Projected Outturn at Quarter 3.

The Executive Manager – Finance introduced the main terms of the report.

Mr Robinson advised that this report had been considered by Policy and Resources Committee and moved that the Council approve the recommendation contained therein. Mr C Smith seconded.

Decision:

The Council reviewed the Management Accounts showing the projected outturn position at quarter 3.

16/17

Fresh/Caught Shellfish Landing Dues 2017/18

The Council considered a report by the Acting Executive Manager – Ports and Harbours and the Executive Manager – Finance (PH-04-17F) that presented proposals in terms of Fresh/Caught Shellfish Landing Charges.

The Acting Executive Manager – Ports and Harbours introduced the report and advised on the consultation undertaken with industry stakeholders.

In referring to paragraph 1.1.2 of the report, the Acting Executive Manager – Ports and Harbours was asked if there were any implications arising from

the removal of the Live Fish/Fish Feed x 40 trip charge. The Acting Executive Manager – Ports and Harbours said that this was the removal of the more expensive of the two charges, and advised that the aquaculture charges will be reviewed and consulted upon during the year.

Mr Robinson advised that this report had been considered at Policy and Resources and the decision note from the Harbour Board was circulated and approved. Mr Robinson moved that the Council approve the recommendations, as amended at the Harbour Board. Ms Manson seconded.

Decision:

The Council APPROVED:

- Proposal 1 - Caught Shellfish - discounted ad valorem rate - Vessels under 15 metres who undertake to provide weekly details of the weight/value of their caught shellfish landings directly to the Council, including place of landing, or who provide the Council with authorisation to access their landing information from the relevant agent/buyer will qualify for a reduced ad valorem rate of 2% or face a charge of £30 per landing for undeclared landings; and
- The removal of the Live Fish/Fish Feed x 40 trip charges to provide clarity for aquaculture vessel charting as set out in 2.4 of the report.

17/17

Corrections to Ferry Operations Income Charges 2017/18

The Council considered a report by the Executive Manager – Finance (F-037-F) that presented a correction to the Ferry Operations income charges for 2017-18.

The Executive Manager – Finance introduced the report and explained the reason for the correction as presented in the report. He advised that the charges had not been implemented so no overcharging had taken place. In addition, the Executive Manager – Finance advised that the report highlighted a change in 2015 resulting in around 100 journeys being charged at a higher rate. He said that it has not been possible to identify those individuals overcharged but should anyone feel they may have been overcharged they can get in contact with Officers.

Mr C Smith moved that the Council approve the recommendation contained in the report, seconded by Mr T Smith.

Decision:

The Council APPROVED the corrections to the Ferry Operations income charges for 2017-18, detailed on Appendix 1 under column headed 'Revised 2017/18 Charge (VAT Exclusive)'.

18/17

Annual Investment and Treasury Strategy for 2017/18

The Council considered a report by the Executive Manager – Finance (F-032-F) that presented the Annual Investment and Treasury Strategy for the Council for the financial year 2017/18.

The Executive Manager – Finance introduced the report.

Mr Robinson advised that this report had been presented to and approved by the Policy and Resources Committee and he moved that the Council approve the recommendations contained in the report. Mr C Smith seconded.

Decision:

The Council:

- Approved the Annual Investment Strategy Statement to be followed for the financial year 2017/18, as set out in Appendix 1 section 2.
- Approved the Treasury Management Strategy to be followed for the financial year 2017/18, as set out in Appendix 1 section 3.
- Reviewed the Borrowing Policy to be followed for the financial year 2017/18, as set out in Appendix 1 section 4.
- Approved the Treasury Management Prudential Indicators for 2016/17 to 2019/20, as set out in Appendix 1 section 5.
- Reviewed the four clauses within the CIPFA Code of Practice as set out in Appendix 1 section 6.
- Reviewed the Treasury Management Policy Statement as set out in Appendix 1 section 7, and
- Reviewed the Statement of Treasury Management Practices as set out in Appendix 1 section 8.

19/17

Shetland Islands Council Medium Term Financial Plan 2016/17 - 2021/22

The Council considered a report by the Executive Manager – Finance (F-036-17-F) that presented the Council's Medium Term Financial Plan 2016/17 – 2021/22.

The Executive Manager – Finance provided a slide presentation (slides attached as Appendix A).

The Chief Executive addressed the meeting and advised on the importance of the Medium Term Financial Plan and Financial strategy, which he said was prepared by Corporate Management Team. He expressed his thanks to the Executive Manager – Finance for his hard work in preparing this and the other reports presented today, which he acknowledged would have been challenging. The Chief Executive advised that the Medium Term Financial Plan reflected the views of Members expressed over many years and it was now an opportune time for Members to review the Medium Term Financial Plan before the end of their Council term. In addition, he said that this Medium Term Financial Plan came at a time where there is a reduction in Local Government funding making the position locally more challenging

than this Council expected. The Chief Executive said that as the 2017/18 budgets had been set it was now time for the Council to prepare for the future and take into account all its knowledge for the next 5 years. He said that there was unlikely to be significant changes to the Medium Term Financial Plan until the next budget setting exercise before Christmas when the Council will be in a position to review the Medium Term Financial Plan this time next year or roll it forward to the following year. He advised on the importance that the Council, as a corporate body, takes advantage of the knowledge of the 22 Councillors and for the next elected Council to start their journey of 5 years with an approved Medium Term Financial Plan.

In recommending the Medium Term Financial Plan to the Council, the Chief Executive referred to the ten bullet points listed, in the slide presentation, and commented on the significance of the first and fourth bullet points, namely “prudent forecasting” and “focus investment returns on supporting revenue expenditure”.

(Mr Ratter left the meeting)

During the discussion, the Executive Manager – Finance said that he did not have the means to answer a question on what wider impact the Scottish Government’s 4.5% year on year reductions, would have over the next 5 years. Comment was made that the Council is a major contributor to the Shetland economy and that the funding reductions would certainly impact and Members were duty bound to have an understanding of those impacts.

During debate, Mr Robinson advised that there had been a lot of discussion on this item at Policy and Resources Committee, and he commented that the Medium Term Financial Plan had led to the positive position that the Council is now in. In that regard, he referred to the Convener’s opening remarks that the Council was now in a better position than at the start of this Council term. Mr Robinson moved that the Council approve the recommendations contained in the report, Mr Fox seconded.

Members spoke in support of the Medium Term Financial Plan and the comment was made that the Council will have to be mindful of the impacts of ongoing 4.5% reductions. Members agreed, and it was noted, that the Council will have to engage with the Community Planning Partners to support the services that are most important to the community.

Decision:

The Council ADOPTED the Medium Term Financial Plan by:

- approving the principles of the Plan set out in section 2.2 of the Medium Term Financial Plan;
- approving the assumptions on income and expenditure which underpin the Plan set out in sections 4, 5, 6 and 7 of the Plan;
- approving the Financial Strategy set out in Section 13 of the Plan; and
- approving the Financial Targets as detailed in Appendix B.

20/17

Long-Term Revenue & Capital Planning – Update

The Council considered a report by the Executive Manager – Finance and the Executive Manager – Capital Programme (F-039-F) that presented an update on the Long Term Revenue and Capital Planning.

The Executive Manager – Finance and the Executive Manager – Capital Programme introduced the report.

Mr Robinson advised that this report had been presented to and approved by the Policy and Resources Committee. Mr Robinson moved that Council approve the recommendations contained in the report. Mr Robertson seconded.

Mr Robertson advised that in previous years attempts had been made to prepare a 10 year capital plan but that had not included revenue costs. He said that attention has to be paid to the ongoing revenue costs of capital projects embarked upon as revenue is a particular component of any capital programme.

Decision:

The Council to ADOPTED the recommendations:

- To base long term asset investment planning on £6.5m per annum as affordable to the Council, placing no additional burden on the revenue budget from borrowing (based on Scenario 1). To reinforce the decision to consider capital investment in line with the approved Gateway Process for the Management of Capital Projects.
- To instruct Executive Managers to develop, in conjunction with the Executive Manager - Capital Programme, long term asset investment plans for their individual Services that are regularly reviewed to maintain their integrity and relevance.
- To review its Employer discretions in relation to the Pension Fund to determine how future costs can be reduced through making changes to the discretionary awards that can apply when an employee leaves the Council through, for example early retirement.
- That the Council's Investments continue to be used, as per the MTFP, to support the delivery of revenue Services, and that this is done in line with the Investment Withdrawal Policy defined in the MTFP.
- That resource allocation and financial planning should take into account the demographic changes that are projected to occur over the life of the LTFP and to consider the evidence of population changes in making strategic decisions about Service outcomes and setting priorities.

21/17

Corporate Risk Register

The Council noted a report by the Director of Corporate Services (CRP-05-17-F) that presented the current Corporate Risk Register as part of the organisations Performance Monitoring arrangements.

Mr Robinson advised that this report had been presented to and noted by the Policy and Resources Committee and he moved that the Council note the content of the report. Mr C Smith seconded.

Decision:

The Council NOTED:

- the changes to the Corporate Risk Register;
- key risks facing the Council at this time and the action taken to mitigate those risks.

(Mr Cooper left the meeting)

In order to avoid the disclosure of exempt information, Mr Bell moved, Mr C Smith seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following items of business.

The Convener sought declarations of interests for the items to be held in private and invited the Executive Manager – Governance and Law to give advice in relation to the restricted report “Council Office Premises” before declaration were made. After hearing the advice from the Executive Manager – Governance and Law, the following declarations were made:

Mr Bell and Ms Manson declared their interest in item 18 “Council Office Premises”, as Members of the Shetland Charitable Trust. They advised that they would take no part in discussion and leave the meeting.

Mr Henderson declared an interest in item 18 “Council Office Premises”, as a Member of the Shetland Charitable Trust. He advised that he would take no part in discussion and leave the meeting, however he said that he was aggrieved that Members were being dictated to and that they should be left to make up their own mind.

Ms Westlake declared an interest in item 18 “Council Office Premises”, as a Member of the Shetland Charitable Trust. Ms Westlake asked who had taken the decision not to provide Members with sight of the report that would allow them to undertake their own due diligence. The Executive Manager – Governance and Law advised that today he was providing sufficient information and clear advice to Members in terms of their conflict of interest in this item. In that regard he said that this is a legally privileged report and subsequent disclosure of its terms would not simply be a matter relating to the individual choice of a Member, as would normally be the case under the code of conduct. Any breach would seriously affect the legal standing of the Council. The steps taken in this instance were necessary to better protect those who would have a conflict of interest as well as to protect the Council. The Convener said that he was satisfied that Members who are also Trustees on the Shetland Charitable Trust have no choice but to leave the room in this instance.

Mr Wishart declared an interest in item 15 “Inter-Island Air Services Tender Report” as a family member works for Direct Flight, and in item 18 “Council Office Premises” he suggested that any Councillor not standing for re-election do the same.

Mr Fox declared an interest in item 18 “Council Office Premises”, and he would take no part in the meeting.

Mr Robertson declared an interest in item 18 “Council Office Premises”, and he would take no part in the meeting.

22/17 **Confidential Risks**

The Council noted a report by the Director of Corporate Services that presented information with regard to the risks where the information is confidential, commercially sensitive or otherwise exempt from publication.

The Director of Corporate Services introduced the report and the Council noted the report.

Decision:

The Council NOTED the issues of confidentiality and the substance of the risks presented at Appendix 1 and the action taken to mitigate those risks.

(Mr Wishart left the meeting)

23/17 **Inter-Island Air Services Tender Report**

The Council considered a report by the Executive Manager – Transport Planning that presented proposals in regard to the tendering of the Inter-Island Air Services contract.

The Director of Development Services introduced the report and responded to questions.

Mr C Smith moved that the Council approve the recommendations contained in the report, Mr T Smith seconded.

Decision:

The Council approve the recommendations contained in the report.

24/17 **Disposal of tugs Tirrick and Shalder**

The Council considered a report by the Acting Executive Manager – Ports and Harbours that presented information relating to the disposal of the tugs Tirrick and Shalder.

The Acting Executive Manager – Ports and Harbours introduced the report.

Ms Manson advised that this report had been considered and approved by the Harbour Board and moved that the Council approve the recommendation contained in the report. Mr Robinson seconded.

Decision:

The Council approved the recommendations in the report.

(Ms Westlake left the meeting)

25/17 **Commissioning and Procurement Framework – request to extend contracts**

The Council considered a report by the Director of Corporate Services that presented the Commissioning and Procurement Framework and sought the suspension of Contract Standing Orders to allow the extension of four contracts.

The Director of Corporate Services introduced the report and on the motion of Mr C Smith, seconded by Mr G Robinson, the Council approved the recommendations contained therein.

Decision:

The Council approved the recommendations contained in the report.

(The Council adjourned at 4.15pm)
(The Council reconvened at 4.20pm)

Present:

M Burgess	P Campbell
G Robinson	D Sandison
C Smith	G Smith
T Smith	V Wishart

In Attendance (Officers):

M Boden, Chief Executive
C Ferguson, Director of Corporate Services
J Belford, Executive Manager - Finance
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Capital Programme
S Brunton, Team Leader - Legal
L Gair, Committee Officer

Also in Attendance:

M Conroy, Harper MacLeod, Legal Adviser to the Council

Chair:

Mr C Smith, Vice-Convenor of the Council, presided.

26/17 **Council Office Premises**

The Council considered a report by the Director of Corporate Services

Mr C Smith moved that the Council approve recommendations in the report.
Mr Robinson seconded.

Decision:

The Council approved the recommendations contained in the report.

The meeting concluded at 5.20pm.

.....
Convener



MINUTES

B - Public

Special Shetland Islands Council
Auditorium, Shetland Museum and Archives, Hays Dock, Lerwick
Wednesday 22 March 2017 at 10.00am

Present:

M Bell	M Burgess
P Campbell	G Cleaver
A Cooper	S Coutts
B Fox	R Henderson
A Manson	D Ratter
F Robertson	G Robinson
C Smith	G Smith
T Smith	M Stout
J Wills	A Wishart
V Wishart	

Apologies:

A Duncan	D Sandison
A Westlake	

In Attendance (Officers):

M Boden, Chief Executive
N Grant, Director – Development Services
J Belford, Executive Manager – Finance
P Peterson, Executive Manager – Executive Services
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Capital Programme
C Black, Procurement Manager
S Brunton, Team Leader - Legal
A Cogle, Team Leader - Administration
B Kerr, Communications Officer
L Adamson, Committee Officer

Chair:

Mr Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest

None

27/17

Governance Improvement Programme - Update

The Council considered a report by the Executive Manager – Governance and Law (GL-07-17-F) which presented the updates to the Council's Constitutional documents.

The Executive Manager – Governance and Law summarised the main terms of the report.

In referring to the Status Update on Appointments to External Organisations at Appendix 5, comment was made on the omission of the Shetland Heritage Association. It was confirmed however, that Shetland Heritage Association was not on the current list of Council appointments.

Concern was expressed that Sullom Voe Association (SVA) had been included in the list of external organisations where further assessment would be required prior to any recommendation being made, and Dr Wills advised on the importance for the Council to continue to have representation on the SVA. In that regard, a request was made for SVA to be moved to the list of organisations being recommended for appointment at the statutory meeting. The Executive Manager – Governance and Law agreed to that suggestion however he advised that all recommendations would be subject to assessment. During the discussion, reference was made to the term of appointment to the SVA, where the four Members remain as Directors until such time as they are removed as Directors by the organisation, which normally happened when new Council appointments are made.

In response to a question, the Executive Manager – Governance and Law advised against Councillors taking on individual appointments on external organisations where these are not recommended, in terms of potential liabilities. However, should a Councillor take up such an appointment the Councillor Code of Conduct would apply.

In response to a question, clarity was provided in terms of appointment to the Board of NHS Shetland where a nomination is made by the Council for consideration by Scottish Ministers, and on Council appointments to the Integration Joint Board (IJB). The Executive Manager – Governance and Law advised that various Government departments are keeping under review how IJBs are bedding in and on the availability of non-executive Members of Health Boards to IJBs.

Reference was made to the recommendation that appointments should be made to the CPMR, however in that regard a call was made for structure going forward, in terms of the appointments to be made, and consideration to be given to the level of officer support and participation at such meetings, bearing in mind the support being provided to other Councils and organisations that attend such meetings. It was pointed out that officers do provide briefing notes to support appointed Members in their attendance at meetings. In terms of officer participation at meetings, reference was made to the importance of maintaining continuity of contacts among officers and organisations, and on the need for appropriate budget provision going forward in order to allow attendance to be authorised.

Reference was made to the inclusion of SOTEAG in the list of external organisations for further assessment prior to Councillor appointment. Mr Fox advised from his membership on KIMO International, and said that with

the next meeting of KIMO being in early June he supported the proposal for an early appointment to KIMO at the statutory meeting.

During the discussion, a suggestion was made for Members appointed to external organisations to circulate feedback from their attendance at meetings to all Members.

During debate, Mr Robinson moved that the Council approve the recommendations in the report, with the addition that: (i) Sullom Voe Association Ltd and SOTEAG are recommended appointments, noting that this would not remove the need for further assessment to be made; (ii) further consideration to be given on a means for Members who represent the Council on external organisations to report back from their attendance at meetings; and, (iii) that the appointment to KIMO is made at the statutory meeting.

In referring to the Council's Code of Corporate Governance, at Appendix 7, Dr Wills highlighted the following: at Section 2.1 the reference to 'openness'; Section 4.1.4, references to "transparent decisions" and "robust means of scrutiny", and to Section 4.1.6 in terms of "engagement with local people" and 'accountability'. Dr Wills said that, in his opinion, an increasing number of meetings were being held in private that are discussing public business. He said that the discussions at many of these workshops and Seminars could be held in public as this would provide a better understanding on the issues being faced by the Council. He added that, as these meetings are held in Council premises, staffed by Council employees, and Members are entitled to claim expenses, there should be precedent whereby Seminars should always be held in public, with a good reason given to take any matter in private. In that regard, Dr Wills asked Mr Robinson to consider adding this to his motion, namely that consideration be given to the status of Seminars and workshops to be open to the public.

Mr Robinson said that Seminars provided a useful platform for discussion and a safe environment for Members to ask questions and officers to be able to provide answers not in the full glare of the media. Mr Robinson added that the Council was an open organisation, and that items are only considered in private when there is a good reason to do so. Mr Robinson confirmed he maintained his motion. Mr C Smith seconded the motion.

Dr Wills moved, as an amendment, to add to the terms of the motion that the next Council consider the role, remit and openness of Council seminars to ensure they are in line with the objectives as set out in Sections 2.1, 4.1.4 and 4.1.6 of the Council's Code of Corporate Governance. Ms Manson seconded.

In speaking in support of the motion, some Members advised on the benefits they have found, particularly as new Members on the Council, in being able share information between officers and Members at Seminars. Seminars being held in private allowed for Members to consider issues and receive background information for discussion between officers and Members. Comments were also made that Seminars have been helpful and worthwhile, and that there is a need for this type of forum in private,

particularly with an independent Council, where personal and political ideas can be exchanged and formulated.

Following summing up, voting took place by a show of hands, and the result was as follows:

Amendment (Dr Wills)	2
Motion (Mr Robinson)	17

Decision:

The Council:

- NOTED the updates made to the Council's Constitutional documents and APPROVE these versions for publication;
- NOTED the list of recommended appointments to be made at the statutory meeting on 18 May, and that the remaining appointments and associated guidance will be presented to the Council meeting on 28 June; and
- RESOLVED to APPROVE delegated authority to the Council's Chief Legal Officer/Monitoring Officer, to agree updates to any of the constitutional documents where these are required to give effect to legislative requirements, Council decisions or changes in operational procedures, and to note that any such changes will be notified in the document version control and, where considered necessary, by a briefing note to Councillors and/or officers.
- AGREED that: Sullom Voe Association Ltd and SOTEAG are recommended appointments, and noted that this would not remove the need for further assessment to be made; (ii) further consideration to be given on a means for Members who represent the Council on external organisation to report back from their attendance at meetings; and (iii) that the appointment to KIMO is made at the statutory meeting.

28/17

Accounts Commission Report: "How Councils Work: roles and working relationships in Councils – are you still getting it right?"

The Council considered a report by the Executive Manager – Governance and Law (GL-09-17-F) which presented the Accounts Commission report "How Councils Work: roles and working relationships in Councils – are you still getting it right?".

The Executive Manager – Governance and Law summarised the main terms of the report.

(Mr Ratter left the meeting).

In response to comments, the Executive Manager – Governance and Law advised on the requirement, following the date of the election, for the statutory meeting to be held within 21 days. For the Council the statutory meeting will be held within two weeks of the election, on 18 May 2017.

During debate, the Leader recalled from when the report had first been published in 2010, and advised on the progress made since that time which gives assurance in terms of best practice.

Reference was made to the improvements to the induction process, which is now of a high quality and professional standard, and of particular benefit to new Members to the Council.

On the motion of Mr Robinson, seconded by Mr C Smith, the Council approved the recommendations in the report.

Decision:

The Council

- NOTED the recent Accounts Commission report titled “How Councils Work: roles and working relationships in Councils – are you still getting it right?”;
- NOTED that the core principles set out in paragraph 4.1, further amplified in paragraph 4.6, already underpins the necessary context for good governance for Shetland Islands Council;
- INSTRUCTED that the evaluation of our recently revised governance arrangements reflects on this report when the next review commences in August/September 2017;
- ACCEPTED recommendation of Audit Committee on 8 March 2017 which is that the elements of good governance described in this report should feature significantly in the induction programme being prepared for the early days of the newly elected Council after 5 May 2017.

29/17

Councillors Code of Conduct Consultation

The Council considered a report by the Executive Manager – Governance and Law (GL-10-17-F) which presented a proposed response to the Scottish Government’s consultation on the Councillors Code of Conduct.

The Executive Manager – Governance and Law summarised the main terms of the report.

During debate, comments were made that the draft which had been prepared was an appropriate response to the consultation. It was also submitted that while there was the need to protect Members and the decision making process from accusations or perceptions of partiality, through having a robust Code of Conduct we need to accept that the public can see a reasonable level of Council ability to wear different hats. However, that did not lead to any proposed changes to the draft response.

On the motion of Mr Stout, seconded by Mr Robinson, the Council approved the recommendation in the report.

Decision:

The Council RESOLVED to APPROVE a response for submission in respect of the Scottish Government consultation based on Appendix 2.

In order to avoid the disclosure of exempt information, Mr Bell moved, Mr C Smith seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following items of business.

Declarations of interest were sought at this point, in terms of the report at Item 5, "Property Matter – Outline Business Case".

Mr Bell advised that he would leave the meeting before Item 5. The Depute Convener would take the Chair for the remainder of the meeting.

Ms Manson said that she would leave the meeting before Item 5.

Mr Burgess declared a non-pecuniary interest, but he would remain in the meeting during that discussion.

In terms of the following item on the agenda, Mr Burgess declared a pecuniary interest as a supplier of services to Shetland College, and although he would not be directly affected as a result of the pay claim, he would leave the meeting during the discussion.

(Mr Burgess left the meeting).

30/17 **EIS/FELA NRPA Shadowing and Pay Claim**

The Council considered a report by the Director of Development Services, which presented the recommendation from the Shetland College Board in terms of a pay award for lecturers.

The Director of Development Services summarised the main terms of the report.

In response to a question, it was confirmed that the issues some years ago relating to further education and higher education terms and conditions had been resolved.

During debate, Mr Campbell advised from the discussion and decision at the recent meeting of the Shetland College Board, to recommend the 1% SJC pay award be applied to lecturers for 2016/17. He said that this would be in line with the Council pay awards, and takes into account information from Colleges Scotland and advice from Human Resources. In seconding, Mr G Smith advised on the commitment to pursue national bargaining for lecturing staff. In that regard, Mr Campbell confirmed that it was Council Policy to proceed to national bargaining agreements to College lecturing staff.

Decision:

The Council APPROVED the 2016/17 pay increase for lecturers, being 1%.

(Mr Burgess returned to the meeting).

Mr Bell said that before leaving the meeting, he wished to thank all Members for their courtesy to him, in his position as Chair of the Council. The Council thanked Mr Bell.

(Mr Bell left the meeting).

(Mr Henderson and Ms Manson left the meeting).

The Council adjourned at 11.20am, and reconvened at 11.35am.

Present:

M Burgess	P Campbell
G Cleaver	A Cooper
S Coutts	B Fox
F Robertson	G Robinson
C Smith	G Smith
T Smith	M Stout
J Wills	A Wishart
V Wishart	

In Attendance (Officers):

M Boden Chief Executive
J Belford, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Capital Programme
S Brunton, Team Leader - Legal
L Adamson, Committee Officer

Chairperson

Mr C Smith, Depute Convener, presided.

RESTRICTED

31/17 Property Matter – Outline Business Case

The Council considered a report by the Executive Managers - Finance and Capital Programme.

The Executive Manager – Finance summarised the main terms of the report. During the discussion, the Executive Managers – Finance and Capital Programme responded to questions from Members.

On the motion of Mr Robinson, seconded by Mr C Smith, the Council approved the recommendations in the report.

Decision:

The Council RESOLVED to approve the recommendations in the report.

The meeting concluded at 1.05pm.

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Convener



MINUTES

A&B – Public

Shetland Islands Council – Statutory Meeting
Auditorium, Shetland Museum and Archives, Hays Dock, Lerwick
Thursday 18 May 2017 at 10.10am

Present:

M Bell	M Burgess
P Campbell	A Cooper
S Coutts	A Duncan
J Fraser	C Hughson
S Leask	E Macdonald
A Manson	R McGregor
A Priest	D Sandison
I Scott	D Simpson
C Smith	G Smith
T Smith	R Thomson
A Westlake	B Wishart

Apologies:

None

In Attendance (Officers):

M Boden, Chief Executive
H Budge, Director – Children's Services
C Ferguson, Director – Corporate Services
N Grant, Director – Development Services
M Sandison, Director – Infrastructure Services
J Belford, Executive Manager – Finance
M Nicolson, Executive Manager – Children and Families
P Peterson, Executive Manager – Executive Services
J Riise, Executive Manager – Governance and Law
C Scott, Executive Manager – Adult Services
J Robinson, Executive Manager – Occupational Therapy
V Simpson, Executive Manager – Community Planning & Development
C Anderson, Senior Communications Officer
B Kerr, Communications Officer
A Cogle, Team Leader - Administration
L Adamson, Committee Officer
L Malcolmson, Committee Officer
L Geddes, Committee Officer

Chairperson

Mr J Riise, Returning Officer, presided for the appointment of Convener.

Circular:

The circular calling the meeting was held as read.

The Returning Officer ruled that in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Steven Coutts and Councillor Duncan Simpson during Council proceedings was permitted by remote telephone link.

Declarations of Interest

None

Confirmation of Members Elected to Serve on Shetland Islands Council

The names of those persons elected to serve on Shetland Islands Council following the elections on 4 May 2017, and their acceptance of office, were confirmed.

32/17 Appointment of Convener and Depute Convener

The Council considered a report by the Executive Manager – Governance and Law (GL-15-17-F) seeking the appointment of a Convener, in accordance with legislation and the Council's Constitution, and asking Members to consider whether or not to elect a Depute Convener.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the report set out the method of appointment of office bearers. It had been custom and practice that voting in respect of the appointment of office bearers had been undertaken by secret ballot rather than show of hands, and he asked Members to confirm that they were comfortable that this should apply in respect of all the voting to take place at today's meeting.

On the motion of Mr C Smith, seconded by Mr T Smith, the Council agreed that the method of voting in respect of the appointment of office bearers at today's meeting should take place by secret ballot.

In response to a question, the Executive Manager – Governance and Law advised that the question of a mid-term review of appointments had been taken account of in each of the reports.

The Executive Manager – Governance and Law then sought nominations for the role of Convener.

Mr Bell was nominated, on the motion of Mr McGregor, seconded by Mr Thomson.

There were no further nominations.

Mr Bell accepted the position and assumed the Chair, and made a short address to the Council thanking Members for the nomination. He also advised that he intended to have a short adjournment following consideration of Agenda Item 4.

(Mr Simpson joined the meeting by remote telephone link)

The Executive Manager – Governance and Law advised that the Council's Constitution required Members to consider whether or not to elect a Depute Convener.

Mr Sandison moved that the Council elect a Depute Convener, and Mr C Smith seconded.

The Convener moved that Ms Wishart be appointed, and Mr Leask seconded.

There were no further nominations.

Ms Wishart advised that she accepted the position.

Decision:

The Council RESOLVED to approve the appointment of Councillor Malcolm Bell as Convener.

The Council RESOLVED to elect a Depute Convener, and approved the appointment of Councillor Beatrice Wishart as Depute Convener.

33/17

Appointment of Leader and Depute Leader

The Council considered a report by the Executive Manager – Governance and Law (GL-16-17-F) seeking the appointment of a Leader, in accordance with the Council's Constitution, and asking Members to consider whether or not to elect a Depute Leader.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the Council was required to elect a Leader and to consider whether or not to elect a Depute Leader.

The Convener sought nominations for the role of Leader, and Mr C Smith was nominated on the motion of Mr Duncan, seconded by Mr Sandison.

There were no further nominations.

Mr C Smith advised that he accepted the position.

Mr C Smith moved that the Council elect a Depute Leader, and Mr Sandison seconded.

Mr C Smith moved that Mr Coutts be appointed, and Mr T Smith seconded.

There were no further nominations.

Mr Coutts advised that he accepted the position.

Decision:

The Council RESOLVED to approve the appointment of Councillor Cecil Smith as Leader.

The Council RESOLVED to elect a Depute Leader, and approved the appointment of Councillor Steven Coutts as Depute Leader.

34/17

Appointment of Committee Chairs and Vice Chairs

The Council considered a report by the Executive Manager – Governance and Law (GL-17-17-F) seeking appointment of Chairs and Vice Chairs to those bodies forming part of the Political Management Framework.

The Executive Manager – Governance and Law summarised the main terms of the report, drawing attention to paragraphs 1.2 and 1.3 of the report which dealt with remuneration. It was being recommended that the Council formally adopt the role of Council-appointed Chair or Vice-Chair of the Integration Joint Board for the purposes of remuneration in recognition of the responsibilities that were placed on the portfolio holder.

On the motion of Ms Manson, seconded by Mr Cooper, the Council approved recommendations 1.2, 1.3 and 1.4 in the report.

The Council then proceeded to appoint Members to the following Chair positions:

Chair of Education and Families Committee

Mr G Smith was nominated on the motion of Mr Duncan, seconded by Mr Fraser.

There being no further nominations, Mr G Smith was appointed to the role, and he indicated his acceptance.

Chair of Development Committee

Mr Cooper was nominated on the motion of Mr Leask, seconded by Ms Manson.

There being no further nominations, Mr Cooper was appointed to the role, and he indicated his acceptance.

Chair of Environment and Transport Committee

Mr Thomson was nominated on the motion of Mr Priest, seconded by Mr Cooper.

There being no further nominations, Mr Thomson was appointed to the role, and he indicated his acceptance.

Chair of Planning Committee

Mr T Smith was nominated on the motion of Mr Sandison, seconded by Mr Cooper.

There being no further nominations, Mr T Smith was appointed to the role, and he indicated his acceptance.

Chair of Audit Committee

Mr Duncan was nominated on the motion of Mr G Smith, seconded by Mr McGregor.

There being no further nominations, Mr Duncan was appointed to the role, and he indicated his acceptance.

Chair of Harbour Board

Ms Manson was nominated on the motion of Mr Cooper, seconded by Mr T Smith.

There being no further nominations, Ms Manson was appointed to the role, and she indicated her acceptance.

Chair of Licensing Committee

Mr Scott was nominated on the motion of Mr Sandison, seconded by Mr G Smith.

There being no further nominations, Mr Scott was appointed to the role, and he indicated his acceptance.

Chair of Shetland College Board

Mr Campbell was nominated on the motion of Mr T Smith, seconded by Mr Scott.

There being no further nominations, Mr Campbell was appointed to the role, and he indicated his acceptance.

The Council then proceeded to appoint Members to the following Vice-Chair positions:

Vice-Chair of Education and Families Committee

Mr T Smith was nominated on the motion of Mr G Smith, seconded by Mr Campbell.

Mr Fraser was nominated on the motion of Ms Westlake, seconded by Ms Manson.

Both nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Fraser	4
Mr Smith	18

Mr T Smith was accordingly appointed to the role.

Vice-Chair of Development Committee

Mr Leask was nominated on the motion of Mr Cooper, seconded by Mr Scott.

Mr Priest was nominated on the motion of Mr Thomson, seconded by Ms Manson.

Both nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Leask	13
Mr Priest	9

Mr Leask was accordingly appointed to the role.

Vice-Chair of Environment and Transport Committee

Mr McGregor was nominated on the motion of Mr Sandison, seconded by Mr Thomson.

There being no further nominations, Mr McGregor was appointed to the role, and he indicated his acceptance.

Vice-Chair of Planning Committee

Ms Manson was nominated on the motion of Mr Cooper, seconded by Ms Macdonald.

There being no further nominations, Ms Manson was appointed to the role, and she indicated her acceptance.

Vice-Chair of Audit Committee

Ms Hughson was nominated on the motion of Mr Duncan, seconded by Mr T Smith.

There being no further nominations, Ms Hughson was appointed to the role, and she indicated her acceptance.

Vice-Chair of Harbour Board

Mr Simpson was nominated on the motion of Ms Manson, seconded by Mr Thomson.

There being no further nominations, Mr Simpson was appointed to the role, and he indicated his acceptance.

Vice-Chair of Licensing Committee

Mr G Smith was nominated on the motion of Mr Duncan, seconded by Mr C Smith.

There being no further nominations, Mr G Smith was appointed to the role, and he indicated his acceptance.

Vice-Chair of Shetland College Board

Mr T Smith was nominated on the motion of Mr Campbell, seconded by Mr G Smith.

There being no further nominations, Mr T Smith was appointed to the role, and he indicated his acceptance.

Decision:

The Council considered the suggestion raised in paragraph 4.2 of the report, and RESOLVED that the position of the Council-appointed Chair/Vice-Chair of the Integration Joint Board is regarded as a Senior Councillor appointment for the purposes of remuneration only.

The Council RESOLVED to agree the proposed rates for Senior Councillor remuneration, as set out in paragraph 4.4 of the report.

The Council considered the suggestion raised in paragraph 4.3 of the report, and RESOLVED that the Chair and Vice-Chair of the Licensing Committee also be appointed as members of the Shetland Area Licensing Board.

The Council RESOLVED to appoint the following Members to the following Chair positions:

Chair of Education and Families Committee	George Smith
Chair of Development Committee	Alastair Cooper
Chair of Environment and Transport Committee	Ryan Thomson
Chair of Planning Committee	Theo Smith
Chair of Audit Committee	Allison Duncan
Chair of Harbour Board	Andrea Manson
Chair of Licensing Committee	Ian Scott
Chair of Shetland College Board	Peter Campbell

The Council RESOLVED to appoint the following Members to the following Vice-Chair positions:

Vice-Chair of Education and Families Committee	Theo Smith
Vice-Chair of Development Committee	Stephen Leask
Vice-Chair of Environment and Transport Committee	Robbie McGregor
Vice-Chair of Planning Committee	Andrea Manson
Vice-Chair of Audit Committee	Catherine Hughson
Vice-Chair of Harbour Board	Duncan Simpson
Vice-Chair of Licensing Committee	George Smith
Vice-Chair of Shetland College Board	Theo Smith

35/17

Appointment of Councillors to the Shetland Community Health and Social Care Partnership – Integration Joint Board (IJB)

The Council considered a report by the Executive Manager – Governance and Law (GL-13-17-F) seeking appointment of three Members to the IJB; appointment of one of those Members to serve as Chair/Vice-Chair of the IJB; and appointment of another of those Members as a Member of the Council's Policy and Resources Committee.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that it would be appropriate for the Council to consider the senior position first prior to the others.

The Convener sought nominations for the position of Chair/Vice Chair of the IJB.

(Mr Coutts left the meeting)

Mr Duncan was nominated on the motion of Mr G Smith, seconded by Mr Sandison.

Mr McGregor was nominated on the motion of Mr Fraser, seconded by Mr C Smith.

Ms Macdonald was nominated on the motion of Ms Manson, seconded by Ms Westlake.

Ms Manson was nominated on the motion of Mr C Smith, seconded by Mr T Smith.

All nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Duncan	8
Ms Manson	7
Ms Macdonald	3
Mr McGregor	3

There being an equality of votes, a lot was drawn and an additional vote was allocated to Mr McGregor. Ms Macdonald, having received the lowest number of votes, was accordingly eliminated from the voting process.

Voting again took place by secret ballot, and the result was as follows:

Mr Duncan	11
Ms Manson	7
Mr McGregor	3

Mr Duncan, having received a clear majority of votes, was accordingly appointed to the role.

The Convener sought nominations for the two remaining places on the IJB, advising that the initial nominations in respect of the role of Chair/Vice Chair of the IJB would remain for consideration.

In addition to the earlier three nominations (Ms Manson, Ms Macdonald and Mr McGregor), Mr Leask was nominated on the motion of Mr Priest, seconded by Mr Fraser; and Mr Burgess was nominated on the motion of Mr Sandison, seconded by Mr Scott.

Ms Manson advised that she would withdraw from the voting process.

The remaining nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Burgess	10
Mr Leask	9
Ms Macdonald	15
Mr McGregor	6

Mr McGregor, having received the lowest number of votes, was accordingly eliminated from the voting process.

Voting again took place by secret ballot, and the result was as follows:

Mr Burgess	15
Mr Leask	7
Ms Macdonald	15

Mr Burgess and Ms Macdonald were accordingly appointed to the role.

Both Mr Burgess and Ms Macdonald indicated that they wished to be considered for the role of IJB member on the Council's Policy and Resources Committee. Voting took place by secret ballot and the result was as follows:

Mr Burgess	12
Ms Macdonald	9

Mr Burgess was accordingly appointed as the IJB member on the Council's Policy and Resources Committee.

Decision:

The Council appointed the following Members to the IJB:

Mark Burgess	Allison Duncan
Emma Macdonald	

The Council appointed Allison Duncan to serve as Chair/Vice-Chair of the IJB.

The Council appointed Mark Burgess as the IJB member to serve on the Council's Policy and Resources Committee.

(The Council adjourned at 11.30am and reconvened at 11.45am)

36/17

Appointment of Committees

The Council considered a report by the Executive Manager – Governance and Law (GL-18-17-F) seeking the appointment of the remaining Members of those bodies forming part of the Political Management Framework, following the appointment of the Chairs and Vice-Chairs

The Executive Manager – Governance and Law summarised the main terms of the report, advising that he would provide any further additional information in respect of each committee as it was considered. He went on to say that the Council could also consider whether to make an additional councillor appointment to the following Committees - Education and Families, Development, Environment and Transport, and Planning.

The Council proceeded to make the necessary Member appointments - in addition to the Chair, Vice-Chair and Leader - to the Committees and Boards of the Council, as outlined below:

Education and Families Committee

Ward:

North Isles	Ryan Thomson
Shetland North	Emma Macdonald
Shetland West	Catherine Hughson
Shetland Central	Davie Sandison
Shetland South	Robbie McGregor
Lerwick South	Beatrice Wishart
Lerwick North	John Fraser

Ms Westlake was nominated as an additional councillor member on the Education and Families Committee on the motion of Mr Fraser, seconded by Ms Manson.

Mr Campbell was nominated as an additional councillor member on the Education and Families Committee on the motion of Ms Wishart, seconded by Mr C Smith.

Both nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Campbell	15
Ms Westlake	6

Mr Campbell was duly appointed to the role.

The Executive Manager – Governance and Law advised that the relevant organisations had been invited to submit nominations by 28 June in respect of the statutory appointment of Religious Representatives to the Education and Families Committee, and the Council noted the arrangements being put in place.

Development Committee

Ward:

North Isles	Alec Priest
Shetland North	Andrea Manson
Shetland West	Theo Smith
Shetland Central	Mark Burgess
Shetland South	Allison Duncan
Lerwick South	Peter Campbell
Lerwick North	John Fraser

Environment and Transport Committee

Ward:

North Isles	Alec Priest
Shetland North	Andrea Manson
Shetland West	Steven Coutts (<i>in absentia</i>)
Shetland Central	Davie Sandison
Shetland South	George Smith
Lerwick South	Peter Campbell
Lerwick North	Stephen Leask

(During the above discussion, Ms Westlake was duly nominated but declined the nomination).

The Council then proceeded to make appointments to the following Committees:

Planning Committee

Ward:

North Isles	Duncan Simpson
Shetland North	Emma Macdonald
Shetland West	Steven Coutts (<i>in absentia</i>)
Shetland Central	Davie Sandison
Shetland South	George Smith
Lerwick South	Cecil Smith
Lerwick North	Malcolm Bell

Audit Committee

Robbie McGregor
Andrea Manson
John Fraser
Ryan Thomson
Ian Scott
Cecil Smith
Stephen Leask

(During the above discussion, Ms Westlake was duly nominated but declined the nomination).

The Council remitted the question of additional members for the Audit Committee to the Audit Committee.

Harbour Board

Steven Coutts (*in absentia*)
Mark Burgess
Allison Duncan
Alastair Cooper
Stephen Leask
Ryan Thomson

(*Mr Simpson left the meeting*)

Licensing Committee

Malcolm Bell
Duncan Simpson (*in absentia*)
Alastair Cooper
Beatrice Wishart
Cecil Smith
Catherine Hughson

(During the above discussion, Mr Leask was duly nominated, but declined the nomination).

The Council resolved that the members of the Licensing Committee also be appointed as members of the Shetland Island Area Licensing Board.

Shetland College Board

Mr G Smith was nominated on the motion of Mr Duncan, seconded by Mr Campbell.

Ms Macdonald was nominated on the motion of Ms Manson, seconded by Mr Cooper.

Ms Wishart was nominated on the motion of Mr T Smith, seconded by Mr C Smith.

Mr Fraser was nominated on the motion of Ms Westlake, seconded by Mr Campbell.

Mr Scott was nominated on the motion of Mr Sandison, seconded by Mr Leask.

Mr Priest was nominated on the motion of Mr Thomson, seconded by Mr Cooper.

All nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Fraser	5
Ms Macdonald	13
Mr Priest	13
Mr Scott	8
Mr Smith	16
Ms Wishart	11

Mr Fraser, having received the lowest number of votes, was accordingly eliminated from the voting process.

Mr Scott advised that he wished to withdraw from the voting process, and the following Members were duly appointed:

Ms Macdonald	Mr Priest
Mr G Smith	Ms Wishart

The Council remitted the question of additional members for the Shetland College Board to the Shetland College Board.

The Executive Manager – Governance and Law then went on to speak about the four Appeals Committees which required appointments - the Complaints (Social Work) Review Sub-Committee; Placing Requests Appeals Sub-Committee; Staffing Appeals Committee; and the Education Appeals Sub-Committee. Some of these met rarely or infrequently, but specific training to manage appeals was provided to those involved. It was being recommended that ten Members were appointed to cover these four Appeals Committees.

The Council agreed that ten Members should be appointed to cover these four Appeals Committees.

The Convener sought nominations, and the following were duly appointed:

Mr Scott	Mr G Smith
Mr McGregor	Mr Leask
Mr Fraser	Mr Thomson
Ms Macdonald	Mr Priest
Mr Coutts (<i>in absentia</i>)	Mr Bell

(During the above discussion, Ms Westlake, Ms Manson, Ms Wishart and Ms Hughson were duly nominated, but declined the nomination).

The Council noted the information and arrangements with regard to the membership of statutory appeals committees.

The Council noted that the following were appointed to the Pension Fund Committee, as *ex-officio* Members of the Policy and Resources Committee:

Mr C Smith	Mr Coutts
Mr G Smith	Mr Cooper
Mr Thomson	Mr T Smith
Mr Leask	Mr McGregor
Mr Duncan	Mr Burgess

Nominations were sought for the Town-Hall Sub-Committee, and the following were appointed to the role:

Lerwick South	Mr C Smith
	Ms Wishart
Lerwick North	Mr Fraser
	Mr Bell
North Isles	Mr Thomson
Shetland North	Ms Manson
Shetland West	Mr T Smith
Shetland Central	Mr Sandison
Shetland South	Mr Duncan

Ms Manson moved that Mr Bell be appointed as Chair of the Town-Hall Sub-Committee, and Mr Thomson seconded.

Mr Campbell moved that Mr C Smith be appointed as Vice-Chair of the Town Hall Sub-Committee, and Mr Duncan seconded.

Nominations were sought for the Employees' Joint Consultative Committee, and the following were duly appointed:

Mr G Smith	Mr McGregor
Mr C Smith	Mr Thomson
Ms Hughson	Mr Sandison
Ms Macdonald	Mr Priest

(During the above discussion, Mr Cooper and Mr T Smith were duly nominated, but declined the nomination).

The Executive Manager – Governance and Law advised that it had been practice in the past to appoint the Chair and Vice Chair of the Shetland College Board as two of the four members of the Shetland College Lecturers' Joint Consultative Committee (JCC) and Joint Negotiating Committee (JNC).

Nominations were sought, and the following Members were duly appointed to the College Lecturers' JCC and JNC:

Mr Campbell
Ms Macdonald

Mr T Smith
Mr G Smith

Decision:

The Council made the necessary Member appointments to the Committees and Boards of the Council, as outlined below:

Ward	Education and Families Committee	Development Committee	Environment & Transport Committee
North Isles	Ryan Thomson	Alec Priest	Alec Priest
Shetland North	Emma Macdonald	Andrea Manson	Andrea Manson
Shetland West	Catherine Hughson	Theo Smith	Steven Coutts
Shetland Central	Davie Sandison	Mark Burgess	Davie Sandison
Shetland South	Robbie McGregor	Allison Duncan	George Smith
Lerwick South	Beatrice Wishart	Peter Campbell	Peter Campbell
Lerwick North	John Fraser	John Fraser	Stephen Leask
Additional Member	Peter Campbell	N/A	N/A

Ward	Planning Committee
North Isles	Duncan Simpson
Shetland North	Emma Macdonald
Shetland West	Steven Coutts
Shetland Central	Davie Sandison
Shetland South	George Smith
Lerwick South	Cecil Smith
Lerwick North	Malcolm Bell
Additional Member	N/A

Audit Committee	Harbour Board	Licensing Committee	Shetland College Board
Robbie McGregor	Steven Coutts	Malcolm Bell	George Smith
Andrea Manson	Mark Burgess	Duncan Simpson	Emma Macdonald
John Fraser	Allison Duncan	Alastair Cooper	Beatrice Wishart

Ryan Thomson Ian Scott Cecil Smith Stephen Leask	Alastair Cooper Stephen Leask Ryan Thomson	Beatrice Wishart Cecil Smith Catherine Hughson	Alec Priest
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The Council remitted the question of additional members for the Audit Committee to the Audit Committee, and the question of additional members for Shetland College Board to the Shetland College Board.

The Council appointed the following ten Members to the following Appeals Committees:

Complaints (Social Work) Review Sub-Committee	Placing Requests Appeals Sub-Committee	Staffing Appeals Committee	Education Appeals Sub-Committee
Ian Scott Robbie McGregor John Fraser Emma Macdonald Steven Coutts		George Smith Stephen Leask Ryan Thomson Alec Priest Malcolm Bell	

Pension Fund Committee	Town Hall Sub- Committee	Employees Joint Consultative Committee	College Lecturers JCC & JNC
Cecil Smith Steven Coutts George Smith Alastair Cooper Ryan Thomson Theo Smith Stephen Leask Robbie McGregor Allison Duncan Mark Burgess	Malcolm Bell (Chair) Cecil Smith (Vice Chair) Beatrice Wishart John Fraser Ryan Thomson Andrea Manson Theo Smith Davie Sandison Allison Duncan	George Smith Robbie McGregor Cecil Smith Ryan Thomson Catherine Hughson Davie Sandison Emma Macdonald Alec Priest	Peter Campbell Theo Smith Emma Macdonald George Smith

The Council NOTED the arrangements being put in place to seek nominations from the relevant organisations for the statutory appointment of Religious Representatives to the Education and Families Committee.

The Council NOTED the information and arrangements with regard to the membership of statutory appeals committees.

The Council RESOLVED that the members of the Licensing Committee also be appointed as members of the Shetland Island Area Licensing Board.

Appointment of Policy and Resources Committee

The Council considered a report by the Executive Manager – Governance and Law (GL-22-17-F) seeking confirmation of the membership of the Policy and Resources Committee, which forms part of the Political Management Framework, following the appointment earlier in the meeting of the Leader, Depute Leader, the three Committee Chairs and Vice-Chairs, the Councillor appointed Chair/Vice Chair of the IJB, and the Councillor appointed member of the IJB, which make up the membership of the Policy and Resources Committee.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the appointment of additional Council members was permitted, but limited to the number required in order to achieve representation of all Council wards. As representation of all Council wards had been secured, there was no requirement to appoint an additional Member.

The Council confirmed the membership of the Policy and Resources Committee.

Decision:

The Council confirmed the membership of the Policy and Resources Committee, as outlined below:

Leader	Cecil Smith
Depute Leader	Steven Coutts
Chair of Education and Families Committee	George Smith
Chair of Development Committee	Alastair Cooper
Chair of Environment and Transport Committee	Ryan Thomson
Vice Chair of Education and Families Committee	Theo Smith
Vice Chair of Development Committee	Stephen Leask
Vice Chair of Environment and Transport Committee	Robbie McGregor
Chair/Vice Chair of IJB	Allison Duncan
Councillor Appointed member of IJB	Mark Burgess

Appointment of Members to the Shetland Islands Area Licensing Board (SIALB)

The Council considered a report by the Executive Manager – Governance and Law (GL-19-17-F) seeking to appoint eight Members to SIALB.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that it had earlier been agreed that the eight Members appointed to the Licensing Committee should be those appointed to the SIALB. It was further recommended, for continuity, that SIALB give consideration to the appointment of their Convener and Vice-Convener, being the same Members who are appointed as Chair and Vice-Chair of the Licensing Committee.

The Council agreed the recommendations in the report.

Decision:

The Council appointed eight Members to the SIALB as outlined below, and agreed that they be the same Members appointed to the Licensing Committee:

Ian Scott
Malcolm Bell
Alastair Cooper
Cecil Smith

George Smith
Duncan Simpson
Beatrice Wishart
Catherine Hughson

The Council recommended to the SIALB that, for continuity, it give consideration to the appointment of their Convener and Vice-Convener, being the same Members who are appointed as Chair and Vice-Chair of the Licensing Committee, namely Mr Scott and Mr G Smith respectively.

39/17

Appointment of Councillors to the Orkney and Shetland Valuation Joint Board (O&SVJB)

The Council considered a report by the Executive Manager – Governance and Law (GL-19-17-F) seeking to appoint five substantive and five substitute Members to the O&SVJB.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the appointment of the Chair and Vice-Chair of the O&SVJB was delegated to the Board, and that this business would be transacted at the first statutory meeting. The Chair and Vice-Chair operated on a rotational basis between the two local authorities, therefore a Shetland member would be expected to take up the position of Vice-Chair. It was anticipated that a video-conference meeting would be held on the morning of 31 May to conduct this business, and there was a requirement that a further meeting had to be held within two weeks of that date in order to sign off the accounts.

Nominations were sought, and the following Members were duly appointed:

Substantive:
Theo Smith
Allison Duncan
John Fraser
Beatrice Wishart
Alastair Cooper

Substitute:
George Smith
Ryan Thomson
Emma Macdonald
Stephen Leask
Malcolm Bell

Decision:

The Council appointed the following Members to the O&SVJB:

Substantive:
Theo Smith
Allison Duncan
John Fraser
Beatrice Wishart
Alastair Cooper

Substitute:
George Smith
Ryan Thomson
Emma Macdonald
Stephen Leask
Malcolm Bell

40/17

Appointment of Members to the Zetland Transport Partnership (ZetTrans)

The Council considered a report by the Executive Manager – Governance and Law (GL-20-17-F) seeking to appoint four substantive and two substitute Members to ZetTrans.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the practice in the past had been to appoint the Chair and Vice-Chair of the Environment and Transport Committee.

Nominations were sought, and the following Members were duly appointed:

Substantive:	Substitute:
Ryan Thomson	Steven Coutts (<i>in absentia</i>)
Robbie McGregor	Duncan Simpson (<i>in absentia</i>)
Davie Sandison	
Alec Priest	

(During the above discussion, Mr C Smith was duly nominated, but declined the nomination).

Decision:

The Council appointed the following Members to ZetTrans:

Substantive:	Substitute:
Ryan Thomson	Steven Coutts
Robbie McGregor	Duncan Simpson
Davie Sandison	
Alec Priest	

41/17

Appointment of Members to the Pension Board

The Council considered a report by the Executive Manager – Governance and Law (GL-12-17-F) seeking to appoint three Members to the Pension Board.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that those nominated should not be members of the Pension Fund Committee, which was made up of the membership of the Policy and Resources Committee.

Nominations were sought, and the following Members were duly appointed:

Mr Bell	Ms Macdonald
Mr Scott	

Decision:

The Council appointed the following Members to the Pension Board:

Malcolm Bell
Emma Macdonald
Ian Scott

42/17

Appointment to the Convention of Scottish Local Authorities (CoSLA) – Convention and Boards

The Council considered a report by the Executive Manager – Governance and Law (GL-21-17-F) seeking to appoint three Members and three substitutes to the CoSLA Convention, and appoint one member and one substitute member to each of the CoSLA Boards.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that it was recommended that the Leader, Convener and one of the three remaining Senior Councillor Chairs be appointed to the CoSLA Convention.

The Council agreed.

Nominations were sought from the three Senior Councillor Chairs for the remaining position.

Mr G Smith was nominated on the motion of Mr Duncan, seconded by Mr T Smith.

Mr Cooper was nominated on the motion of Mr Burgess, seconded by Mr Leask.

Both nominees accepted their nominations and following a short address by each nominee to the Council, voting took place by secret ballot and the result was as follows:

Mr Cooper	10
Mr Smith	9
Abstained	1

Mr Cooper was accordingly appointed to the CoSLA Convention in addition to the Leader and the Convener, and the Council agreed that the remaining Senior Council Chairs (Mr G Smith, Mr Thomson and Mr Duncan) should act as substitutes.

The Executive Manager – Governance and Law then went on to speak about the four CoSLA Boards, advising that there was already delegated authority in place for the Chief Executive to consult with the Convener and relevant Chair to arrange substitution at short notice. In the past, the CoSLA's strategic groups had aligned well with the functions of the Council's relevant Committees, but this was now not the case. It was being recommended that the appointments should be aligned with Committees in relation to the biggest part of their portfolios, recognising that there would be some overlap. However it was recommended that named substitutes were not appointed as this would allow for a more flexible approach to be taken, whereby the Chairs could send a substitute to meetings depending on the nature of the agenda items to be discussed or availability.

The Council agreed to align the substantive appointments with the most appropriate appointments already made by the Council, as set out in paragraph 4.5 of the report, and agreed not to appoint named substitutes to the four CoSLA Boards in order to allow for substitution to be arranged depending on the nature of the business to be transacted, or the availability of Members.

Decision:

The Council appointed the following Members to the CoSLA Convention and CoSLA Boards:

CoSLA Convention:

Substantive	Leader	Cecil Smith
	Convener	Malcolm Bell
	One Senior Councillor Chair	Alastair Cooper
Substitute	Senior Councillor Chair	George Smith
	Senior Councillor Chair	Ryan Thomson
	Senior Councillor Chair	Allison Duncan

CoSLA Board: Children and Young People

Substantive	Chair – Education & Families Committee	George Smith
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CoSLA Board: Health and Social Care

Substantive	Chair/Vice Chair IJB	Allison Duncan
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CoSLA Board: Environment and Economy

Substantive	Chair – Environment & Transport Committee	Ryan Thomson
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CoSLA Board: Community Wellbeing

Substantive	Chair – Development Committee	Alastair Cooper
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The Council RESOLVED not to appoint named substitutes to the above four Boards.

43/17

Appointments to External Organisations

The Council considered a report by the Executive Manager – Governance and Law (GL-23-17-F) seeking to make the necessary elected Member appointments to the authorities and organisations outlined in the appendix to the report.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that although appointments to external organisations could create difficulties for Members in managing the Code of Conduct, it was recognised that there was an obligation for the Council to participate in some organisations and these were outlined in the report. A review of external organisations was currently being carried out and should be finalised over the next quarter. There were some bodies where appointments made previously continued beyond the date of the election, and an invitation in respect of new nominations was awaited from these bodies at a later date. The Shetland Partnership Board was currently reviewing its membership, so appointments would be for an interim period until this review was completed in October.

The Convener sought nominations, and the following were duly appointed:

Shetland Partnership Board (all *ex-officio*):

Leader	Cecil Smith
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Convener	Malcolm Bell
Chair – Education and Families Committee	George Smith
Chair – Development Committee	Alastair Cooper
Chair – Environment & Transport Committee	Ryan Thomson

Community Safety and Resilience Board:

North Isles	Duncan Simpson (<i>in absentia</i>)
Shetland North	Alastair Cooper
Shetland West	Steven Coutts (<i>in absentia</i>)
Shetland Central	Mark Burgess
Shetland South	Allison Duncan
Lerwick North	Malcolm Bell
Lerwick South	Cecil Smith

Nominations were sought for the position of Chair of the above.

Ms Manson moved that Mr Cooper be appointed, and Mr Duncan seconded.

The Council further agreed to appoint a Vice Chair.

Mr Cooper moved that Mr Duncan be appointed as Vice Chair, and Mr G Smith seconded.

The Executive Manager – Governance and Law advised that it was recommended that the Council confirm the continuing appointment of Councillors Malcolm Bell and Alastair Cooper – both existing Directors – to the Sullom Voe Association, and that in keeping with the current practice, the appointments include the Leader and Convener. Therefore in addition to Councillors Bell, Cooper and Councillor C Smith, one further appointment would be required.

The Council agreed to appoint the Leader, Convener and current Director, Mr Cooper, to the Sullom Voe Association on the motion of Mr Fraser, seconded by Mr Duncan.

Nominations for the remaining Director were sought.

Mr Cooper moved that Ms Manson be appointed, and Ms Westlake seconded.

Nominations were sought in respect of Shetland Oil Terminal Advisory Group, and the following Members were duly appointed:

Substantive:	Substitute:
Steven Coutts (<i>in absentia</i>)	Stephen Leask
Alastair Cooper	Emma Macdonald

The Executive Manager – Governance and Law advised that it was recommended that up to four Members were appointed to KIMO, and it would be for these Members to determine the division of work and attendance at meetings.

Nominations were sought for the positions.

Mr Fraser moved that Ms Westlake be appointed, and Mr Duncan seconded.

Mr C Smith moved that Mr Bell be appointed, and Mr Campbell seconded.

Mr G Smith moved that Mr McGregor be appointed, and Mr Duncan seconded.

Mr T Smith moved that Ms Manson be appointed, and Ms Westlake seconded.

Mr Cooper moved that Mr Leask be appointed, and Mr Priest seconded.

Voting took place by secret ballot and the result was as follows:

Mr Bell	18
Mr Leask	13
Mr McGregor	13
Ms Manson	18
Ms Westlake	11

Accordingly Mr Bell, Mr Leask, Mr McGregor and Ms Manson were appointed to KIMO.

Decision:

The Council appointed the following Members to the following external organisations:

Shetland Partnership Board:

Leader	Cecil Smith
Convener	Malcolm Bell
Chair – Education and Families Committee	George Smith
Chair – Development Committee	Alastair Cooper
Chair – Environment & Transport Committee	Ryan Thomson

Community Safety and Resilience Board:

North Isles	Duncan Simpson
Shetland North	Alastair Cooper
Shetland West	Steven Coutts
Shetland Central	Mark Burgess
Shetland South	Allison Duncan
Lerwick North	Malcolm Bell
Lerwick South	Cecil Smith
Chair (from the above):	Alastair Cooper
Vice Chair	Allison Duncan

Sullom Voe Association:

Leader	Cecil Smith
Convener	Malcolm Bell
	Alastair Cooper
	Andrea Manson

SOTEAG:
Substantive:
Steven Coutts
Alastair Cooper

Substitute:
Stephen Leask
Emma Macdonald

KIMO:
Malcolm Bell
Stephen Leask

Andrea Manson
Robbie McGregor

Before the meeting concluded, it was questioned if there would be a further meeting of the Council prior to the next meeting of the Sumburgh Airport Consultative Committee in September, given that there was currently no Council representation on this Committee and serious concerns were currently being expressed regarding the proposal to centralise air traffic control.

The Executive Manager – Governance and Law advised that the next meeting of the Council would be held on 28 June, and there would be a further meeting on 30 August.

The meeting concluded at 1.20pm.

.....
Convener



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Chair's Report – Development Committee – 12 June 2017 Living Lerwick Business Improvement District (BID) Ballot	
Reference No:	SIC-0628-DV-38	

1.0 Decisions / Action required:

- 1.1 That the Council **RESOLVE** to decide how the Council, as property owner within the Business Improvement District (BID), wish to vote in the forthcoming ballot for a proposed second term of a BID for Lerwick town centre.

2.0 Report

- 2.1 The Committee considered a report by the Director of Development Services (DV-38-17-F) which presented the Living Lerwick BID proposals and informed on the Council's power of veto over the BID.
- 2.2 Following consideration of the report, the Committee resolved to:
- decide not to exercise the Council's right to veto the BID proposals;
 - grant delegated authority to the Director of Development Services (or his nominee) to cast the Council's vote.
- 2.3 A decision is however required on how the Council, as property owner within the Business Improvement District (BID), wish to vote in the forthcoming ballot for a proposed second term of a BID for Lerwick town centre.
- 2.4 The Chair will present any further information to the Committee, as required.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Committee.

4.0 Previously Considered by:	Development Committee	12 June 2017
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For further information please contact:

Mr A Cooper, Chair of Development Committee
19 June 2017

Background documents:

Report to Development Committee – 12 June 2017
<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5439>

END



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Chair's Report – Policy and Resources Committee – 19 June 2017 Island Games – Gotland 2017	
Reference No:	SIC-0628-F-057	

1.0 Decisions / Action required:

- 1.1 That the Council **RESOLVE** to consider the application for funding by the Shetland Island Games Association.

2.0 Report

- 2.1 The report to Policy and Resources Committee presented a speculative approach made by the Shetland Islands Games Association (SIGA) for financial support in taking a team from Shetland to the Island Games in Gotland, Sweden at the end of June 2017 (Report attached as Appendix A).
- 2.2 The Committee were asked to consider the application for funding to determine if a sum, not to exceed £5,000, is awarded by the Council in support of the SIGA to assist with the travel and accommodation costs of competing in the 2017 NatWest Island Games;
- 2.3 If funding is approved, to agree the source of that funding; and
- 2.4 To note that if funding is approved then the grant will be subject to normal Council conditions on grants to voluntary organisations.
- 2.5 During the discussion, a suggestion was made that in the absence of a specific Council policy or scheme, further information may be helpful on the extent to which the Council subsidises young people to travel outwith Shetland in their activities. The Committee were advised that Delting Community Council had received detailed applications, and had provided financial support to two participants at the Games.
- 2.6 Following discussion and debate, the matter went to a vote, with the resolution to defer a decision to the Full Council on 28 June 2017, for further information and for further civic or community consideration.
- 2.7 SIGA provided further information in response to questions asked at Committee, and is attached as Appendix 3. Information in relation to other funding within the Council for school children has been collated and is attached as Appendix 4.

3.0 Implications

- 3.1 Detailed information concerning the proposals was contained within the report, which includes the strategic and resources implications for the Council.
- 3.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 There are no additional implications to be considered by the Council.

4.0 Previously Considered by:

Policy and Resources Committee

19 June 2017

For further information please contact:

Mr C Smith, Chair of Policy and Resources Committee
20 June 2017

Appendices:

- Appendix A – Report as presented to Policy and Resources Committee – 19 June 2017
Appendix 1 – Table of historic grant support to SIGA
Appendix 2 – Letter of request and supporting information provided by SIGA
Appendix 3 – Further information from SIGA
Appendix 4 - Further Information in relation to other funding for school children

Background Information:

Report to Policy and Resources Committee – 19 June 2017
<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5421>

END



Meeting(s):	Policy & Resources	19 June 2017
Report Title:	Island Games – Gotland 2017	
Reference Number:	F-057-17-F	
Author / Job Title:	Jonathan Belford Executive Manager – Finance	

1.0	Decisions / Action required:
1.1	It is recommended that the Policy and Resources Committee consider the application for funding and determine if a sum, not to exceed £5,000, is awarded by the Council in support of the Shetland Islands Games Association (SIGA) to assist with the travel and accommodation costs of competing in the 2017 NatWest Island Games;
1.2	If funding is approved, to agree the source of that funding; and
1.3	To note that if funding is approved then the grant will be subject to normal Council conditions on grants to voluntary organisations.
2.0	High Level Summary:
2.1	A speculative approach has been made by the Shetland Islands Games Association for financial support in taking a team from Shetland to the Island Games in Gotland, Sweden at the end of June 2017. Funding has been granted in the past and Appendix 1 provides a history.
2.2	The initial letter received from SIGA has been further expanded upon with the receipt of further information and is included as Appendix 2. SIGA accounts have been inspected by qualified accountants, and confirmed as in order. This reveals that the level of funds held following participation in one Island Games does not provide any significant funding to support the next. The Association does not retain high levels of reserves upon which to draw in future years.
2.3	SIGA have already committed a team to go to Gotland, have made all the necessary travel and accommodation booking arrangements etc. and will still be going whether grant aid is awarded or not. The request received is a speculative request and has been received very close to the event actually taking place – a little over a month before the team departs. Consideration needs to be given as to whether or not a contribution from the Council is needed.
2.4	The Council does not have specific budget provision for providing financial support in 2017/18.
2.5	The Committee is asked to give consideration as to whether or not a one-off sum is provided to SIGA in support of the team's attendance in Gotland, Sweden later this month, and how that is funded.

3.0	Corporate Priorities and Joint Working:
3.1	<p>The Council has a number of corporate priorities that are described in its Corporate Plan. The Council for the last four years has not held a budget for grants that support applications of this nature and therefore had reprioritised resources. In the absence of that explicit link the applicant was asked to describe how its application was in line with corporate priorities of the Council.</p>
3.2	<p>“The Plan cites the good facilities that Shetland has and aims to work with others to ensure that more children will be taking part in physical and cultural activities by 2020, to contribute to developing healthy lifestyles to helping them play a full and active part in Shetland community life.</p> <p>The NatWest Island Games is seen by many as the pinnacle of sporting achievement for many islands. In a local context, the local media coverage of the achievements of Shetlanders across a variety of sports has a direct impact on the number of children accessing sports facilities and joining local Clubs. Children hear about people they know and can relate to representing their home island in a festival of sport and want to try those activities with dreams and ambitions to go on to compete themselves.”</p>
3.3	<p>Further detail is described in Appendix 2, which supports SIGA’s application.</p>
3.4	<p>The Local Outcomes Improvement Plan has two outcomes that are of relevance to this application, “Shetland is the best place for children and young people to grow up” and “We live longer and healthier lives and people are supported to be active and independent throughout adulthood and in older age”. The priorities however are more focussed and less directly relevant insofar as they are “To support children and young people to develop physical competence and confidence from the earliest age” and to “Increase physical activity (amongst those least active)”. A link would be made predominantly in inspiring and motivating others through the success of the team.</p>
4.0	Key Issues:
4.1	<p>The Shetland Team has participated in all previous Games and has previously received financial assistance from the Council towards the cost of participation. Appendix 1 contains a table of past funding paid by the Council to SIGA to assist the Shetland Team since 1987. In 2013, a budgeted value of £5,000 was awarded and subsequently, as the budgets had been reduced / removed in line with budget setting decisions, there was no funding provided to the team in 2015.</p>
4.2	<p>Preparing to leave for the games in Gotland, Sweden, the Shetland Islands team comprises 128 individuals, with 107 competitors and 21 coaches and individual sport managers, physiotherapists and team managers.</p>
4.3	<p>Of the competitors, 37 are in full-time education, including 23 under 18 year olds.</p>
4.4	<p>The teams from Orkney (£6,200, for up to 60 competitors and 2 officials) and Western Isles (the absolute value of financial support is unclear but Council staff undertake substantive roles for the Western Isles Island Games Association and the Council is listed on their website as a sponsor) are receiving financial support from their respective Councils to attend the games in Gotland.</p>

4.5	<p>The costs of the SIGA team amounts to approximately £1,211 per person. However it should be noted a number of the SIGA team have individual travel and/or accommodation plans which cost less than the above. In total the travel and accommodation costs are in the region of £134,000, much of which has been fund raised and paid to fund travel arrangements already. SIGA has also been successful attracting sponsorship from various local businesses. Further information is provided at Appendix 1.</p>
4.6	<p>The Association has asked for a contribution to the travel and accommodation costs.</p>
5.0	Exempt and/or confidential information:
5.1	None
6.0	Implications :
6.1 Service Users, Patients and Communities:	<p>SIGA works very closely with the local sports clubs and Associations involved in the Games. Participation at the Games is an important event on the local sports calendar and helps local athletes to achieve their full potential. Participation at the Games also helps to build and sustain positive links with other island groups.</p>
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	<p>If grant funding is approved then SIGA will be subject to the general terms of grants to voluntary organisations.</p>
6.5 Finance:	<p>Budgets for general grants to voluntary organisations were reduced and then removed during the period from 2013 and as such the Council does not have an approved budget in 2017/18 for grants to general voluntary organisations.</p> <p>Any funding that is awarded by the Committee will have to be funded from the Council contingency budget in 2017/18 or by approving the use of a sum from the Council's underspend in 2016/17.</p> <p>The general grants to voluntary organisations budget, previously held by the Development Directorate enabled a range of organisations to access financial support and since the removal of this budget all organisations have been similarly affected and have not received funding in the last three or four years.</p>

6.6 Assets and Property:	None	
6.7 ICT and new technologies:	None	
6.8 Environmental:	None	
6.9 Risk Management:	<p>Risks connected with this report exist in relation to the recent history of funding having been withdrawn from a range of organisations, for which they no longer receive financial support. To make an award of grant funding to SIGA for the Island Games 2017 leaves the Council open to reputational damage with those organisations that were equally affected when the budgets were removed. There is also a risk that other community groups and sports clubs may choose to submit speculative requests for funding to the Council.</p> <p>Furthermore there is a risk that without a specific budget to access the Council has to use resources set aside for other activities and services. This risk is mitigated as funding could be accessed from the underspend in 2016/17 that would have no impact on the 2017/18 budget.</p>	
6.10 Policy and Delegated Authority:	As there is no specific budget and therefore no delegated authority to any particular Committee or Director then the Policy and Resources Committee have the authority to allocate financial resources and make decisions in relation to funding.	
6.11 Previously considered by:	None	

Contact Details:

Jonathan Belford, Executive Manager – Finance

jonathan.belford@shetland.gov.uk

5 June 2017

Appendices:

Appendix 1 – Table of historic grant support to SIGA

Appendix 2 – Letter of request and supporting information provided by SIGA

Background Documents:

None

END

**History record of Financial Assistance
from Shetland Islands Council to Shetland Islands Games Association**

Year	Host Island	Total Costs	Grant Award (net amount)	Funding Percentage	Team Size	Average cost per team member	Average grant per team member	Average contribution per team member
2015	Jersey	£142,775	£0	0.00%	141	£1,012	£0	£1,012
2013	Bermuda	£51,587	£5,000	9.69%	45	£1,146	£111	£1,035
2011	Isle of Wight	£55,015	£13,192	23.98%	95	£580	£139	£441
2009	Aland	£103,408	£34,103	32.98%	93	£1,112	£367	£745
2007	Rhodes	£96,210	£31,968	33.23%	66	£1,458	£484	£974
2005	Shetland	N/A	N/A	N/A	246	N/A	N/A	N/A
2003	Guernsey	£98,306	£38,000	38.65%	126	£781	£302	£479
2001	Isle of Man	£88,460	£34,000	38.44%	107	£826	£318	£508
1999	Gotland	£68,000	£34,000	50.00%	89	£764	£382	£382
1997	Jersey	£77,600	£38,000	48.97%	99	£784	£384	£400
1995	Gibraltar	£78,400	£38,400	48.98%	96	£817	£400	£417
1993	Isle of Wight	£60,087	£26,187	43.58%	61	£985	£429	£556
1991	Aland	£60,000	£28,300	47.17%	75	£800	£377	£423
1989	Faroe	£40,800	£20,400	50.00%	42	£972	£486	£486
1987	Guernsey	£44,510	£22,255	50.00%	80	£557	£278	£279

* 1985 – records held at Archives

Shetland Island Games Association

A member of the International Island Games Association

Supporting Island Sports



01595 694965 (H)
www.siga.org.uk

Correspondence address:
6 Hillside,
Gulberwick
Shetland
ZE2 9JX

Mr Mark Boden
Chief Executive
Shetland Islands Council
Town Hall
Lerwick
Shetland
ZE1 0JL

Our ref: 17/004

19 May 2017

Dear Mr Boden

Financial Support for Team Shetland NatWest Island Games – Gotland 2017

You will be aware that Shetland Island Games Association will be taking part in the NatWest Island Games in the Swedish Island of Gotland next month, from 24-30 June 2017. I am writing to seek any financial support that Shetland Islands Council could offer towards the cost of our participation at this event, or indeed for future Games.

Shetland Island Games Association has appreciated financial support from the Council in the past, which contributes towards the costs of our competitors' participation. The last grant assistance available to Shetland Island Games Association was in 2013. However, competitors in the Western Isles and in Orkney still enjoy financial support from their respective Councils.

Whilst we understand the ongoing financial pressures in the public sector in Shetland, we would like to ask the council if they would consider supporting the Shetland team with an equivalent level of financial support given to the Western Isles and Orkney Island Games Associations.

Please find overleaf a breakdown of our costs for this year's Games. At our regular planning meetings for the last fifteen months or so, we have made every effort to reduce the cost burden on Team Shetland. Our committee of volunteers includes representatives of eleven sports that will be involved this year, including a team of 129 competitors and officials.

We have sourced budget accommodation in Gotland and have chartered a direct flight from Aberdeen, which although not the cheapest, is the most practical travel solution for a team of around 130 people. The alternative would be a minimum of three scheduled flights from Scotland to Stockholm and then to Gotland, which not only presents risks of missed connections but would also limit our ability to carry our essential sports equipment. (Teams from other British islands are also taking a charter option with similar costs, of around £600 per person.)

To offset some of the costs, we have actively sought sponsorship from various local companies and we received a total of £12,500 in sponsorship for this year's Games, from three local companies, including our main sponsor, Malakoff Limited. This represents around 10% of our overall costs of participation this year. Most of the costs to attend the Games are met by personal contributions from Team members and a significant amount of fundraising takes place.

Cont'd//

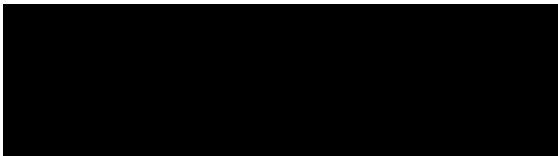
The NatWest Island Games are an ideal opportunity for our talented sports people to demonstrate their sporting expertise and to be ambassadors for Shetland at a unique international event attended by athletes from 24 competing islands. Shetland was a founder member of the International Island Games Association in 1985 and has been an active participant since then, including hosting the 2005 Games in Shetland – an event which is fondly remembered by many.

We greatly appreciated the support of Convener Malcolm Bell, who attend the Games in Jersey in 2015. We understand that he is hoping to attend this year's Games in Gotland too and look forward to seeing him there.

I would be grateful if you could consider this request for financial assistance. Please advise me on any further information or details you may wish from me to help you with any decision on this. I would of course be happy to meet you to discuss this.

I look forward to hearing from you.

Kind regards



Karen Woods
Chair – Shetland Island Games Association

Breakdown of costs per person – Team Shetland 2017

Individual costs (approx.)

• Flight (charter from Aberdeen - Visby)	£622
• Northlink Ferry	£61
• Bus Transfer + Car Hire	£12
• Accommodation	£350
• Team Kit	£130
• Accreditation	£30
• Insurance	£22
• Team costs – 2 management; 3 physios	£45
• Running Costs	£39
• <i>Less Team Sponsorship</i>	<i>- £100</i>

Total cost per person = £1211

Application for Funding from Shetland Islands Council

Shetland Island Games Team 2017

Shetland Island Games Association (SIGA) present this request for funding from the Shetland Islands Council (SIC), seeking support towards the travel and accommodation costs of the 2017 Shetland Island Games Team.

Background to Application

The NatWest Island Games 2017 will be held in Gotland, Sweden from 24th June to 1st July.

Team Shetland comprises **128** individuals in total - **107** competitors, **16** individual sport Team Managers and support staff; 3 physiotherapists and 2 overall Team Managers.

Of the number of competitors, 37 are in full time education (23 are under 18 years of age).

Links to the SIC Corporate Plan

This application for funding has strong ties to the aims and objectives of the Shetland Island Council's Corporate Plan. The SIC Corporate Plan focuses on five main areas, the first of which is young people.

The Plan cites the good facilities that Shetland has and aims to work with others to ensure that more children will be taking part in physical and cultural activities by 2020, to contribute to developing healthy lifestyles to helping them play a full and active part in Shetland community life.

The NatWest Island Games is seen by many as the pinnacle of sporting achievement for many islands. In a local context, the local media coverage of the achievements of Shetlanders across a variety of sports has a direct impact on the number of children accessing sports facilities and joining local Clubs. Children hear about people they know and can relate to representing their home island in a festival of sport and want to try those activities with dreams and ambitions to go on to compete themselves.

The opportunity to increase confidence and self-esteem through participation in sport is enormous. This be seen through the number of our young sportsmen and women putting themselves forward as Young Ambassadors and gaining volunteering awards as they continue to give back to the community as role models.

The commitment and dedication of local competitors to representing Shetland to the best of their abilities is often referred to but not always appreciated in financial terms. Many Shetland competitors have attended sports competitions on the UK mainland, that have required a significant financial commitment alongside their training. In many disciplines, specialist equipment is also required and personally funded.

Members of Team Shetland, regardless of age and employment status, have made choices and financial sacrifices in their personal lives in order to represent Shetland at the Games. Significant efforts have been put into fundraising by individuals and sports to reduce costs as far as possible. The difficulties

experienced in local fundraising are much greater than before as all community groups are striving to raise money in similar ways. When combined with the affordability of living in Shetland and other current difficulties associated with austerity, correspondingly the amounts donated are reducing. This perpetuates additional fundraising activities and the struggle to realise funding increases in line with the costs being covered.

The SIC Corporate Plan also focusses on economy and the issues arising through fundraising activities link with the underlying theme of this section of the Plan.

Supporting the Games team will be an investment in the foundation of Shetland sport and into encouraging children into sport, healthy lifestyles and community life. This will increase the number of people using local facilities and joining local sports clubs and will have an additional positive local economic impact with more disposable income being available to be spent in Shetland.

Finance

Previously, the SIC Development Grant Scheme provided a contribution to travel and accommodation and SIGA would respectively ask the SIC to consider supporting the aspects of travel and accommodation costs alone.

Travel

The team are travelling from Lerwick to Aberdeen by overnight ferry. Following a sponsorship discount from Northlink, the total cost of the ferry journey is [REDACTED] around £60 per person return.

The team will then travel from Aberdeen to Visby, Gotland by charter flight. [REDACTED].

Charter Flight is the preferred option for all of the British Island teams travelling to Gotland and all have flights at comparative costs (around £600 per person).

Bus transfers between Northlink ferry terminal in Aberdeen and Aberdeen Airport [REDACTED].

This brings the total travel cost for the team to £88,238.06.

Accommodation

During the stay in Gotland, the team base will be Gustavsvik in Visby. Gustavsvik is a holiday camp with chalet accommodation. All but the Shooting team will stay there. The Shooting team have requested hotel based accommodation and will pay the additional cost of this type.

The projected cost (unconfirmed at present due to the exchange rate fluctuations) of accommodation for the team is £45,774.00 (excluding the additional amount to be paid by the Shooting team by choice).

Total Costs

Travel	£88,238.06
Accommodation	<u>£45,774.00</u>
Total	<u>£134,012.06</u>

Further Notes Relating to Costs

The costs of the two overall Team Managers and the medical team of three are paid by the remaining team members.

As already mentioned, significant personal fundraising efforts have been made to help reduce individual costs in competing for Team Shetland most specifically through a raffle along with various Sponsorship applications which some were unfortunately unsuccessful – specifically an application for £5,000 to help with costs for team members in full time education.

There has never been an application for grant funding from the Charitable Trust (as far as we are aware). The committee were under the impression that the CT only funds organisations that have charitable status and we are not a registered charity. This said, we would need to explore this avenue of support in the future and see if we can meet the required status.

The charter flight has been paid in full but at present the Northlink return trip along with accommodation invoice have not been paid [REDACTED]

We work on a bi-annual accounting period and I have attached a copy of our last set of accounts from 1st Sept 2013 – 31st August 2015. These have been independently verified by A9 Partnership Ltd.

I have also included an Appendix A – which outlines the history of financial support for SIGA from the SIC.

This was an appendix of a report presented to Social Services Committee on 15th May 2013, where Councillors approved a £5,000 grant for 45 individuals to compete in the 2013 Games in Bermuda.

Up to that point the council also provided staff time to provide administrative support to SIGA.

Team Shetland would be grateful for any financial support the council feels able to award but also understands the financial situation of the council and the restraints on all budgets.

Additional Information / Responses to Committee

For Application for Funding of Team Shetland

NatWest Island Games – Gotland 2017

1. *Why were SIGA so late in day with application for funds?*

We acknowledge we are rather late in the day with application and this can be attributed to a number of issues:

- Since the removal of the grant scheme to sporting groups there appears to be no direct link or application procedure that SIGA could have applied through
- There was much debate as to whether any application would be presented to council in light of all the austerity cuts that have had to be done over the last few years and with budgets slashed and no set budget for this type of application
- In February, after confirmation of funding support from Team Orkney from OIC, SIGA sought to look at possibility of putting in an application for financial support from SIC. Unfortunately we were too late in the day to be able to present any formal application to council due to there being no more council business from March for local elections on May 4th.
- During the election campaign, the Shetland Times asked some of the prospective council members a series of questions which included ‘opinion on council giving financial support to Team Shetland at this years’ NatWest Island Games’ and the response given appeared by a large number interviewed to be positive to this question.
- With this apparent general support of the team, Karen Woods (chair SIGA) applied, initially, to the Chief Executive (19:05:17) who then passed on our application to the finance department for formal application.
- The meeting on Monday 19th June was the first opportunity for the council to discuss any application.

2. *Why are Team Shetland taking 21 managers / coaches / medical staff when Team Orkney are taking only 2.*

We were quite surprised on reading this comment and Karen Woods emailed her opposite in Orkney seeking conformation of this figure. The response she got back (and this can be backed up by individual sport managers speaking to their opposite sport managers not only in Orkney but with most of the teams who have travelled to Gotland) was that Team Orkney will be travelling with ‘14 team managers and coaches and 1 physio’.

Perhaps to advise any council member who has not had the privilege to travel to an Island Games or was not in Shetland when we hosted the Games in 2005,

travelling away from home with a large team made up of experienced / inexperienced team members – ages ranging from 14 – late 50's there are many on and off island issues that have to be dealt with before, during and after the games.

To enable such a diverse team participation in the Natwest Island Games requires support and management not only with travel to and from home: ensuring all have the necessary paperwork for travel and competition; all have beds on the boat; transport of people and a large amount of sports equipment to and from Aberdeen Airport; getting all team through the Airport and safely on the flight along with all equipment – and home again!

The majority of support is required during competition where the overall Shetland Team Managers have the role of liaising with Gotland Organising Committee and ensuring the overall 'team management' (including daily managers meetings at 730 am; attending IGA official meetings and events; dealing with any issues that may crop up on island as well as working with media / social media).

The individual Sports Managers / Coaches are there to look after the individual needs of their team: ensuring they all know when and where they have to be at a certain time; dealing with any sporting issues that may crop up; attending Sport Team Meetings - again usually daily to discuss any technical issues that may crop up during competition; putting in team sheets for games (specifically football) and making any changes required to start lists.

Along with this, many of the team managers are parents of young 'athletes' competing in a major (3000 + competitors) sporting event; they become 'mam' or 'dad' to these young athletes for the duration of the games ensuring they are fed and watered and ready to compete; they are there to encourage, support and be a shoulder to cry on if things do not go well.

They are a crucial cog in the wheel that enables Team Shetland to take a large and diverse team to each Games and help the event become the prestigious sporting event it is. Without them, Team Shetland (the same as all the other teams competing in Gotland) would not be able to take a team of this size and experience / inexperience.

We also travel with Sports / Medical staff who not only work with the team prior to travel to eek out any niggles or issues through training / competition but are vital during Games Week ensuring that the team are ready to compete day after day for up to 5 consecutive days of competition – work on tired and strained muscles; patch up / tape up / any niggles or injuries; sometimes have to give the bad news that an athletes games is over due to an injury that would be dangerous to continue with (something no sports person wants to hear!) – this is sport and all that goes with it!

3. Ms Ferguson made a point about funding to help young people with activities out with the isles – our swimming representatives pointed out that we (Shetland) receive no funding through grant support / development schemes while Orkney Swimming receive support through the year.

The NatWest Island Games have grown over the years and are seen as an important competition for many sports people from Island Communities from as far apart as Greenland to St Helena. The advance in media whether it be radio / T.V. broadcast (BBC Alba/ Channel ITN / BBC Wales Sport to name a few) or the phenomenal advance in social media – everything that Team Shetland does during the games will be streamed, tweeted, shared, you name it on social media, it will be out there.

Team Shetland become ambassadors for Shetland Sport; Culture and Island Life while competing in the NatWest Island Games and Shetland would struggle to receive greater global awareness in a condensed 1 week period.

The increase in sport participation throughout all the various sports clubs and associations after each games, especially in youth sport, can clearly be seen with the numbers taking part in sport and this can only be of benefit not only for the future of sport and sport stars of the future but in the general health & wellbeing of the youngsters (and some adults as well) participating in sport.

I would also like to inform the council that all who sit on SIGA are volunteers who all have other lives – we work, have families, play or coach sport and only do this to enable Team Shetland the opportunity to compete. We are not perfect and we do make mistakes but we are all passionate about Sport, The Games and representing Shetland.

After the games SIGA would like to take the opportunity to liaise with both the SIC and the Charitable Trust to explore ways where we could look to set up possible funding opportunities for Team Shetland for future games.

Shetland Islands Council

28 June 2017 – Additional Information in relation to F-057-17-F Island Games – Gotland 2017

Information in relation to other funding within the Council for school children.

Children's Services

- Zetland Educational Trust - When the Trust has funds and are therefore in a position to disburse funding they are allocated to schools or clubs. For instance one of the swimming clubs regularly applies, so indirectly this provides some limited support to some young sporting people. There is no direct award of funding to individuals in relation to this criteria.
- School fund monies would not be given to individuals.
- Grants to Individuals - In the past there was a budget that gave funding to individuals including aspiring sports people and musicians. That budget was removed a number of years ago as part of the requirement to prioritise Council resources and deliver cost reduction.
- Sport and Leisure Service has no budget to support participation in the Island Games or other, predominantly adult, events.
- School level funding - We do assist on a limited basis with funding and in-kind support of school sports events that are off island such as the AHS netball team participating in the Scottish Schools Cup, School athletes competing in the Scottish Schools Track and Field Event and school badminton players competing in the Scottish Schools Badminton Union championships. Other sports have also been supported over the past few years. This activity is part funded by sportscotland who provide £5,000 towards our local and off island schools sports programme, which costs annually around £9,500. Funding is awarded through an ongoing dialogue with local schools and clubs and national governing bodies of sport.



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Appointments to IJB Committees	
Reference Number:	GL-35-17-F	
Author / Job Title:	Jan Riise, Executive Manager - Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Shetland Islands Council confirm the nominations made by the Employees Joint Consultative Committee [EJCC], and APPROVE the following appointments to the Joint Staff Forum:
 - Ms S Gens, as the Council Staff Representative on the IJB, and the following two staff representatives; Mr A Garrick-Wright, and Ms E Laurenson.
 - Councillor E Macdonald, as an EJCC member who is also an IJB member, and the following two Councillor representatives; Mr C Smith and Ms C Hughson.
- 1.2 The Council is recommended to APPROVE the nomination of Ms Susanne Gens as the Council Side Joint Chair.
- 1.3 The Council is further recommended to APPROVE the appointment of the following Council members to the IJB Clinical Care and Professional Governance Committee [CC&PGC]:
 - Councillor A Duncan, Chair of SIC Audit Committee
 - Councillor Mark Burgess, as P&R Committee member of the IJB
 - Councillor George Smith, Chair of the Education and Families Committee

2.0 High Level Summary:

- 2.1 On 27 June 2015, Shetland's Health and Social Care Partnership Integration Joint Board (IJB) was formally constituted as a public body under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act). The Integration Scheme requires the IJB to have an effective Joint Staff Forum where staffing issues, professional issues and concerns relevant to joint working can be raised and discussed, where difficulties can be explored and resolved and where shared routes forward can be agreed.
- 2.2 The Terms of Reference of the Joint Staff Forum [Appendix 1], was approved by the IJB, NHS and Council, in April 2016, and this report seeks to appoint the Council side representatives, as nominated by the Employees JCC.
- 2.3 The Terms of Reference of the Clinical Care and Professional Governance

Committee [Appendix 2], was approved by the IJB, NHS and Council, in January 2016, and this report seeks to appoint the Council side representatives, as required by the Terms of Reference.

3.0 Corporate Priorities and Joint Working:

- 3.1 The JSF was established as part of the governance arrangements for partnership working between the Council and the Health Board locally under the Joint Future framework. The Terms of Reference, contained in Appendix 1, supports closer joint working arrangements across all Council and Health Board business reflecting the decisions of the Council and the Health Board in November 2014, “ that the committees, sub-committees and governance groups that are needed for the Body Corporate should all be joint, looking at all the business of the Council and the [Health] Board unless there is a specific reason why this cannot be done e.g. legal impediment” (Min. Ref SIC 78/14).
- 3.2 The CCPGC, as well as being a formal sub-committee of NHS Shetland, also oversees the care governance arrangements for social care services provided or purchased by Shetland Islands Council (the Council) including social care services under the direction of the IJB. The CCPGC will ensure that appropriate mechanisms are in place for the effective engagement of representatives of patients, clinical staff and other professionals in clinical, care and professional governance activities. The terms of reference state that the CC&PGC will ensure that appropriate mechanisms are in place for the effective engagement of representatives of patients, clinical staff and other professionals in clinical, care and professional governance activities.

4.0 Key Issues:

Joint Staff Forum

- 4.1 The purpose of the Joint Staff Forum is to ensure that joint management arrangements, joint resourcing, joint training and organisational development are delivered in consultation with staff representatives of the partner agencies, namely Shetland NHS Board (the Health Board) and Shetland Islands Council (the Council).
- 4.2 JSF membership comprises:
- 4 Representatives (from 6 representatives) nominated by the Health Board Area Partnership Forum (APF)
 - 4 Representatives (from 6 representatives) nominated by the Council's Employees Joint Consultative Committee (EJCC)
- 4.3 Staff representatives comprise 50% of the membership from each of the Parties [NHS and SIC] and will include the staff representatives appointed by the Council and the Health Board to the IJB. In this regard, the EJCC nominated Ms Susanne Gens, Mr Alex Garrick-Wright, and Ms E Laurenson.
- 4.4 Non-staff representatives will include at least one representative from among those appointed by each of the Parties [NHS and SIC] to serve on the IJB. In this regard, one SIC non-staff representative will be Councillor Emma Macdonald, being the only councillor appointed to the EJCC who is also a member of the IJB. The EJCC further nominated Councillors G Smith and C Hughson.

- 4.5 The Council is required to appoint a Joint Chair from their members, who will chair each meeting in rotation. The EJCC agreed to nominate Ms Susanne Gens as the SIC Joint Chair.

Clinical Care and Professional Governance Committee (CCPGC)

- 4.6 The CCPGC is a formal sub-committee of 3 agencies; the Health Board, the Council; and the IJB.
- 4.7 The CCPGC oversees the care governance arrangements for social care services provided or purchased by Shetland Islands Council (the Council) including social care services under the direction of the IJB. The CCPGC will ensure that appropriate mechanisms are in place for the effective engagement of representatives of patients, clinical staff and other professionals in clinical, care and professional governance activities.
- 4.9 The Chairs of the Audit Committees of the Health Board, the Council and the IJB are members of the CCPGC. In addition, the Council is required to appoint two elected members of the Council, one of whom must be a member of the IJB and the other must be the Chair of the Committee of the Council with responsibility for Children's Social Work Services.

5.0 Exempt and/or confidential information:

- 5.1 There is no exempt information associated with the terms of this report.

6.0 Implications :

6.1 Service Users, Patients and Communities:	The decisions taken on this report will not adversely impact on service users, patients or communities.
6.2 Human Resources and Organisational Development:	<p>Working with staff is a key aspect of Health and Social Care Integration.</p> <p>The Integration Scheme includes a section on "Workforce" which states that there will be <i>"an effective Joint Staff Forum where staffing issues, professional issues and concerns relevant to joint working can be raised and discussed, where difficulties can be explored and resolved and where shared routes forward can be agreed"</i>.</p> <p>The JSF has an important role in making sure the expertise of the workforce is available to the Council, the Health Board and the IJB to ensure decisions are made in light of their knowledge and experience.</p>
6.3 Equality, Diversity and Human Rights:	<p>Quality assurance on Equalities, Diversity and Human Rights is an integral part of the activities of the Council and the Health Board.</p> <p>The recommendations in this report do not require an Equalities</p>

	Impact Assessment.
6.4 Legal:	The proposals in this report support the work of the Council, the Health Board and the IJB required under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014, the associated Regulations and Guidance and Shetland's Integration Scheme.
6.5 Finance:	Any expenses and costs associated with attendance at meetings by elected members of the Council will be met from within existing budgets of the Council.
6.6 Assets and Property:	There are no implications for major assets and property. All meetings of the JSF or CC&PGC will be held in either the premises of the Council or the Health Board and that the costs will be covered accordingly by the Council and the Health Board.
6.7 ICT and new technologies:	There are no ICT issues 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 committees in line with secondary legislation and the Integration Scheme.</p> <p>If appointments are not made at this time, the vacancies would remain, and the Council would be unable to exercise any rights over business of the IJB committees, which may impact on the effective performance of the IJB with regard to Council services with implications for users and staff.</p>
6.10 Policy and Delegated Authority:	<p>The requirement for the JSF and the CC&PGC is set out in Shetland's Health and Social Care Partnership Integration Scheme 2015.</p> <p>The remit and membership of both Committees require decisions of the Parties to the Integration Scheme (the Council and the Health Board). For the Council, matters regarding HR policy are delegated to Policy and Resources Committee however, as the proposals in this report are regarding the membership and appointment of members of the Council to the JSF some of whom will be elected members of the Council, a decision of the Council is required.</p>
6.11 Previously considered by:	Employees JCC - 7 June 2017.

Contact Details:

Anne Cogle, Team Leader - Administration anne.cogle@shetland.gov.uk
21 June 2017

Appendices:

Appendix 1 - JSF Terms of Reference
Appendix 2 - CC&PGC Terms of Reference

Background Documents:

Health and Social Care Integration Scheme

http://www.shetland.gov.uk/Health_Social_Care_Integration/IntegratedJointBoard.asp

END

JOINT STAFF FORUM

TERMS OF REFERENCE

Revised April 2016

1. Background

- 1.1 The Joint Staff Forum (JSF) was established in July 2002 in line with Scottish Executive Guidance on the Joint Future initiative to ensure that joint management arrangements, joint resourcing, joint training and organisational development would be delivered in consultation with staff representatives of the partner agencies, namely Shetland NHS Board (the Health Board) and Shetland Islands Council (the Council).
- 1.2 On 27 June 2015, Shetland's Health and Social Care Partnership Integration Joint Board (IJB) was formally constituted as a public body under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and on 20 November 2015, the IJB approved its first Strategic Plan and assumed responsibility for the functions delegated to it under the terms of the Act.
- 1.3 The Integration Scheme "sets out the detail as to how the Council and the Health Board will integrate services" under the terms of the Act and section 7 of the Integration Scheme on Workforce is included below.

7. Workforce

The Parties will ensure that there is an effective Joint Staff Forum where staffing issues, professional issues and concerns relevant to joint working can be raised and discussed, where difficulties can be explored and resolved and where shared routes forward can be agreed.

The Membership and Terms of Reference of the Joint Staff Forum are set out in the Supplementary Documentation.

Workforce Development Strategy

A Workforce Development Strategy and Action Plan developed by the Parties (the Health Board and the Council) will be agreed by the Parties with the IJB and maintained by the staff supporting the HR Strategic Management of the integrated service delivery that is under the direction of the Chief Officer including services delivered through localities.

The Workforce Development Strategy will be agreed and put in place by April 2016 or at an earlier date as agreed by the IJB with the Parties and refreshed annually thereafter.

Organisational Development Action Plan

An Organisational Development Action Plan will be agreed by the Parties with the IJB setting out the work on organisational development and HR issues. The Organisational Development Action Plan will be maintained by the staff supporting the HR Strategic Management of integrated service delivery that is under the direction of the Chief Officer including services delivered in localities.

The Organisational Development Action Plan will be agreed and put into place by April 2016 or at an earlier date as agreed by the IJB with the Parties and refreshed annually thereafter.

Training Plan

A Training Plan agreed by the Parties and agreed with the IJB will be maintained as part of the Supplementary Documentation to the Integration Scheme. Training support functions will be provided by the Parties to the integrated services managed by the Chief Officer.

The Training Plan will be agreed and put into place by April 2016 or at an earlier date as agreed by the IJB with the Parties and refreshed annually thereafter.¹

- 1.4 In November 2014, the Council and the Health Board agreed:
“ that the committees, sub-committees and governance groups that are needed for the Body Corporate should all be joint, looking at all the business of the Council and the [Health] Board unless there is a specific reason why this cannot be done e.g. legal impediment”.

The Council's Executive Manager HR and the Health Board's Director of HR and Support Services are working together to ensure that as far as possible, one combined set of policies and procedures is developed over time to support all the staff of both organisations. Therefore, although the work on integrated health and social care services has been the main driver in the past, increasingly it is expected that the JSF will consider matters affecting all staff of the Council and the Health Board.

¹ Shetland Islands Health and Social Care Partnership Integration Scheme 2015

2. REMIT OF THE JOINT STAFF FORUM

- 2.1 To provide a joint environment “*where staffing issues, professional issues and concerns can be raised and discussed; difficulties can be explored and resolved and shared routes forward can be agreed*”².
- 2.2 To provide a forum for dialogue encouraging the development of an open, trusting and supportive culture which recognises and explores solutions to the challenges presented by differing approaches to human resource management within the Health Board and the Council.
- 2.3 To ensure that engagement, consultation and involvement of all stakeholder parties are transparent, timely and meaningful.
- 2.4 To support effective leadership as core and central to leading a changing environment and that leaders are particularly responsive to the move to a more joined up service in order to develop the Health and Social Care Integration agenda and to develop closer partnership working between the Council and the Health Board generally.
- 2.5 To discuss agreements/recommendations proposed within the Council and the Health Board that impact on staff involved in joint working. Where particular implementation issues for staff involved in joint working arrangements are identified, the JSF may make recommendations to be raised with the author of the report, and through the Staff Governance Committee (SGC) or EJCC, depending on the detail of the proposal.
- 2.6 To monitor progress on the work set out in the Organisational Development Action Plan, the Workforce Development Strategy and Action Plan and the Training Plan.
- 2.6 The JSF does not replace or usurp the role and remit of either SGC or EJCC where staffing issues will continue to be discussed in line with the published constitutions.

² Shetland Islands Health and Social Care Partnership Integration Scheme, June 2015

3. COMPOSITION

JSF Membership

3.1 JSF membership comprises:

- 4 Representatives (from 6 representatives) nominated by the Health Board Area Partnership Forum (APF)
- 4 Representatives (from 6 representatives) nominated by the Council's Employees Joint Consultative Committee (EJCC)

Staff representatives will comprise 50% of the membership from each of the Parties and will include the staff representatives appointed by the Council and the Health Board to the IJB.

Non-staff representatives will include at least one representative from among those appointed by each of the Parties to serve on the IJB.

JSF Joint Chairs

3.2 The Council and the Health Board will each appoint a Joint Chair from their respective members at 3.1 above, who will chair each meeting in rotation.

In attendance

3.3 The following personnel will be expected to attend each meeting of the JSF. Such attendance is not intended to give a right to be elected to Joint Chair, except where the individual is also a member under 3.1 above:

- Executive Manager Human Resources Shetland Islands Council
- Director of Human Resources Shetland NHS Board
- Director of Community Health and Social Care
- Director of Nursing and Acute Services, Shetland NHS Board
- Head of Planning and Modernisation, Shetland NHS Board
- Director of Corporate Services, Shetland Islands Council
- Director of Children's Services, Shetland Islands Council

Members and staff of the Council and the Health Board and of the trades unions will be allowed to sit in or observe with the agreement of the Joint Chairs.

JSF Joint Lead Officers

3.4 The Executive Manager Human Resources for the Council and the Director of Human Resources and Support Services for the Health Board will be the joint lead officers for the JSF.

4. REPORTING MECHANISMS

- 4.1 The minutes of each meeting of the JSF will be made available for information to SGC, APF, EJCC, the Council's Human Resources Planning Group (HRPG) and the Integration Joint Board (IJB) having been confirmed for accuracy by the Joint Chairs.
Responsibility for this will be assigned to the minute taker.
- 4.2 Responsibility for cascading the information to staff as appropriate will rest with the managers who are listed as in attendance at meetings of the JSF.
- 4.3 Each consultative body will also take responsibility for ensuring that information is disseminated to all staff as appropriate.

5. ADMINISTRATION ARRANGEMENTS

- 5.1 The Joint Staff Forum will meet six weekly or as agreed by the JSF.
The dates will be set a year in advance.
- 5.2 Additional meetings will be arranged as required following discussion with the Joint Chairs.
- 5.3 The Joint Staff Forum will be serviced by the Council's Committee Services. In this context servicing means booking a room, sending out a notice of the meeting along with the agenda and supporting papers, taking minutes and maintaining the business programme.
- 5.4 Requests for items to be included on the agenda should be made through the Council's Committee Services.
- 5.5 A notice calling the meeting will be issued with the agenda and supporting papers not less than seven calendar days before the date of the meeting. These will be issued by e-mail to agreed e-mail addresses unless paper copies are requested to meet the needs of any member of the JSF.
- 5.6 The JSF will not consider any item which has been submitted after the agreed clearance date, unless prior agreement has been received from the Joint Chairs.

6. QUORUM

- 6.1 The quorum for a meeting will be 4 members being 2 JSF members from the Council and 2 JSF members from the Health Board.
Substitutes will be allowed by agreement with the joint chairs.

7. RESOLUTION OF CONFLICT

- 7.1 The discussion of agenda items will be carried out with the aim of reaching consensus. Where consensus is not reached, the Chair will identify the area of disagreement and this will be noted in the minute. Such areas of disagreement and any unresolved issues will be brought to the attention of the SGC, EJCC, APF, HRPB and the IJB through the minute and a joint report prepared by the lead officers as appropriate.

ENDS

Clinical Care and Professional Governance Committee

TERMS OF REFERENCE

1. Purpose of CCPGC

- 1.1 There is an expectation that the Board of Directors of a health body in Scotland will establish a clinical governance committee to provide assurance to the Board that appropriate clinical governance mechanisms are in place and effective throughout the organisation. The CCPGC is recognised as a formal sub-committee of Shetland NHS Board (the Health Board) and CCPGC will fulfil this purpose for the Health Board i.e. the CCPGC will fulfil the assurance role with regard to the clinical governance arrangements of all the health services delivered or purchased by the Health Board as required by statute including health services directed by the Integration Joint Board (IJB) established to implement the requirements of the Public Sector (Joint Working) (Scotland) Act 2014.
- 1.2 The CCPGC will also oversee the care governance arrangements for social care services provided or purchased by Shetland Islands Council (the Council) including social care services under the direction of the IJB.
- 1.3 CCPGC will ensure that appropriate mechanisms are in place for the effective engagement of representatives of patients, clinical staff and other professionals in clinical, care and professional governance activities.
- 1.4 A high level diagram showing the Clinical, Care and Professional Governance Framework is attached to the end of this Terms of Reference, detailed governance diagrams showing the links with other NHS and Council governance frameworks are available separately.

2. Composition of CCPGC

2.1 Membership

2.1.1 CCPGC will comprise:

- A Non-Executive Member of the Health Board as Chairperson
- The Chairs of the Audit Committees of the Health Board, the Council and the IJB
- 2 x Non-Executive Members of the Health Board, one of whom must be a member of the IJB
- 2 x elected members of the Council, one of whom must be a

member of the IJB and the other must be the Chair of the Committee of the Council with responsibility for Children's Social Work Services

- The Employee Director of the Health Board
- A staff representative of the Council nominated by the Council's Employee Joint Consultative Committee (EJCC)

2.1.2 CCPGC Chairperson shall be appointed by the Health Board at a fully constituted meeting.

2.1.3 Membership of the CCPGC shall be disclosed in the Annual Report and Accounts of the Health Board.

2.1.4 Appropriate training and development will be provided to ensure that members of CCPGC have the skills and knowledge to carry out this role.

2.2 In Attendance

2.2.1 The following may attend meetings of CCPGC and have access to the papers subject to any restrictions that may apply as determined by the Chair of CCPGC:

- Other Members of the Health Board, the Council and the IJB
- Two Patient Forum Representatives

2.2.2 The following officers of the Council, the Health Board and the IJB or their nominees shall normally attend meetings:

- The Chief Executives of the Health Board and the Council;
- The Director of Community Health & Social Care in their role as Chief Officer for the IJB;
- The Clinical Governance Manager for the Health Board and the Health & Safety Manager for the Council
- The Chief Social Work Officer
- The Director of Pharmacy
- The Dental Director
- The Medical Director
- The Director Nursing & Acute Services
- The Director of Public Health
- The chair of the Joint Governance Group (JGG)
- The chair of the Area Clinical Forum (ACF) and/or their nominated deputy
- A Joint Staff Forum Representative
- The Executive Leads for Information Governance for the Health Board and the Council.
- A General Practitioner (GP)

- 2.2.3 The Chairperson of CCPGC shall attend the Health Board's Annual Review Public Meeting to answer questions about the work of CCPGC, if required.

3. Meetings of the Committee

3.1 Frequency

- 3.1.1 CCPGC shall meet as required, with Meetings normally held at least quarterly in each financial year at a place and time as determined by the Committee and to coincide with key events during the year, e.g. Clinical, Care and Professional Governance Annual Report production.
- 3.1.2 The Chairperson of CCPGC may at any time convene additional Meetings of CCPGC to consider business, which may require urgent consideration. These meetings may be attended exclusively by Committee Members, as approved by the CCPGC Chairperson.
- 3.1.3 CCPGC should meet individually with the Internal and External Auditors of the Health Board, the Council and the IJB, once per year, without any Executive Directors/Officers present other than as required to make a proper record of the meeting. It is recognised that the Chief Executive of the Health Board is the Accountable Officer for the Health Board, and that the section 95 officers of the Council the IJB are the Accountable Officers for the Council and the IJB respectively and nothing should be discussed at these meetings with the Auditors which could conflict with the duties of the Accountable Officers. If there were circumstances that may arise that would be in conflict with the duties of one or more of the Accountable Officers, then the Accountable Officer(s) should be invited to attend the Meeting(s) for the discussion of any such matters that would affect their individual role(s).

3.2 Agenda and Papers

- 3.2.1 The Chairperson will set the agenda in conjunction with the Chair of the JGG (or their depute) and the Chief Social Work Officer.
- 3.2.2 The Agenda and supporting papers will be sent out at least five working days in advance of the meetings.
- 3.2.3 All papers will clearly state the agenda reference, the author and the purpose of the paper and set out the matters which the CCPGC is asked to consider and the actions on which the CCPGC is asked to advise.

3.3 Quorum

- 3.3.1 Three Members of CCPGC, one from the Health Board, one from the Council and one from the IJB, shall constitute a quorum.

No business shall be transacted unless this minimum number of Members is present. For the purposes of determining whether a meeting is quorate, Members attending by either video or tele-conference link will be determined to be in attendance.

3.4 Minutes

- 3.4.1 Formal minutes shall be taken of the proceedings of CCPGC. Any confidential items will be recorded separately.

- 3.4.2 Draft Minutes shall be distributed for consideration and review to the Chairperson of the Meeting prior to the Chairperson giving a verbal update to the ensuing Health Board Meeting. Summary reports will be presented to the ensuing meetings of the Council's Policy and Resources Committee, the IJB and the Council's Education and Families Committee. These updates will ensure that any questions Members of the Health Board, the Council or the IJB may have can be addressed promptly and/or other matters highlighted for consideration of CCPGC.

- 3.4.3 The draft Minutes shall be presented at the next Meeting of CCPGC for approval.

Formally approved Minutes shall be included in Health Board Meeting papers, in papers for the Council's Policy and Resources Committee, the IJB and the Council's Education and Families Committee for noting following approval by CCPGC.

4. Authority

- 4.1 CCPGC is authorised by the Health Board, within its Terms of Reference, to investigate any activity in the operations of NHS Shetland.

To this end, CCPGC is authorised to seek and obtain any information it requires from any employee of the Health Board. All employees of the Health Board are directed to co-operate with any request made by CCPGC.

- 4.2 With regard to health care matters only, CCPGC is authorised by the Health Board to obtain external legal or other independent professional advice and to secure the assistance of people from outside NHS

Shetland or the wider NHS, with relevant expertise, if it is considered necessary. All costs in this regard will be met by the Health Board.

- 4.3 CCPGC is authorised by the Council, within this Terms of Reference, to request an investigation into any activity in the operations of the Council with regard to social work and social care functions. This does not give authority to CCPGC to direct or manage any social work/care activity or any activity with regard to a complaint that is subject to the Council's Social Work Complaints Procedure.

With these exceptions, CCPGC is authorised to seek and obtain any information it requires from the Council in order to fulfil its remit. All employees of the Council are directed to co-operate with any reasonable request made by CCPGC.

- 4.4 If CCPGC advises that external legal or other independent professional advice or assistance of people from outside the Council with relevant expertise for any matters relating to social work/care functions should be sought, then CCPGC must make a request for such assistance through the Council's Director of Corporate Services who will consult with the Chief Social Work Officer.

If approved, any costs in this regard will be met by the Council.

- 4.5 It should be noted that similar provisions will be considered for the IJB itself if, at some point, the IJB were to directly employ staff or provide services.

5. Duties of the Clinical, Care and Professional Governance Committee

The duties of CCPGC shall be as follows.

5.1 General

- 5.1.1 Check and report to the Health Board, the Council and the IJB that appropriate structures are in place to undertake activities which underpin clinical, care and professional governance;
- 5.1.2. Review the systems of clinical, care and professional governance, monitoring that they operate effectively and that action is being taken to address any areas of concern;
- 5.1.3 Review the mechanisms which exist to engage effectively with health and social care partners, key stakeholders and the public;
- 5.1.4 Encourage continuous improvement in service quality;
- 5.1.5 Ensure that an appropriate approach is in place to deal with clinical, care and professional risk management (including patient safety) across all health and social care systems, working within the overall Risk Management Strategies for the Health Board, the Council and the IJB;

- 5.1.6 Review performance in the management of clinical, care and professional risks, including emergency planning and service/business continuity planning;
- 5.1.7 Promote positive complaints handling, advocacy and feedback including learning from adverse events;
- 5.1.8 Receive reports on child and adult protection activities;
- 5.1.9 Review clinical, care and professional performance indicators bi-annually to gain assurance across the whole health and social care system;
- 5.1.10 Review the approaches to Information Governance and Records Management taken by the Health Board and the Council, monitoring that these operate effectively and that action is taken to address any areas of concern, and
- 5.1.11 Review the Annual Clinical, Care and Professional Governance Statement/Report.

5.2 Clinical, care and Professional Governance – Internal Audit

- 5.2.1 Review the Internal Clinical, Care and Professional Governance Strategy and Audit programmes of the Health Board, the Council and the IJB;
- 5.2.2 Make recommendations to the NHS Shetland Audit Committee, the Council's Audit Committee and/or the Audit Committee of the IJB as appropriate on the requirements for internal audit activity;
- 5.2.3 Receive and consider Audit Reports along with regular Progress Reports on all health and care clinical, care and professional governance matters;
- 5.2.4 Review the actions taken by the Accountable Officers of the Health Board, the Council and/or the IJB on any recommendations or issues arising from Audit Reports, that relate to clinical, care and professional governance (paragraph 3.1.3 refers);
- 5.2.5 Review the effectiveness of the Audit and service improvement programmes of the Health Board, the Council and the IJB with regard to health and social care clinical, care and professional governance.

5.3 Clinical, Care and Professional Governance – External Monitoring

- 5.3.1 Review Audit and Inspection Reports from external monitoring and scrutiny bodies e.g. Healthcare Improvement Scotland, Care Inspectorate, Audit Scotland in relation to clinical, care and professional governance; and
- 5.3.2 Monitor and report to the Health Board, the Council and /or the IJB as appropriate to give assurance that appropriate actions in relation to external review and monitoring of clinical, care and professional governance are being taken.

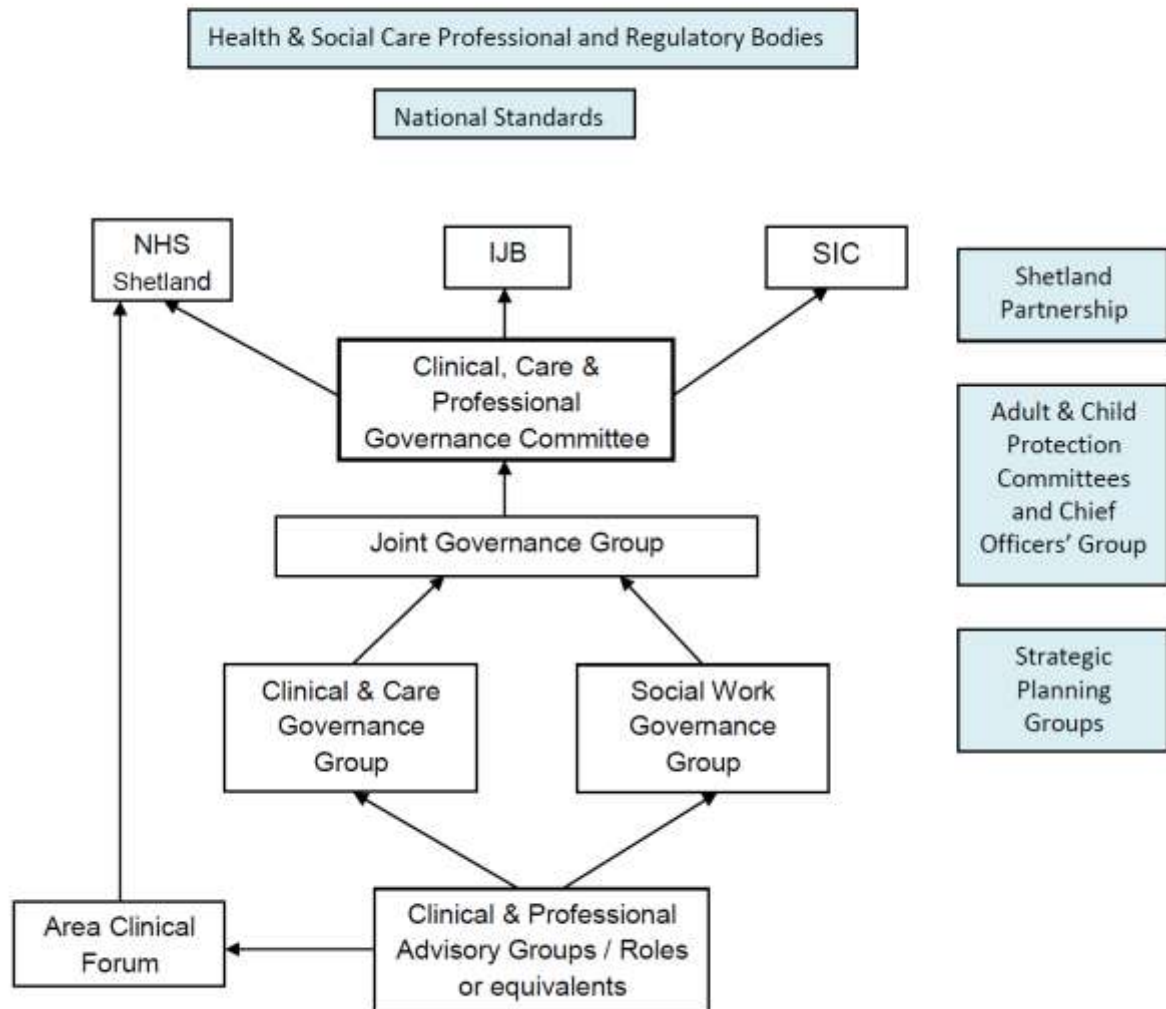
6. Reporting to the Health Board, the Council and the IJB

- 6.1 In addition to reporting to the Health Board, the Council and the IJB through the provision of updates whether verbal or through a summary report and providing copies of the approved Minutes of Meetings of CCPGC as outlined in 3.4 above, CCPGC will produce an Annual Report for the Health Board, the Council and the IJB to be presented by CCPGC Chairperson
- 6.2 CCPGC has a duty to review its own performance and effectiveness, including running costs and terms of reference and key performance indicators on an annual basis.

This information will be included in CCPGC's Annual Report.

END

Clinical, Care and Professional Governance Framework





Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Appointment of Religious Representatives to the Education and Families Committee	
Reference Number:	GL-30-17-F	
Author / Job Title:	Jan-Robert Riise, Executive Manager - Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Council RESOLVE to appoint the following two nominated representatives to the Education and Families Committee:
- Reverend Tom Macintyre
 - Mr Martin Tregonning

2.0 High Level Summary:

- 2.1 This report addresses the statutory requirement to have religious representation on the Education and Families Committee, and seeks agreement to appoint two nominated representatives.
- 2.2 A further nomination is awaited from the Shetland Inter Faith Group, and this will be reported to the Council at its meeting on 30 August 2017 (unless the nomination is received prior to this meeting).

3.0 Corporate Priorities and Joint Working:

- 3.1 In addition to the statutory requirement, the appointment of religious representatives would meet the outcomes of the Council's Equality Statement in relation to the need to ensure that democratic bodies better reflect the diversity of Shetland's communities, and would assist the Council in meeting its objective of ensuring high quality education services.

4.0 Key Issues:

- 4.1 At its meeting on 18 May 2017, Shetland Islands Council noted the arrangements being put in place to seek nominations from the relevant organisations for the statutory appointment of Religious Representatives to the Education and Families Committee. The Council is required by Section 124 of the Local Government (Scotland) Act 1973 to appoint three representatives of religious interests to the committee which discharges its education function.
- 4.2 The Church of Scotland nominated representative – nominated in such a manner as may be determined by the General Assembly of the Church – is Reverend Tom Macintyre. Reverend Macintyre served on the Education and Families Committee

during the last term of the Council.	
4.3	<p>The remaining two nominations were sought by the Council from the Shetland Inter Faith Group and the Shetland Churches Council Trust. The following nomination has been received from the Shetland Churches Council Trust:</p> <ul style="list-style-type: none"> • Mr Martin Tregonning <p>Mr Tregonning served on the Education and Families Committee during the term of the last Council.</p>
4.4	Personal Statements from the two nominees are attached as Appendix 1.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None.
6.5 Finance:	All members of the Council's Committees are entitled to claim legitimate expenses. There are no significant financial implications arising from this report.
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.
6.8 Environmental:	None.
6.9 Risk Management:	Failure to make the remaining appointments to Committee would be in breach of the Council's Constitution, and the statutory requirement to appoint three representatives of religious interests

	to its Education and Families Committee.	
6.10 Policy and Delegated Authority:	The appointment of non-councillor members is provided for within the Council's Constitution, and is a matter reserved to the Council.	
6.11 Previously considered by:	N/A	

Contact Details:

Lynne Geddes, Committee Officer

lynne.geddes@shetland.gov.uk

19 June 2017

Appendices:

Personal statements from the two candidates

Background Documents:

SIC Constitution - Part A – Governance

END



SHETLAND ISLANDS COUNCIL

2 STATEMENT – REVEREND TOM MACINTYRE

Please provide a brief pen picture describing the skills, experience and special characteristics that you would bring to the position and a statement of the contribution you would hope to make if appointed.

My skills include leading voluntary organisations in the course of my work as a parish minister, collaborating with a variety of community organisations and statutory agencies in community projects, including youth empowerment and educational support for single parents returning to work, chairing meetings and serving as a director on Trusts and Boards.

In my work as a minister for over 40 years I have served as chaplain to many primary schools and a secondary school offering education in religious studies, human rights. More recently I have been involved in initiating visits of people from different religions to schools, thus offering and extending the face to face meetings of pupils with these visitors. I have also served in a chaplaincy team at Reid Kerr College, Glasgow offering pastoral support to staff and students and now in Shetland Colleges.

Previously, as an Education Representative, I have attended national conferences to keep abreast of educational developments.

Based on the above experience I hope to be able to relate to the E & F committee members and along with them to scrutinize policy, evaluate proposals effecting the life of schools, pupils and parents. In a word, generally contribute to the well-being of educational attainment and the flourishing of children in all our communities.

Continue if necessary on a separate sheet



SHETLAND ISLANDS COUNCIL

2 STATEMENT - MR MARTIN TREGONNING

Please provide a brief pen picture describing the skills, experience and special characteristics that you would bring to the position and a statement of the contribution you would hope to make if appointed.

I have lived in Shetland for 10 years, and regularly visited for 10 years before that.

I have three school age children - 2 at Anderson High School and 1 at Dunrossness Primary School.

I have experience on both the local Parent Council and Community Council - both positions I resigned in order to take up my initial appointment to the Education and Families Committee and avoid any perceived conflicts of interest.

With the exception of a limited number of people who object in principle to there being religious representatives on the Education and Families Committee, I have received positive overall feedback about my contribution to the last committee.

Through my work, social activities and wider family I know a number of people throughout Shetland from different backgrounds.

Over the years I have been involved in various community activities, but have recently scaled these down in order to give those that I am continuing with the full attention they deserve.

I am currently on the Cunningsburgh Show Committee and am part of Brenna Players (the County Drama Festival award winning group!), as well as act as Independent Examiner for a number of local charities.

Although it is not proscribed, I do not believe it is the role of the religious representatives to direct overall policy or to take an overtly political stance on issues. At the same time religious representatives can not "duck" the hard questions or fail to take their share of responsibility for committee decisions.

I take the view that my role is read and understand the papers and the background to any issue, ask pertinent questions where appropriate, and to possibly present a different view-point where something may have been missed.

One of the benefits of being a religious representative is that I do not represent a specific electorate or ward, and must always take a Shetland-wide view of our education system. In the past five years I have had correspondence from schools, parents and parent councils throughout Shetland and I strive to give them equal consideration and courtesy.

Being part of the Education and Families Committee is a privilege as it is part of building Shetland's future.

Continue if necessary on a separate sheet.



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Appointment of a Member to the Shetland Islands Area Licensing Board (SIALB)	
Reference Number:	GL-37	
Author / Job Title:	Executive Manager – Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Council **RESOLVES** to APPOINT 1 Member to the Shetland Islands Area Licensing Board (SIALB) by the method set out in Section 4, and RESOLVE, in the event of a vote, to elect by secret ballot;

2.0 High Level Summary:

- 2.1 The purpose of this report is to appoint a Member to the Shetland Islands Area Licensing Board. The Council, at its first ordinary meeting on 18 May 2017 (Min Ref. 38/17) appointed 8 Members to the Shetland Islands Area Licensing Board.
- 2.2 Mr Duncan Simpson was appointed, in absentia, and has since declined the appointment, leaving one vacancy on the SIALB.

3.0 Corporate Priorities and Joint Working:

- 3.1 The recommendation in this report is not linked directly to any of the Corporate Priorities, but will support the Council's Improvement Plan in terms of Governance, Accountability and partnership working.

4.0 Key Issues:

- 4.1 Under Schedule 1, paragraph 2, of the Licensing (Scotland) Act 2005, the Council must appoint Members of the Shetland Islands Area Licensing Board at the first meeting of the Council following the ordinary election of Councillors. In terms of Schedule 1, paragraph 1 of the 2005 Act, the Licensing Board must consist of such number of Members of the Council, as may be determined by the Council, being not fewer than 5 and not more than 10 Members. 8 Member appointments were made, one of which was made in absentia, and acceptance of that appointment has since been declined.
- 4.2 It is the function of the Licensing Board to administer the licensing of premises and persons for the sale or supply of alcoholic liquor and for other associated matters. The Board will also carry out certain premises licensing functions under the gambling legislation.
- 4.3 Although the Council appoints Members and provides facilities and administration through the appointment of a Clerk, the Licensing Board, in law, is a separate entity from the Council.

- 4.4 The Council confirmed membership to be 8 Members, the quorum of a Licensing Board is one half of the number of Members, therefore in this case the quorum is 4.

Membership of the Board/Training Requirements

- 4.5 It should be noted that under the 2005 Act there is a requirement for Board members to undergo prescribed training. This is to be undertaken within 3 months of being elected to the Board, and a Board member is not allowed to take part in proceedings under the 2005 Act unless the prescribed training has been undertaken. To meet these statutory requirements, a training session for the Board member will be arranged through SIC Workforce Development using the services of a national trainer Alcohol Focus who will deliver the nationally approved course.
- 4.7 It should be noted that in terms of Schedule 1, Section 3(1)a-e of the Licensing (Scotland) Act 2005 there are provisions concerning disqualification from being a Member of the Licensing Board. The provisions are as follows if a Member is:-
- (a) a premises licence holder, (b) an employee of a premises licence holder and works as such in licensed premises, (c) whether alone or in partnership with another person, engaged in the business of producing or selling alcohol, (d) a director or other officer of a company so engaged, or (e) an employee of any person so engaged and works as such in that business.
- 4.8 The Clerk to the Licensing Board sought Counsel's opinion on the question of whether Trustees of a licensed hall or a member of the management committee of such halls were thereby excluded from being appointed to the Licensing Board in terms of the comparative disqualifications under the licensing (Scotland) Act 1976. Counsel's opinion was to the effect that person who is a Trustee of such a non-profit making Trust or who was a member of a management committee of a voluntary organisation which has obtained a licence to sell alcohol, would not fall within the disqualifications from being appointed as a member of the Board under the Licensing (Scotland) Act 1976.
- 4.9 The disqualifications under the Licensing (Scotland) Act 2005 are expressed in radically different terms. It is therefore not possible to rely on the terms of the previous Counsel's opinion in considering the meaning of the disqualifications under the Licensing (Scotland) Act 2005. The underlying purpose of the disqualifications, which is to avoid a situation where someone commercially involved in the supply of alcohol, is not sitting on the Board which regulates its sale, does not appear to have altered. The Clerk to the Licensing Board is of the view that the current wording of the disqualifications does not exclude a Councillor from the Board merely because they are a member of a management committee or are a Trustee of a hall which has a premises licence.
- 4.10 It may be, however, that any such Councillor, if appointed to the Licensing Board, would have to declare an interest in and withdraw from consideration of, an application at a Licensing Board meeting relating to the particular hall premises with which the Councillor had a connection.

Local Licensing Forum

- 4.11 Under section 10 of the 2005 Act the Council established a body called a 'Local Licensing Forum'. This is a statutory body whose principal functions will be to keep

under review the operation of the Act in the Board's area, with particular reference to the exercise of the Board's functions and give advice and make recommendations to the Board as the Forum considers appropriate. However, the Forum will not be involved in considering individual licence applications.

- 4.12 The Forum comprises 21 members who are representative of the following interests: (a) licence holders, (b) the chief constable, (c) persons having health, education or social work functions, (d) young people, and (e) residents in the area.
- 4.13 The Licensing Scotland Act 2005 also requires the Licensing Board to hold a joint meeting with the local forum each year.

Method of Election/Voting

- 4.14 Section 10 of the Council's Standing Orders sets out the method of appointment of office bearers. When Councillors are to be appointed to any positions to be filled by the Council, and where the number of candidates nominated exceeds the number of vacancies, the Councillors to be appointed will be determined by a vote or votes in each of which Members will be entitled to vote for as many candidates as there are vacancies; but they may not cast more than one vote for any candidate.
- 4.15 The vote will normally be taken by a show of hands, unless the Council resolves in the case of any particular appointment to take the vote by secret ballot. It has been custom and practice for the Council to undertake such voting by secret ballot.
- 4.16 The name of the candidate having fewest votes will be deleted from the list and a fresh vote, or votes, will be taken. This process of elimination will be continued until the number of candidates equals the number of vacancies.
- 4.17 Where only one vacancy requires to be filled, and any candidate has an absolute majority of the votes, the candidate will be declared appointed. Otherwise, the name of the candidate having fewest votes will be deleted from the list. This process of elimination will be continued until one candidate has a majority of the votes.
- 4.18 In the case of an equality of votes the Members shall be elected by lot as between those who received equal votes and proceed on the basis that the person to whom the lot falls upon had received an additional vote.

5.0 Exempt and/or confidential information:

- 5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:

Community involvement is provided for through consultation with the Licensing Forum. Annual joint meetings are held between the Board and the Forum.

6.2 Human Resources and Organisational Development:	There are no impacts on employees and/or wider workforce management and development, and there are no issues which will affect staff health, safety and wellbeing.	
6.3 Equality, Diversity and Human Rights:	There are no known internal and/or external equalities issues associated with the terms of this report.	
6.4 Legal:	The Council is required by statute to administer the functions set out in the Licensing (Scotland) Act 2005.	
6.5 Finance:	<p>The expenses of the Board will be met from existing Council budgets.</p> <p>As an approved duty, any appointed elected Members will be entitled to claim expenses for attendance at meetings. This may result in an increase in expenditure in relation to the Members' Expenses budget.</p>	
6.6 Assets and Property:	There are no implications for any of the Council's major assets and property, buildings or equipment.	
6.7 ICT and new technologies:	There are no implications for ICT and ICT systems	
6.8 Environmental:	All environmental issues are addressed by the inspections carried out by the Environmental Health and Trading Standards Service who carry out the Licensing Standards function.	
6.9 Risk Management:	If the Council do not appoint to the Membership of the Licensing Board, it is failing in its duty to comply with the Licensing (Scotland) Act 2005.	
6.10 Policy and Delegated Authority:	By virtue of the Licensing (Scotland) Act 2005 and as set out in Section 2.1.3(b) of the Council's Scheme of Delegations and Administration, the appointment of Councillors to Licensing Board is reserved to Council.	
6.11 Previously considered by:	None	

Contact Details:

Leisel Malcolmson, Committee Officer, leisel.malcolmson@shetland.gov.uk
21 June 2017

Appendices:

None

Background Documents: Licensing (Scotland) Act 2005

END



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Appointments to External Organisations	
Reference Number:	GL-36	
Author / Job Title:	Executive Manager - Governance and Law	

1.0	Decisions / Action required:
1.1	That the Council RESOLVES to make the necessary elected Member appointments as outlined in Section 4 of this report, by the method also set out in Section 4, and RESOLVE, in the event of a vote, to elect by secret ballot.
2.0	High Level Summary:
2.1	In the process of discharging its functions, the Council contributes to membership, along with other authorities and organisations, to a number of national and local organisations.
3.0	Corporate Priorities and Joint Working:
3.1	This report relates directly to “Our Plan” 2016 to 2020, in that appointments to external organisations relates to the Council’s vision to be known as an excellent organisation that works well with our partners.
4.0	Key Issues:
4.1	<p>The Council agreed that future appointments to external organisations should be based on the following principles :</p> <ul style="list-style-type: none"> • Where there is a clear link to a Council Strategy or Policy objective in appointing to a national or international body, the presumption will be to consider making an appointment, but each request will be considered on its own merits; • Where any organisation falls within the Following the Public Pound Policy requirements, the Council will not appoint a Councillor; and • Where the organisation cannot demonstrate a link to a Council strategic or policy objective, and is not funded by the Council, each request will be considered on a case by case basis.
4.2	The Council further agreed that a detailed appointments register would be created, based on these principles, setting out the full requirements and implications of each organisation and set of criteria against which all future appointments will be considered.

Appointments recommended were:

- NHS Shetland
- Lerwick Port Authority [Not required until 2019]
- Orkney and Shetland Valuation Joint Board
- Pension Board
- Integration Joint Board
- ZetTrans
- Shetland Partnership Board
- Community Safety and Resilience Board
- COSLA
- Scotland Excel
- CPMR
- KIMO
- Nuclear Free Local Authorities
- Scottish Councils Committee on Radioactive Substances
- Dounreay Stakeholders Group

4.3 All of these appointments were made at the Statutory meeting on 18 January, with the exception of the following, which are now submitted to the Council for decision:

Organisation	Recommended Substantive Members	Substitute Members [if required]
NHS Shetland	1 - Convener	Not required
Scotland Excel	1 - member of P&R	1 - member of P&R
CPMR	1 - Senior Office Bearer	Not required
Nuclear Free Local Authorities	1 - appointed member of KIMO	Not required
Scottish Councils Committee on Radioactive Substances	1 - appointed member of KIMO	Not required
Dounreay Stakeholders Group	1 - appointed member of KIMO	Not required

4.4 Further dialogue was required with those organisations where the recommendation is not to appoint, in order in many cases to ascertain the legal status, and further assessment, particularly in terms of “following the public pound” and managing conflicts of interest.

Appointments awaiting further discussion with the organisations were as follows:

- Highland Reserve Forces and Cadets Association
- Shetland Amenity Trust
- Shetland Fisheries Training Centre Trust
- ASCC Liaison Group
- Shetland Geopark Liaison Group
- Living Lerwick Steering Group
- Shetland Alcohol and Drugs Partnership
- Shetland Childcare Partnership
- CAB Board of Management

- Shetland Environment Forum
- Shetland Ocean Alliance [SHOAL]
- SSMO
- Shetland/Vagsoy Twinning Association
- Sullom Voe Association Ltd
- SOTEAG
- Sumburgh Airport Consultative Committee
- Shetland Area Support Team [Childrens Hearings Scotland]

- 4.5 SVA and SOTEAG appointments were made at the Statutory Meeting on 18 May. Most of the remaining appointments require further information and discussion with the organisation concerned, with the exception of the following, which are now submitted to the Council for decision

Organisation	Recommended Substantive Members	Substitute Members [if required]
Highland Reserve Forces and Cadets Association	1 - Councillor	None
Sumburgh Airport Consultative Committee	1 - member of Shetland South Ward 1 - member of Environment and Transport Committee	1 other member of Shetland South Ward 1 other member of Environment and Transport Committee
Shetland Area Support Team [Childrens Hearings Scotland]	1 - member of Education and Families Committee	None

- 4.6 Specific consideration is currently being given to any resumption of the practice of appointing to the Shetland Amenity Trust and the Shetland Fisheries Training Centre Trust. The concern is in regards to the decision not to appoint when the principles of following the public pound applies. This will be established and made available for the next Council meeting on 30 August 2017.

- 4.7 A register of all external appointments recommended today for appointment is attached as **Appendix 1**. This register provides a detailed assessment of each organisation, covering the agreed principles and criteria, and sets out the reasons for the recommendations.

- 4.8 The following Trusts will require dialogue and consideration by Legal Services in order to determine the most appropriate method of the Council removing itself from these organisations, as in many cases the Council is bound by a Trust Deed that may result in costs for the Council. These will be reviewed and reported to the Council as required.

- Brownies Taing Pier Trust
- Eliza Charlotte Harper Bequest
- Fair Isle Bird Observatory Trust
- Foula Electricity Trust
- Georgeson Charitable Trust
- Germatwatt Centre Trust
- Hunter Morrison Trust

- Sandsayre Pier Trust
- Textile Working Museum Trust
- The Shetland Trust
- Voxter Centre Trust

- 4.9 As well as some of the remaining organisations, groups have contacted the Council seeking appointment of Councillors to attend their meetings. Further discussion is required to ascertain if these bodies are simply seeking attendance, or are requiring the Council to take up membership of their organisation, as it is not always clear as to the status of any Councillor that may attend. Until these matters are resolved, it should be noted that, in the interim period, Councillors can attend any meeting to which they have been specifically invited, perhaps as a Ward member, but Councillors are reminded that approved duty status does not apply to such attendance unless it has been authorised by the Council [Part G1 of the Council's Constitution] and any costs or expenses would be borne by the Councillor.
- 4.10 Approved duty status is, however, afforded to the Convener, Leader and Committee Chairs [Part G1 of the Council's Constitution], provided their attendance is in the interests of the Council.
- 4.11 In all circumstances, councillors should continue to consider implications under the Councillors Code of Conduct and any possible conflicts of interest which may arise when attending meetings, and take advice if necessary. Delegated authority is held by the Chief Executive to approve expenditure for the attendance of any Councillor outwith Shetland.

Method of Election/Voting

- 4.12 In terms of Section 10 of the Council's Standing Orders, when Councillors are to be appointed to any positions to be filled by the Council, and where the number of candidates nominated exceeds the number of vacancies, the Councillors to be appointed will be determined by a vote or votes in each of which Members will be entitled to vote for as many candidates as there are vacancies; but they may not cast more than one vote for any candidate.
- 4.13 The vote will normally be taken by a show of hands, unless the Council resolves in the case of any particular appointment to take the vote by secret ballot. It has been custom and practice for the Council to undertake such voting by secret ballot.
- 4.14 The name of the candidate having fewest votes will be deleted from the list and a fresh vote, or votes, will be taken. This process of elimination will be continued until the number of candidates equals the number of vacancies.
- 4.15 Where only one vacancy requires to be filled, and any candidate has an absolute majority of the votes, the candidate will be declared appointed. Otherwise, the name of the candidate having fewest votes will be deleted from the list. This process of elimination will be continued until one candidate has a majority of the votes.
- 4.16 In the case of an equality of votes appointments shall be made by lot as between those who received equal votes and proceed on the basis that the person to whom the lot falls upon had received an additional vote.

5.0 Exempt and/or confidential information:	
None.	
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None.
6.5 Finance:	<p>There are no significant financial implications arising from this Report. The majority of expenses incurred by Members in attending meetings are classed as an approved duty and met from the Members' Expenses budget head.</p> <p>The Council continues to pursue efficiencies by carefully considering the requirement to attend meetings on the mainland and by making use of alternatives such as video conferencing to avoid the cost of travel, and such efficiencies will be sought whenever possible.</p>
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.
6.8 Environmental:	None.
6.9 Risk Management:	<p>Risks associated with each of the appointments are set out in the Assessments.</p> <p>Those appointed will be provided with the necessary background and supporting documents to inform their membership, and support will also be provided by the nominated lead officer.</p> <p>No risks associated with the non-appointment of members have arisen to date.</p>

6.10 Policy and Delegated Authority:	In terms of confirming approved duty status, appointments and nominations to external organisations can only be determined by the Council or its Committees.	
6.11 Previously considered by:	None.	

Contact Details:

Jan Riise, Executive Manager - Governance and Law jan.riise@shetland.gov.uk
10 May 2017

Appendices:

Appendix 1 - Register of External Organisation Appointments

Background Documents:

Listed within each Assessment in the Register

END

NHS Shetland	
Organisation Contact	<p>Ralph Roberts, Chief Executive NHS Shetland Board Headquarters, Upper Floor Montfield, Lerwick, ZE1 0LA Tel: 01595 743060 email: ralph.roberts@nhs.net www.shb.scot.nhs.uk</p> <p>Scottish Government Public Appointments http://www.appointed-for-scotland.org/</p>
SIC BRO/Lead Officer	Simon Bokor-Ingram, Director of Community Health and Social Care
Supporting Documents held on file: <ul style="list-style-type: none"> Letter from NHS Shetland - 9 June 2017 Health Department Circular HDL(2003)-11 	

Category – National / International / Local / Statutory	Statutory
Type of organisation e.g. public trust / charity / registered company, etc.	Public Body established under the National Health Service (Scotland) Act 1978 by the Health Boards (Scotland) Order 1991.
Strategic Objectives/Vision/Purpose	<p>Purpose Shetland NHS Board is responsible for health care for a population of around 23,000. Local Hospital and Community Services are provided from the Gilbert Bain Hospital. In addition, visiting consultants from NHS Grampian provide out-patient clinics as well as in-patient and day-case surgery to supplement the service provided by our locally-based Consultants in General Medicine, General Surgery, Anaesthetics and Psychiatry.</p> <p>NHS Shetland Board Objectives</p> <ul style="list-style-type: none"> To continue to improve and protect the health of the people of Shetland To provide quality, effective and safe services, delivered in the most appropriate setting for the patient To redesign services where appropriate, in partnership, to ensure a modern sustainable local health service To provide best value for resources and deliver financial balance.

Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	One nomination
Type of appointment - Councillor/Office bearer/Ward	<p>Nomination, not appointment</p> <p>Request is for the nomination to be the Convener or a Senior Office Bearer with designated responsibility for Health issues.</p> <p>However, appointments are not made on a representative basis, and any councillor nominated by the Council and subsequently appointed by Scottish Ministers would not be representing the Council.</p>
Substitutes [in general this will not be required unless specifically requested]	None.
Term of office [in general this will align with the Council's term of office or that of the office bearer]	To be determined by Scottish Government on appointment - normally four years
Skills and Knowledge	<p>None stated. However, the Scottish Government's public appointments factsheet provides further information:</p> <p>"... there's no such thing as the 'right' or 'wrong' background, but there are some activities that will make you better prepared for a role on a board. For example:</p> <ul style="list-style-type: none"> • positions of responsibility - through your work/voluntary work/hobbies • activities which show your ability to speak up and to influence opinions and outcomes • devising and delivering reasoned arguments • working in a team to address issues and problems • knowledge in a particular field, or of a particular type of public service • any activity which demonstrates your communication skills, and your ability to challenge and question • a general awareness of political issues • activities which demonstrate sensitivity, insight or empathy where difficult issues are concerned • for very high profile, national bodies"

Stated benefits of membership / attendance	All members of NHS Boards – executive and non-executive – enjoy equal status and share collective responsibility for the performance of the local NHS system as a whole. The membership of the NHS Board must therefore reflect the partnership approach which is essential to improving health and healthcare. NHS Boards are intended to bring together all stakeholders with an interest in improving local health and healthcare services: local communities, healthcare staff and the component parts of local NHS systems.
Criteria/conditions required by the Council:	
Number / location of meetings	Board Meetings are held up to 8 times per year, with sub-committee meeting less frequently. All Board meetings are held in the Board Headquarters in Lerwick.
Links to Council Strategic Plans/Objectives	No applicable - the nomination is not linked to a representative role.
Financial Information – Council Funded/Non-funded/membership fees	No applicable - the nomination is not linked to a representative role and therefore matters of financial interests of the Council are not a consideration in terms of any appointment.
Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?	No applicable - the nomination is not linked to a representative role and therefore matters of legal obligations and liabilities for the Council are not a consideration in terms of any appointment.
Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes	No cost to the Council - all expenses will be met by NHS Shetland.
Current issues – from organisation and from previous/current appointee	Current issues for the Health Board are many and varied, and more information can be found on its website and by viewing minutes of previous meetings.
Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	No applicable - the nomination is not linked to a representative role and there are no risks for the Council to consider. There may be personal risk or impacts for the individual appointed, and that person should take appropriate advice if considered necessary.

Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?

Any appointment would be a **registrable interest**, and therefore would require **declaration** at any relevant meeting or item of business.

However, a **specific exclusion** exists in terms of Section 5.18(2)(a) of the Councillors' Code of Conduct in that the Councillor is appointed to a devolved public body, and the Councillor may therefore take part in the consideration and discussion of, and to vote upon any matter relating to NHS Shetland, provided that they are satisfied as to having applied the objective test, and that the matter is not quasi-judicial or regulatory in nature.

BRO, Lead Officer and/or Monitoring Officer advice

The Chief Executive would recommend making a nomination. The Chief Executive supports the recommendation in this assessment.

The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters for the Council. However, there may be issues arising out of a conflict of interest at times due to the joint working relationship that the NHS and Council have, and so the individual appointed should take advice from the Monitoring Officer or NHS Legal Officers when considered necessary.

RECOMMENDATION

It is recommended that the Council proceed to make one councillor nomination, and that the nominated councillor be either the Convener or a Senior Office Bearer, as requested.

Assessment Date

19 June 2017

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Scotland Excel	
Organisation Contact	Ken Graham, Head of Corporate Services, Renfrewshire Council, Cotton Street, Paisley, PA1 1TR Tel: 0141 6187109 email: Kirsty.brown@renfrewshire.gov.uk or Director, Julie Welsh Julie.welsh@scotland-excel.org.uk www.scotland-excel.org.uk
SIC BRO/Lead Officer	Executive Manager – Capital Programme
Supporting Documents held on file: Minute of Agreement - Terms and conditions - signed November 2008 All governance documents available on lead authority website: http://renfrewshire.cmis.uk.com/renfrewshire/JointBoardsandOtherForums/ScotlandExcel.aspx	

Category – National / International / Local / Statutory	
Type of organisation e.g. public trust / charity / registered company, etc.	<p>Scotland Excel is a non-profit making organisation funded by participating local authority members.</p> <p>Scotland Excel is governed by a Joint Committee formed under Section 57 of the Local Government (Scotland) Act 1973, to carry out the purchasing functions as decided by its member councils.</p> <p>Renfrewshire Council is the lead authority.</p>
Strategic Objectives/Vision/Purpose	<p>Vision To be the shared service partner of choice for the Local Government sector.</p> <p>Mission To deliver effective and customer-orientated shared services which support collaborative, innovative and sustainable public services, add measurable value for our customers, and bring tangible benefits for local communities and service users.</p>

Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	<p>One appointment to represent the Council on the Joint Committee.</p> <p>At the same time, the Council may also make a nomination for that member to be appointed to the Executive Sub-Committee – the appointment is made by the joint committee. The Executive Sub-Committee is a sub-group of 12 Elected Members from the Joint Committee who meet regularly to approve contract awards and other business decisions.</p>
Type of appointment - Councillor/Office bearer/Ward	Councillor
Substitutes [in general this will not be required unless specifically requested]	One appointment to deputise for the substantive appointment on the Joint Committee.
Term of office [in general this will align with the Council's term of office or that of the office bearer]	Term of office as a Councillor.
Skills and Knowledge	<p>There are no established appointment criteria, but Councils are encouraged to appoint members who have an active interest in public procurement with a basic understanding of the rules governing the public procurement regime.</p> <p>Personal attributes sought are an ability to challenge constructively and to engage positively to the benefit of the sector nationally as well as locally.</p>
Stated benefits of membership / attendance	Members of Scotland Excel's Joint Committee have an opportunity to shape and influence public procurement policy at a national level and ensure that it delivers a positive impact for local communities.
Criteria/conditions required by the Council:	
Number / location of meetings	<p>Twice a year – June and December – Glasgow City Chambers.</p> <p>Executive Committee meetings more regularly in Paisley, but with VC facilities.</p>

<p>Links to Council Strategic Plans/Objectives</p>	<p>Corporate Plan - Our '20 by '20' - Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.</p>
<p>Financial Information – Council Funded/Non-funded/membership fees</p>	<p>Scotland Excel is the Centre of Expertise for procurement within the local authority sector. It has delivered and manages 42 framework agreements covering a range of supplies and services valued at £712m per annum. In 2015/16 these frameworks delivered savings of £15.5m for Scottish Councils. Shetland Islands Council participated in 37 of those frameworks (88%), spending £1.4m and achieving savings of £63k in the last 12 months [as at September 2016].</p> <p>Member authorities each agree to pay their Contribution Sum fixed by the Joint Committee, in accordance with the Terms and Conditions. The full contribution sum shall be payable by each Member authority regardless of the use made by a Member authority of the functions of Scotland Excel or a participation in contracts let through Scotland Excel. The Contribution Sum is calculated by the aggregate of a fixed annual membership fee set by the Joint Committee and a proportion of the budget based on the population of each Member authority's area expressed as a percentage of the total population within the areas of all Member authorities.</p> <p>Scotland Excel also provides procurement consultancy advice and learning & development, as part of the current membership.</p> <p>The SIC contribution to the cost of Scotland Excel for 2016/17 was £33,914.</p>
<p>Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?</p>	<p>Liabilities/Insurance Scotland Excel maintains professional indemnity insurance in respect of claims arising from challenges made by unsuccessful tenderers to procurement decisions taken by it. There is an excess of £50,000 on the policy. Other than that policy, the actions of a councillor appointed to a Joint Committee would be subject to the insurance arrangements of that Councillor's parent council.</p> <p>Liabilities/Insurance - there are no matters relating to indemnity or insurance within the guidelines and constitution. Personal liability may be incurred if the Council or its insurers was to dispute any such actions taken.</p> <p>Legal/Contractual The signed minute of agreement is a legally binding agreement relating to the Council's status as a Member</p>

	Authority of Scotland Excel Joint Committee. Termination of the Agreement requires one year's written notice.
Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes	The terms and conditions do not provide for the payment of any travel or expenses, and therefore any such costs will be met by the Council - two trips would be estimated to be around £800 per annum, depending on flight costs at time of booking.
Current issues – from organisation and from previous/current appointee	Future priorities: Scotland Excel is now in the third year of its 2015-18 corporate strategy which was developed in consultation with local authority stakeholders to meet the current and future requirements of our sector. "We have delivered a robust performance during the first two years of the strategy. Having secured additional funding, this year we are implementing new services to respond to the needs of our members. These services focus on key priority areas of affordable housing and social care, while a new 'small value' contracts team is being established to reduce pressures on busy council procurement functions. In December 2017, the Joint Committee will be asked to approve a new five year strategy for 2018-23 to help councils meet the challenges arising in the years ahead. A programme of consultation with local authority stakeholders will begin in May to ensure our strategic goals and business activities remain aligned to key sector priorities."
Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	<p>The key risk of not continuing with membership of the Joint Committee is that the interests of the Shetland Islands may not be adequately understood or represented when taking decisions or making future plans in relation to procurement exercises or framework agreements that impact on the Shetland Islands Council and/or its community planning partners.</p> <p>There are no personal risks for members to consider, and that there are no issues which would require equalities, economic or environmental impact assessments.</p>
Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?	There is no requirement to register an interest as a member of the Joint Committee.

BRO, Lead Officer and/or Monitoring Officer advice

The Executive Manager - Capital Programme would recommend continuing with an appointment to Scotland Excel in order to maintain the benefits, as stated, for both the organisation and the Council. Functional responsibility for procurement matters is delegated to the Policy and Resources Committee. The Lead Officer supports the recommendation in this assessment.

The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters, and that there would be no likely issues arising out of a conflict of interest.

RECOMMENDATION

In this regard, and in order to ensure those continuing benefits, as well as ensuring the appointment and lines of communication are linked to the corporate objectives and functional responsibilities, it is recommended that the Council proceed to make **one substantive councillor nomination**, and **one substitute Councillor nomination**, and that the Council consider agreeing that those nominated councillors also be members of the Policy and Resources Committee.

Assessment Date

19 June 2017

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Conference of the Peripheral Maritime Regions [CPMR]	
Organisation Contact	<p>Eleni Marianou, Secretary General of the CPMR, Conference of Peripheral Maritime Regions of Europe, 6, rue St Martin, F-35700 Rennes Tél. : + 33 (0)2 99 35 40 50</p> <p>CPMR http://cpmr.org/ Islands Commission http://cpmr-islands.org/ North Sea Commission http://cpmr-northsea.org/</p>
SIC BRO/Lead Officer	Director of Development / European Project Manager
Supporting Documents held on file: Letter from CPMR 23 December 2016 enclosing: <ul style="list-style-type: none"> • Benefits statement • CPMR Statutes • Charter for the North Sea Commission • Internal Regulation for the Islands Commission • CPMR Activity Report • CPMR Final Declaration November 2016 CPMR Overview - European Project Officer - April 2017	

Category – National / International / Local / Statutory	International
Type of organisation e.g. public trust / charity / registered company, etc.	<p>“An Association is established and shall be named “The Conference of Peripheral Maritime Regions of Europe”, regulated by the French law of 1 July 1901, modified by the law of 9 October 1981, thus allowing the membership of European regions.”</p>
Strategic Objectives/Vision/Purpose	<p>The work of the CPMR is very much related to peripherality and the maritime dimension. The aim is to promote a more balanced development of the EU, highlighting the value of all its geographical areas to strengthening economic, social and territorial cohesion.</p> <p>The main policy work of the CPMR is focused on cohesion¹, maritime, and accessibility. Energy and climate and the global agenda are other significant policy areas. The CPMR also participates in and facilitates cooperation projects.</p>

¹ Cohesion Policy is the main EU investment policy which aims at reinforcing economic, social and territorial cohesion in all regions. The policy is delivered mainly through regional programmes and projects financed by the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	<p>1 appointment</p> <p>With regard to the Geographical Commissions, the CPMR member and substitute appointed by the Council are subsequently appointed by the CPMR to the North Sea Commission and the Islands Commission, as the member authorities for those geographical areas.</p>
Type of appointment - Councillor/Office bearer/Ward	Not stipulated, but given the range and breadth of issues, consideration should be given to a senior officer bearer assuming the responsibility.
Substitutes [in general this will not be required unless specifically requested]	Not required, although historically the Council has always appointed 1 substitute. It is a matter for the Council to decide whether, having made an appointment, a substitute is necessary.
Term of office [in general this will align with the Council's term of office or that of the office bearer]	Council term of office.
Skills and Knowledge	The CPMR Statutes do not include any official criteria for the nomination of representatives by the CPMR Member Regions. However, the appointed representatives are assumed to be competent to participate in the political activities of the CPMR.
Stated benefits of membership / attendance	<p>The CPMR provided a lengthy response to our letter for more information. In summary, the response explains the Councils involvement and continuing need to participate in issues as follows:</p> <ul style="list-style-type: none"> • CPMR - Cohesion Policy [including EU Structural Funds], Maritime Affairs [including Fisheries, Marine Safety and Marine Energies] , Accessibility [including Transport] • North Sea Commission - Managing maritime space (including maritime skills), Increased accessibility and clean transport, Tackling climate change, and Attractive and sustainable Communities • Islands Commission - Promotes the island dimension and undertakes specific initiatives in the interest of its members - including on matters relating to Cohesion Policy, EU State aid rules, migration and accessibility.

	<p>It added that Shetland Islands Council has been a Member of the Conference of Peripheral and Maritime Regions (CPMR) since 1976. It has also been a Member of the CPMR Islands Commission and North Sea Commission since their creation in 1979 and 1989 respectively.</p> <p>The Lead Officer advises that the CPMR has a high profile within European institutions – such as the European Commission – and this enables it to attract high ranking EU officials and politicians along to its conferences and events. This gives CPMR members direct access to prominent EU officials and enables issues of significance to peripheral and maritime regions to be brought to the forefront.</p> <p>Participation in the CPMR allows members to benefit from a wider platform from which to present policies and highlight issues of concern. Being part of a united lobby carries more weight than a single voice.</p> <p>It also allows regions to be kept informed on actions being taken in other, similar remote areas across Europe and to learn from the experiences of others.</p> <p>Through the CPMR, the SIC has been able to bring particular issues into the spotlight and utilise the CPMR's extensive network of contacts. In 2007, during the Commission's state aid investigation into SIC grant-funded fisheries schemes, the SIC received the support of the CPMR and its members in the case it was pursuing. In more recent years, fisheries issues, particularly the discard ban, and maritime safety have been at the forefront of lobbying activities and input into CPMR.</p> <p>For a number of years, Shetland has been the lead region on fisheries lobbying within the CPMR and in recent years participated in a number of high level policy discussions.</p>
Criteria/conditions required by the Council:	
Number / location of meetings	<p>The number of meetings that the appointed member could attend will depend on the extent of their interest/participation on the various sub-groups and committees, and the ad hoc seminars which take place. There could be attendance at up to 10 such meetings per annum. Dates for some future meetings can be found on their website.</p> <p>All meetings normally take place outside the UK.</p>

<p>Links to Council Strategic Plans/Objectives</p>	<p>Corporate Plan - Our '20 by '20' - We will have made Shetland's voice heard, with regular and meaningful lobbying of Scottish and UK governments and EU bodies on important issues affecting the islands.</p> <p>Local Outcome Improvement Plan - Wealthier and Fairer: Shetland has sustainable economic growth and all our people have the chance to be part of island life; and Greener: We will deliver all our services in an environmentally sustainable manner to safeguard and enhance our outstanding environment which underpins all our actions and our economic and social well-being.</p>
<p>Financial Information – Council Funded/Non-funded/membership fees</p>	<p>Membership fee 2017 = €15,164</p>
<p>Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?</p>	<p>CPMR states “.. there is no legal liability arising from the participation of Councillors from Shetland in CPMR activities. Consequently, we do not have any insurance which would indemnify our members for any financial loss arising from their negligent acts, accidental errors or wrongful acts or omissions. Insurance of this kind is not required for Councillor representation in the CPMR.”</p> <p>In this regard, the actions of a councillor appointed to the CPMR whilst on CPMR business would be subject to the normal insurance arrangements of the Council. Personal liability may be incurred if the Council or its insurers was to dispute any such actions taken.</p>
<p>Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes</p>	<p>The constitution does not provide for the payment of any travel or expenses, and therefore any such costs will be met by the Council.</p> <p>Councillors' attendance at meetings in 2016/17 amounted to £7959.</p>
<p>Current issues – from organisation and from previous/current appointee</p>	<p>On behalf of its members, the Conference of Peripheral Maritime Regions, gathered for its 44th Annual General Assembly in the Azores, Portugal, in November 2016, and adopted the following Final Declaration:</p> <p>“This year's General Assembly was held in a challenging context for the European project. 2016 is a pivotal year, launching both a long-term reflection on the future of the European Union and kick starting discussions for the post-2020 European Budget and policies.”</p>

Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	<p>The key risk of not continuing with membership of the CPMR is that the interests of the Shetland Islands may not be adequately understood or represented when taking decisions or making future plans in relation to matters that impact on the community, the Shetland Islands Council and/or its community planning partners.</p> <p>There are no personal risks for members to consider, and there are no issues which would require equalities, economic or environmental impact assessments.</p>
Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?	<p>Any appointment would be a registrable interest, and therefore would require declaration at any relevant meeting or item of business.</p> <p>No exclusion applies as the organisation is not a company or public body. Members may only take part in consideration and discussion of any matter relating to the CPMR [North Sea Commission or Islands Commission] provided they are satisfied that they have complied with the objective test, and also provided that the matter is not quasi-judicial or regulatory in nature.</p>
BRO, Lead Officer and/or Monitoring Officer advice	
<p>The European Project Manager would recommend continuing with an appointment to the CPMR in order to maintain the benefits, as stated, for both the organisation and the Council. The range of issues which the CPMR considers would make it appropriate for any of the Senior Office Bearers to be appointed as its remit is not aligned to any particular functional committee. In this regard, the Lead Officer supports the recommendation in this assessment.</p> <p>The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters, and that there would be no likely issues arising out of a conflict of interest.</p>	
RECOMMENDATION	
<p>In this regard, and in order to ensure the continuing benefits, as well as ensuring the appointment and lines of communication are linked to the corporate objectives and functional responsibilities, it is recommended that the Council proceed to appoint 1 Senior Office Bearer as a substantive member. It is a matter for the Council to decide whether, having made an appointment, a substitute is necessary.</p>	
Assessment Date	
19 June 2017	

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Nuclear Free Zone Local Authorities [NFLA]

Organisation Contact	<p>Nuclear Free Local Authorities Scotland c/o Manchester City Council, People, Policy & Reform Directorate, Town Hall Extension level 3, Library Walk, Manchester M60 2LZ</p> <p>UK & Ireland NFLA Secretary: Sean Morris Tel: 0161 234 3244 Fax: 0161 234 274 7397 Email: s.morris4@manchester.gov.uk</p> <p>http://www.nuclearpolicy.info/</p>
SIC BRO/Lead Officer	Environmental Liaison Officer
Supporting Documents held on file: <ul style="list-style-type: none"> • NFLA Constitution • NFLA Service Plan 2017 • Benefits of being LA Member of NFLA 	

Category – National / International / Local / Statutory	National
Type of organisation e.g. public trust / charity / registered company, etc.	The NFLA is a local authority organisation made up of members in England, Scotland, Wales, Northern Ireland and the Republic of Ireland which seek to tackle in practical ways, and within their powers, the problems posed by civil and military nuclear hazards.
Strategic Objectives/Vision/Purpose	<p>The key priorities for the NFLA Secretariat are to provide a high quality research, consultancy and informative nuclear policy service to all NFLA member authorities.</p> <p>NFLA Service Plan 2017 - Final Version Agreed 25th November 2016:</p> <ul style="list-style-type: none"> • Influence the national and international nuclear policy agenda by responding to Government and nuclear industry policy consultations, attending relevant stakeholder dialogues and national and international nuclear policy conferences. • Provide an update of major nuclear policy issues to the NFLA Steering Committee and national NFLA Forum meetings. • Promote, where practical, alternatives to nuclear energy and the benefits of renewable energy, microgeneration and energy efficiency projects in

	<p>a strategy to provide reliable energy security and mitigate the effects of climate change.</p> <ul style="list-style-type: none"> • Organise an Annual Policy Briefing Seminar and an Annual General Meeting to showcase the NFLA and highlight key elements of the NFLA nuclear policy agenda. • Publish regular policy briefings, media releases, updates to the NFLA website and NFLA newsletters to member authorities on different aspects of nuclear policy. • Support national NFLA Forums through policy work and the organisation of seminars on issues of local importance across different aspects of nuclear policy. • Engage with the LGA's Nuclear Legacy Advisory Forum (NuLeAF) in England and Wales and COSLA's Scottish Councils Committee on Radioactive Substances (SCCORS). • Develop efficient links with NFLA member authorities through nominated elected members and officers and answer all NFLA member queries. • Build up links with a national and international network on nuclear policy issues with councillors, MPs, TDs, MEPs, MSPs, AMs, MLAs, official government and nuclear industry groups, journalists and like-minded local government, non government organisations and public interest groups. • Develop formal partnerships with the Mayors for Peace, KIMO International and Cities for a Nuclear Free Europe. • Provide a resource centre for queries, a daily 'nuclear news' service, official letters and releases to the media. • Produce high quality responses on nuclear policy issues for member authorities on their request.
Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	1 appointment
Type of appointment - Councillor/Office bearer/Ward	<p>Councillor</p> <p>Given close links with KIMO, it is suggested that the member appointed be one of those Councillors appointed as a member of KIMO.</p>

Substitutes [in general this will not be required unless specifically requested]	Not required.
Term of office [in general this will align with the Council's term of office or that of the office bearer]	Council term of office.
Skills and Knowledge	There are no established appointment criteria.
Stated benefits of membership / attendance	<p>The Nuclear Free Local Authorities (NFLA) has been, and remains, the primary voice in local government in the UK and Ireland for interacting with, and influencing the national and international nuclear policy agenda. The organisation is well-known within local government and it is seen as a legitimate stakeholder with central government in the UK and Republic of Ireland, devolved governments in Scotland, Wales and Northern Ireland, across the wider nuclear sector and nuclear regulators. As the local government voice on nuclear issues, the NFLA aims to:</p> <ul style="list-style-type: none"> · Increase local accountability over national nuclear policy; · Identify the impact of national nuclear policy on local communities; · Work to minimise nuclear hazards and increase public safety. <p>The NFLA has also developed strong international links through its close co-operation with the Mayors for Peace, and its Secretariat in Hiroshima; KIMO International, with its Secretariat in Lerwick; and the Network of Cities for a Nuclear Free Europe, with its Secretariat in Vienna.</p>
Criteria/conditions required by the Council:	
Number / location of meetings	<p>4 meetings per annum, in Glasgow or Manchester.</p> <p>Moves towards delivering more teleconferencing is being actively investigated as well as part of the ongoing drive to keep costs down. A new teleconference suite has been developed now in Manchester Central Library which can allow for direct and cost effective discussion with member authorities.</p>
Links to Council Strategic Plans/Objectives	Corporate Plan - Our '20 by 20': Making Shetland's voice heard with regular and meaningful lobbying of Scottish and UK Governments and EU bodies on important issues affecting the islands.

Financial Information – Council Funded/Non-funded/membership fees	NFLA affiliation fee 2016/17 £944
Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?	NFLA Scotland and the NFLA UK and Ireland Steering Committees are governed under the insurance rules of their lead Councils, Glasgow and Manchester City Councils. All meetings take place in Council buildings with insurance cover. Personal liability may be incurred if the NFLA or its insurers was to dispute any such actions taken.
Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes	The constitution does not provide for the payment of any travel or expenses, and therefore any such costs will be met by the Council.
Current issues – from organisation and from previous/current appointee	The work programme for the NFLA in 2017 is influenced particularly by the UK Government's ongoing policy to develop new nuclear power stations and a national deep-level repository for the storage of intermediate and high level radioactive waste. It also seeks to promote its own alternative energy policy of the promotion of a wide renewable energy mix, increased efforts at energy efficiency and the expansion of micro generation projects. It is particularly keen to promote the positive role local councils can play in developing innovative local energy policies. It also seeks to influence the nuclear / energy policy agendas of the Scottish, Welsh and Northern Irish Governments and the non-nuclear policy of the Republic of Ireland Government. On the issue of nuclear weapons non-proliferation it seeks to continue work with the Mayors for Peace and other like-minded groups to lobby the UK and Irish Governments, particularly through the United Nations Nuclear Non-Proliferation Treaty Conference regime. With regard to Brexit and the UK's probable exclusion from Euratom, NFLA is keen that safeguarding of nuclear energy is maintained as a public policy area with a unique level of risk and that therefore a robust legal system will be required.
Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	The key risk of not continuing with membership of the NFLA is that the interests of the Shetland Islands may not be adequately understood or represented when taking decisions or making future plans in relation to matters that impact on the community, the Shetland Islands Council and/or its community planning partners.

	There are no personal risks for members to consider, and there are no issues which would require equalities, economic or environmental impact assessments.
Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?	<p>Any appointment would be a registrable interest, and therefore would require declaration at any relevant meeting or item of business.</p> <p>No exclusion applies as the organisation is not a company or public body. Members may only take part in consideration and discussion of any matter relating to the NFLA provided they are satisfied that they have complied with the objective test, and also provided that the matter is not quasi-judicial or regulatory in nature.</p>
BRO, Lead Officer and/or Monitoring Officer advice	
<p>The Environmental Liaison Officer would recommend continuing with an appointment to the NFLA in order to maintain the benefits, as stated, for both the organisation and the Council. Given the close links with KIMO, it is suggested that member appointed be one of those Councillors appointed as a member of KIMO. In this regard, the Lead Officer supports the recommendation in this assessment.</p> <p>The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters, and that there would be no likely issues arising out of a conflict of interest.</p>	
RECOMMENDATION	
<p>In order to ensure the continuing benefits, as well as ensuring the appointment and lines of communication are linked to the corporate objectives and functional responsibilities, it is recommended that the Council proceed to appoint one of those Councillors appointed as a member of KIMO [M Bell, S Leask, A Manson, R McGregor]</p>	
<p>Assessment Date 19 June 2017</p>	

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Highland Reserve Forces and Cadets Association (HRFCA)	
Organisation Contact	HRFCA, Seathwood, 365 Perth Road, Dundee, DD2 1LX Tel: 01382 668283 ; email: hi-ce@rfca.mod.uk Website: www.hrfca.co.uk/
SIC BRO/Lead Officer	Director - Children's Services
Supporting Documents held on file: <ol style="list-style-type: none"> 1. HRFCA Scheme of Association - 1 April 2015 2. Letter from Brigadier M P Dobson MBE, Chief Executive of the HRFCA, dated 16 September 2016 3. Reserve Forces Act 1996: Sections 110 - 119 & Schedule 4 	

Category – National / International / Local / Statutory	National
Type of organisation e.g. public trust / charity / registered company, etc.	Scheme of Association states that the HRFCA "is a central Government Body with Crown status, established by Act of Parliament (under the Reserve Forces Act 1996) as one of the separate independent (from the MOD and chain of command) and autonomous (from each other) Tri-Service associations that jointly form the Council of RFCAs, to support the Reserve Forces and Cadets in the Highlands and Islands of Scotland."
Strategic Objectives/Vision	"To be the enduring and essential pillar in the delivery of support for the well-being of the Reserves and Cadets and, through our effectiveness and our position in the regions, to be the independent body that represents their interests and promotes understanding between the Armed Forces and civil society."
Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	One nomination [Clause 8(1) of the Scheme of Association]
Type of appointment - Councillor/Office bearer/Ward	Councillor [Clause 8(2) of the Scheme of Association]
Substitutes [in general this will not be required unless specifically requested]	Not required.

Term of office [in general this will align with the Council's term of office or that of the office bearer]	Term of office as a councillor [Clause 13 of the Scheme of Association]
Skills and Knowledge	<ul style="list-style-type: none"> • No specific criteria for selection, other than to request that it be a person supportive of the reserves and cadets. Previous military service would be an advantage but is not essential. • Nominee/appointee must be under age 70 [Annex A of the Scheme of Association]
Stated benefits of membership / attendance	<ul style="list-style-type: none"> • A direct link to the organisation responsible for the management of the Reserve Forces and Cadets Forces estate in Shetland. • Regular updates on activities within the Highlands and Islands and on wider Defence matters • A conduit to regional and national defence opinion formers, including those involved with military aid to the civil authorities • Maintaining and fostering historical ties with local military units. • A direct link to the Council by the Association to advice on matters that directly pertain to the Council and its responsibilities; and to have access to a councillor who can advise on the local political, social, economic and educational factors or situations so that plans and decision making relating to the reserves and the cadets in Shetland are better informed.
Criteria/conditions required by the Council:	
Number / location of meetings	<p>Area Committee - once per year [November] Annual Association - once per year [March]</p>
Links to Council Strategic Plans/Objectives	<ul style="list-style-type: none"> • Corporate Plan - <ul style="list-style-type: none"> ○ Community Strength - The strengths of individuals and communities will be built on, with increased levels of volunteering; ○ Young People - Children and young people, particularly those from vulnerable backgrounds and in care, will be getting the learning and development opportunities that allow them to fulfil their potential. • Local Outcome Improvement Plan - Safer - Shetland is a safe place to live for all our people, and we have strong, resilient and supportive communities.

Financial Information – Council Funded/Non-funded/membership fees	The Council provides no funding to the HRFCA.
Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?	<ul style="list-style-type: none"> Legal/contractual - There are no existing legal, contractual or other obligations on the Council in terms of its membership of the HRFCA. Liabilities/Insurance - there are no matters relating to indemnity or insurance within the Scheme of Association. The HRFCA states that “the MOD does not purchase insurance policies but accepts its own risks and acts as its own insurer. The MOD will deal with any claims for compensation arising... due to the negligent actions or omissions of the MOD, its personnel, servants or agents.” The councillor, whilst on HRFCA membership duties, would be covered as an “agent”.
Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes	Reasonable travel and subsistence costs will be met by the HRFCA to enable members to attend Area and Annual Association Meetings; this may include hotel accommodation for those unable to return home within the working day. [Clause 13 of Enclosure 1 to the HRFCA Policy 1].
Current issues – from organisation and from previous/current appointee	None expressed.
Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	<p>The key risk as stated by the HRFCA is that the interests of the Shetland Islands may not be adequately understood or represented to the Association’s executives or the wider military community, when making future plans and financial allocations for the lay down of the reserve and cadet forces.</p> <p>There are no personal risks for members to consider, and that there are no issues which would require equalities, economic or environmental impact assessments.</p>
Code of Conduct - Would membership cause the appointed member[s] to be regular excluded	Any appointment would be a registerable interest , and therefore would require declaration at any relevant meeting or item of business.

from Council debates and decisions?

However, a **specific exclusion** exists in terms of Section 5.18(2)(b) of the Councillors' Code of Conduct in that the Councillor is appointed to a public body established by enactment, and the Councillor may therefore take part in the consideration and discussion of, and to vote upon any matter relating to the HRFCA, provided that you are satisfied to having applied the objective test, and that the matter is not quasi-judicial or regulatory in nature.

BRO, Lead Officer and/or Monitoring Officer advice

The Chief Executive has declared an interest in the organisation, as Commandant of the Shetland Independent Cadet Battery.

In this regard, the Director - Children's Services has been identified as the lead officer for the HRFCA due to the links between Youth Services and the local Army Cadet Force.

The Director - Children's Services would recommend continuing with an appointment to the Association in order to maintain the benefits, as stated, for both the organisation and the Council. The Director - Children's Services supports the recommendation in this assessment.

The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters, and that there would be no likely issues arising out of a conflict of interest.

RECOMMENDATION

In this regard, and in order to ensure those continuing benefits, as well as ensuring the appointment and lines of communication are linked to the corporate and community objectives [also stated], it is recommended that the Council proceed to make one councillor nomination, and that the nominated councillor also be a member of the Community Safety and Resilience Board.

Assessment Date

16 June 2017

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Sumburgh Airport Consultative Committee	
Organisation Contact	<p>Secretary , Sumburgh Airport Consultative Committee, Highlands and Islands Airports Ltd, Sumburgh Airport, Virkie, Shetland, ZE3 9JP</p> <p>http://www.hial.co.uk/sumburgh-airport/about-us/sumburgh-airport-consultative-committee/</p> <p>https://www.gov.uk/government/publications/airport-consultative-committees-guidelines</p>
SIC BRO/Lead Officer	Executive Manager - Transport Planning
Supporting Documents held on file: <ul style="list-style-type: none"> Sumburgh Airport Guidelines and Constitution - October 2004 Dept of Transport Guidance for Airport Consultative Committees April 2014 	

Category – National / International / Local / Statutory	
Type of organisation e.g. public trust / charity / registered company, etc.	The Sumburgh Airport Consultative Committee is an advisory body set up by Sumburgh airport in accordance with Section 35 (I) of the Civil Aviation Act 1982 (as amended by the Airports Act 1986).
Strategic Objectives/Vision/Purpose	The purpose of the Committee is to provide an effective forum in which all matters concerning the development and operation of the airport which have an impact on its users and the surrounding community may be discussed. Since 1990, the Committee has worked in a constructive and supportive way, which recognises the value of the airport in economic development terms and its importance as an employer of local people.
Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	The Constitution does not stipulate the number of appointments required, only the organisations from which any appointments shall be made.
Type of appointment - Councillor/Office bearer/Ward	<p>Councillors</p> <p>Custom and practice has been for the Council to appoint the three members of Shetland South, and two members of the Environment and Transport Committee.</p>

Substitutes [in general this will not be required unless specifically requested]	None required.
Term of office [in general this will align with the Council's term of office or that of the office bearer]	Term of office as a Councillor.
Skills and Knowledge	None stated.
Stated benefits of membership / attendance	<p>The Committee is made up of representatives of local groups, councillors; and members of other organisations who seek to represent the travelling public and their 'meeters and greeters'. The meetings are attended by members of the senior airport management team, who report to the Committee on proposed actions, customer performance, and developments and consider actions and changes proposed by the Committee.</p> <p>Local Authority members have an important representational role on behalf of their constituents, particularly when they represent communities close to or affected by the airport's operations. They should represent the full range of issues relevant to their authority, including planning, economic and environmental interests. Membership on a consultative committee may also enable local authorities to better consider how the airport features in local authority plans and policies through the knowledge gained by being represented on the committee. [Dept of Transport Guidance for Airport Consultative Committees April 2014]</p>
Criteria/conditions required by the Council:	
Number / location of meetings	The Committee meets twice a year, in March and October, at Sumburgh Airport. Visits are made to areas of the airport and presentations given by airport staff, in order to increase the understanding of Committee members of the operations of the airport and its impact on the local community.
Links to Council Strategic Plans/Objectives	Corporate Plan - Provide quality transport services within Shetland, and push for improvements in services to and from Shetland.
Financial Information – Council Funded/Non-funded/membership fees	The Council provides no funding to the Sumburgh Airport Consultative Committee, or to the operation of HIAL.

<p>Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?</p>	<ul style="list-style-type: none"> • Legal/contractual - There are no existing legal, contractual or other obligations on the Council in terms of its membership of the Sumburgh Airport Consultative Committee. • Liabilities/Insurance - there are no matters relating to indemnity or insurance within the guidelines and constitution. In this regard, the actions of a councillor appointed to the Committee whilst on Committee business would be subject to the normal insurance arrangements of the Council. Personal liability may be incurred if the Council or its insurers was to dispute any such actions taken.
<p>Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes</p>	<p>The constitution does not provide for the payment of any travel or expenses, and therefore any such costs will be met by the Council - two trips by five councillors would be estimated to be around £140 per annum for mileage, although this would be reduced if car-sharing or public transport was used.</p>
<p>Current issues – from organisation and from previous/current appointee</p>	<ul style="list-style-type: none"> • Refurbishment of airport substantially complete. • Predictions of increased passenger numbers in the future may have impacts on services for customers and for the local economy.
<p>Risk Assessment:</p>	
<p>Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.</p>	<p>The key risk of not continuing with membership of the Consultative Committee is that the interests of the Shetland Islands and in particular the constituents of Shetland South may not be adequately understood or represented when taking decisions or making future plans in relation to matters that impact on the community, the Shetland Islands Council and/or its community planning partners.</p> <p>There are no personal risks for members to consider, and there are no issues which would require equalities, economic or environmental impact assessments.</p>
<p>Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?</p>	<p>Any appointment would be a registrable interest, and therefore would require declaration at any relevant meeting or item of business.</p> <p>However, a specific exclusion exists in terms of Section 5.18(2)(b) of the Councillors' Code of Conduct in that the Councillor is appointed to a public body established by enactment, and the Councillor may therefore take part in</p>

the consideration and discussion of, and to vote upon any matter relating to the Consultative Committee, provided that you are satisfied to having applied the objective test, and that the matter is not quasi-judicial or regulatory in nature.

BRO, Lead Officer and/or Monitoring Officer advice

The Executive Manager - Transport Planning would recommend continuing with appointments to the Sumburgh Airport Consultative Committee in order to maintain the benefits, as stated, for both the organisation and the Council. Functional responsibility for transport matters is delegated to the Environment and Transport Committee. The Lead Officer is of the view the interests of the South Ward could be adequately represented by one Member from the ward. Although the airport is in the South ward, as an employer it has a much broader reach, and the Council's wider interests through the Environment and Transport Committee could be represented by one Member with a substitute. This arrangement would provide a good balance to the Committee and also reduce the demands on Councillors, with no adverse impacts. In this regard, the Lead Officer supports the recommendation in this assessment.

The Monitoring Officer advises that membership would not give rise to any legal, financial or Contractual matters, and that there would be no likely issues arising out of a conflict of interest.

RECOMMENDATION

In this regard, and in order to ensure those continuing benefits, as well as ensuring the appointment and lines of communication are linked to the corporate objectives and functional responsibilities, it is recommended that the Council proceed to appoint 2 Councillors as substantive members, being one member of the Shetland South Ward, and one member of the SIC Environment and Transport Committee, also appointing a substitute for each.

Assessment Date

19 June 2017

Decision Made

Meeting Name:
Date:
Minute Reference:

END

Shetland Area Support Team [AST]	
Organisation Contact	<p>Simone Ledraw Panel and Area Support Officer Children's Hearings Scotland Area 2/1/1 Ladywell House, Ladywell Road, Edinburgh EH12 7TB e: simone.ledraw@chs.gsi.gov.uk</p> <p>George Martin Area Convener Shetland Area Support Team Dales, Trondra, Shetland, ZE1 0XL e: george.martin@childrenshearings.org.uk</p> <p>www.chscotland.gov.uk</p>
SIC BRO/Lead Officer	Executive Manager - Governance and Law
Supporting Documents held on file: <ul style="list-style-type: none"> Partnership Agreement Area Support Teams: Functions, Roles and Responsibilities - 29 June 2012 	

Category – National / International / Local / Statutory	National / Statutory
Type of organisation e.g. public trust / charity / registered company, etc.	<p>Children's Hearings Scotland (CHS) was established as a public body by the Children's Hearings (Scotland) 2011 Act in July 2011. Under the Act, CHS has the primary statutory function of supporting the delivery of National Convener functions associated with the recruitment, selection, training, retention and support of panel members.</p> <p>As a public body, CHS is governed by a Board of non-executive members which is accountable to Scottish Ministers and the Scottish Parliament through the Scottish Government Education Department.</p> <p>Under the Children's Scotland Act 2011, the National Convener must establish a committee (to be known as an area support team) for each area that the National Convener designates. The National Convener has designated Shetland as an area for the purposes of this Act.</p> <p>What is an Area Support Team? An Area Support Team (AST) is made up of a group of volunteers who carry out functions on behalf of the National Convener, to support members of the Children's Panel who sit on children's hearings in their local area.</p>

	<p>There are approximately 410 AST members across Scotland in 22 different ASTs. ASTs came into being on 31 March 2013. From 24 June 2013 they replaced the 30 local authority Children's Panel Advisory Committees that previously existed. Members of the ASTs are responsible for managing and supporting the national Children's Panel at a local level.</p>
Strategic Objectives/Vision/Purpose	<p>Central to the National Standards for the Children's Panel are CHS' vision, mission and values.</p> <p>"Our vision is of a Children's Hearings System where everyone works together, making sure that all children and young people are cared for and protected, and their views are heard, respected and valued.</p> <p>Our mission is to improve outcomes and experiences for children and young people in Scotland who may be at risk. We will do this by supporting the Children's Panel, working with partners and using our influence to drive improvements across the Children's Hearings System."</p>
Criteria/conditions required by the organisation:	
Number of appointments/nominations sought	<p>The National Convener - Children's Hearings Scotland is required by Schedule 2 12(4) of the Children's Hearings (Scotland) Act 2011 to appoint one person nominated by the Council to the AST.</p>
Type of appointment - Councillor/Office bearer/Ward	<p>Nominees are ordinarily elected members, but this is not a requirement under the Act</p>
Substitutes [in general this will not be required unless specifically requested]	<p>Not required.</p>
Term of office [in general this will align with the Council's term of office or that of the office bearer]	<p>Term of office as Councillor.</p>

Skills and Knowledge	<p>Each member of the AST demonstrates that they can:</p> <ul style="list-style-type: none"> • communicate effectively, both in person and in writing • work effectively and supportively as a team member • listen actively and sensitively to views inside and outside the AST, and especially to panel members • build effective working relationships with stakeholders and partners across the Children's Hearings System, including SCRA and relevant local authority staff <p>Local Authority Representative - Key responsibilities</p> <ul style="list-style-type: none"> • undertake training to ensure sound knowledge of the role of panel members and the functions of and roles within ASTs • act as the key link between the local authority and the AST • work closely with the Area Convener and AST members and advise on the local authority perspective on particular matters, emerging issues etc • meet with appropriate local authority officials (e.g. social work and education directors) at regular intervals to ensure that there is continuing dialogue between the Children's Panel and the local authority • consider where and how the local authority might provide any additional assistance to panel members locally • facilitate partnership working and effective communication between the AST, panel members, other partners and the local authority <hr/> <ul style="list-style-type: none"> • The Council's nominee will require a PVG check to be carried out by CHS.
Stated benefits of membership / attendance	<p>Councillor appointees are not directly involved in panel member recruitment or practice observation and review processes.</p> <p>However, local authority nominees will have an overview of the Children's Hearings System and the Children's Panel in their area, and will act as an important link between the Children's Panel and the local authority elected members and relevant local authority senior officials and departments. This working relationship will help build on the responsibilities of both organisations and work towards making improvements for children and young people.</p>

Criteria/conditions required by the Council:	
Number / location of meetings	The Shetland AST meets 4 times per annum in Lerwick.
Links to Council Strategic Plans/Objectives	<ul style="list-style-type: none"> Corporate Plan - work with others to make a difference - vulnerable children and young people in need of our care and support will continue to be protected from harm. Local Outcome Improvement Plan - ensuring that the needs of our most vulnerable children and young people are met.
Financial Information – Council Funded/Non-funded/membership fees	The Council does not directly fund Children’s Hearings Scotland or the AST, but provides administrative support to the AST and the Children’s Panel through a Partnership Agreement.
Legal - Obligations/Liabilities/Insurance Are there any existing contractual obligations?	<ul style="list-style-type: none"> Legal/contractual - The Council must provide the AST with such administrative support as the National Convener considers appropriate. This is provided by way of administrative support staff and accommodation. The Council is not obliged to make a nomination for appointment to the AST, and to not do so would not impact on the statutory requirement to support the AST. Liabilities/Insurance - there are no matters relating to indemnity or insurance within the guidelines and constitution for the AST. In this regard, the actions of a councillor appointed to the AST whilst on AST business would be subject to the normal insurance arrangements of the Council. Personal liability may be incurred if the Council or its insurers was to dispute any such actions taken.
Expenses – will the council bear any costs of attendance and if so, the estimated costs for budget purposes	Appointment will result in approved duty status, and any costs of attendance at meetings will be met by the Council.
Current issues – from organisation and from previous/current appointee	The Shetland AST and the local Children’s Panel are working towards the development of joint training and development opportunities to not only enhance the working relationship between the organisations, but to benefit and improve the experience and outcomes for children at hearings.
Risk Assessment:	
Risks/Impacts – organisational and personal, financial, environmental, community and political, equality, diversity and human rights.	ASTs have operated successfully nationally since they were set up in 2013, and there are no risks identified for the Council in making this appointment. Failure to make an appointment would result in a vacancy and a gap in the communications link that the appointment is seeking to achieve.

	There are no personal risks for members to consider, and there are no issues which would require equalities, economic or environmental impact assessments.
Code of Conduct - Would membership cause the appointed member[s] to be regular excluded from Council debates and decisions?	<p>Any appointment would be a registrable interest, and therefore would require declaration at any relevant meeting or item of business.</p> <p>However, a specific exclusion exists in terms of Section 5.18(2)(b) of the Councillors' Code of Conduct in that the Councillor is appointed to a public body established by enactment, and the Councillor may therefore take part in the consideration and discussion of, and to vote upon any matter relating to the AST, provided that they are satisfied as to having applied the objective test, and that the matter is not quasi-judicial or regulatory in nature.</p>
BRO, Lead Officer and/or Monitoring Officer advice	
<p>The Executive Manager - Governance and Law would recommend continuing with an appointment to the Shetland AST in order to maintain the benefits, as stated, for both the organisation and the Council. Functional responsibility for matters concerning children's social work is delegated to the Education and Families Committee. The Lead Officer supports the recommendation in this assessment.</p> <p>The Monitoring Officer advises that membership would not give rise to any legal, financial or contractual matters, and that there would be no likely issues arising out of a conflict of interest.</p>	
RECOMMENDATION	
<p>In this regard, and in order to ensure the appointment and lines of communication are linked to the corporate objectives and functional responsibilities, it is recommended that the Council proceed to make one substantive councillor nomination from its membership of the Education and Families Committee.</p>	
<p>Assessment Date 19 June 2017</p>	

Decision Made

Meeting Name:
Date:
Minute Reference:

END



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Shetland College Board Membership	
Reference Number:	GL-33-17-F	
Author / Job Title:	Jan-Robert Riise, Executive Manager - Governance and Law	

1.0 Decisions / Action required:

- 1.1 That the Council considers the recommendation from Shetland College Board that it:
- Appoint two additional non-councillor members as voting members of the Shetland College Board and, in doing so, proceed on the basis of the arrangements set out in section 4.0 of the report.
 - Include the addition of one student representative on the Shetland College Board membership, with voting rights, and that the nomination should be sought from the Highlands and Islands Student Association – Shetland College, with the term of appointment being the duration of the time that the nominee is a student.

2.0 High Level Summary:

- 2.1 At its meeting on 18 May 2017, the Council noted that during the 2012-2017 Council term, the Shetland College Board membership included two additional non-councillor members, appointed following a public advertisement for those with relevant skills and expertise. Those appointments came to an end on 3 May 2017, and the Council remitted the question of whether to continue the appointment of additional members for the current Council term to the Shetland College Board (Min Ref: SIC36/17).
- 2.2 Shetland College Board considered the matter at its meeting on 14 June, and recommended to the Council that it again appoint two additional non-councillor members as voting members of Shetland College Board (Min Ref: 17/17).
- 2.3 In addition, Shetland College Board also considered the issue of student representation, and recommended that the membership also include one student representative with voting rights.

3.0 Corporate Priorities and Joint Working:

- 3.1 Appointment of additional non-councillor members with relevant skills and experience to the Shetland College Board will help support the Council's aim to ensure that there is a close match between the skills that businesses need and those that the trained workforce have. HM Inspectors have expressed the view that the learner voice in college decision-making would be enhanced by

representation at this level.	
4.0 Key Issues:	
4.1	Should the Council agree to appoint two additional non-councillor members, arrangements will be put in place to commence with advertising the two vacancies, in consultation with the Chair of Education and Families Committee and the Chair of the Shetland College Board, and nominations will be reported to the Council at its meeting on 30 August 2017. A copy of the advertisement used on the previous occasion is attached as Appendix 1 to this report, and the Council should consider whether to proceed on the same basis, or whether to expand on this further to include reference to the joint working arrangements with the NAFC.
4.2	In considering the issue of student representation, Shetland College Board took cognisance of a report by HM Inspectors, on behalf of the Scottish Funding Council, published on 10 January 2014 which considered the issue of how well learners engaged in enhancing the work and life of the College. This report stated that "Learners are represented on key cross-college committees, including the <i>Academic Board</i> and its sub-committees; the <i>Quality Improvement Committee</i> , <i>Health and Safety Committee</i> and <i>Equalities Committee</i> , which enhances further the learner voice in college decision making. However, currently, the college has not managed to secure FE learner attendance at Board of Management Committee meetings". The Board noted that HM Inspectors continue to express the view that there should be student representation in college decision making.
4.3	Appointment of three additional non-councillor members with voting membership will not change the required ratio of elected/non-elected members on the College Board. However the appointment of any further non-councillor members would require a further change to the number of elected members on the College Board.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	None.

6.5 Finance:	Non-councillor appointments to the Board are unpaid, but incidental expenses will be met from Executive Services - Council Members approved revenue budget.	
6.6 Assets and Property:	None.	
6.7 ICT and new technologies:	None.	
6.8 Environmental:	None.	
6.9 Risk Management:	None.	
6.10 Policy and Delegated Authority:	The appointment of non-councillor members is provided for within the Council's Constitution, and is a matter reserved to the Council.	
6.11 Previously considered by:	N/A	

Contact Details:

Lynne Geddes, Committee Officer

lynne.geddes@shetland.gov.uk

21 June 2017

Appendices:

Appendix 1 - Draft Advertisement for Non-councillor appointments.

Background Documents:

SIC Constitution - Part A – Governance

Report by HM Inspectors on behalf of the Scottish Funding Council:

<http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dc%96m%80%88>

END

**Shetland College – Shetland Islands Council
University of the Highlands and Islands**

Shetland College Board (appointment of two non-elected members)

Applications are invited from the general public for the above posts of independent members of Shetland College Board.

Shetland College forms part of Shetland Islands Council and is a partner of the University of the Highlands and Islands.

The Shetland College Board is responsible for the giving of strategic direction to the management and operation of the Shetland College and Train Shetland, based at Gremista, Lerwick. The College provides access to a wide range of UHI courses through online, video conferencing and face-to face study, and the Board provides a key role in ascertaining the needs of users, including the business sector. The Board strives to promote access between school, work, research and further/higher education

The College Board is looking for high calibre, committed individuals from the local community with an interest in skills development through Further and Higher Education. The successful candidates will join the other Board members in overseeing the management and operation of the College, and in the development of the future strategic direction for the College.

Please note that the post is unpaid, but incidental expenses will be met.

If you are interested in this post and would like to receive an application form please contact:

Shetland Islands Council
Governance and Law
Corporate Service Department
Montfield, Burgh Road
Lerwick
Shetland
ZE1 0LA

Telephone 01595 744554
email administrative.services@shetland.gov.uk

Closing Date for applications: (to be confirmed)



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Local Development Plan 2 – Vision Statement	
Reference Number:	DV-40-17-F	
Author / Job Title:	Suzanne Shearer – Team Leader, Development Plans and Heritage	

1.0 Decisions/Action Required:

- 1.1 That the Council RESOLVE to endorse the Local Development Plan Vision Statement, attached as Appendix 1 to this report, which was approved by the Development Committee on 6 March 2017.

2.0 High Level Summary:

- 2.1 The Vision statement sets out a realistic aspiration for Shetland over the next 20 years which the plan will be structured to work towards achieving. The Vision statement will inform the Spatial Strategy which is the next stage in the plan development process and guides where development should and should not be located, and the principles behind it. Development proposals will be assessed against the extent to which they contribute to the achievement of the vision.
- 2.2 The Vision for Shetland's new Local Development Plan 2 was developed through analysis of the Scottish Government's sixteen National Outcomes, including their four National Planning Outcomes, and also importantly Key Stakeholder strategies.
- 2.3 To help categorise the goals contained within the various strategies, the Development Plans team developed four key themes. The Outcomes Table (Appendix 2) demonstrates the key outcomes within national and local strategies by theme.
- 2.4 In order to test the robustness of these 4 themes, and the content of the outcomes table, a workshop was held in January with the key stakeholders in the LDP process. The workshop also went on to discuss key land use related priorities by theme. These discussions informed the development of the vision. The feedback from the workshop sent out to participants is attached as Appendix 3 of this document for information.
- 2.5 Community engagement is an important part of the plan making process throughout all the stages of the LDP process. Community input into the vision was achieved via the Place Standard consultation exercise. The results of the Place Standard have been analysed and the key issues as they relate to the theme have been fed in to the vision statement. Further analysis of the place standard will feed into the spatial strategy and policy making stages of the LDP.

3.0 Corporate Priorities and Joint Working:	
3.1	When complete, the next Shetland LDP will become the strategic tool for the Council's development priorities. In conjunction with other Council Policies (including the Local Housing Strategy), it will contribute to meeting the spatial aims of the community plan and the Corporate Plan.
4.0 Key Issues:	
4.1	Within the four themes of the Local Development Plan Vision Statement, the Key Priorities and Outcomes of the Council's Corporate Plan have been considered. It is very important that these themes and the detail within each have been correctly identified, as the Vision Statement will inform the Spatial Strategy, which will be hugely influential in the development of housing, industry and infrastructure, and providing confidence to developers, and in supporting communities to influence the development of their place and their well-being.
5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications:	
6.1 Service Users, Patients and Communities:	The Vision Statement should be in line with the land use aspirations of the Council and its partner service providers' strategies.
6.2 Human Resources and Organisational Development:	All workload relating to the Plan making process will be met within the resources of the existing Development Plans & Heritage Team.
6.3 Equality, Diversity and Human Rights:	The Council is obliged to address its obligation to comply with equalities legislation and policies when preparing the LDP, and all policies, guidance and actions are being analysed and assessed in these terms. A full assessment will be completed for submission alongside the LDP.
6.4 Legal:	None.
6.5 Finance:	All work required to enact the proposed Vision Statement will be carried out within approved service budgets.
6.6 Assets and Property:	None.
6.7 ICT and New Technologies:	None.

6.8 Environmental:	The LDP is subject to strategic environmental assessment with a draft Environmental Report to accompany the Main Issues Report (MIR) and a revised environmental report to accompany the LDP. This will show how environmental implications have been considered and impacts mitigated. The Planning Authority is also subject to the over arching requirement to exercise the function (of preparing development plans) with the objective of contributing to sustainable development imposed by The Planning etc. (Scotland) Act 2006. A Habitats regulations Appraisal must be undertaken (to comply with the Conservation (Natural Habitats) Regulations 1994) in order to determine whether the LDP is likely to have significant effect on any European site.	
6.9 Risk Management:	The lack of an up to date Development Plan could prevent the Council from supporting developments that are in line with its priorities, and result in more challenges to Council decisions. The LDP is formulated to reflect the Council's priorities.	
6.10 Policy and Delegated Authority:	In accordance with Section 2.3.1 of the Council's Scheme of Delegations, the Development Committee has delegated authority to implement decisions within its remit. It was however agreed at Development Committee on 6 March 2017, for the Vision Statement to be presented to the new Council in early course.	
6.11 Previously Considered by:	The LDP Vision was previously endorsed by the Development Committee with a recommendation that the Council consider the vision at early course.	6 March 2017 Minute Ref: 19/17

Contact Details:

Suzanne Shearer, Team Leader Development Plans and Heritage, Tel: 01595745858
Date: 20 June 2017

Appendices:

Appendix 1: Vision Statement
Appendix 2: Outcomes table
Appendix 3: Feedback from Visioning Workshop

Background Documents: None

Local Development Plan 2

VISION STATEMENT

By 2037 Shetland will have strong, sustainable and resilient communities with a balanced, healthy, well cared for and self sustaining population.

**We will benefit from: an economically diverse and robust business and industry sector;
a natural environment that is protected, promoted, appreciated and is easily accessible; and settlements that are physically and digitally well connected.**

What this means in terms in each of our themes:

We will enable sustainable, healthy communities by:

- Balancing the population structure, by seeking to increase the economically active populations across all communities
- Providing housing land in areas where most need is identified
- Assisting in the provision of housing developments which cater for the specific needs of our ageing population
- Recognising the important role in housing solutions played by Windfall development and promoting this as a solution in areas where that is most appropriate

We will support the Growth and Strengthening of our Economy by:

- Providing land allocations to allow economic development in the areas of recognised need
- By recognising that economic activity is core to the sustainability and viability of our rural settlements and enabling appropriate economic growth where possible

We will seek to Improve Connectivity throughout the isles by:

- Encouraging and promoting delivery of telecommunications networks across all areas of Shetland
- Recognising the importance digital connectivity plays in maintaining sustainable communities and promoting business growth
- Promoting the principles of designing streets in all applications and reducing the dominance of the car
- Promoting active travel plans and the inclusion of green corridors

We will continue to safeguard our Environment by:

- Ensuring the special qualities of Shetlands natural and built heritage are protected and enhanced
- Promoting accessibility to the natural environment
- By ensuring placemaking principles are incorporated in all new developments

Shetland Local Development Plan 2 – Outcomes Table

Outcomes - The 4 outcomes were developed from the 4 national planning outcomes.	Community	Economy	Connectivity	Environment/Heritage
Scottish Government 16 National Outcomes	<ul style="list-style-type: none">• Innovative and sustainable, communities, which are safe and well designed places to live.• Strong, resilient and healthy communities for all generations.• Investment in education and future training	<ul style="list-style-type: none">• Prosper through growth and business performance• Build a society in which everyone can play their part and share the benefits• A fairer Scotland for young and old• Well-designed places can contribute to sustainable economic growth• A healthy society	<ul style="list-style-type: none">• Improving transport and digital connectivity• Supporting better access to services	<ul style="list-style-type: none">• Tackling climate change• Promoting activity and social interaction both through cultural amenities and green spaces
National Planning Outcomes (NPF3 & SPP)	<ul style="list-style-type: none">• Creating well designed and sustainable places	<ul style="list-style-type: none">• Sustainable economic growth and regeneration• creation of well-designed places	<ul style="list-style-type: none">• Supporting better transport networks and digital connectivity	<ul style="list-style-type: none">• Reducing our carbon emissions and adapting to climate change• Helping to protect and enhance our natural and cultural assets and facilitating their sustainable use
Local Outcome Improvement Plan	<ul style="list-style-type: none">• Address inequalities• make our communities a better and healthier place to live and grow up within	<ul style="list-style-type: none">• maintain strong economic performance• target resources where they can most benefit the groups who are currently disadvantaged• maximising opportunities	<ul style="list-style-type: none">• Promoting active travel by cycling and walking to work and to school	<ul style="list-style-type: none">• Maximising opportunities for people to access the natural environment in Shetland• Protecting the environment and reducing the emissions of carbon dioxide and other pollutants from vehicles
Corporate Plan Top 5	<ul style="list-style-type: none">• Increase the supply of affordable housing• Support older people so they can get the services they need to live as independently as possible	<ul style="list-style-type: none">• Increasing the supply of affordable housing• Improve high-speed	<ul style="list-style-type: none">• Improve high-speed broadband and mobile connections throughout Shetland• Provide quality transport services within Shetland, and push for improvements in services to and from Shetland	
Corporate Plan 20 by 2020	<ul style="list-style-type: none">▪ High standard of governance▪ Making Shetland's voice heard	<ul style="list-style-type: none">• Keep a balanced and sustainable budget and live within our means• Excellent financial management• Prioritised spending on building and maintaining assets	<ul style="list-style-type: none">▪ Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively.	<ul style="list-style-type: none">▪ We will have reduced the effect we have on the local environment, particularly reducing carbon emissions from our work and buildings.
LDP2 Vision Statement	<p>We will enable sustainable, healthy communities by:</p> <ul style="list-style-type: none">• Balancing the population structure, by seeking to increase the economically active population across all communities• Providing housing land in areas where most need is identified• Assisting in the provision of housing developments which cater for the specific needs of our ageing population• Recognising the important role in housing solutions played by windfall development and promoting this as a solution in areas where that is most appropriate	<p>We will support the Growth and Strengthening of our Economy by:</p> <ul style="list-style-type: none">• Providing land allocations to allow economic development in the areas of recognised need• By recognising that economic activity is core to the sustainability and viability of our rural settlements and enabling economic growth where possible	<p>We will seek to Improve Connectivity throughout the isles by:</p> <ul style="list-style-type: none">• Encouraging and promoting delivery of super-fast broadband and telecommunications networks across all areas of Shetland• Recognising the importance digital connectivity plays in maintaining sustainable communities and promoting business growth• To promoting the principles of designing streets and good placemaking in all applications and reducing the dominance of the car• Promote active travel plans and provision of green corridors etc.	<p>We will Continue to safeguard our Environment by:</p> <ul style="list-style-type: none">• Ensuring the special qualities of Shetlands natural and built heritage are protected and enhanced• Promoting accessibility to the natural environment• By ensuring good placemaking is considered in all new developments

Shetland Local Development Plan 2

Shetland Local Development Plan 2 – Action Programme

Other Strategy Outcomes – Local Housing Strategy, HIE Operating Plan, Shetland Transport Strategy, Economic Policy Statement, NHS Local Delivery Plan	<ul style="list-style-type: none">• Increase affordable housing supply• Improve supply and quality of private housing sector• Promote social inclusion• Promote an inclusive society that values diversity• Improve and protect the health of Shetland• Increased community benefit• Support and strengthen communities and fragile areas• Improve the reputation of Shetland as an attractive place to live, work, study, visit and invest	<ul style="list-style-type: none">• Support businesses, enabling them to grow to their full potential• Develop growth sectors, particularly distinctive regional opportunities• Link skills and knowledge development to economic need• Develop the economic health of local communities, encouraging sustainable development.• Support and strengthen communities and fragile areas• Improve the reputation of Shetland as an attractive place to live, work, study, visit and invest	<ul style="list-style-type: none">• Research and adoption in to technologies to increase digital connectivity.• To provide quality, effective and safe services, delivered in the most appropriate setting for the patients.• Ensure everyone has access to services throughout Shetland.• Support and strengthen communities and fragile areas• Ensure internal and external ferry and air links are affordable for all.	<ul style="list-style-type: none">• Improve household energy efficiency• Reduce CO2 emissions and create conditions for competitive and low-carbon region.• Reduce impacts of transport services and new transport infrastructure on landscape, the historic environment and biodiversity.
Key Agencies Strategies – SNH, Scottish Water, SEPA, Transport Scotland, Marine Scotland, Crofting Commission, Forestry Commission, Historic Environment Scotland	<ul style="list-style-type: none">• Encouraging and enabling people to enjoy the outdoors• Promoting the value of local landscapes, communities and the outdoors and access to networks.• Working with other stakeholders to provide green networks.• Support Scotland economy and communities• maintain population through occupations including crofting• Promote Social inclusion	<ul style="list-style-type: none">• Investment in future water services• Support Scotland economy and communities• Increased production of livestock and food from crofts• promote economic growth by building, enhancing managing and maintaining transport services, infrastructure and networks to maximise their efficiency• Competitive and innovative businesses contributing to the growth of the Scottish economy. Develop a more efficient and competitive timber supply chain. Facilitate the development of markets for forest products• Grow the overall economic value of the marine environment sustainably	<ul style="list-style-type: none">• Working with other stakeholders to provide green networks.• promote economic growth by building, enhancing managing and maintaining transport services, infrastructure and networks to maximise their efficiency• Promote Social inclusion by connecting remote and disadvantaged communities	<ul style="list-style-type: none">• High quality and resilient nature and landscapes• Working with other stakeholders to provide green networks.• Protect and enhance the environment• protect our environment and improve health by investing in sustainable travel modes• Protect and enhance the marine environment• Promote the benefits of a good environment
Monitoring Statement Issues	<ul style="list-style-type: none">• Housing Supply Target of 106-144 new homes per year.• Completion rate average 82.4 over last 5 years• 169 Affordable houses and 243 private houses completed over last 5 years.	<ul style="list-style-type: none">• 11,887 jobs (8,812 FTE) within Shetland as of 2014• Estimated 3,160 addition jobs during peak.• Continue to grow all economic sectors across Shetland, along with developing new sectors such as decommissioning• Demand assessment highlighted demand for small premises, storage and workshops in Lerwick & some demand for Scalloway.	<ul style="list-style-type: none">• 81% of households have at least 1 car in Shetland.• Digital connectivity highlighted as an area where growth is required.	<ul style="list-style-type: none">• Promote active travel and green networks
LDP Outcomes – taken from LDP vision	<ul style="list-style-type: none">• Enhance existing communities throughout Shetland by encouraging sustainable economic development to create strong, healthy, vibrant communities where diversity is recognised and celebrated, ensuring they are attractive and inclusive places to live.• Protect and enhance areas for recreation.	<ul style="list-style-type: none">• Support new and existing sustainable economic opportunities	<ul style="list-style-type: none">• Support better access across the Islands, in particular supporting sustainable and active transport solutions, such as by foot, cycle and public transport, and enabling people to access services, employment and other opportunities.	<ul style="list-style-type: none">• Promote the efficient and sustainable use of natural resources and material assets• Further the conservation of biodiversity and geodiversity throughout Shetland.• Encourage new development of good quality that is environmentally sensitive, accessible to all, utilises sustainable design techniques and low carbon or renewable energy technologies.• Ensure policies reflect the Council's commitment to the Climate Change (Scotland) Act 2009.
Outcomes	Community	Economy	Connectivity	Environment/Heritage

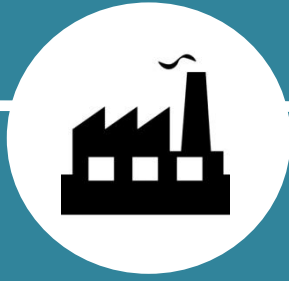
Local Development Plan 2 – Vision Workshop

Workshop Summary



Community

- Enable inclusive communities
- Multi generational interaction
- Sustainable service delivery
- Encourage proportionate development in all areas
- Sufficient land supply for developments
- Flexibility in planning & delivery
- Recognising differences in communities
- Sustainable communities
- Encourage stronger rural communities



Economy

- Sufficient land supply available for growth and expansion of existing & new businesses
- Promote diversification across economic sectors
- Safeguard potential development areas
- Ensure economic development is in well connected places
- Planned infrastructure provision
- Flexibility in planning for rural areas
- Grow tourism sector
- Attract people to come to live & visit Shetland



Connectivity

- Promote digital/Broadband connection for all
- More & better located bus stops
- Better mobile connection
- Reduce external transport costs
- Safe multi-use roads for all
- Investigate tunnels/fixed links as a solution
- Better provision for cyclists
- Better transport links
- Future Proofing and adapting to changing needs
- Improve walking connectivity throughout Lerwick



Environment & Heritage

- Safeguard biodiversity and its habitat
- Raise awareness of biodiversity
- Increase active travel
- Facilitate transition to low-carbon economy
- Improve co-location
- Environmental enhancement
- Promote development sensitive to location and mindful to its environment
- Promote alternative energy sources
- Encourage responsible access to built and natural environment

Outcomes from the Day

The workshop provided valuable feedback from all participants which will be used throughout the Local Development Plan process. The feedback received has enabled the Development Plans team to identify the key priorities that will help shape the Vision of the Plan.

The workshop allowed the Development Plans team to trial the four themes that had been developed as the key policy areas for the next Plan. The feedback received was positive and acknowledged that there is a crossover between themes.

Key Priorities Identified

The key priorities were identified through the feedback received at the workshop. The key priorities are the land use aspect of the feedback that will feed into the Vision and Local Development Plan policies.

- Provision of better digital connectivity across all of Shetland
- Accessibility to transport connections
- Flexibility in the planning system for rural communities
- Promoting sustainable, strong and resilient communities
- Supporting sustainable low-carbon developments
- Sufficient effective land supply
- Promoting certainty for all communities
- Protecting and enhancing the natural and built environment

Local Development Plan 2 Vision

VISION STATEMENT

By 2037 Shetland will have strong, sustainable and resilient communities with a balanced, healthy, well cared for and self sustaining population.

We will benefit from: an economically diverse and robust business and industry sector; a natural environment that is protected, promoted, appreciated and is easily accessible; and settlements that are physically and digitally well connected.

What this means in terms in each of our themes:

We will enable sustainable, healthy communities by:

- Balancing the population structure, by seeking to increase the economically active populations across all communities
- Providing housing land in areas where most need is identified
- Assisting in the provision of housing developments which cater for the specific needs of our ageing population
- Recognising the important role in housing solutions played by Windfall development and promoting this as a solution in areas where that is most appropriate

We will support the Growth and Strengthening of our Economy by:

- Providing land allocations to allow economic development in the areas of recognised need
- By recognising that economic activity is core to the sustainability and viability of our rural settlements and enabling appropriate economic growth where possible

We will seek to Improve Connectivity throughout the isles by:

- Encouraging and promoting delivery of telecommunications networks across all areas of Shetland
- Recognising the importance digital connectivity plays in maintaining sustainable communities and promoting business growth

- Promoting the principles of designing streets in all applications and reducing the dominance of the car
- Promoting active travel plans and the inclusion of green corridors

We will Continue to safeguard our Environment by:

- Ensuring the special qualities of Shetlands natural and built heritage are protected and enhanced
- Promoting accessibility to the natural environment
- By ensuring placemaking principles are incorporated in all new developments

Next Steps

The Vision workshop is the start of engagement for the next Local Development Plan. The Development Plans team will be continuing to engage with stakeholders and agencies throughout the Local Development Plan Process.

The Development Plans team are due to commence work on the Spatial Strategy in quarter 2 of 2017, during this stage we will undertake further workshops and engagement. The Spatial Strategy is a detailed statement of the planning authority's policies and proposals for the development and use of land. It is important for the Development Plans team to continue engagement with stakeholders, agencies and industries. This will ensure that the Spatial Strategy is robust, credible and inclusive of stakeholder strategic land use aims.

Contact Details

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phone: 01595 744293

website: www.shetland.gov.uk/LDP2



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Constitutional Reform Project	
Reference Number:	CE-01-17F	
Author / Job Title:	Peter Peterson, Executive Manager, Executive Services	

1.0 Decisions / Action required:

The Council is asked to:

1.1 approve appointments to the Council's Constitutional Reform Project Sounding Board, as set out in paragraph 4.4 of this report.

1.2 approve the Joint Position Statement attached as Appendix 2, reaffirming this Council's support for the work being carried out under the Our Islands: Our Future (OIOF) campaign banner, and authorise the Chief Executive, in consultation with the Leader, to finalise its terms with Comhairle nan Eilean Siar and Orkney Islands Council.

2.0 High Level Summary:

2.1 This report seeks to bring Members up to date with the Council's constitutional reform project work and seeks input to setting a refreshed direction for the project going forward.

3.0 Corporate Priorities and Joint Working:

3.1 'Our Plan 2016-20', sets out the organisational vision and the outcomes Members wish to see delivered by 2020. The Council's constitutional reform project work has the potential to contribute significantly to all of the Plan's outcomes.

4.0 Key Issues:

4.1 The OIOF campaign has been in existence for four years. A timeline, showing highlights during the first three phases of the campaign, is attached to this report as Appendix 1.

4.2 Some points of note from the timeline include the publication of the *Framework for the Islands* and *Empowering Scotland's Island Communities*, which were detailed statements of intent from both Governments. Amongst many other things, those documents outlined Government agreement to create the first 'Islands Minister' portfolio, introduce an Islands Act, devolve income from the seabed around the islands to local level and 'islands proof' legislation and policy. Importantly, the documents also contain Government statements on the importance of islands, the challenges island communities face and commitments to seek to improve outcomes. These statements have been useful in other engagement work over the past four years.

4.3 Shortly after the Independence Referendum, in October 2014, this Council sought to refresh its approach to constitutional reform project work. A Sounding Board was appointed with a representative from each electoral ward and the Political Leader acting as Chair. This group has met regularly since then and has fulfilled an important purpose, particularly in contributing to draft consultation responses. The Smith Commission, Islands Bill and Crown Estate are three notable examples.

4.4 With significant work continuing in this area (those are listed in Appendix 2) and ongoing political uncertainty, it is felt there is merit in reappointing Members to the Sounding Board for the term of this Council. It is proposed that Board membership be the Leader, Deputy Leader, Convener, Chairs of the three functional Committees - Environment & Transport, Development and Education & Families, as well as the Vice Chair, as portfolio holder, of the Integration Joint Board. Those Members will be representing the Council most frequently at external engagements, so membership of this Sounding Board will help ensure they are informed of, and, in turn, can help to inform, OIOF campaign work. This will deliver a more co-ordinated approach to the Council's overall external engagement work. Regular updates from Board meetings would be provided to all Members through established communications channels.

4.5 The OIOF campaign was launched in June 2013 with an Interim Position Statement. As a new phase of the campaign commences, the three Islands Council Political Leaders agreed that there is a need to refresh the campaign's objectives and agree the approach to joint islands co-operation going forward. It has been noted that members of this Council have in recent weeks expressed their support for continuing joint islands engagement through OIOF, however, a campaign Joint Position Statement is attached as Appendix 2, for formal endorsement.

4.6 The Position Statement sets out the overall policy framework and commitment to joint working with Comhairle nan Eilean Siar and Orkney Islands Council. It also describes three "strategic principles" upon which the campaign has been operating - local decision making, islands proofing and community benefit and seven operational priority areas - Islands Bill, Islands Deal, Crown Estate, Transport, Digital Connectivity, Fuel Poverty and Energy. The statement notes how it is intended that the campaign will support existing engagement work, avoiding duplication of effort and maximising the Islands Councils' chances of achieving positive outcomes.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications

6.1 Service Users, Patients and Communities:

There are no such implications arising directly from this report.

6.2 Human Resources and Organisational Development:

There are no such implications arising directly from this report.

6.3 Equality, Diversity and Human Rights:	There are no such implications arising directly from this report.	
6.4 Legal:	There are no such implications arising directly from this report.	
6.5 Finance:	It is proposed that all constitutional reform project work continues to progress on the basis that budgetary provision will be drawn from the Change Fund, as directed by the Chief Executive and approved by the Director of Corporate Services in conjunction with the Executive Manager – Finance. This will come within the budgetary envelope as approved by Council each financial year, representing prioritisation of existing funding, rather than requiring additional funds.	
6.6 Assets and Property:	There are no such implications arising directly from this report.	
6.7 ICT and new technologies:	There are no such implications arising directly from this report.	
6.8 Environmental:	There are no such implications arising directly from this report.	
6.9 Risk Management:	Risks associated with this project are assessed and managed on a regular basis.	
6.10 Policy and Delegated Authority:	The implications of constitutional reform could affect any of the arrangements within the Council's Policy framework and indeed the Council's constitution itself. Approving, adapting or amending any plan within the policy framework is reserved to full Council (Part A - 3(1)).	
6.11 Previously considered by:	Not applicable	

Contact Details:

Mark Boden, Chief Executive, mark.boden@shetland.gov.uk

Peter Peterson, Executive Manager, Executive Services, peter.peterson@shetland.gov.uk

21 June 2017

Appendices:

Appendix 1 - Our Islands: Our Future campaign timeline

Appendix 2 - Our Islands: Our Future - Joint Position Statement

Background Documents:

Shetland Islands Council - [10 October 2014](#)

Shetland Islands Council – [29 June 2016](#)

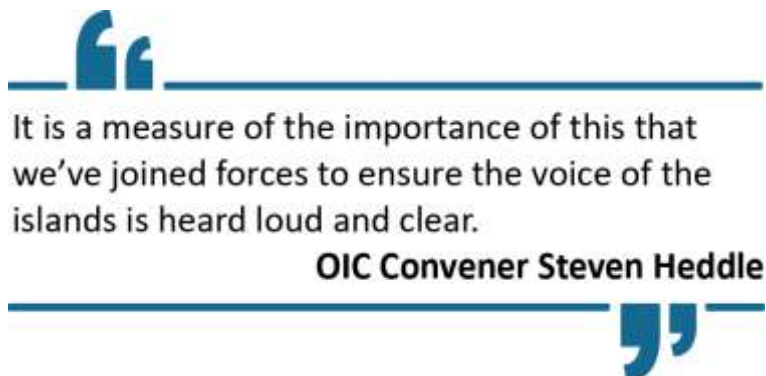


Our Islands Our Future campaign – timeline June 2013 – March 2017

It's acknowledged that OIOF has very much been a product of the time. It developed as a result of recognition in the islands that the Independence Referendum was a hugely important event and would have longer-term impacts on Scotland and the UK. It was designed to have several "phases", which allowed the Islands Councils to adjust their approach to reflect the changing political environment and challenges within our islands. These are set out below:

PHASE 1: mobilisation and lobbying From June 2013 to August 2014

17 June 2013 – Our Islands Our Future campaign launched – Leaders of the three Councils launch Our Islands Our Future, setting out their vision for a stronger future for the islands. Interim Joint Position Statement – <http://www.shetland.gov.uk/news-advice/documents/ourislands-ourfuture-JointPositionStatement-17june2013.pdf>



The campaign is structured under three themes (with related work streams, each of the three Councils took a lead role in researching and producing papers):

- Area 1 - Marine Resources and Energy (aquaculture, Crown Estate, fishing, marine planning, oil and gas, renewables)
- Area 2 - Constitutional Status and Public Sector Change (constitution, Europe, island proofing, public sector reform, revenues, and state aid)
- Area 3 - Economic Drivers and Wellbeing (construction, crofting, culture and creative industries, digital, economic drivers, fuel poverty, tourism and transport)

24 June 2013 – The Islands Commission of the Conference of Peripheral Maritime Regions resolves to support the "recent initiative of the islands of Scotland to seek formal recognition of their status within the constitutional framework".

25 July 2013 – **Lerwick Declaration** – a formal declaration of support to the principle of subsidiarity is made by the First Minister. At the same time, he announces that a dedicated Island

Areas Ministerial Working Group (IAMWG) will be set up to give the campaign direct access to Government Ministers.


Our Islands Our Future is, in my estimation, an important initiative. I am confident that the (Ministerial) Working Group will produce recommendations that meet the needs of the island communities and also contribute to Scotland's wider constitutional debate.
First Minister Alex Salmond


14 August 2013 – The UK Government's Secretary of State for Scotland welcomes the debate and invites the Leaders to talks.

29 August 2013 – First meeting of the Island Areas Ministerial Working Group. Scottish Government agrees to respond to the campaign with a Prospectus for the Islands.

19-20 September 2013 – Our Islands Our Future Conference in Kirkwall brings together politicians, academics and experts for two days of debate. The event is hailed as a major milestone on the road to delivering more powers to the islands. A copy of the Conference Report is available here: <http://www.shetland.gov.uk/OIOF/documents/OIOFConferenceReport.pdf>


These islands have been quick off the mark. I like this initiative. It represents a lesson for other parts of Scotland.
**Professor James Mitchell,
University of Edinburgh**


14-15 October 2013 – Discussions take place with the Secretary of State for Scotland, senior officials and other UK Government Ministers across Whitehall. The Government agrees to set up an Islands Desk – a dedicated point of contact to take forward the initiative.



The campaign and the UK Government have a common ground to build on: a belief that greater decision making should rest with local communities.

**Secretary of State for Scotland
Alistair Carmichael MP**



29 October 2013 – Second meeting of Island Areas Ministerial Working Group.



We will not shy away from discussing big issues like oil and gas and renewables. We want to bring forward a package of proposals in the context of the referendum that would benefit island communities.

**Local Government Minister
Derek Mackay MSP**



14 November 2013 – The three Council Leaders win The Herald’s ‘**Local Politician of the Year**’ award for the campaign.

21 November 2013 – Third meeting of the Island Areas Ministerial Working Group. Scottish Government announces it will bring forward a Bill for an Islands Act.

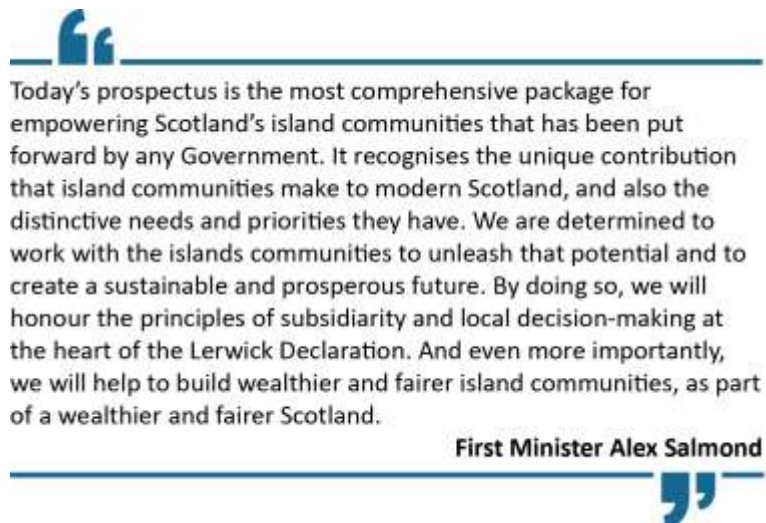
29 November 2013 – The Secretary of State for Scotland agrees to work towards a Concordat for the Islands, which the Coalition Government will sign with the three Councils. It is agreed that discussions will cover issues such as the development and management of island resources including renewable energy, oil and gas, fisheries and the Crown Estate.

19 March 2014 – In response to the campaign, Scottish Labour pledges to devolve further powers to Orkney, Shetland and the Western Isles. The Scottish Labour Devolution Commission proposes that Scottish Labour will “work in particular with the three islands authorities – Shetland, Orkney and the Western Isles – to develop and extend the powers of islands councils”.

29 April 2014 – public meeting at Mareel, streamed live online – ‘live blog’ coverage by Shetland News at <http://www.shetnews.co.uk/news/8487-live-our-islands-our-future-meeting>

16 June 2014 – First Minister Alex Salmond unveils the Scottish Government’s response to the Our Islands Our Future Campaign in Kirkwall. The publication of “[Empowering Scotland’s Island](#)”

[Communities](#)” comes almost a year to the day since Our Islands Our Future was launched by the three Island Councils of Orkney, Shetland and the Western Isles.



15 August 2014 –The UK Govt follows with its [‘Framework for the Islands’](#), launched in Stornoway. This is the first agreement of its kind in the country. The framework contains a 10-point plan for the islands.



PHASE 2: Delivering the ‘Statements of Intent’ From October 2014 to March 2016

First Minister Nicola Sturgeon appointed Derek Mackay as Minister for Transport and Islands and committed, through the ‘Programme for Government’, to consult on an Islands Bill. Soon after, Mr Mackay announced that he was re-establishing and chairing the IAMWG and proposed six meetings leading up to the Scottish Parliamentary elections in 2016.

The UK Government also established an Islands Working Group a month before and focused on a set of priorities from the “Framework”, key to which was the concept of islands proofing.

The aim of this phase in the OIOF campaign was to consolidate the gains that had been made, continue to engage positively with all parties to promote islands issues, but hold to account both Governments for delivery of the pledges made in the two published statements.

Also important was a desire to secure benefits that would be sustainable for future years – beyond the time of OIOF – and would endure regardless of political party in Government. Being a campaign group, it was acknowledged that OIOF could not last in its current state forever and therefore also sought to link closely to work being progressed by services across the three Councils. It was felt OIOF could help to further develop the conditions and relationships that would allow positive outcomes to be achieved into the future.

The IAMWG met six times during 2015/16, covering areas like transport, fuel poverty, Crown Estate, connectivity and islands proofing. As well as that, regular monitoring took place at meetings to ensure delivery of the things in the Prospectus that can be implemented with existing Scottish Government powers.

The meetings afforded Leaders the opportunity to raise issues affecting the islands throughout the year – particularly consultation exercises that proposed changes that could have an impact on the islands.



Three substantive meetings of the Islands Working Group took place with UK Government and regular engagement also occurred through the Islands Desk.

Other highlights from this phase include:

October 2014 – Smith Commission – OIOF presents a joint submission to the Smith Commission, which was set up following the Referendum. The OIOF submission reiterates many of the points made through lobbying and focuses on the strategic principles of local decision making, island proofing and community benefit.

27 November 2014 – The Leaders of Scotland’s three Islands Councils welcome the findings of the Smith Commission as a major landmark for the Our Islands Our Future campaign. A key aspiration of the campaign is for the three Councils to take over the Crown Estate’s responsibility for the foreshore and seabed around their islands.

Lord Smith says responsibility for the management of the Crown Estate’s economic assets in Scotland – including the seabed and foreshore – should be transferred to the Scottish Parliament.


Following this transfer, responsibility for the management of those assets will be further devolved to local authority areas such as Orkney, Shetland, Na h-Eilean Siar.
Lord Smith, Smith Commission


19 March 2015 – Shetland hosts the first annual Islands Summit between the three Islands Councils and the UK Government. This builds on the commitments set out in the UK Government’s Framework for the Islands. Discussions focus on reviewing progress on the key Government policies of interest to the islands such as connection to the national energy grid, measures to address fuel

poverty, and improving connectivity with mobile and internet services. The meeting also agrees a Guide for UK Departments on 'island proofing' their activities.

18 May 2015 – The recommendations of the Devolution (Further Powers) Committee report to the Scottish Government are published. On the future of the Crown Estate, the report concludes:

“Once the powers over the Crown Estate have been transferred, the Committee recommends the early implementation of the Smith Commission recommendation that responsibility of the management of the Crown Estate assets in Scotland should be devolved further to local authorities such as Orkney, Shetland, Na h-Eilean Siar or other areas who seek such responsibilities. These are matters where discussions should, in our view, continue to progress as a matter of urgency and we endorse the work of the Scottish Government and the Our Islands, Our Future initiative to reach an amicable agreement that suits local circumstances.”

2 June 2015 – 8th meeting of Island Areas Ministerial Working Group, in Kirkwall, focusing on transport.

2 July 2015 – 9th meeting of Island Areas Ministerial Working Group; Islands Minister announces the creation of the Islands Transport Forum, to deal with external and internal ferry, air and other transport services. Fuel poverty also discussed.

15 July 2015 – Islands Oil and Gas Forum – the UK Govt, through the Oil and Gas Authority, chairs the first Islands Oil and Gas Forum in Lerwick. There's a good attendance by industry representatives, and Council Leaders take the opportunity to put relevant issues directly to them.

24 September 2015 – 10th meeting of Island Areas Ministerial Working Group. This gives the islands the opportunity to put forward points on the Crown Estate and digital connectivity.

30 September 2015 – Consultation opens on provisions for a future Islands Bill.

26 Nov 2015 – 11th meeting of Island Areas Ministerial Working Group, with announcement made around Island Innovation Zones.

27 January 2016 – resolution passed in the European Parliament, aimed at addressing the challenges faced by island communities. It recommends to the Commission that they provide clarification on the obligations placed on member states by article 174 of the Lisbon Treaty, proposes an 'Islands Desk' in the Commission's Directorate General for Regional Policy offering an opportunity to create a focal point in Europe to take forward islands issues.

It also asks the Commission to launch an in-depth study to look into the extra costs incurred as a result of being island regions; in terms of the transport system for people and goods, energy supply and access to markets, in particular for SMEs.

The resolution aligns closely with OIOF campaign objectives.

22 February 2016 – 12th and final meeting of Island Areas Ministerial Working Group.
Agreement to engage further on a Deal for the Islands and continue discussions around ways to increase local accountability for decisions on Crown Estate assets in the three island council areas.

14 March 2016 – Scottish Government publishes its update on implementation of *Empowering Scotland's Island Communities* <http://www.gov.scot/Publications/2016/03/1090>

And analysis of responses received to the public consultation on provisions for a future Islands Bill:
<http://www.gov.scot/Publications/2016/03/4180>

PHASE 3: A Deal for the Islands From April 2016 to March 2017

4 April 2016 – SNP publishes its “Manifesto for the Islands”

25 May 2016 – OIOF Board appoint Centre for Scottish Public Policy to undertake engagement study on options for enhanced local democracy, as part of potential Islands Deal package.

27 June 2016 – Annual UK Govt Summit takes place in Kirkwall, with renewables, digital connectivity, emergency towing vessels, potential Islands Deal and Annual Statement of Collective Priorities on the agenda.

29 June 2016 – First engagement meetings with new Minister for Transport and Islands, Humza Yousaf MSP, one month after he was elected.

13 July 2016 – UK Govt announces that it will commit funding for the emergency towing vessel beyond 30 September 2016. www.shetland.gov.uk/news-advice/Statement_ETV_130716.asp

2 August 2016 – Scottish Govt announces Northern Isles ferry fares freeze as work continues to reduce fares on this network. This leads on to consultation to help determine ferry fare structure as of 2018, launched on 4 October. <http://news.scotland.gov.uk/News/Fare-freeze-for-Northern-Isles-ferries-27e2.aspx>

2 and 3 August 2016 – Islands Minister visits Shetland and Orkney.

12 August 2016 – Officers attend meeting with Marine Scotland where it is agreed that a Memorandum of Understanding that could underpin an administrative pilot should be developed, along with a Working Paper to capture the islands practical proposals for managing it.

23 August 2016 – New Islands Bill announced as Year 1 piece of legislation that will empower Scotland's island communities. <http://news.scotland.gov.uk/News/Empowering-our-islands-2945.aspx>



12 August 2016 – Crown Estate Stakeholders Advisory Group met.

25 August 2016 – The Islands Minister announced that a new Islands Strategic Group would be formed, to include all Scottish local authorities with islands, extending the membership of the previous Island Areas Ministerial Working Group. <http://news.scotland.gov.uk/News/New-Islands-Strategic-Group-announced-2965.aspx>

15 September 2016 – Crown Estate Stakeholders Advisory Group met.

28 September 2016 – First meeting of new Islands Strategic Group in Edinburgh, focusing on the Islands Bill.

29 September 2016 – meeting of Islands Transport Forum where scoping paper on reinstatement of business user eligibility in Air Discount Scheme presented. The Islands Minister also agreed to look into integrating fixed links into national policy.

18 October 2016 – Crown Estate Stakeholders Advisory Group met.

21 October 2016 – A draft Order in Council to establish Crown Estate Scotland (Interim Management) was laid in Parliament, the next step in ensuring the early transfer of the management of the Crown Estate assets to Scotland. www.legislation.gov.uk/id/sdsi/2017/9780111033388

24 October 2016 – Scottish Govt announces that the definition of fuel poverty is to be reviewed to ensure help is targeted at those who need it most. The Scottish Fuel Poverty Strategic Working Group and Scottish Rural Fuel Poverty Task Force reports were published, outlining over 100 recommendations to address this issue. A research paper on the likelihood of being fuel poor in rural Scotland was also published. <http://news.scotland.gov.uk/News/Tackling-fuel-poverty-2d8f.aspx>

24 November 2016 – Scottish Parliament debates motion from Islands Minister on Supporting and Strengthening Scotland's Island Communities
<http://www.scottishparliament.tv/Archive/Index/813631ee-5f5f-44d3-ba9a-787a1cdec43?categoryId=0e09056e-d8c6-486f-b90e-76fa8c758214&parentCategoryClicked=False&pageNumber=1&orderByField=ScheduledStart&queryOrder=DESC>

19 December 2016 – Second meeting of Islands Strategic Group, hosted in Bute, focusing on renewable energy, Scottish Energy Efficiency Scheme, planning reform, Social Enterprise Strategy, Islands Bill and depopulation.

26 January 2017 – Officer engagement with UK and Scottish Govt civil servants on the proposed Islands Deal.

28 February 2017 – Crown Estate Stakeholders Advisory Group met.

2 March 2017 – Political leadership engagement with Islands Minister and Cabinet Secretary for Environment, Climate Change and Land Reform regarding Crown Estate.

2 March 2017 – Political leadership engagement with Islands Minister on potential Islands Deal.

8 March 2017 – SIC discusses and agrees response to 'A Consultation on the Long Term Management of the Crown Estate in Scotland'

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5205>

30 March 2017 – Third meeting of Islands Strategic Group, in Edinburgh, focusing on Brexit, Social Security reforms and Islands Bill.

4 May 2017 – local government elections

Joint Position Statement

May 2017 - Draft

Introduction

The three islands authorities of Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council have been working together in a programme of positive engagement since 2013. The main aim at the outset of the 'Our Islands: Our Future' (OIOF) campaign was to ensure that the particular needs and attributes of Scotland's three wholly island areas would be adequately acknowledged and recognised by Governments at a time of potentially significant constitutional change.

The purpose of this document is to update the OIOF strategic objectives and set out what we are seeking to focus on as a campaign. This will provide us with a way to make best use of our resources and help monitor progress.

Policy framework and approach

Recognising that the three island groups have more that unites than divides us, we have sought to work together, sharing expertise and experience in the many technical areas on which we have sought to exercise influence. We have also sought to speak with one voice on behalf of all three areas when engaging with Government and interested parties outwith the islands.

It has been recognised throughout the campaign work that there will be occasions when the islands' interests diverge. However, at all times we have been, and remain, committed to working constructively to deliver on our objectives, respecting each others' positions. This collaborative approach has proved to be very productive.

The three islands authorities derive the strategic mandate for the priorities from the respective Single Outcome Agreements, Corporate Plans, key strategy documents and Council decisions. The priorities are strengthened by evidence from local and national studies on various aspects of islands life. Through these, we are committed to finding ways of making

positive contributions to the sustainability and wellbeing of our islands in the coming years.

Ours continues to be a proactive approach to tackling the challenges our island communities face. It is not about sitting back and letting change happen, nor is it about expecting handouts or adopting an insular approach. Our islands enjoy rich natural resources, particularly in terms of seafood and energy. These resources are important on a national scale. Our islands also enjoy distinct cultural identities, and have a strong sense of fairness and social justice. We see the outcomes from OIOF as mutually beneficial for the islands and Scotland / UK, with the potential to help further realise the islands' considerable potential.

We have taken the approach that there may also be benefits that can derive to Scotland's many other coastal and island communities as a result of our work. We are committed to that and will continue to engage positively with COSLA and Councils with islands.

Strategic principles

Our overarching objective is to seek to secure the best possible outcome for the three island groups from our interaction with Scottish and UK Governments in the coming months and years.

Having received statements of intent from the UK Government "A Framework for the Islands" and the Scottish Government "Empowering Scotland's Islands Communities" ahead of the Independence Referendum, we will continue to engage with both Governments to ensure the proposals contained in those documents are delivered.

We are also conscious of the ever-shifting political landscape in which we operate and therefore will seek to make the most out of any opportunity that arises from the process of transferring powers between UK and Scottish Parliaments, the UK's withdrawal from the EU and electoral mandates.

In that respect, we will continue to adopt a party politically neutral position, seeking to achieve cross-party support for the campaign's objectives.

Our campaign will continue to be founded on three strategic principles, outlined overleaf:

Local control and local decision making

We feel decisions which affect communities should be made as close to those communities as possible. Applied in a meaningful sense, that would mean local communities are able to influence key decisions that affect them. We support the principles established by the European Charter of Local Self Government, Articles of the Treaty of Lisbon and the findings of the Commission on Strengthening Local Democracy. We also remain committed to the principles established by the Committee of Enquiry and Functions and Powers of the Island Councils of Scotland (1984) chaired by Sir David Montgomery, one of which was:

- Opportunities should be taken whenever possible to consolidate, develop and extend the powers of Island Councils in a continuing process of development in the local government of the islands.

We feel that the devolution of meaningful powers to local level provides a key to re-engaging the public in democracy and represents a significant opportunity to empower local organisations to develop solutions to the challenges they face.

We will continue to seek meaningful implementation of these important principles by UK and Scottish Governments, as appropriate.

Island proofing

Island communities are aware from years of experience that national policy and legislation can often have unintended negative effects when applied in a local context.

Therefore, we believe that the design of national policy initiatives and legislation must take account of the challenges we face as island communities. This will allow issues to be highlighted and solutions to be developed, with island community input, before implementation. This again aligns with the Montgomery Committee report, which concluded:

- Acts of Parliament should include a position to vary the application to the Islands areas.

We continue to seek to embed the concept of island proofing in both UK and Scottish Government working arrangements and will work hard to ensure the new Islands Bill delivers this outcome.

Community benefit

The OIOF campaign is committed to promoting and enhancing the wellbeing of our islands. We believe that there should be active local participation in large-scale developments on and around the islands and communities should enjoy a fair share of any benefits.

This would align with our ongoing work on devolution of Crown Estate management, as recommended in the Smith Commission Report.

We will pursue this principle with UK and Scottish Governments and private industry as and when the opportunity arises.

Operational priority areas

Our campaign recognises that, in order to make the best use of available campaign resources, we must adopt a proportionate approach to our activities. Therefore, the campaign will focus on the following key areas, underpinned by the strategic principles and building on the first OIOF Joint Position Statement issued in June 2013.

1. Islands Bill: Seeking to ensure that the Islands Act is as meaningful as possible for the islands, particularly in terms of island proofing and the National Islands Plan.
2. Islands Deal: Securing a Deal with both Governments, that aims to enhance local democracy and achieve our islands' full economic potential.
3. Control of the sea bed / Crown Estate: Having control of revenues currently paid to the Crown Estate and managing the foreshore and sea bed for the benefit of our communities.

It is recognised that, having established channels for discussion with both Governments, there are other, service-related issues, the Islands Councils will wish to raise. While some of these issues will be pursued in other ways, OIOF will seek to support work on these specific issues, working with the political and officer leadership in each Islands Council, wherever it is considered OIOF involvement would be helpful. Key areas for OIOF attention are:

- Transport: External Transport Links – Working with Government to secure a fairer system of fares for lifeline ferry and air connections; Inter Island Transport Links – Working with Government to establish a fairer system of funding services and infrastructure.
- Digital connectivity: Creating a level playing field between island communities and other communities in the UK, to deliver improved broadband and mobile connection/resilience.
- Fuel poverty: Maintaining pressure on Government to find ways of reducing fuel poverty levels across the islands.
- Energy: Having meaningful engagement with the oil and gas industry and seeking to ensure effective development of islands renewable energy resources with genuine community participation and benefits.

It is expected OIOF would raise these issues through existing Islands Council channels to Government, such as the Scottish Government's Islands Strategic Group, Islands Transport Forum and UK Government's Islands Summit and Oil and Gas Forum.

Commitment to joint working

The three islands authorities have collaborated in a very effective way during the lifetime of this campaign. This Position Statement builds on these achievements and seeks to create the conditions to ensure that they continue into the future.

We therefore commit ourselves to further close co-operation and joint working under the OIOF banner. We will ensure that our councils give each other mutual assistance whenever possible and, where appropriate, we will consider co-funding initiatives and research on matters which have a uniquely islands dimension.

We will continue to adopt a party politically neutral position and seek to engage external bodies in a positive manner, with the ultimate aim always being adherence to our strategic principles and delivery of outcomes which will deliver positive benefits for our Island areas.



**Shetland
Islands
Council**



Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Zetland Educational Trust: Annual report and financial statements for the year to 31 March 2017	
Reference Number:	F-054-F	
Author / Job Title:	Executive Manager – Finance	

1.0	Decisions / Action required:
1.1	That the Council: <ul style="list-style-type: none"> a) Notes the Zetland Educational Trust annual report and financial statements for the year to 31 March 2017 (Appendix 1) and; b) Notes the information at section 4.0 that highlights the key points from the report and financial statements.
2.0	High Level Summary:
2.1	Each trust registered with the Office of the Charities Regulator (OSCR) at 31 March 2017 is required to prepare a Trustees' Annual Report for 2016/17, which The report and associated financial statements are attached at Appendix 1.
2.2	The annual report and financial statements must be independently audited. For 2016/17, Deloitte LLP is the appointed auditors. The audited accounts will be formally presented to the Council on 21 September 2016 for approval.
3.0	Corporate Priorities and Joint Working:
3.1	The preparation and presentation of the annual report and financial statements is a responsibility of the trustees of the Zetland Educational Trust.
4.0	Key Issues:
4.1	The Trustees' Annual Report gives an overview of the Trust's performance and activity in 2016/17 and can be found on page 1.
4.2	The Trust made a surplus of £1,579 in 2016/17.
4.3	The Trust held cash and bank balances of £667,320 at 31 March 2017.
5.0	Exempt and/or confidential information:
5.1	None.
6.0	Implications :
6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None

6.3 Equality, Diversity and Human Rights:	None	
6.4 Legal:	Councillors, as trustees of Zetland Educational Trust, has responsibility for the preparation of Trustees' Annual Reports in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations (Scotland) 2006.	
6.5 Finance:	None	
6.6 Assets and Property:	None	
6.7 ICT and new technologies:	None	
6.8 Environmental:	None	
6.9 Risk Management:	The Trustees' Annual Report and Financial Statements are subject to independent audit by 30 September 2017 to mitigate the risk of material misstatement.	
6.10 Policy and Delegated Authority:	All members of Shetland Islands Council are trustees of the Zetland Educational Trust, with responsibility for making judgements and estimates that are both reasonable and prudent, whilst also keeping adequate and up to date accounting records.	
6.11 Previously considered by:	N/A	

Contact Details:

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28 June 2017

Appendices:

Appendix 1: Zetland Educational Trust Draft Annual Report and Financial Statements for year to 31 March 2017

Background Documents: *The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts Regulations (Scotland) 2006.*

ZETLAND EDUCATIONAL TRUST SCHEMES

1961 TO 1965



UNAUDITED TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Contents

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Statement of Balances as at 31 March 2017.....	5
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ZETLAND EDUCATIONAL TRUST
TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

1. INTRODUCTION

The Trustees present their annual report together with the financial statements and the auditor's report for the year ended 31 March 2017.

ADMINISTRATION INFORMATION

Charity Name	Zetland Educational Trust Schemes 1961 to 1965, known as Zetland Educational Trust (ZET)
Charity Number	SC001146
Contact Address	Shetland Islands Council Office Headquarters 8 North Ness Business Park Lerwick Shetland ZE1 0LZ
Current Trustees	Shetland Islands Council
Auditor	Karlyn Watt Deloitte LLP Union Plaza 1 Union Wynd Aberdeen AB10 1SL

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Zetland Educational Trust (ZET), as currently constituted, was formed in 1961 (amended in 1965) through the amalgamation of a number of bequests. It is registered with the Office of the Scottish Charity regulator (OSCR) and its governing document is a trust deed.

The Zetland Educational Trust comprises of a number of endowments as specified in the Zetland Educational Trust schemes 1961 and 1965, which are vested in Shetland Islands Council as the governing body and statutory successors to the County Council for the County of Zetland.

TRUSTEES

The trustees of ZET are the elected members of Shetland Islands Council and are appointed through their election to the Council.

The Executive Manager – Finance is the designated officer within Shetland Islands Council with responsibility for the proper administration of the trust's financial affairs and for keeping adequate and up to date accounting records.

The Executive Manager – Finance is responsible for ensuring that the financial statements of ZET are produced in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended), for making judgements and estimates that are both reasonable and prudent, and for taking steps to prevent and detect fraud and other irregularities.

ZETLAND EDUCATIONAL TRUST

TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

The Executive Manager – Finance has considered and taken steps to address any risks to which the charity may be exposed, in particular those related to its operation and finances. Trustees are satisfied that adequate systems are in place to mitigate exposure to such risks.

MANAGEMENT

The elected members, as trustees, are responsible for all major decisions relating to the trust.

Authority to award grants has been delegated by the trustees to Shetland Islands Council Children's Services. The nominated officer is the Executive Manager – Quality Improvement.

The Executive Manager – Quality Improvement has the power to authorise expenditure within the limits of the Trust's annual income. Designated staff within Children's Services are responsible for the day-to-day administration of the funds.

3. OBJECTIVES & ACTIVITIES

CHARITABLE PURPOSES

The purpose of the trust is the advancement of education of people belonging to Shetland.

The Zetland Educational Trust generally provides grants amounting to 75% of total project costs, with the remainder of project costs to be met by fundraising activities or in-kind support. The Trust does not give funds retrospectively. Applications are invited on an annual basis from individuals, schools and other educational organisations operating in Shetland.

The amount of funds available for disbursement will vary each year depending on interest received by the trust.

The trust will fund projects that fall under the following headings:

- **Educational excursions**

The trust may provide assistance to meet the costs of organised educational excursions for the benefit of pupils attending school centres in Shetland. The pupils should derive some educational benefit from attending the excursion.

- **Special equipment**

The trust may fund the enhancement of education by assisting the provision of special equipment additional to that which the local authority may reasonably be expected to supply.

- **Promotion of ability and skill in swimming**

The trust may fund the promotion and encouragement of swimming among pupils in Shetland through organised instruction by paying fees, travelling expenses and personal expenses of teams, instructors and any other appropriate costs.

- **Promotion of knowledge of Shetland**

The trust may fund the promotion of knowledge of Shetland: its character, its skills and its arts, among persons being educated in Shetland by, for example, assisting to meet the costs of museum provision, making films designed to develop the knowledge of Shetland and any other appropriate costs.

ZETLAND EDUCATIONAL TRUST
TRUSTEE'S ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

- **Educational experiments and research**

The Trust may fund bodies, or other persons it approves, to undertake educational experiments and research, including archaeological research that, in its opinion, will be for the educational benefit of persons in Shetland.

4. PERFORMANCE

The Trust's only regular source of income is bank interest.

In the year to 31 March 2017 there were 12 bursaries awarded to university students in support of their studies, totalling £2,400 (2015/16 £2,000). These bursaries are issued in the name of the original donors: E&M Gair (nine awards) and Arthur Anderson (three awards). These awards will continue to be awarded as the students progress through their degree programmes.

The Trust also provides grants for projects of a general educational nature in line with the objectives set out above. There were no such disbursements in the year to 31 March 2017 (2015/16 nil).

5. FINANCIAL REVIEW

OVERVIEW

In the year to 31 March 2017, the Trust made a surplus of £1,579 (2015/16 £3,193).

At 31 March 2017 the trust held cash and bank balances amounting to £667,320 (2015/16 £665,741).

RESERVES POLICY

The trustees approved the transfer of the Trust's reserves of £660,000, currently invested in a fixed term deposit account, to be invested in a Corporate Bond Fund. The fixed term deposit is due to end on 28 April 2017.

6. DECLARATION

This report was signed on behalf of the trustees on 28 June 2017 by:

.....
Jonathan Belford, CPFA
Executive Manager – Finance
28 June 2017

ZETLAND EDUCATIONAL TRUST

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2017

The Statement of Receipts and Payments, as required by the Charities Accounts (Scotland) Regulations 2006, provides an analysis of the incoming and outgoing cash and bank transactions for the year.

	Note	Unrestricted Funds £	2016/17 £	2015/16 £
Receipts				
Income from bank investments		3,979	3,979	5,193
Total receipts		3,979	3,979	5,193
Payments				
Investment management costs		-	-	-
Auditor's Fee		-	-	-
Grants and donations	3	2,400	2,400	2,000
Total payments		2,400	2,400	2,000
Net receipts / (payments)		1,579	1,579	3,193
Surplus / (deficit) for year		1,579	1,579	3,193

ZETLAND EDUCATIONAL TRUST
STATEMENT OF BALANCES AS AT 31 MARCH 2017

The Statement of Balances, as required by the Charities Accounts (Scotland) Regulations 2006, reconciles the cash and bank balances at the start and end of the financial year, with any surpluses shown in the Statement of Receipts and Payments.

	Note	Unrestricted Funds £	2016/17 £	2015/16 £
Cash and bank				
Opening balance		10,741	10,741	7,548
Less transfer to Investments		(5,000)	(5,000)	-
Surplus / (Deficit) for the year		1,579	1,579	3,193
Closing balance		7,320	7,320	10,741
Market valuation of investments				
Bank of Scotland - Fixed Term Deposit		660,000	660,000	-
Bank of Scotland - Current Account		-	-	655,000
Total Investments		660,000	660,000	655,000
Trust balances at 1 April 2016		665,741	665,741	662,548
Less surplus / (deficit) for the year		1,579	1,579	3,193
Trust Balance at 31 March 2017		667,320	667,320	665,741

Approved by the trustees on 28 June 2017 and signed on their behalf by:

.....
Jonathan Belford, CPFA
Executive Manager – Finance
28 June 2017

ZETLAND EDUCATIONAL TRUST

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Accounting

The financial statements have been prepared on a receipts and payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are designed to give a true and fair view of the financial performance and position of the Trust for the financial year.

2. Trustee Remuneration, Expenses and Related Party Transactions

- a) No remuneration or expenses were paid during the period to any trustee or persons connected to a trustee during 2016/17;
- b) There were no related party transactions during the year; and
- c) Shetland Islands Council has not charged the Trust any fees for legal, financial or administrative services provided during the year.

3. Bursaries and Grants

Type of activity or project supported	2016/17		2015/16	
	Number	£	Number	£
Disbursements				
Arthur Anderson Bursaries	3	600	4	800
E & M Gair Bursaries	9	1,800	6	1,200
Total	12	2,400	10	2,000

4. Cash and Investments

There are two bank accounts held by the trust: a fixed term deposit account that earns interest and a cheque account, from which payments are made.

5. Taxation

The Zetland Educational Trust is not liable to income or capital gains tax on its activities. Irrecoverable VAT is included in any expense to which it relates.



Meeting(s):	Policy & Resources Committee Shetland Islands Council	19 June 2017 28 June 2017
Report Title:	Shetland Islands Council 2016/17 Draft Outturn	
Reference Number:	F-041-F	
Author / Job Title:	Jonathan Belford Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Policy & Resources Committee RECOMMENDS that the Council RESOLVES to:
- NOTE the 2016/17 draft outturn position; and
 - APPROVE the 2016/17 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 "2016/17 Financial Review".

2.0 High Level Summary:

- 2.1 The purpose of this report is to present the overall draft outturn position for Shetland Islands Council for 2016/17.
- 2.2 The draft outturn position has exceeded the target set out in the Medium Term Financial Plan for the year and this successful management of the overall financial resources for 2016/17 is a continuing crucial element of aligning expenditure with available resources, which is a corporate objective.
- 2.3 The total net draw from reserves for 2016/17 is £5.751m. This is £10.578m less than the revised net budgeted draw on reserves of £16.329m. The General Fund requires a draw of £16.833m, the Asset Investment Plan requires a draw of £2.612m and Spend to Save projects a draw of £0.491m. The Harbour Account contributes £12.118m and the Housing Revenue Account contributes £2.067m to the Council reserves at the year end.
- 2.4 All accounts more than achieved their budgets either through lower service costs or increased income. Looking at the use of Council reserves, the main underspend is on the General Fund which is £4.449m less than the revised budget. This has been achieved through a combination of reduced service spending, particularly in relation to overall staffing costs, and increased income, in particular from economic development investments and recharges to other Council accounts. The Harbour Account and the Housing Revenue Account both exceeded their budgeted contributions by £1.093m and £1.163m respectively, again through a combination of reduced spending, particularly in relation to the funding of capital expenditure from revenue, and from increased income, an example being the additional income received through the Shetland Gas Plant agreement.
- 2.5 In relation to using funding from reserves in the future – as a consequence of underspending - Services have requested carry forwards in line with the Carry

Forward Scheme of £7.567m, of which £2.413m is for revenue services, £4.708m for capital projects and £0.446m for Spend to Save projects.	
2.6	In addition there are capital project carry forwards from Services that will be funded from borrowing and these requests amount to £5.779m. This means a total of £13.346m in carry forward commitments will be funded in 2017/18.
2.7	The financial review of the 2016/17 draft outturn position is set out in Appendix 1 to this report. This will be subject to final accounting and audit adjustments as part of the year end accounts preparation process.
3.0 Corporate Priorities and Joint Working:	
3.1	There is a specific objective in the Corporate Plan on which Finance leads and relates to how the Council seeks to achieve its objectives. This is “Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means.”
3.2	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.
4.0 Key Issues:	
4.1	The net draw from reserves is substantially less than the target set out in the MTFP which will help to support the Plan going forward.
4.2	This year the value of Council investments has increased by 22.9% which is a welcome improvement from last year where there was a fall of 1.2%. This provides confidence in the MTFP that the Council can maintain annual contributions to the revenue budget in the medium to long term.
4.3	The carry forwards proposed can be met from the 2016/17 underspend and therefore will not negatively impact upon the MTFP going forward.
4.4	The review of the Council accounts and financial position as at the end of 2016/17 is contained within the “2016/17 Financial Review” attached as Appendix 1.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications:	
6.1 Service Users, Patients and Communities:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.2 Human Resources	There are no implications arising from this report, any issues will be highlighted in the service committee reports.

and Organisational Development:	
6.3 Equality, Diversity and Human Rights:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.4 Legal:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.5 Finance:	<p>There is a net draw on reserves required to balance the budget in 2016/17 of £5.751m (unaudited figure) which is £10.578m less than the revised net budget of £16.329m. Prior years required draws on/(contributions to) reserves as follows; (£5.8m) in 2015/16, £2m in 2014/15, £14.9m in 2013/14 and £21.5m in 2012/13.</p> <p>Services have requested £13.346m of carry forwards for both revenue and capital projects. This will require funding from Council reserves of £7.567m and borrowing of £5.779m.</p> <p>The Council is committed to providing an ongoing contribution from reserves to balance its budget in the medium to long-term and to do this must manage those reserves, and the investments that are funded by them, effectively to ensure this is both achievable and is delivered so that front-line services can be supported on an ongoing basis by the Council.</p> <p>Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.</p>
6.6 Assets and Property:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.7 ICT and new technologies:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.8 Environmental:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.9 Risk Management:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.10 Policy and Delegated Authority:	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital

	budgets for the 2016/17 financial year. The Policy & Resources Committee has delegated authority for securing the co-ordination, control and proper management of the financial affairs of the Council, and has referred authority to make recommendations to the Council as to the level of any expenditure not provided for in the annual budgets.	
6.11 Previously considered by:	Not applicable.	

Contact Details:

Hazel Tait, Team Leader Accountancy, Hazel.Tait@Shetland.gov.uk, 6 June 2017

Appendices:

Appendix 1 – 2016/17 Financial Review: The Council’s Draft Outturn Position

Background Documents:

Report: F-043-F Management Accounts for Harbour Board: 2016/17 – Draft Outturn Quarter 4

Report: F-045-F Management Accounts for Policy & Resources Committee: 2016/17 – Draft Outturn Quarter 4

Report: F-046-F Management Accounts for Development Committee: 2016/17 – Draft Outturn Quarter 4

Report: F-047-F Management Accounts for College Board: 2016/17 – Draft Outturn Quarter 4

Report: F-048-F Management Accounts for Environment & Transport Committee: 2016/17 – Draft Outturn Quarter 4

Report: F-049-F Management Accounts for Community Health and Social Care: 2016/17 – Draft Outturn Quarter 4

Report: F-050-F Management Accounts for Education & Families Committee: 2016/17 – Draft Outturn Quarter 4

END

Shetland Islands Council



2016/17 Financial Review

The Council's Draft Outturn Position

Securing the Best for Shetland

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1.0 Executive Summary

- 1.01 The 2016/17 draft outturn report sets out the actual spending position for the Council.
- 1.02 The draft outturn position has exceeded the target set out in the Medium Term Financial Plan for the year and this successful management of the overall financial resources for 2016/17 is a crucial step to evidencing the organisation's ability to live within its means and aligning expenditure with available resources, which is a corporate objective.
- 1.03 This improved financial performance from that which was approved as the budget for 2016/17, has been delivered in an environment that was challenging for the public sector and in the face of increasing costs and changing needs and demands being placed upon it.
- 1.04 The underspend on revenue and delays experienced in capital expenditure mean that funds require to be carried forward from 2016/17 into 2017/18. The total value of this is £13.346m, of which £5.779m will be funded by borrowing and the balance coming from the Council's own resources, made up from income received but not yet used and Council reserves (£7.567m).
- 1.05 The total net draw on reserves to balance the budget in 2016/17 of £5.751m, (unaudited figure) is due mainly to fortuitous underspends across revenue and capital. With the exception of 2015/16 when there was a net contribution to reserves of £5.8m, in previous years, the draw on reserves were as follows; £2.0m in 2014/15, £14.9m in 2013/14 and £21.5m in 2012/13. The continued good progress is evident with the Council using its reserves at a level that is both affordable and if it were continued at this level would be sustainable.
- 1.06 The Council has prioritised the use of its investment returns and the surpluses it generates from the Harbour Account to support front-line services and because of this there is a continuing requirement to draw from reserves – this being the mechanism to access those returns and surpluses. Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.

2016/17 Draft Movement (to)/from Reserves Summary

- 1.07 The table below shows a draft draw from reserves of £5.751m against a targeted draw of £16.329m giving a reduction in the use of reserves against the revised budget of £10.578m. Also shown is a summary of the carry-forwards that relate to the use of reserves, a sum requested of £7.567m, which will result in an additional draw from reserves in 2017/18, over and above the approved budgets. This is affordable because of the underspend that was achieved in 2016/17.

Spending Area - Reserves	2016-17 Revised Budget £m	2016-17 Actual £m	2016-17 Variance £m	2016-17 Proposed Carry Forwards £m	2016-17 Revised Variance £m
General Fund	21.282	16.833	4.449	2.413	2.036
Harbour Account	(11.025)	(12.118)	1.093	0.000	1.093
Housing Revenue Account	(0.904)	(2.067)	1.163	0.000	1.163
Asset Investment Plan (Capital Programme)	5.379	2.612	2.767	4.708	(1.941)
Spend to Save (Capital and Revenue)	1.597	0.491	1.106	0.446	0.660
TOTAL DRAW ON RESERVES	16.329	5.751	10.578	7.567	3.011

Investments Health Check

- 1.08 The value of the externally invested funds stood at £333.8m on 31 March 2017 (£286.6m 31 March 2016). The valuation of funds invested as at the 31 March 2017 has increased by £47.2m since 31 March 2016; this includes £20m withdrawn from investments to fund cash flow requirements during the year. Having adjusted for those withdrawals, the overall investment return for the financial year was 22.9%.
- 1.09 The cash flow requirement during the year from investments of £20m was to fund both revenue and capital expenditure.
- 1.10 The financial year 2015/16 resulted in poor investment returns, and a fall in the value of those investments by 1.2%, which meant that Council investments returns fell behind the anticipated future long term return rate that is required to fund the medium and long-term funding assumptions. In the 2016/17 financial year, this position was reversed and provides the Council with confidence that it can maintain annual contributions to the revenue budget in the long term.
- 1.11 This will be reflected in the updated Medium Term Financial Plan in February/March 2018. However, it is important to recognise that stock market values will fluctuate from year to year, and this should not form a basis for altering the current course so that the Council can continue to set affordable budgets and address the medium to long-term financially sustainability challenges.

2.0 The 2016/17 General Fund

2.01 The 2016/17 General Fund budget and actual comparison is set out in the table below:

Line No.	Description	2016-17 Revised Budget £000	2016-17 Actual £000	2016-17 Variance £000	2016-17 Proposed Carry Forwards £000	2016-17 Revised Variance £000
1	Chief Executive & Cost of Democracy	1,788	1,755	33	28	5
2	Children's Services	40,081	39,954	127	224	(97)
3	Community Health & Social Care	19,512	19,201	311	620	(309)
4	Corporate Services	8,576	8,335	241	197	44
5	Development Services	14,698	13,815	883	377	506
6	Infrastructure Services	20,011	19,725	286	424	(138)
	<i>Centrally Managed Budgets:</i>					
7	Energy	2,440	2,472	(32)	0	(32)
8	Water	362	308	54	0	54
9	Building Maintenance	1,983	1,976	7	0	7
10	Grass Cutting	146	141	5	0	5
11	FMU	752	707	45	0	45
12	Insurance	879	924	(45)	0	(45)
13	Training	655	626	29	0	29
14	Office Buildings	1,857	1,845	12	0	12
15	Fund Manager Fees	875	870	5	0	5
16	GENERAL FUND SERVICES NET EXPENDITURE (equals lines 1-15)	114,615	112,654	1,961	1,870	91
17	Allocation to the Integrated Joint Board (IJB)	19,512	19,201	311	0	311
18	Contribution from the Intergrated Joint Board (IJB)	(20,450)	(20,079)	(371)	0	(371)
19	NET CONTRIBUTION FROM THE IJB (equals lines 17-18)	(938)	(878)	(60)	0	(60)
20	Contingencies & Budget Pressures	1,354	(13)	1,367	543	824
21	Interest on Revenue Balances	(26)	(13)	(13)	0	(13)
22	Economic Development Investment Income	(800)	(1,625)	825	0	825
23	Spend to Save Unallocated	1,000	0	1,000	250	750
24	Support Recharges to Other Council Accounts, e.g. Harbour, HRA, Pension Fund and Capital	(1,723)	(2,055)	332	0	332
25	TOTAL NET GENERAL FUND EXPENDITURE (equals line 16 plus lines 19-24)	113,482	108,070	5,412	2,663	2,749
	Funded by:					
26	GRG/NNDR (Scottish Government Allocation)	(82,695)	(82,696)	1	0	1
27	Council Tax	(8,505)	(8,541)	36	0	36
28	TOTAL CORE FUNDING (equals lines 26-27)	(91,200)	(91,237)	37	0	37
	Deficit to be funded from Reserves:					
29	Draw on Reserves – General Fund	(10,258)	(4,715)	(5,543)	(2,413)	(3,130)
30	Draw on Reserves - Equivalent to Harbour Account Surplus	(10,331)	(11,173)	842	0	842
31	Draw on Reserves - Shetland Gas Plant	(693)	(945)	252	0	252
32	Draw on Reserves –Spend to Save	(1,000)	0	(1,000)	(250)	(750)
33	TOTAL FUNDING FROM RESERVES (equals lines 29-32)	(22,282)	(16,833)	(5,449)	(2,663)	(2,786)
34	TOTAL FUNDING (equals line 28 plus line 33)	(113,482)	(108,070)	(5,412)	(2,663)	(2,749)
35	Balanced budget (lines 25 plus 34)	0	0	0	0	0

Net Expenditure

2.02 The General Fund Services Net Expenditure was budgeted to be £114.615m in 2016/17 as shown at Line 16 in the table above, actual expenditure of £112.654m has been incurred resulting in an underspend for the year of £1.961m. This expenditure represents the spending on the day to day costs of Council services. Detailed variances are included in the individual committee reports. A high level summary of the main variances is set out below:

2.03 Chief Executive & Cost of Democracy (**£0.03m or 2% underspend**)

- There are no significant variances.

2.04 Children's Services (**£0.13m or 0.3% underspend**)

- Overspend on Children's Residential service due to increased need (£253k);
- Recurring savings identified through staffing reductions and operational efficiencies across the Quality Improvement/Schools service £305k.

2.05 Community Care Services (**£0.31m or 2% underspend**)

- Staffing underspends across the service £1,025k;
- Overspends in relation to Holiday Pay entitlement (£334k) and Off Island Placements (£469k) for which contingency was available if required, but was not applied as the costs could be met from underspends within the Directorate.

2.06 Corporate Services (**£0.24m or 3% underspend**)

- Grant income from DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments, all of which was not awarded and will be carried forward to be used in 2017/18 £104k;
- Underspend due to no expenditure being incurred on a systems review £70k.

2.07 Development Services (**£0.88m or 6% underspend**)

- Underspends on funding relating to progressing the tertiary review £134k, Economic Development Grants remained unspent due to a low uptake because of current market uncertainties £355k, vacancies within the Housing Support Service £105k and continuing difficulties in recruiting to professional posts across the Planning Service £170k;
- Overspend due to a significant increase in the cost of providing school transport (£163k).

2.08 Infrastructure Services (**£0.29m or 1% underspend**)

- Underspends due to remedial works funded by TOTAL, for damage to roads as a result of increased traffic to the Gas Plant, which were unable to be scheduled in 2016/17 £339k, and reduction in bitumen, fuel and maintenance costs at Scord related to reduced production requirements £271k;

- Overspend as a result of re-scheduled drydocks for Daggri and Linga, due to overrun on Geira drydock in 2015/16 for additional emergency repair works. (£277k);

2.09 Fund Managers Fees (**£0.005m or 1% underspend**)

- Fund Manager Fees are based on the value of the full range of managed investments the Council has for the year, and reflect market valuations and fund manager performance. For financial management purposes they are defined as non-controllable. Blackrock fee rate was significantly reduced in January 2017, the full year effect of which will only become clear in 2017/18.

Funding

2.10 The Scottish Government allocation is the Council's General Revenue Grant and the level of income that the Council will receive from the National Non-Domestic Rates Pool, this totalled £82.7m, a decrease from last year of £4.3m.

2.11 The increase in Council Tax collected of £36k is due to growth in the number of properties over that estimated in the budget.

2.12 The remainder of the funding required to balance the General Fund has to come from the Council's reserves. This was £16.833m in 2016/17 (Line 33 in the table at 2.01) against a budgeted draw of £22.282m, in line with the overall reductions in expenditure as explained in the previous section.

3.0 The 2016/17 Harbour Account

3.01 The 2016/17 Harbour Account budget and actual comparison is set out in the table below:

Line No.	Description	2016-17 Revised Budget £000	2016-17 Actual £000	2016-17 Variance £000
1	Sullom Voe	13,251	12,438	813
2	Scalloway	1,090	901	189
3	Other Piers	817	740	77
4	Jetties & Spur Booms	2,083	1,955	128
5	Terminals	1,090	714	376
6	HARBOUR ACCOUNT SERVICES EXPENDITURE (equals lines 1-5)	18,331	16,748	1,583
	Income			
7	Harbour Fees and Charges	(23,435)	(22,845)	(590)
8	Terminal Berthing Charges	(3,145)	(3,121)	(24)
9	Jetties & Spur Booms	(2,083)	(1,955)	(128)
10	Shetland Gas Plant	(693)	(945)	252
10	TOTAL CORE FUNDING (equals lines 7-9)	(29,356)	(28,866)	(490)
11	TOTAL HARBOUR ACCOUNT NET INCOME (equals line 6 plus line 10)	(11,025)	(12,118)	1,093
	Contributions (from)/to Reserves			
13	Contribution to Reserves – Reserve Fund	11,025	12,118	(1,093)
14	TOTAL FUNDING FROM/(TO) RESERVES (equals lines 12-13)	11,025	12,118	(1,093)
15	Balanced budget (line 11 plus line 14)	0	0	0

3.02 The Harbour Account budgeted for a contribution to the Reserve Fund of £11.025m in 2016/17 and this was over achieved by £1.093m resulting in contribution of £12.118m, comprising:

- Reduction in revenue funding requirement for capital projects £2m;
- Additional income specifically budgeted to meet prior year losses £967k;
- Reduced tanker income due to a Clair platform pollution incident, offshore maintenance and adverse weather impacting on the number of tankers (£1m);
- Extended drydocks required on Tugs due to unanticipated extensive additional works which were only identified once the vessels went into drydock (£847k);

3.03 The Ports and Harbours operations (excluding Shetland Gas Plant) generated an additional surplus of £841k, which means that the budgeted surplus has been achieved.

4.0 The 2016/17 Housing Revenue Account Budget

4.01 The 2016/17 Housing Revenue Account budget and actual comparison is set out in the table below:

Line No.	Description	2016-17 Revised Budget £000	2016-17 Actual £000	2016-17 Variance £000
	Expenditure			
1	Supervision & Management	725	747	(22)
2	Repairs & Maintenance	1,821	2,055	(234)
3	Void Rents & Charges	168	120	48
4	Garages	25	27	(2)
5	Capital Funded from Current Revenue	1,682	45	1,637
6	Capital Charges - Dwellings	1,621	1,710	(89)
7	TOTAL EXPENDITURE (equals lines 1-6)	6,042	4,704	1,338
	Income			
8	Interest on Revenue Balances	(2)	(1)	(1)
9	Rents - Dwellings	(6,763)	(6,552)	(211)
10	Rents - Other i.e. garages/sites etc	(181)	(218)	37
11	TOTAL INCOME (equals lines 8-10)	(6,946)	(6,771)	(175)
11	Contribution to/(from) Housing Repairs & Renewals Fund (Reserves)	904	2,067	(1,163)
12	TOTAL FUNDING (equals lines 11 plus line 12)	(6,042)	(4,704)	(1,338)
13	Balanced HRA budget (line 7 plus line 12)	0	0	0

4.02 The Housing Revenue Account (HRA) delivered against its 2016/17 budget. There was a contribution to the Housing Revenue Account balance of £2.067m. Detailed information is contained in the Development Committee report. The main variance was:

- Underspend due to less funding from current revenue (rental income) being required for capital expenditure. This was possible because Capital Receipts income was used instead, which was the result of higher than expected Council House sales for the year due to Right to Buy ending on 1 August 2016. This is a one off saving.

4.03 The net effect is an increased contribution to the Housing Revenue Account balance of £1.163m.

5.0 The Asset Investment Plan (Capital Programme) Budget

5.01 The 2016/17 Asset Investment Plan budget and actual comparison is set out in the table below:

Line No.	Description	2016-17 Revised Budget £000	2016-17 Actual £000	2016-17 Variance £000	2016-17 Proposed Carry Forwards £000	2016-17 Revised Variance £000
	Expenditure:					
1	New Developments/Contractually Committed Projects	17,251	8,957	8,294	8,294	0
2	Maintenance of Existing Assets	11,300	8,922	2,378	2,193	185
3	Spend to Save Projects	597	491	106	196	(90)
4	Housing Revenue Account Projects	2,573	2,519	54	0	54
5	TOTAL EXPENDITURE (equals lines 1-4)	31,721	20,889	10,832	10,683	149
	Income:					
6	Capital Grant/External Funding	(5,388)	(4,780)	(608)	0	(608)
7	Capital Funded from Current Revenue (GF/Harbour/HRA)	(5,033)	(1,557)	(3,476)	0	(3,476)
8	Capital Receipts (GF/Harbour/HRA)	(962)	(2,573)	1,611	0	1,611
9	TOTAL INCOME (equals lines 6-8)	(11,383)	(8,910)	(2,473)	0	(2,473)
	Funded by:					
10	Spend to Save – Draw on Reserves	(597)	(491)	(106)	(196)	90
11	(Draw from)/Contribution to Reserves	(5,379)	(2,612)	(2,767)	(4,708)	1,941
12	Borrowing – GF and Harbour Account	(14,362)	(8,876)	(5,486)	(5,779)	293
13	TOTAL DEFICIT FUNDING REQUIRED (equals lines 10-12)	(20,338)	(11,979)	(8,359)	(10,683)	2,324
14	TOTAL FINANCING (equals lines 9 plus 13)	(31,721)	(20,889)	(10,832)	(10,683)	(149)
15	Balanced Asset Investment Plan	0	0	0	0	0

5.02 The Asset Investment Plan underspent against its revised expenditure budget for 2016/17 by £10.832m. This comprised mainly of:

- Underspends on the Halls of Residence and Clickimin works due to payments not being drawn down as fast as originally anticipated £5.1m, and on the Replacement Eric Gray Project due to work commencing on site later than planned £2m;
- Underspends and tendering delays on Ports & Harbours Operations projects £2.1m.

5.03 There is a requirement to request a carry forward of £10.683m.

6.0 Spend to Save Budget

6.01 The 2016/17 Spend to Save budget and actual comparison is set out in the table below, these budgets are included in the General Fund and Asset Investment Plan above :

Line No.	Description	2016-17 Revised Budget £000	2016-17 Actual £000	2016-17 Variance £000	2016-17 Proposed Carry Forwards £000	2016-17 Revised Variance £000
	Expenditure:					
1	Revenue Projects	1,000	0	1,000	250	750
2	Capital Projects	597	491	106	196	(90)
	- ET & Taing House Extension	291	379	(88)	0	(88)
	- Market St Store Redevelopment	305	109	196	196	0
	- Viking Bus Terminus/Shelters	1	3	(2)	0	(2)
3	TOTAL EXPENDITURE (equals lines 1-2)	1,597	491	1,106	446	660
	Funded by:					
4	Draw on Reserves - Spend to Save	(1,597)	(491)	(1,106)	(446)	(660)
5	TOTAL FUNDING (equals line 4)	(1,597)	(491)	(1,106)	(446)	(660)
6	Balance Spend to Save (equals lines 3 plus 5)	0	0	0	0	0

6.02 The 2016/17 Spend to Save budget was underspent due to no revenue projects coming to fruition in the year as originally anticipated, however services are reviewing how they currently operate and projects are likely to be forthcoming in 2017/18. A revenue budget carry forward of £250k has been requested to meet those projects. There is a requirement to request a capital carry forward of £0.196m to complete the Market Street store redevelopment works.

7.0 2016/17 Carry Forwards into 2017/18

7.01 The 2017/18 revenue budget, approved in February 2017, did not include any carry forward allocations; this is a matter to be considered following the end of the financial year. In line with the carry forward scheme there are a number of carry forward requests by Directorates into the new financial year. The table below sets these items out:

Revenue Carry Forwards Directorate	Reason	2016/17 Carry Forward Request £000	2017/18 Proposed Addition to Directorate Budget £000
Executive & Corporate	Committed Expenditure	103	
	50% Underspend	122	225
Children's' Services	External Funding	62	
	50% Underspend	162	224
Community Care	External Funding	40	
	50% Underspend	580	620
Development	Committed Expenditure	33	
	50% Underspend	344	377
Infrastructure	Committed Expenditure	352	
	50% Underspend	72	424
Contingency & Cost Pressure	50% Underspend	543	543
Spend to Save	Underspend	250	250
TOTAL EXPENDITURE			2,663
Funded by:			
Draw on Revenue Reserves in 2017/18			(2,413)
Draw on Revenue Reserves in 2017/18 - Spend to Save			(250)
TOTAL FUNDING			(2,663)
Balanced Carry Forwards			0

7.02 The 2016/17 outturn figures have been adjusted so that the revised variances in this report take account of the items above.

- 7.03 Similarly the 2017/18 Asset Investment Plan (capital budget) does not include any carry forward, but needs to take account of the ongoing nature of these projects to ensure that they are completed and funded. In line with the carry forward scheme only committed project underspends can be carried forward. The carry forward requests by Directorates into the new financial year are set out in the table below:

Capital Carry Forwards Directorate	Reason	2017/18 Proposed Addition to Directorate Budget £000
Children's' Services	Committed Projects	5,149
Community Care	Committed Projects	1,984
Development	Committed Projects	131
Executive and Corporate Services	Committed Projects	1,074
Infrastructure	Committed Projects	2,345
TOTAL EXPENDITURE		10,683
Funded by:		
Draw on Revenue & Capital Reserves in 2017/18		(4,708)
Draw on Capital Reserves in 2017/18 - Spend to Save		(196)
Borrowing		(5,779)
TOTAL FUNDING		(10,683)
Balanced Carry Forwards		0

- 7.04 The 2016/17 outturn figures have been adjusted so that the revised variances in this report take account of the items above.



Shetland Islands Council

Agenda Item

X

Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Shetland Islands Council Unaudited Accounts 2016/17	
Reference Number:	F-058-F	
Author / Job Title:	Executive Manager – Finance	

1.0 Decisions / Action required:

1.1 That the Council considers:

- a) the 2016/17 Unaudited Accounts for the Shetland Islands Council (Appendix 1) and;
- b) the information at section 4.0 that highlights the key issues from the 2016/17 accounts.

2.0 High Level Summary:

- 2.1 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.
- 2.2 The draft accounts are then required to be formally considered by the Council no later than 31 August.
- 2.3 The accounts are then subject to external audit by 30 September. 2016/17 is the first year of a five-year appointment with Deloitte LLP as external auditors, as appointed by Audit Scotland. The audited accounts will be presented to the Audit Committee and Council on 20 September 2017.

3.0 Corporate Priorities and Joint Working:

- 3.1 The preparation and presentation of the annual accounts is a key element of the Council's overall governance and reporting arrangements.

4.0 Key Issues:

- 4.1 The unaudited accounts include the following key points for members' consideration:
 - The Management Commentary provides an overview of the Council's financial performance during 2016/17, including a final draw on reserves of £5.751m;
 - There is a new Expenditure and Funding Analysis in the accounts (page 25) that reconciles the result calculated for accounting purposes to the revenue outturn position;
 - The Comprehensive Income and Expenditure Statement is no longer required to be presented in line with CIPFA's Service Reporting Code of Practice. This means that results are now shown in the Council's directorate structure;
 - The Council's group no longer includes the Shetland Charitable Trust because the Council does not invest any funds with the trust. The Council's share of results of the Orkney & Shetland Valuation Joint Board are deemed to be not material, therefore no Group Accounts are prepared this year;
 - As a result of the two changes noted directly above, the 2015/16 results have

been restated;

- The Council's usable reserves are detailed on page 40 and amounted to £244.4m at 31 March 2017. The majority are earmarked for specific purposes, however there is a sum of £24.3m in the unearmarked General Fund balance;
- The net assets of the Council reduced by £29m to £479m at 31 March 2017, arising from an increase in pension liability of £87m, offset by an increase in investments of £47m. This can be seen in the Balance Sheet on page 28.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	None
6.5 Finance:	None
6.6 Assets and Property:	None
6.7 ICT and new technologies:	None
6.8 Environmental:	None
6.9 Risk Management:	The annual accounts are subject to external audit by 30 September in order to mitigate risk of material misstatement.
6.10 Policy and Delegated Authority:	The preparation and presentation of the Annual Accounts is a key element of the Council's overall governance and reporting arrangements. Receiving the audited accounts of the Council and related certificates is a matter reserved by the Council.
6.11 Previously considered by:	The Annual Governance Statement was approved by the Audit Committee on 21 June 2017.

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28 June 2017

Appendices:

Appendix 1: Unaudited Annual Accounts 2016/17

Background Documents: *The Local Authority Accounts (Scotland) Regulations 2014*



Shetland Islands Council

Securing the best for Shetland

Unaudited Annual Accounts 2016/17



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Inside front cover photograph by Kevin Jones

Management Commentary

Introduction

This publication presents the financial statements of Shetland Islands Council and its group for the year ended 31 March 2017.

The purpose of the Management Commentary is to present an overview of the Council's financial performance during the year 2016/17 and to help readers understand its financial position at 31 March 2017. In addition, it outlines the main risks and uncertainties facing the Council for the financial year 2017/18 and beyond.

Background

Shetland Islands Council is one of 32 local authorities in Scotland. It is governed by 22 independent elected members serving a population of approximately 23,000 people. The Council is organised to provide and deliver its services as follows:



These directorates provide services to the public such as schools, public transport, economic development, social care, environmental health, housing, ports and harbours and roads. Full details on the services provided can be found on the Council's website: www.shetland.gov.uk

Strategy and Performance Management

Corporate Plan

During the year, Shetland Islands Council's corporate plan was refreshed. Called 'Our Plan 2016-2020', it sets out the Council's vision as follows:

'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'.

The plan is monitored through the quarterly reporting cycle of service performance reports, as well as an annual update to elected members and the Corporate Management Team. The full plan can be found at: <http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf>.

The plan details five top political priority areas for 2016-2020, as follows:

- Complete and move into the new Anderson High School and Halls of Residence;
- Increase the supply of affordable housing in Shetland;
- Improve high-speed broadband and mobile connections throughout Shetland;
- Provide quality transport services within Shetland, and push for improvements in services to and from Shetland Community Planning;
- Support older people across Shetland so that they can get the services they need to help them live as independently as possible.

Community Planning

The Council is a member of the Shetland Partnership, which is the local Community Planning Partnership for Shetland. Partners are drawn from across the public, private and third sectors in Shetland. The Community Plan sets out what the Partnership will try to do for Shetland over the long-term.

Community Planning in Shetland aims to create communities that are:

- Wealthier and fairer
- Smarter (learning and supportive)
- Healthier (healthy and caring)
- Safer
- Greener

The Community Plan is linked to the Local Outcomes Improvement Plan (LOIP), which sets out the activity and priorities of the Shetland Partnership to deliver the Community Plan. The LOIP is drawn up between the partners and communities and is designed to bring together the efforts of the Community Planning partners to address inequality and resilience in surrounding communities.

Creating a LOIP for the local area is a responsibility that has been given to Community Planning Partnerships by the Community Empowerment (Scotland) Act 2015. This Act aims to empower community bodies through ownership or control of land and buildings, and by giving them more say in decisions about public services. The legislation has significant implications for the Shetland Partnership in helping to shape the development of the LOIP and guide the approach to securing community participation in Community Planning.

Using the five Community Planning themes the LOIP contains the following key outcomes:

- Shetland has sustainable economic growth and all our people have the chance to be part of island life;
- Shetland is the best place for children and young people to grow up;
- We live longer healthier lives and people are supported to be active and independent throughout adulthood and in older age;
- Shetland is a safe place to live for all our people, and we have strong, resilient and supportive communities;
- We deliver all our services in an environmentally sustainable manner to safeguard and enhance our outstanding environment which underpins all our actions and our economic and social well-being.

There are a number of indicators that the Partnership will use to monitor how well it is progressing towards delivering and achieving the above outcomes. These indicators will be monitored on a quarterly basis by the Shetland Partnership Performance Group and progress will be reviewed annually in order to redefine targets and actions where required.

More information can be found at:

http://www.shetland.gov.uk/communityplanning/community_planning.asp

Service Performance

The Council's service committees receive quarterly financial and service performance information from each of the directorates. The following table provides brief information on some of the achievements of the directorates during the year:

Directorate	Achievements during 2016/17
Children's Services	<ul style="list-style-type: none"> • New Anderson High School project progressed within budget and on time; • Funding secured for new posts under the Developing the Young Workforce initiative to provide opportunities for young people leaving school; • Collaborating with the Northern Alliance to progress improvement in literacy and numeracy to close the attainment gap.
Community Health and Social Care	<ul style="list-style-type: none"> • New Eric Gray Resource Centre build progressing well; • Significant progress made by the Intermediate Care Team towards shifting balance of care further to the home setting, where appropriate; • Continued decrease in delayed discharges during 2016/17 with length of any delays reducing; • Locality-based support procured for people diagnosed with dementia.
Development Services	<ul style="list-style-type: none"> • Led a public engagement process focusing on 'the place we live' and its effects on wellbeing, preparing a report on Shetland's Place Standard to inform a range of key Plans and Strategies, e.g. Local Development Plan; • Secured commitment from the Scottish Government for over £2.5m for investment in new affordable housing; • Developed and implemented a new commercial lending service, policy and fund; • Engaged, in conjunction with Orkney Islands Council, Transport Scotland and the Scottish Government on specification and fair funding requirements for the inter-island transport services; • Worked with colleagues from Orkney and Western Isles to develop a draft Islands Deal as part of the 'Our Islands Our Future' project; • Worked with Corporate Services to produce a planning brief for the Knab Site; • Delivered a programme of participatory budgeting and community choices projects, with engagement from more than 1,000 people.
Infrastructure Services	<ul style="list-style-type: none"> • Mill Brae, Scalloway footpath widened and improved using Sustrans funding to encourage active travel to Scalloway School; • External funding of almost £3m secured by the Energy Team for carbon reduction related projects to help alleviate fuel poverty for 150 households; • Fitted vehicle tracking system to 230 vehicles to improve the management of routes, lone worker and driver safety and reduce carbon emissions and fuel usage; • Completed ferry terminal upgrades, ensuring toilets and waiting rooms are more energy efficient, comfortable and accessible for disabled and elderly people.
Corporate Services	<ul style="list-style-type: none"> • Deployed business continuity plans to ensure that front-line and support services were operational within 24 hours of moving from 8 North Ness; • Continued to deliver strong and robust financial management arrangements across the organisation and completed a review of the medium and long-term financial planning assumptions; • Developed the Council's first set of Values and Behaviours and completed a corporate Viewpoint Plan in response to staff feedback; • Helped hundreds of people in financial hardship through the provision of benefits and supported those in immediate need with crisis and community care grants, benefiting the most vulnerable in the community; • Undertook the secretariat role for the three island authorities, working in partnership and assisting the development of legislation under the banner of 'Our Islands Our Future'; • Developed the Gateway Process for the management of capital projects using the 'Building Better Business Cases' methodology and supported capital projects, including the Anderson High School and Eric Gray Resource Centre.

More information can be found at:

http://www.shetland.gov.uk/about_performance/PerformanceReports.asp

Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its year-end position at 31 March 2017 and its cash flows. The annual accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of primary statements has been included immediately prior to the four single entity statements: the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. These four statements are accompanied by notes to the accounts which set out the accounting policies adopted by the Council and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The primary financial statements and notes to the accounts, including the accounting policies, and group accounts form the relevant annual accounts for the purpose of the auditor's certificate and opinion.

Financial Performance in 2016/17

The Comprehensive Income and Expenditure Statement (CIES) presents the full economic cost of providing Council services in 2016/17. This differs from the budgeted outturn position that was reported to the Policy & Resources Committee of the Council on 19 June 2017 and is available on the Council's website. For financial year 2016/17 the reasons are two-fold:

- (i) the application of appropriate accounting standards to ensure that corporate activities not included within operational budgets are identified and included in the accounts, as these costs require to be met from local taxation; and
- (ii) the CIES includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact upon local taxation payers.

The final accounting position reflects only those costs that are required to be met from local taxation. Therefore the difference between the CIES and the actual outturn position is as a result of necessary accounting adjustments.

The Deficit on Provision of Services of £14.4m, disclosed on the CIES, has been reconciled to the outturn used for management decision making of £2.6m at Note 28: Amounts reported for Resource Allocation Decisions.

The CIES for 2015/16 has been restated to reflect new reporting requirements for 2016/17. These remove the need for service segments to be presented in line with the CIPFA Service Reporting Code of Practice and instead shows income and expenditure in the normal structure of the Council.

The Council's day-to-day operations and the recording of its financial transactions (revenue income and expenditure) are charged to two primary reserves, which have been established by legislation: the General Fund and Reserve Fund. There is also a legal requirement to separately identify expenditure and income that relates to the operation of the Council housing stock; this is referred to as the Housing Revenue Account.

Capital investment expenditure is supported by a range of means including funding from revenue resources, external borrowing and use of retained reserves. Legislation enables the Council to retain capital reserves in order to support its long-term asset investment plans, an example being the Capital Fund.

The CIES is the consolidation of all of these accounts to reflect the Council's overall financial results for the year.

The table below shows that the draw on reserves, excluding accounting practice adjustments, was £5.8m for 2016/17.

As a result of underspending and applying the Council's carry-forward scheme, a sum of £7.6m was committed for use in 2017/18.

Budget v Expenditure draw from / (contribution to) Reserves	Revised Budget £m	Actual £m	Budget v Actual variance Under / (Over) £m	Carry forwards £m	Revised variance Under / (Over) £m
2016/17					
General Fund	21.282	16.833	4.449	2.413	2.036
Revenue Spend to Save	1.000	-	1.000	0.250	0.750
Housing Revenue Account	(0.904)	(2.067)	1.163	-	1.163
Harbour Account	(11.025)	(12.118)	1.093	-	1.093
Total Revenue Draw	10.353	2.648	7.705	2.663	5.042
Capital Spend to Save	0.597	0.491	0.106	0.196	(0.090)
Asset Investment Plan	5.379	2.612	2.767	4.708	(1.941)
Total	16.329	5.751	10.578	7.567	3.011

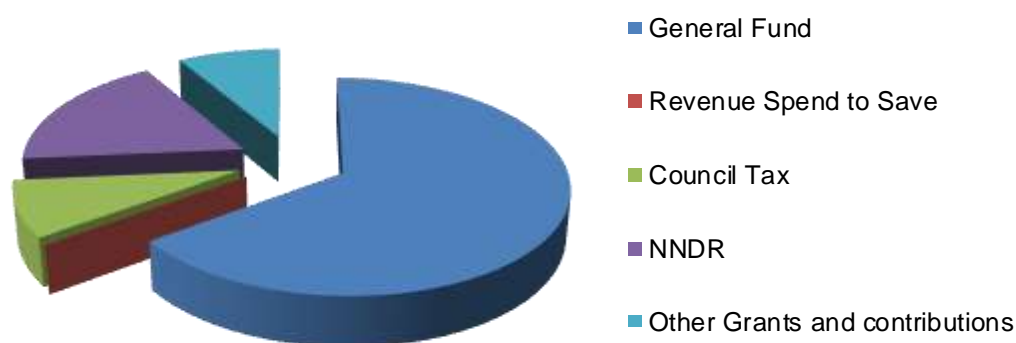
General Fund

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

The net General Fund expenditure for 2016/17 was £108.1m, which represented 95.2% of the Council's annual budget, resulting in a net underspend of £5.4m. This underspend can be attributed to a drive across services to reduce expenditure and increase income, as well as a number of one-off savings in year, mainly due to the number of staff vacancies within the Council.

In 2016/17 the Council's General Fund received the majority of its funding from the Scottish Government, which is made up of General Revenue Grant and National Non-Domestic Rates. The total funding breakdown is shown below:

General Fund - Sources of Funding 2016/17



The collection of Council Tax represents 8.6% of the Council's overall funding and the Council has achieved an in-year collection rate of 97% during 2016/17. The Council Tax bandings are due to change at 1 April 2017 and 2016/17 was the last year in which the Band D annual charge was frozen at £1,053.

The remainder of funding comes from Council's own reserves. This is set at a sustainable level, based on assumptions made about investment income and longer-term growth. The resources deployed by the Council through its General Fund were used in the delivery and

commissioning of services to the population of Shetland. As mentioned above, there have been some notable high-level achievements that have enabled the development and improvement of these services during 2016/17.

Given the current economic climate and the UK government's financial objectives over the coming years, it is anticipated that there will be further reductions in the core revenue grant from the Scottish Government. At the same time, the Council must manage demographic and service delivery changes resulting from, for example, increasing demand for community care services, as well as having to manage cost pressures arising from inflation.

Harbour Account

The Zetland County Council Act 1974 empowers the Council to transfer surpluses arising on the Harbour Account to the Reserve Fund. The Harbour Account budgeted for an £11.0m contribution to the Reserve Fund in 2016/17. The actual contribution was £12.1m; the increase being due to a delayed capital programme, the replacement of the VTS Radar in particular, and an increase in anticipated income from the Shetland Gas Plant.

Housing Revenue Account

The Housing Revenue Account (HRA) is a separate account within the Council. The HRA budgeted for a £0.9m contribution to the HRA Reserve in 2016/17 which was exceeded by £1.2m, giving a total contribution of £2.1m in the year. The increase is mainly due to increased capital receipts which reduced the requirement to fund capital from rental income.

Despite this, the financial position of the HRA continues to be a challenge for the Council, due to a need to invest in current housing stock to meet national housing targets, as well as managing a high demand for new build housing.

A five-year business plan for the HRA was approved during the year, underpinned by a 30-year financial model to ensure affordability and sustainability over the long-term.

At 31 March 2017 the HRA was responsible for 1,684 properties. There has been a consistent reduction in housing properties due to a high level of housing sales through the tenants 'Right to Buy' scheme; however this scheme ended on 31 July 2016.

The Council continues to support Hjaltland Housing Association in its building programme to secure increased provision of affordable housing within Shetland.

Asset Investment Plan

In 2016/17 Shetland Islands Council incurred capital expenditure of £20.9m against a budget of £31.7m representing an underspend of £10.8m in the year. The main reason for this underspend is a revision to the timing of construction in relation to the Anderson High School, Halls of Residence and Eric Gray Resource Centre as well as underspends and tendering delays on Ports and Harbours projects. £10.7m will be carried forward to future years to enable the work to be completed.

The Balance Sheet

The Balance Sheet sets out the total net worth of Shetland Islands Council and is a snapshot of the position as at 31 March 2017. When comparing the net worth of the Council at 31 March 2017 to that of 31 March 2016, there has been an overall decrease in the net worth of the Council of £29.2m. This figure matches the total figure in the Comprehensive Income and Expenditure Statement, which details all transactions during the financial year that led to the movement in the Council's net worth.

Material Transactions

Long-Term Investments

Financial investments are covered by the Council's Investment Strategy 2013-18, which seeks to provide financial support to the Council's Medium-Term Financial Plan, reduce fund manager fees as a proportion of the fund, and lower the risk of large negative returns while maintaining similar levels of return to that achieved in recent years. The Medium-Term Investment Strategy is supported by an Annual Investment and Treasury Strategy report.

As at 31 March 2017 the Council had £333.8m, invested with three external fund managers, an increase of £47.2m from the previous year. This increase is mainly attributable to excellent equity growth throughout the year and the fund managers' management of the investments. During the year the Council withdrew £20m from the investments to meet its cashflow requirements.

The Fund Management Annual Investment Report 2016/17 was presented to Council on 28

June 2017 and this summarised the performance of the Council's investments during the year. The report concluded that the Council's investments had strong returns of 22.9% during the year.

External Borrowing

External borrowing is covered by the Council's Borrowing Policy and Strategy 2013-18 which aims to secure Best Value in the financing of capital expenditure and maintain the level of reserves.

The Council's Capital Financing Requirement (CFR) is £33.7m as at 31 March 2017 and this represents the capital expenditure to be funded from borrowing. Whilst the CFR is a guide to the Council's underlying need to borrow, the Executive Manager – Finance can manage the Council's actual borrowing position by either borrowing to finance the CFR, choosing to utilise some temporary cashflow funds instead of borrowing (under-borrowing), or borrowing for future increases in the CFR (borrowing in advance of need).

As at 31 March 2017, external borrowing was £31.1m and this is reflected on the Council's balance sheet on page 28.

Debt financing costs currently represent 2% of the Council's net revenue stream from general revenue grant (including NNDR), Council Tax, housing rents and harbour income. This provides an indication on the affordability of the Council's debt in terms of how much income can be directed to provide front-line service delivery rather than funding capital expenditure costs. Ongoing revenue implications of investment decisions will be managed within existing budgetary levels and the estimated cost of debt for 2017/18 is 2% of net revenue stream.

Pension

The Council is the administering authority for the Shetland Islands Council Local Government Pension Scheme, which has prepared a separate set of annual accounts for 2016/17.

The impact of the Local Government Pension Scheme and Teachers' Superannuation Scheme on the Council's accounts has been disclosed in Notes 22 and 23 to the accounts. The pension liabilities continue to outstrip pension assets and as such the net pension liability for the Council is £229.7m as at 31 March 2017 (£143.1m at 31 March 2016). This

figure represents the amount that actuaries estimate that Shetland Islands Council will have to pay out in future years for all pension entitlements earned by current and previous staff up and until 31 March 2017.

During 2016/17, the net pension liability has increased by £86.5m as a result of updated assumptions. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £73.5m. The assumptions interact in complex ways, however, and are established for particular reasons.

The Council continues to monitor and measure its pension liability and make changes to cash contributions as part of the regular assessment made by an independent actuary. The next triennial valuation of the Pension Fund assets and liabilities is due in 2018.

Health and Social Care Integration

The Public Bodies (Joint Working) (Scotland) Act 2014 introduced significant changes to the provision of social and health care across Scotland. The legislation means changes to the law that require health boards and local authorities to integrate their services, resulting in more joined up, seamless and improved quality of health and social care provision.

Shetland Islands Council Integration Joint Board (IJB) was formally constituted on 27 June 2015 with voting members from both the Council and the Health Board.

In 2016/17, the Council contributed £19.6m to the IJB and received income from it of £20.4m, a result of some social care funding being channelled through the NHS Shetland financial settlement.

The Council's Reserves

The Council holds the following balances in reserves:

Reserves	Opening Balance at 1 April 2016 £m	Closing Balance at 31 March 2017 £m
General Fund Balance	(40,232)	(54,417)
Housing Revenue Account Balance	(13,143)	(15,614)
Harbour Reserve Funds	(61,622)	(63,518)
Capital Funds	(84,178)	(66,498)
Other Revenue / Statutory Funds	(43,054)	(44,378)
Total Usable Reserves	(242,229)	(244,425)

The overall level of usable reserves was £244.4m at 31 March 2017, an increase of £2.2m from the previous year. The movement on reserves differs from the outturn position reported. The reserves position is required to reflect a number of accounting adjustments for matters such as asset transfers, provisions, and capital grants, which are not reflected in the reports to management during the year. The Movement in Reserves Statement and associated notes provide further detail.

The reserves of the Council reflect the historic financial performance of the Council and decisions that have been taken to provide a financial foundation upon which to plan for the future delivery and provision of Council services.

Reserves are split between discretionary and earmarked reserves to recognise these decisions taken and also the availability of funds should any unplanned or unexpected liabilities or expenditure arise. The impact of various reserve movements and earmarking of funds is that the uncommitted General Fund reserve has increased by £11.6m to £24.3m as at 31 March 2017 from the previous year. The uncommitted balance represents 21.2% of the Council's annual budgeted net expenditure and is considered sufficient to manage financial risks in the short-term.

The Council uses its reserves on an annual basis to support delivery of frontline services. This is based on money being available from the anticipated income and growth achieved from the Council's long-term investments.

The value of the Council's long-term investments, which are quite separate from the usable reserves, represent the money that has been invested by the Council for long-term return. The increase in value is measured in terms of income generated by those

investments and a change in their value reflected by unrealised gains, plus any injection of new money by the Council during the year. Usable reserves on the other hand reflect a level of resources that the Council has available to carry out its future business; these reserves can be applied to the provision of services. More information on long-term investments is outlined above.

Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires the Council to prepare group accounts where the Council has interests in subsidiaries, associates and / or jointly controlled entities, subject to the consideration of materiality. The Council has interests in Orkney & Shetland Valuation Joint Board (OSVJB), Zetland Transport Partnership (ZetTrans) and the Integration Joint Board.

The interest in OSVJB is deemed to be not material and is therefore not consolidated in group accounts. The results of the remaining two bodies have a net nil impact on both the Comprehensive Income and Expenditure Statement and the Balance Sheet; therefore no Group Accounts are presented for 2016/17, as there is no financial impact and no qualitative benefit to readers.

Highways Network Assets

At its meeting on 8 March 2017, CIPFA / LASAAC decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. This means that there will be no change to accounting policy in respect of highways assets, as outlined in last year's Management Commentary.

2017/18 Budget and Medium-Term Financial Outlook

Medium-Term Financial Outlook

The Medium-Term Financial Plan (MTFP) is the Council's strategic finance document which focuses on the next five years. It is anticipated that there will be significant cash reductions in the general revenue grant from the Scottish Government over the forthcoming years and therefore an increasingly unaffordable cost of service delivery is inevitable. At the same time, the Council must manage increasing demand for services from areas such as community care, where the IJB will direct service development and adapt to these demands.

The revised MTFP was approved by the Council on 8 March 2017, covers a five-year period to March 2022 and is based on the following key principles:

- The Council will live within its means, and in doing so approve an annual budget that is balanced and affordable;
- The Council has agreed to use its long-term investments as an investment fund and draw a sustainable amount of the long-term anticipated return from those investments each year to support services;
- The cost of capital will be recognised by the Council and the cost of any borrowing undertaken will be borne by the revenue budget and met by the relevant service that will benefit from the capital investment;
- The Executive Manager – Finance will determine the costs associated with the management of significant corporate cost pressures, such as pay, pension and tax implications of national and local conditions of service. Where these cannot be applied to service budgets a central contingency will be retained and allocated to service budgets when required;
- A risk-based approach will be taken to areas of the budget that services identify to be uncertain in any single year and a central contingency will be retained and allocated to service budgets if required;
- The MTFP will identify the level of funding that can be made available for the delivery of services and estimate the gap between income and expenditure for which income generation, savings options and further efficiencies will have to be implemented.

Community Choices

Community Choices is the new term for participatory budgeting, which is high on the Scottish Government's agenda for local authorities. It is expected that over the short to medium-term, local authorities will allocate up to 1% of their annual budgets through community participation and decision-making. In 2016/17 a pilot scheme was undertaken by Shetland Islands Council that saw projects totalling £0.1m being chosen by the public through a process of online voting as well as in-person participation at a one-day market stall style event.

The pilot was very successful, with around 5% of the population taking part. The Council is currently examining ways of 'mainstreaming' this approach to increase public participation in future budget setting and decision-making.

2017/18 Budget

The Council's 2017/18 budget is a tactical financial plan that complements the strategic Medium-Term Financial Plan, to ensure that the Council delivers its strategic financial objectives and achieves its target outcomes.

The 2017/18 budget was prepared in line with the budget targets set out in the Council's MTFP 2015-2020.

The comparative figures for the settlement are shown in the table below and indicate a Scotland wide funding reduction of 0.5% from the current year. Although the revenue funding in Scotland reduced by 2.0% in 2016/17, the impact on Shetland was a reduction of 4.2%; the largest reduction seen by any Scottish Council.

Description	2017/18 £m	2016/17 £m	Movement £m	Movement %
Scotland				
Revenue	9,496	9,693	(197)	-2.0%
Capital	757	607	150	24.7%
Total Scotland Funding	10,253	10,300	(47)	-0.5%
Shetland				
Revenue	79.150	82.628	(3.478)	-4.2%
Capital	6.942	6.831	0.111	1.6%
Total Shetland Funding	86.092	89.459	(3.367)	-3.8%

In addition to having a lower level of funding there are certain conditions that local authorities must meet, which bring further financial pressures. These conditions are:

- Teacher: pupil ratios to be maintained at 2016/17 national levels;
- £120m funding to support closing the attainment gap to be paid directly to schools and used for specific purposes;
- A further £107m funding for social care, allocated to Health for Integration Joint Boards, to be used for specific purposes; and
- Council Tax increases capped at 3%;

Following the announcement of the financial settlement for 2017/18 the Corporate Management Team considered the detail and agreed a revised budget strategy that was discussed with Councillors in seminars held in January 2017. A report on the settlement was also prepared and the Council considered this ahead of the formal budget-setting meeting.

The revised budget strategy drew upon funding that was allocated by the Scottish Government to the NHS and the IJB specifically for social care services and also took into account funding that was announced by the Scottish Government in early February 2017. This benefits Shetland to the value of £1.0m and means that an additional sum of £2.8m is to be drawn from reserves to balance the budget and support service delivery in 2017/18. The 2017/18 budget was formally approved by the Council on 15 February 2017.

Outlook - Projects and Initiatives

Business Transformation Programme

Shetland Islands Council approved its Business Transformation Programme as part of the budget setting process and adoption of the Corporate and Executive Services Directorate Plan in February 2017. This seeks to provide the

framework to review and transform the services provided to the population of Shetland and the ways those services are delivered. There are eight groups of subject areas, known as 'workstreams', as follows:

- **Customer Focus:** including a review of complaints procedures, performance reporting to the public and a new Customer Charter;
- **Commissioning / Procurement Framework:** including a revised strategy for 2017/18 and an online system for tenders;
- **Asset Strategy:** including the consideration of a long-term Asset Investment Plan;
- **Workforce Strategy:** incorporating themes of Right Shape, Right Skills and Right Culture;
- **Broadband and Connectivity:** including the development of a Digital Strategy and lobbying for 100% high-speed broadband and 4G mobile coverage;
- **Digital Service Delivery:** incorporating a review of the Council's website and consideration of self-service and open data;
- **Information Management & Improvement:** which considers information security, records management and business continuity; and
- **Paperless Council:** including a review of council meeting processes for officers and elected members.

Anderson High School

The Anderson High School project, which is substantially funded by the Scottish Government, reached financial close in July 2015, when all contracts and designs were completed and signed off. The project is being delivered by North Scotland Hub Co with the main contractor being Morrison Construction. The construction of both the school and halls of residence has been

progressing well and is due to be handed over in September 2017.

Eric Gray Resource Centre

The construction of a new Eric Gray Resource Centre to support adults with learning disabilities and complex needs commenced in August 2016, with the contract awarded to local contractor DITT Construction Limited. The building is due to be completed in 2018/19.

College Integration

As part of the review of tertiary education in Shetland, an Interim Joint Principal of Shetland College, Train Shetland and NAFC Marine Centre was appointed in May 2016 with the aim of developing the joint academic approach to the tertiary sector, as well as preparing the business plan for the future delivery of tertiary education in Shetland.

Other aspects of the work are: to integrate the governance between the organisations and to improve collaboration to achieve shared objectives.

Inter-Island Transport Study

Shetland Islands Council, in partnership with ZetTrans, the Highlands and Islands Transport Partnership (HITRANS), Orkney Islands Council and Transport Scotland, undertook a network-wide study of inter-island transportation in each of the archipelagos, in order to assess the appropriateness of service needs to outer islands in applying national standards and methodology.

This work has been the foundation for engaging with Transport Scotland and the Scottish Government in relation to fair funding for these services. Shetland Islands Council continues to push for the Scottish Government to deliver on its commitment for fair funding by providing the money that will support the revenue and capital requirements of the service on a permanent basis.

Workforce Management and Strategy

Workforce management priorities and performance are reported formally through a structured performance management framework that provides quarterly reporting to the Policy & Resources Committee.

The Council has continued to work on managing attendance, which has led to an improvement in our sickness absence figures:

Average days lost per	2016/17	2015/16
Local Government	9.0	10.7
Teachers	5.1	6.2

Outlook

In summary, the Council has had a financially successful year in 2016/17 and is moving forward with a number of exciting projects designed to improve its efficiency and effectiveness and to secure improved outcomes for the people of Shetland.

The continuing challenges that lie ahead will be addressed by the newly elected Council in line with the revised Medium-Term Financial Plan.

.....
Cecil Smith
Leader of the Council
28 June 2017

.....
Mark Boden
Chief Executive
28 June 2017

.....
Jonathan Belford CPFA
Executive Manager – Finance
28 June 2017

Annual Governance Statement

Scope of Responsibility

Shetland Islands Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure continuous improvement in the way it operates.

In discharging this accountability, the Council is responsible for establishing proper arrangements for the governance of its affairs, including arrangements for the management of risk.

The Council approved and adopted its code of governance in 2012. It is consistent with the principles of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*. This statement explains how the Council has complied with the code.

The Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it engages with its community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2017 and up to the date of approval of the annual accounts.

The key elements of Shetland Islands Council's governance framework are:

- the legal powers, duties and functions of the Council, and roles and responsibilities of the people who take decisions on behalf of the community;
- the levels at which decisions can be made, referred to as the Scheme of Administration and Delegations;
- the Standing Orders and the rules around how committees are run and decisions are made;
- the Financial Regulations and rules about contracting with other parties;
- the Council's performance in relation to delivering services and securing value for money; and
- the process of internal control and checking that the Council's policies and procedures are being followed, through the work of the Internal Audit staff and others.

In March 2017, the Council approved a revised set of governance documents, including the Scheme of Delegation, Financial Regulations, Contract Standing Orders and Code of Corporate Governance. These documents can be found on the Council's website at: http://www.shetland.gov.uk/about_how_we_work/constitutionandgovernance.asp

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance environment, the annual report of the Executive Manager – Audit, Risk & Improvement, and also by comments made by external auditors and other review agencies and inspectorates.

The effectiveness of the Council's governance framework has been evaluated as follows:

- Each **director** has reviewed the arrangements in their portfolio and certified their effectiveness to the Executive Manager – Finance. These assurances include internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern. For 2016/17, no areas of weakness or concern were raised.
- The Council's **financial management** arrangements comply with the requirements

of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- The Council **committee structure** supports the organisational and management structure of the Council, incorporating a culture of accountability that has been developed throughout.
- The **Audit Committee** remains responsible for ensuring the effectiveness of the internal audit function and considering all reports prepared by the external auditor. Its remit ensures that the work of the Council, from both a control and performance perspective, is checked and scrutinised.
- A professional, independent and objective **internal audit** service is one of the key elements of good governance. The Council's internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS).
- The Council has a newly appointed **external auditor** for 2016/17, Deloitte LLP. They regularly report to the Audit Committee and their reports cover a wide range of year-end financial audits that are required at a local and national level.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee and that arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

During the year, the Audit Committee received a range of reports produced by Internal Audit that enabled scrutiny and questioning of officers, such that the Committee gained assurance about any weaknesses identified as well as the actions being taken to address them.

The following issues and related action plans were highlighted in Internal Audit's annual report as specific areas of concern:

- inappropriate employment of relief workers and the processes surrounding the monitoring of hours worked by employees working in multiple locations within community care;

- corporate breaches of working time regulations and overtime requirements, inconsistencies and procedure not being followed in relation to preventing illegal working;
- recruitment process issues, including the appointment of candidates who have not met all of the essential criteria on the job specification and evidence of relevant qualifications not always being obtained;
- a lack of adequate control in the payment of adoption allowances;
- the lack of a Service Plan within Transport Planning; and
- procedural issues in relation to sales invoices, such as invoices not always being raised timeously or stating the quantity and unit costs accurately.

Follow-up work was carried out in relation to the issues highlighted in last year's Annual Governance Statement. Internal audit concluded that, aside from the areas still noted above, satisfactory progress had been made in addressing control weaknesses.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
Cecil Smith
Leader of the Council
28 June 2017

.....
Mark Boden
Chief Executive
28 June 2017

Remuneration Report

The Remuneration Report is set out in accordance with the Local Government Accounts (Scotland) Regulations 2014. These Regulations require various disclosures on the remuneration and pension benefits of senior councillors and employees.

The Code of Practice on Local Authority Accounting in the UK (the Code) also requires the disclosure of exit packages.

Remuneration Arrangements of Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 and the (Remuneration) Regulations 2007 (as amended). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the convener of a council, senior councillors or councillors. A senior councillor is a councillor who holds a significant position of responsibility in a council's political management structure, usually referred to as the chair or vice-chair of a committee, sub-committee or board.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Convener of the Council is set out in the amended Regulations SSI 2008/415, which came into effect on 10 February 2009 (later amended by the 2013 and 2015 Regulations). For 2016/17 the level of remuneration (including expenses) was £28.9k for the Leader (£28.2k in 2015/16), and £21.4k for the Convener (£20.9k in 2015/16).

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors a council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the leader of a council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £171k in 2016/17 (£169k in 2015/16). The Council is able to exercise local flexibility in the determination of the precise

number of Senior Councillors and their salary within these maximum limits.

The senior councillor positions are:

- Chair of Education and Families Committee
- Chair of Integration Joint Board
- Chair of Development Committee
- Chair of Environment and Transport Committee
- Chair of Audit Committee
- Chair of Planning Committee
- Chair of Licensing Committee
- Chair of Harbour Board
- Chair of Shetland College Board

Excluding the Convener and the Leader, the total remuneration paid to these Councillors in 2016/17 was £172.7k (£169.8k in 2015/16).

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme, in respect of those Councillors who elect to become councillor members of the Local Government Pension Scheme.

The original policy, following the Regulations, which encompasses the salaries of all elected members, including the Convener, Leader and senior councillors, was agreed at a meeting of the Council on 8 February 2007 in a report entitled 'Review of Committee and Decision Making Structures'.

The Scheme was updated on 7 March 2011 to reflect amendments to the committee structure, including the positions that attract special responsibility allowances.

The Scheme was further updated at the Council meeting on 12 May 2011 with the new positions that attract those allowances, including the creation of the post of Leader, and the Council adopted the new political management framework with effect from 18 May 2011.

All reports are available from the Council's website at <http://www.shetland.gov.uk/>

Remuneration of Conveners and Vice-Conveners for Joint Boards

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board, such as the Orkney and Shetland Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Convener of the Orkney and Shetland Valuation Joint Board in 2016/17 was also a senior councillor of Shetland Islands Council.

The Council is reimbursed by the Orkney and Shetland Valuation Joint Board for the additional remuneration paid to the councillor in their role of the Convener of the Joint Board.

Remuneration of Senior Employees

Remuneration is the term used to describe the total payments made to employees and will include salary payments and allowances such as distant islands allowance and statutory duty allowances.

The salary of senior employees is set by reference to national arrangements and agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/148 sets the amount of salary for the Chief Executive of Shetland Islands Council for the period 2015 to 2017. The salaries of the directors are based on a fixed percentage of the Chief Executive's salary, namely 80% of the value of the Chief Executive's salary. Executive managers fall into two bandings, the second reflecting the additional level of statutory responsibility held by the Monitoring Officer, the Section 95 Officer and the Chief Social Work Officer. These arrangements were agreed through approval of Report CE-30-F 'Management Restructuring' at a meeting of the Council on 14 June 2011.

The current senior management structure is:

- Chief Executive
- Director - Children's Services
- Director - Community Health and Social Care
- Director - Corporate Services
- Director - Development
- Director - Infrastructure
- Executive Manager - Children and Families (Chief Social Work Officer)
- Executive Manager - Finance (Section 95 Officer)
- Executive Manager - Governance and Law (Monitoring Officer)

In order to ensure that recruitment of senior employees is properly managed, a protocol for chief officer appointments is in place. The protocol applies to appointments to the chief officer posts of Chief Executive and Director. The protocol is designed to ensure that:

- the appointment is widely known and the best available candidates are attracted to apply;
- the best information is available to the Council about qualities, skills, experience and personal attributes of candidates; and
- information about candidates is assessed effectively and fairly during the assessment, selection and appointment process.

Allowances

Senior employees are entitled to a mobile phone and to claim mileage costs paid at rates recommended by HM Revenue & Customs.

General Disclosure by Pay Band

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50k or more, disclosed in bands of £5k.

This table includes payments made in the year for salary, pension contributions, redundancy and compensatory added years of pension.

Bands that do not appear in the table had nil employees in both 2016/17 and 2015/16.

Number of Employees							
Remuneration Bands	As at 31 March 2016	As at 31 March 2017					
	Total	Children's Services	Infrastructure Services	Community Health and Social Care	Development Services	Corporate Services & Executive Services	Total
£50,000 - £54,999	51	21	34		2	1	58
£55,000 - £59,999	22	10	10	1	4	5	30
£60,000 - £64,999	18	6	8	2			16
£65,000 - £69,999	8	3	5		1		9
£70,000 - £74,999	5		7				7
£75,000 - £79,999	2	1	1			2	4
£80,000 - £84,999	1		1				1
£85,000 - £89,999	3	1	1		2	1	5
£90,000 - £94,999	-		1				1
£100,000 - £104,999	2					1	1
£105,000 - £109,999	-		1				1
£110,000 - £114,999	-		3				3
£115,000 - £119,999	1		1				1
£140,000 - £144,999	1		1				1
£150,000 - £154,999	1						-
£155,000 - £159,999	1						-
Total	116	42	74	3	9	10	138

The table above includes employees who terminated employment during 2015/16 and 2016/17. Some of the employees that left received remuneration packages that included compensation for loss of office (e.g. redundancy payment and/or enhanced pension payments), and, as a result, their total remuneration increased temporarily in those years.

Of the 42 staff (33 in 2015/16) in Children's Services noted above, 29 were head teachers or senior teaching staff (22 in 2015/16).

Of the 74 staff (62 in 2015/16) in Infrastructure Services noted above, 67 worked in Ports and Harbours Operations or Ferry Operations (56 in 2015/16).

Exit Packages

The Regulations require the Remuneration Report to provide information on the number of exit packages awarded in bandings of £20k up to £100k, and thereafter in bandings of £50k, along with the total cost of the exit packages within each band. The Regulations also require disclosure of the number of compulsory

redundancies and other agreed departures. The cost of exit packages must pay back within three years, with ongoing salary savings realised thereafter.

The total cost for 2016/17 of £0.222m (£0.345m in 2015/16) in the table includes £0.032m (£0.161m in 2015/16) for termination benefits agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement (CIES) in the current year, comprising redundancy payments and pension strain costs. In addition, the table includes £0.190m (£0.184m in 2015/16) for the capitalised cost of compensatory added years, agreed in 2016/17, that will be charged to the CIES in future years.

Exit package cost band (including special payments)	(a)		(b)		(a+b)			
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £19,999	1	2	6	18	7	20	18	81
£20,000 - £39,999	-	-	2	1	2	1	68	39
£40,000 - £59,999	-	-	-	-	-	-	-	-
£60,000 - £79,999	-	-	-	-	-	-	-	-
£80,000 - £99,999	-	-	-	1	-	1	-	90
£100,000 - £149,999	-	-	1	1	1	1	136	135
Total	1	2	9	21	10	23	222	345

The table above details the number and cost of exit packages awarded in 2015/16 and 2016/17. Included in the cost of the exit packages are:

- Any termination payment, such as a redundancy payment;
- Strain on the fund cost (the amount payable by the Council to the pension fund because the employee has retired before the assumed retirement age);
- Any enhanced payments, such as compensatory added years;
- A capitalised value of the recurring compensatory added years payment. This is paid annually by the Council once an employee has left and is therefore a notional cost at 31 March 2017.

Summary of Remuneration paid to Councillors

The Council paid the following salaries, additional allowances (for senior councillors) and expenses in respect of all elected members:

	2016/17 £000	2015/16 £000
Salaries	372	368
Allowances	34	34
Expenses	84	94
Total	490	496

The annual return of Councillors' salaries and expenses for 2016/17 is available for any member of the public to view at the Finance Service, Montfield, 28 Burgh Road, Lerwick during normal working hours or on the Council's website.

Disclosure of Remuneration for Senior Councillors

Councillor Name	Designation	2016/17			2015/16
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
M Bell	Convener	21,118	238	21,356	20,909
P Campbell	Chair - Shetland College Board	18,555	216	18,771	18,371
A Cooper	Chair - Development Committee	19,568	248	19,816	19,374
A Duncan	Chair - Audit Committee	18,555	150	18,705	18,371
A Manson	Chair - Harbour Board	18,555	-	18,555	18,371
G Robinson	Leader of the Council	28,157	763	28,920	28,206
F Robertson	Chair - Planning Committee	18,555	735	19,290	18,853
C Smith	Chair - Integration Joint Board	19,568	150	19,718	19,374
G Smith	Chair - Licensing Committee	18,555	-	18,555	18,371
M Stout	Chair - Environment & Transport Committee	19,568	128	19,696	19,374
V Wishart	Chair - Education & Families Committee	19,568	-	19,568	19,374

Note:

Taxable expenses include telephone line rental / broadband costs.

Remuneration of Senior Employees of the Council

Name of Senior Official	Designation	2016/17			2015/16	Notes
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £	
M Boden	Chief Executive	103,562	-	103,562	102,510	
H Budge	Director - Children's Services	86,315	-	86,315	85,433	
C Ferguson	Director - Corporate Services	86,315	455	86,770	85,503	
N Grant	Director - Development Services	86,315	-	86,315	85,433	
M Sandison	Director - Infrastructure Services	86,315	-	86,315	84,549	
J Belford	Executive Manager - Finance (Section 95 Officer)	75,548	-	75,548	-	e)
H Leslie	Executive Manager - Children & Families (Chief Social Work Officer)	-	-	-	10,488	f)
M Nicolson	Executive Manager - Children & Families (Chief Social Work Officer)	67,163	-	67,163	54,387	g)
J Riise	Executive Manager - Governance & Law (Monitoring Officer)	75,548	-	75,548	74,854	
W Cameron	Marine Pilot	111,056	512	111,568	153,786	h)
S Polson	Marine Pilot	107,869	457	108,326	157,842	h)

Notes:

- Remuneration includes ad-hoc elements that are part of the normal duties of the post, ie call-out and stand-by allowances;
- Taxable expenses includes taxable mileage and / or expenses outwith HMRC's dispensation;
- In addition to the above, the Executive Manager - Governance & Law received a payment of £6.5k for his Returning Officer duties in respect of the Scottish Parliamentary election and Scottish independence referendum (£2.6k in 2015/16);
- The post of Director of Community Health & Social Care is held by S Boker-Ingram, who is employed by NHS Shetland; 50% of the cost of this post is funded by the Council. In 2016/17 the Council paid £59k (£59k for 2015/16) to NHS Shetland in respect of this post;
- The post of Executive Manager - Finance (Section 95 Officer) was held by S Whyte who was employed by Aberdeen City Council until 31 March 2016. In 2015/16 the Council paid £69k to Aberdeen City Council in respect of this post. J Belford commenced employment on 1 April 2016;
- H Leslie left on 31 March 2015, however final payments of call-out / standby and holiday pay were not made until May 2015;
- M Nicolson commenced employment on 29 June 2016. The full year equivalent remuneration for 2015/16 was £66,912;
- Marine Pilot remuneration is inclusive of non-contractual overtime payments and compensation payments.

Pension Benefits – Senior Councillors

The pension entitlements for Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor during the year.

Name of Councillor	Designation	In-Year Employer Pension Contributions		Accrued Pension Benefits			
		31 March 2017 £000	31 March 2016 £000	As at 31 March 2017		Difference from 31 March 2016	
				Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
M Bell	Convener	4	4	2	-	1	-
G Robinson	Leader of the Council	6	5	4	2	(1)	-
C Smith	Chair - Integration Joint Board	4	4	5	2	1	-
P Campbell	Chair - Shetland College Board	4	3	2	-	1	-
A Cooper	Chair - Development Committee	4	4	4	2	1	-
A Duncan	Chair - Audit Committee	4	3	4	1	-	-
M Stout	Chair - Environment & Transport Committee	4	4	2	-	1	-
G Smith	Chair - Licensing Committee	4	3	2	-	1	-
A Manson	Chair - Harbour Board	4	3	2	-	1	-

Notes:

The table excludes F Robertson, Chair of the Planning Committee and V Wishart, Chair of the Education & Families Committee, as they are not members of the Local Government Pension Scheme.

Pension Benefits - Senior Employees

Name of Senior Official	Designation	In-Year Employer		Accrued Pension Benefits			
		31 March 2017	31 March 2016	As at 31 March 2017		Difference from 31 March 2016	
				Pension	Lump Sum	Pension	Lump Sum
		£000	£000	£000	£000	£000	£000
M Boden	Chief Executive	20	19	8	-	2	-
H Budge	Director - Children's Services	15	14	27	80	2	5
C Ferguson	Director - Corporate Services	17	16	44	95	2	1
N Grant	Director - Development Services	17	16	19	20	2	-
M Sandison	Director - Infrastructure Services	17	16	27	44	2	-
J Belford	Executive Manager - Finance	15	-	27	50	27	50
M Nicolson	Executive Manager - Children & Families	13	10	21	35	1	(1)
J Riise	Executive Manager - Governance & Law	16	14	34	66	2	-
W Cameron	Marine Pilot	16	15	39	83	3	3
S Polson	Marine Pilot	16	15	22	33	2	1

Notes:

- The Executive Manager - Governance & Law also has pension benefits arising from Returning Officer (RO) duties in respect of Local Government, Scottish and European Parliamentary elections. A single disclosure of the pension benefits is detailed above and includes RO accrued pension benefits of £1.6k and £2.5k lump sum at 31 March 2017. In 2015/16, the comparative figures were £1.5k and £2.5k respectively;
- Whilst 50% of remuneration costs of the Director of Community Health & Social Care are funded by the Council, the associated pension benefits are administered by NHS Shetland;
- The pension benefits of the Executive Manager – Finance (Section 95 Officer) in 2015/16 (S Whyte) were administered by Aberdeen City Council.

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS), apart from teachers, whose pension benefits are provided through the Scottish Teachers Superannuation Scheme (STSS). The LGPS is a funded pension scheme that receives contribution payments from both Scheme members and participating employers.

Councillors' pension benefits to 31 March 2015 were based on career average pay. Councillors' pay for each year or part up to 31 March 2015 (other than the pay in the final year commencing 1 April 2014) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the Scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits up to 31 March 2015.

From 1 April 2015, the Pension Scheme moved to a career average related earnings scheme for all scheme members. Councillors and local government employees build up a pension at a rate of 1/49th of the amount of pensionable pay they receive in a scheme year. The amount of pension built up is increased in line with HM Treasury Orders at the end of each scheme year.

Benefits built up before 1 April 2015 will continue to be calculated on final pay for employees and average revalued pay for councillors.

The Scheme's normal retirement age for both councillors and employees is now linked to their own state pension age (with a minimum age 65).

From 1 April 2015 the five-tier employee pension contribution system still remains, with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of Scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

Tiered contribution pay rates are as follows:	2016/17 %
Whole time pay:	
On earnings up to and including £20,500	5.50
On earnings above £20,500 and up to £25,000	7.25
On earnings above £25,000 and up to £34,400	8.50
On earnings above £34,400 and up to £45,800	9.50
On earnings above £45,800	12.00

From April 2015, if a person works part-time, their contribution rate is worked out on their actual pay rate for the job and contributions are paid on actual pay earned. Prior to April 2015, the contribution rate was worked out on their whole-time equivalent rate of pay, with contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. From April 2015 pensions are built up at a rate of 1/49th of annual pensionable pay for that year. Prior to April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum, and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that accrued as a consequence of an individual's total Local Government Service, not just their current appointment. The figures also reflect any transfer of pension benefits from another pension fund or scheme.

.....
Cecil Smith
Leader of the Council
28 June 2017

.....
Mark Boden
Chief Executive
28 June 2017

Statement of Responsibilities for the Annual Accounts

The Council's Responsibility

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council the proper officer is the Executive Manager - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature.

I can confirm that these annual accounts were approved for signature by the Council on 28 June 2017.

Signed on behalf of Shetland Islands Council

.....
Cecil Smith
Leader of the Council
28 June 2017

The Executive Manager - Finance's Responsibilities

The Executive Manager - Finance is responsible for the preparation of the Council's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

It is the responsibility of the Executive Manager - Finance to sign, date and submit the unaudited annual accounts to the appointed auditor by 30 June 2017.

In preparing the annual accounts, the Executive Manager - Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Manager - Finance has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the annual accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2017.

.....
Jonathan Belford
Executive Manager - Finance
28 June 2017

Primary Financial Statements

Comprehensive Income and Expenditure Statement for year ended 31 March 2017

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2015/16 Net Expenditure £000		Notes	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
5,626	Chief Executive and Cost of Democracy		2,160	(5)	2,155
46,243	Children's Services		52,053	(4,216)	47,837
20,965	Community Care Services		48,029	(27,284)	20,745
5,610	Corporate Services		16,862	(5,549)	11,313
13,943	Development Services		21,958	(7,153)	14,805
28,561	Infrastructure Services		43,185	(16,119)	27,066
(1,043)	Housing Revenue Account		5,406	(6,767)	(1,361)
790	Harbour Account		19,203	(28,862)	(9,659)
120,695	Net Cost of Services		208,856	(95,955)	112,901
4,378	Other operating income and expenditure	6			(572)
2,527	Financing and investment income and expenditure	7			(1,840)
(103,601)	Taxation and non-specific grant income	8			(96,055)
-	Share of (surplus) or deficit on provision of services by Associates				-
23,999	(Surplus) or Deficit on Provision of Services				14,434
	Items that will not be reclassified to the (surplus) or deficit on the provision of services				
3,322	(Surplus) / Deficit on revaluation of property, plant and equipment assets	9			(4,529)
(8,689)	(Surplus) / Deficit on revaluation of available for sale financial assets	9			(61,891)
(49,419)	Remeasurement of the net defined benefit liability	9			79,290
(54,786)					12,870
	Items that may be reclassified to the (surplus) or deficit on the provision of services				
15,441	Amounts recycled from the AFSFI reserve upon derecognition	9			1,868
(39,345)	Other Comprehensive Income and Expenditure				14,738
(15,346)	Total Comprehensive Income and Expenditure				29,172

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2015/16					2016/17			
Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between the Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between the Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000
2,266	(19)	3,379	5,626	Chief Executive and Cost of Democracy	1,754	(642)	1,043	2,155
41,295	(5,259)	10,207	46,243	Children's Services	39,954	(5,774)	13,657	47,837
19,274	(1,812)	3,503	20,965	Community Care Services	18,323	(1,470)	3,892	20,745
7,107	(9,238)	7,741	5,610	Corporate Services	10,562	(5,988)	6,739	11,313
13,411	(550)	1,082	13,943	Development Services	13,815	(1,623)	2,613	14,805
18,620	(12,440)	22,381	28,561	Infrastructure Services	19,725	(5,652)	12,993	27,066
(1,429)	(592)	978	(1,043)	Housing Revenue Account	(2,067)	(648)	1,354	(1,361)
(3,136)	14,945	(11,019)	790	Harbour Account	(12,118)	(2,468)	4,927	(9,659)
97,408	(14,965)	38,252	120,695	Net Cost of Services	89,948	(24,265)	47,218	112,901
(95,544)	(3,288)	2,136	(96,696)	Other income and expenditure	(87,300)	4,746	(15,913)	(98,467)
1,864	(18,253)	40,388	23,999	(Surplus) or Deficit	2,648	(19,519)	31,305	14,434
24,553				General Fund and HRA balances				
1,864				Opening balance at 1 April	25,861			
(556)				Add Surplus / (Deficit) in the year	2,648			
				Add other items not charged to the Surplus / Deficit	11,391			
25,861				Closing balance at 31 March	39,900			

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. This statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase / Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve / Capital Funds	Capital Grants Unapplied	Other Revenue/ Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	(15,250)	-	(85,173)	(53)	(141,753)	(242,229)	(265,862)	(508,091)
Restatement of opening balance	(24,982)	(13,143)	1,048	-	37,077	-	-	-
Balance at 1 April 2016	(40,232)	(13,143)	(84,125)	(53)	(104,676)	(242,229)	(265,862)	(508,091)
Movement in reserves during the year:								
Total Comprehensive Income and Expenditure	15,795	(1,361)	-	-	-	14,434	14,738	29,172
Adjustments between accounting basis & funding basis per regulations (Note 7)	(18,999)	(520)	1,562	7	-	(17,950)	17,950	-
Net (Increase)/Decrease before Transfers to Statutory Reserves	(3,204)	(1,881)	1,562	7	-	(3,516)	32,688	29,172
Net Transfers to/(from) Other Statutory Reserves	(10,981)	(590)	16,113	(2)	(3,220)	1,320	(1,320)	-
(Increase)/Decrease in year	(14,185)	(2,471)	17,675	5	(3,220)	(2,196)	31,368	29,172
Balance at 31 March 2017	(54,417)	(15,614)	(66,450)	(48)	(107,896)	(244,425)	(234,494)	(478,919)

Comparative movements in 2015/16:

Comparative movements in 2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve / Capital Funds	Capital Grants Unapplied	Other Revenue/ Statutory Funds	Total Usable Reserves (note 22)	Unusable Reserves (note 23)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	(14,446)	-	(73,840)	(643)	(152,026)	(240,955)	(251,790)	(492,745)
Movement in reserves during the year:								
(Surplus) or deficit on the provision of services	25,117	(1,118)	-	-	-	23,999	-	23,999
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(39,345)	(39,345)
Total Comprehensive Income and Expenditure	25,117	(1,118)	-	-	-	23,999	(39,345)	(15,346)
Adjustments between accounting basis & funding basis per regulations (Note 7)	(17,661)	(592)	(7,610)	590	-	(25,273)	25,273	-
Net (Increase)/Decrease before Transfers to Statutory Reserves	7,456	(1,710)	(7,610)	590	-	(1,274)	(14,072)	(15,346)
Net Transfers to/(from) Other Statutory Reserves	(8,260)	1,710	(3,723)	-	10,273	-	-	-
(Increase)/Decrease in year	(804)	-	(11,333)	590	10,273	(1,274)	(14,072)	(15,346)
Balance at 31 March 2017	(15,250)	-	(85,173)	(53)	(141,753)	(242,229)	(265,862)	(508,091)

Balance Sheet as at 31 March 2017

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2016 £000		Notes	As at 31 March 2017 £000
374,296	Property, Plant and Equipment	10	371,052
4,925	Heritage Assets	11	4,854
19,043	Intangible Assets	12	25,114
286,632	Long-term Investments	13	333,784
5,680	Long-term Debtors	13	4,316
29	Other Long-term Debtors	15	77
690,605	Long-Term Assets		739,197
654	Assets held for Sale	16	1,355
4,564	Inventories	17	4,511
21,833	Short-term Debtors	15	38,608
2,520	Cash and Cash equivalents	18	3,909
29,571	Current Assets		48,383
(24,458)	Short-term Creditors	19	(40,192)
(6,102)	Short-term Provisions	20	(559)
(40)	Grant Receipts in Advance - Revenue	8	(24)
(30,600)	Current Liabilities		(40,775)
(31,093)	Long-term Borrowing	13	(31,075)
(143,129)	Pension Liability	22	(229,675)
(1,357)	Long-term Provisions	20	(1,305)
(5,906)	Other Long-term Liabilities	13	(5,831)
(181,485)	Long-Term Liabilities		(267,886)
508,091	Net Assets		478,919
(242,229)	Usable Reserves	24	(244,425)
(265,862)	Unusable Reserves	9	(234,494)
(508,091)	Total Reserves		(478,919)

Jonathan Belford CPFA
Executive Manager – Finance
Shetland Islands Council
28 June 2017

Cash Flow Statement for year ended 31 March 2017

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16 £000		2016/17 £000
	Operating activities	
23,999	Net (surplus) or deficit on the provision of services	14,434
(49,028)	Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(36,278)
17,073	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	8,959
(7,956)	Net cash flows from Operating Activities	(12,885)
8,204	Investing activities (Note 26)	11,384
55	Financing activities (Note 27)	112
303	Net (increase) or decrease in cash and cash equivalents	(1,389)
2,823	Cash and Cash Equivalents at 1 April	2,520
(303)	Net movement of Cash and Cash Equivalents during the year	1,389
2,520	Cash & Cash Equivalents at 31 March	3,909

Housing Revenue Account

Introduction and Statutory Background

The Housing (Scotland) Act 1987 provides the statutory framework for the housing accounts of Scottish local authorities. Part X of the 1987 Act requires a local authority to keep a Housing Revenue Account (HRA) of the income and expenditure for each year in respect of the houses, buildings and land specified in Part I of Schedule 15.

Part X of the 1987 Act and Schedule 15 thereto make significant provisions relevant to the preparation of the financial statements:

- Section 203(1) – housing authorities have a duty to keep an HRA;
- Section 203(5) – the HRA must be kept in accordance with Part II of Schedule 15 regarding debits, credits and supplementary provisions;
- Section 204 – the Scottish Government has the power to limit General Fund contributions to HRA;
- Schedule 15 – housing authorities have a duty to avoid a deficit in the HRA but if there is a deficit, a General Fund contribution must be made equal to the deficit;
- Schedule 15 – the Scottish Government may decide that items of income or expenditure, either generally or of a specific category, shall be included or excluded from the HRA;
- Schedule 15 – with the consent of the Scottish Government, a housing authority may exclude or include any items of income or expenditure in the HRA; and
- Schedule 15 – the Scottish Government may direct rectification of the account if it is of the opinion that items of income or expenditure have not been, or have been improperly, credited or debited in the HRA.

The operation of the HRA in terms of statutory debits and credits is governed by Part II of Schedule 15 of the 1987 Act and will include income (dwelling rents, services and other charges, Housing Support Grant) and expenditure (repairs, maintenance and management, capital financing costs, bad debts and voids).

In parallel with the treatment for the Council's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement;
- the Movement on the HRA Statement.

As the Movement on the HRA Statement incorporates the Surplus or Deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the annual accounts.

The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account Income and Expenditure Statement

2015/16 £000		2016/17 £000
	Expenditure	
2,751	Repairs and maintenance	2,055
568	Supervision and management	670
2,220	Depreciation and impairment of non-current assets	2,395
32	Movement in the allowance for bad debts	48
137	Other expenditure	175
5,708	Total expenditure	5,343
	Income	
(6,534)	Dwelling rents	(6,552)
(187)	Non-Dwelling rents	(190)
(30)	Other Income	(25)
(6,751)	Total income	(6,767)
(1,043)	Net (income)/ cost of HRA services as included in the CIES	(1,424)
54	HRA services' share of Corporate and Democratic Core	63
(989)	Net Cost/(Income) of HRA Services	(1,361)
	HRA share of operating income and expenditure included in the CEIS	
-	Taxation and non-specific grant income	(128)
(581)	(Gain) or loss on sale of HRA non-current assets	(766)
632	Interest payable and similar charges	624
(281)	Interest and investment income	(404)
101	Pension interest cost and expected return on pension assets	84
(129)	Net HRA share of operating expenditure	(590)

Movement on the Housing Revenue Account Statement

2015/16 £000		2016/17 £000
-	Balance on the HRA at 1 April	-
	Adjustment to opening balance	(13,143)
(1,118)	(Surplus) or deficit on the HRA Income and Expenditure Statement	(1,951)
(592)	Adjustment between accounting basis and funding basis under statute	(520)
(1,710)	Increase or (decrease) in year on the HRA	(2,471)
1,710	Transfers to or (from) reserves	-
-	Balance on the HRA at 31 March	(15,614)

The adjustments between accounting basis and funding basis under regulations are shown in disclosure note 4 and transfers to or from other Statutory Reserves are shown in disclosure note 5.

Notes to the Housing Revenue Account

a) Number and Types of Dwellings

The following table shows the stock movements by apartment size:

2015/16 Number	Housing Stock	2016/17 Number
104	1 Apartment	87
411	2 Apartment	407
533	3 Apartment	527
637	4 Apartment	626
37	5 Apartment	34
1	6 Apartment	1
2	8 Apartment	2
1,725	Total	1,684

b) Amount of Rent Arrears

The table below summarises the rent arrears position for HRA dwellings. The trend shown below is a slight increase in the amount of arrears per property.

2015/16 £000		2016/17 £000
221	Total value of rent arrears	227

2015/16		2016/17
437	Number of properties in arrears	547
25.3%	Properties in arrears as share of total stock (%)	32.5%
£506	Average amount per property in arrears (£)	£415

c) Provision for Bad Debts

The following table summarises the movements on the bad debt provision during 2016/17:

2015/16 £000		2016/17 £000
(49)	Balance as at 1 April	(39)
31	Bad rent debt written off: Under £1,000	20
(18)	Total bad debt written off	20
11	Transfer of provision to cover general fund rents	14
(32)	Contribution to/(from) Housing Revenue Account	(48)
(39)	Balance as at 31 March	(53)

Council approval is required to write off bad debts with a value over £5k.

d) Void Rents

The following table summarises the income lost due to voids in 2016/17. These amounts are included in the other expenditure line of the Housing Revenue Account Income and Expenditure Statement.

2015/16 £000		2016/17 £000
59	General needs void rents and charges	66
29	Sheltered housing void rents and charges	30
88	Total	96

Council Tax Income Account

Statutory Background

The Council Tax Income Account (Scotland) shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Account.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by an order made by the Scottish Government). The amount of Council Tax payable depends on the valuation band of the dwelling.

Council Tax Income Account

2015/16 £000		2016/17 £000
(10,333)	Gross Council Tax levied and contributions in lieu	(10,435)
616	Council Tax Reduction Scheme	623
1,167	Other discounts and reductions	1,208
32	Write-offs of uncollectable debts	35
26	Adjustment to previous years' Community Charge and Council Tax	27
(8,492)	Transfer to General Fund	(8,542)

a) Council Tax Base

Overleaf is the analysis of the Council Tax base used to set the 2016/17 charges. The analysis sets out the number of chargeable dwellings in each valuation band, before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

b) Charge Setting

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

c) Deductions

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

- **Council Tax Reduction Scheme** - The Welfare Reform Act of 2012 abolished Council Tax Benefit with effect from 31 March 2013. In Scotland the Council Tax Reduction (Scotland) Regulations 2012 provide for a scheme to replace Council Tax Benefit with a Scotland wide scheme.
- **Exemptions** - Council Tax will be payable on almost all houses. A few, however, will be exempt. Houses where all the residents are students, or are under 18 years old, or are persons with a severe mental impairment, will be exempt. So will some classes of empty property, although in many cases only for a limited period.
- **Discounts** - Council Tax bills can be reduced by discounts for dwellings with less than two adults. If only one adult lives there, the bill may be cut by 25%. If the property is unoccupied and is no-one's sole or main residence, the bill may be cut by up to 50%. If the property is a second home or long term empty, the discount will only be 10%. Certain persons will not be counted when establishing the number of residents, these being students, student nurses, apprentices, Youth Training trainees, persons with a severe mental impairment, adults for whom Child Benefit is still payable, people absent in nursing homes or hospitals, prisoners, care workers, and members of religious communities.
- **Reliefs** - If a house has been structurally altered for a disabled person, the Council Tax bill may be set at the next band lower in value than that shown in the Valuation List. A reduction is also available for properties in Band A.

Council Tax Valuation Bands	Band A	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	
2016/17	Subject to Disabled Relief	£0 to £26,999	£27,000 to £34,999	£35,000 to £44,999	£45,000 to £57,999	£58,000 to £79,999	£80,000 to £105,999	£106,000 to £211,999	£212,000 upwards	Total
Council Tax Weighting per Band	5	6	7	8	9	11	13	15	18	
Total Properties per Register (Number)	-	2,974	1,827	2,752	1,791	1,350	265	61	1	11,021
Gross Tax Base (Properties x Weighting)	-	17,844	12,789	22,016	16,119	14,850	3,445	915	18	87,996
Adjusted number of properties (Band D equivalents)	-	1,988	1,417	2,432	1,765	1,622	373	98	2	9,697
Number of vacant properties:										
Mandatory Standard Exemptions	-	(120)	(55)	(66)	(33)	(13)	(3)	(3)	(1)	(294)
Chargeable Dwellings subject to Disabled Reduction	-	(11)	(4)	(10)	(9)	(4)	(1)	(1)	-	(40)
Number of dwellings effectively subject to tax by virtue of :										
Disabled Relief (Number)	11	4	10	9	4	1	1	-	-	40
Class 18 (MoD) Dwellings (Number)	-	-	-	-	-	-	-	-	-	-
Total number of properties	11	2,847	1,778	2,685	1,753	1,334	262	57	-	10,727
Types of Property (Number):										
Single Discount (25%)	4	1,120	712	952	385	193	25	9	-	3,400
Double Discount (50%)	-	340	99	98	57	36	4	3	-	637
No Discount (0%)	7	1,387	967	1,635	1,311	1,105	233	45	-	6,690
Total number of properties	11	2,847	1,778	2,685	1,753	1,334	262	57	-	10,727
Properties Subject to Council Tax (Number)	10	2,397	1,551	2,398	1,628	1,268	254	53	-	9,559
Net Tax Base (Properties x Weighting)	50	14,382	10,857	19,184	14,652	13,948	3,302	795	-	77,170
Adjusted Properties (Band D Equivalents)	6	1,598	1,206	2,132	1,628	1,550	367	88	-	8,575
Council Tax 2016/17										
Charge per Property (£)	£ 702	£ 702	£ 819	£ 936	£ 1,053	£ 1,287	£ 1,521	£ 1,755	£ 2,106	
Tax Yield (£000)	7	1,683	1,270	2,245	1,714	1,632	386	93	-	9,030
2015/16										
Properties Subject to Council Tax (Number)	12	2,405	1,546	2,369	1,602	1,248	245	53	-	9,480
Net Tax Base (Properties x Weighting)	60	14,430	10,822	18,952	14,418	13,728	3,185	795	-	76,390
Adjusted Properties (Band D Equivalents)	7	1,603	1,202	2,106	1,602	1,525	354	88	-	8,487
Council Tax 2015/16										
Charge per Property (£)	£ 702	£ 702	£ 819	£ 936	£ 1,053	£ 1,287	£ 1,521	£ 1,755	£ 2,106	
Tax Yield (£000)	8	1,688	1,266	2,217	1,687	1,606	373	93	-	8,939

Non-Domestic Rate Income Account

Statutory Background

Occupiers of non-domestic property pay rates based on the valuation of property within the valuation roll for the area. The non-domestic rate poundage is determined by the Scottish Government.

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rate Income Account

2015/16 £000		2016/17 £000
22,438	Gross rates levied and contributions in lieu	27,279
(4,901)	Reliefs and other deductions	(3,779)
(7)	Write-offs of uncollectable debts	1
17,530	Net non-domestic rate income	23,501
(76)	Adjustment to previous years' national non-domestic rates	(242)
17,454	Contribution to non-domestic rate pool	23,259
(16,882)	Distribution from non-domestic rate pool	(17,822)
(16,882)	Transfer to Comprehensive Income & Expenditure Statement	(17,822)

Analysis of Rateable Value

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

Category	Number of Subjects	Rateable Value £000
Commercial	564	7,538
Industrial	497	34,865
Other	937	13,090
Total	1,998	55,493

The large business supplement contributes to the cost of the Small Business Bonus Scheme which was introduced by the Scottish Government from 1 April 2008, replacing the Small Business Rate Relief Scheme, and applies to properties with a rateable value of £18k or less.

The amount paid for non-domestic rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Government.

The national non-domestic rate poundage set for 2016/17 is 48.4p (up from 48.0p in 2015/16) with a large business supplement of 2.6p (up from 1.3p in 2015/16) for all subjects with a rateable value above £35k.

Notes to the Financial Statements

Note 1: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

The Code requires implementation in the accounts of pension funds from 1 April 2017 and there is therefore no impact on the Council's 2016/17 financial statements.

Note 2: Material Items of Income and Expenditure

The CIES includes an actuarial loss on pension liability of £79.2m (see Note 9: Unusable Reserves).

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The annual accounts contain estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. Because balances cannot be determined with certainty, however, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are shown in the following table:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £73.5m; however, the assumptions interact in complex ways.
Arrears	At 31 March 2017, the Council had a balance on short-term sundry debtors of £4.5m. A review of significant balances suggested that an allowance for impairment of doubtful debts of £0.2m is appropriate in the current economic climate. Council Tax collection does not impose a significant impairment risk as historically, less than 0.5% of charges levied are ever written off. It is estimated that no more than £0.05m will eventually be written off from Council Tax charges of £8.5m levied during 2016/17.	If sundry debtor collection rates were to deteriorate, for example if the amount of doubtful debts doubled, an additional £0.2m would require to be set aside as an allowance.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to its assets.	If the useful life of an asset is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.6m for every year that useful lives were reduced.
Fair Value Measurement	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.	

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the CIES, recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises those resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund Housing Revenue Account services.

Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part X of the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17	Usable Reserves				Unusable Reserves
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation and impairment of non-current assets	(15,996)	(2,107)	-	-	18,103
Revaluation losses on property, plant and equipment	(246)	(265)	-	-	511
Amortisation of intangible assets	(1,044)	(23)	-	-	1,067
Capital grants and contributions applied	4,652	128	-	45	(4,825)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(537)	(1,462)	-	-	1,999
Capital repayment in respect of finance leases	94	-	-	-	(94)
Insertion of items not charged to the CIES:					
Statutory provision for the financing of capital investment	244	1,086	-	-	(1,330)
Capital expenditure charged against the General Fund and HRA balances	1,512	46	-	-	(1,558)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	38	-	-	(38)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,561	-	(1,561)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	344	2,228	1	-	(2,573)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(72)	-	-	-	72
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits charged to the CIES	(18,830)	(316)	-	-	19,146
Employer's pensions contributions and direct payments to pensioners payable in the year	11,717	173	-	-	(11,890)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(875)	(8)	-	-	883
Total Adjustments	(18,999)	(520)	1,562	7	17,950

Comparative movements in: 2015/16	Usable Reserves				Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non-current assets	(15,464)	(2,151)	-	-	17,615
Revaluation losses on property, plant and equipment	(7,768)	(44)	-	-	7,812
Amortisation of intangible assets	(1,103)	(25)	-	-	1,128
Capital grants and contributions applied	7,996	-	-	-	(7,996)
Income in relation to donated assets	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(12,451)	(1,093)	-	-	13,544
Capital repayment in respect of finance leases	89	-	-	-	(89)
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	11,542	1,200	-	-	(12,742)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	45	-	-	(45)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	635	(635)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	7,492	1,674	(9,166)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,556	-	(1,556)
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	482	-	-	-	(482)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(21,452)	(369)	-	-	21,821
Employer's pensions contributions and direct payments to pensioners payable in the year	12,471	198	-	-	(12,669)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	460	18	-	-	(478)
Total Adjustments	(17,661)	(592)	(7,610)	590	25,273

Note 5: Transfers to/ (from) Earmarked Reserves

This note sets out the amounts transferred to and from General Fund and Housing Revenue Account balances and other earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2016/17.

	Balance at 31 March 2016 £000	Transfers out £000	Transfers in £000	Balance at 31 March 2017 £000
General Fund Balance	(12,718)	18,605	(30,173)	(24,286)
Council Tax Second Homes Receipts	(1,009)	-	(155)	(1,164)
Welfare Reform Fund	(202)	-	(6)	(208)
Hansel Funds	(153)	-	(8)	(161)
School Funds	(242)	-	(41)	(283)
Shetland College	(221)	156	(115)	(180)
Central Energy Efficiency Fund	(196)	79	-	(117)
Equalisation Fund	(15,587)	-	(480)	(16,067)
Community Care Funds	(510)	52	(34)	(492)
Local Investment Fund	(9,394)	-	(2,065)	(11,459)
Total General Fund Balance	(40,232)	18,892	(33,077)	(54,417)
Capital Fund	(84,178)	21,860	(4,180)	(66,498)
Repairs & Renewals Fund	(42,817)	-	(1,317)	(44,134)
Housing Revenue Account	(13,143)	-	(2,471)	(15,614)
Harbour Account Reserve Fund	(61,622)	12,117	(14,013)	(63,518)
Insurance Fund	(237)	-	(7)	(244)
Total Statutory Reserves	(201,997)	33,977	(21,988)	(190,008)
Total Usable Reserves	(242,229)	52,869	(55,065)	(244,425)

General Fund Reserves

Under the Local Government (Scotland) Act 1973, the Council is permitted to carry forward balances on the General Fund. The **General Fund Balance Reserve** was established to defray General Fund expenditure. It now incorporates the former Financial Risk Reserve and Revenue Spend to Save reserve.

The **Council Tax Second Homes Receipts**, for the receipts from reducing the discount on second homes' Council Tax, was set up to fund affordable housing expenditure.

The **Welfare Reform Fund** has been set up to earmark income received from Government grants to fund initiatives relating to Welfare Reform and the introduction of Universal Credit.

The **Hansel Funds** are held for the benefit of residents in care establishments.

The **School Fund** is an earmarked General Fund reserve set up to contribute to the good of the

schools of Shetland or enhance educational or social activities for children.

The **Shetland College Reserve** is an earmarked General Fund reserve which holds the reserves relating to Shetland College.

The **Central Energy Efficiency Fund** was set up to fund the reduction in energy consumption and carbon emissions.

The **Equalisation Fund** was created to accumulate realised returns that exceed the long-term average rate of return, and these can be released in future years.

The **Community Care Fund** is an earmarked General Fund reserve which holds the balances relating to the Integrated Joint Board.

The **Local Investment Fund** has been set up to earmark income from Shetland Development Trust for investment in local businesses and distributing any investment income to Shetland Charities.

Other Statutory Reserves

The **Capital Fund** was established under the Local Government (Scotland) Act 1975. This fund may be used to defray certain items of capital expenditure and for the repayment of the principal of loans. It also incorporates funds established to facilitate the capital costs associated with implementing future savings plans; and the holding of capital grants and receipts to finance subsequent capital expenditure.

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

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

The **Housing Revenue Account** carries forward balances generated by the HRA and represents an uncommitted balance.

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

Note 6: Other Operating Income and Expenditure

2015/16 £000		2016/17 £000
4,378	(Gains)/losses on the disposal of non-current assets	(572)
4,378	Total	(572)

Note 7: Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
3,643	Interest payable and similar charges	2,343
5,920	Pensions interest cost and expected return on pensions assets	5,264
(1,403)	Interest receivable and similar income	(2,361)
(2,821)	Other investment income	(2,749)
(2,329)	Realised gains in relation to available for sale financial assets	(3,739)
(483)	Income from transferred SDT financial instruments	(598)
2,527	Total	(1,840)

Note 8: Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2016/17:

2015/16 £000		2016/17 £000
	Credited to Taxation and Non-Specific Grant Income	
(70,155)	Revenue Support Grant	(64,873)
(16,882)	Non-domestic Rates	(17,822)
(8,492)	Council Tax	(8,542)
(8,040)	Capital Grants and Contributions	(4,818)
(32)	Donated assets	-
(103,601)	Total	(96,055)
	Credited to Services	
(3,004)	Housing Benefit funding	(3,072)
(98)	Sports Development and Facilities funding	(2,051)
(2,059)	FE and HE funding	(2,022)
(331)	Criminal Justice grant	(352)
(353)	Skills Development Scotland	(350)
(263)	EU grants	(286)
(214)	Active Schools funding	(199)
-	- Housing grants	(184)
(65)	Social Care funding	-
(80)	Fisheries funding	-
(99)	Department of Work and Pensions funding	(155)
(218)	Energy grants	(146)
(160)	NHS grants	(134)
(54)	Transport grants	(101)
(72)	Education Maintenance Allowance funding	(83)
(100)	Youth Music funding	(70)
(40)	Employability funding	(51)
(12)	Educational attainment / inequality funding	(50)
(67)	Electric Vehicle funding	(38)
(45)	Community development funding	(32)
(18)	Languages funding	(23)
(65)	Other grants and contributions	(22)
-	- Self Directed Support	(20)
-	- WW1 Battlefield funding	(17)
-	- Youth Legacy Programme	(15)
(10)	Milk Subsidy	(13)
(10)	Duke of Edinburgh Programme	-
(132)	Training grants	15
(7,569)	Total	(9,471)
(40)	Value of grants received in advance not recognised	(24)

Note 9: Unusable Reserves

Reconciliation of Unusable Funds to the Balance Sheet

2015/16 £000		2016/17 £000
(91,109)	Revaluation Reserve	(89,850)
(38,677)	Available for Sale Financial Instruments Reserve	(98,700)
(2,001)	Financial Instruments Adjustment Account	(1,929)
143,129	Pensions Reserve	229,675
(279,503)	Capital Adjustment Account	(276,871)
2,299	Employee Statutory Adjustment Account	3,181
(265,862)	Total Unusable Reserves	(234,494)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired, and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of, and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000		2016/17 £000
(100,372)	Balance at 1 April	(91,109)
3,322	(Surplus) or deficit on revaluation of non-current assets not posted to the CIES	(4,529)
	Amounts written off to the Capital Adjustment Account:	
5,023	Difference between fair value depreciation and historical cost depreciation	4,731
918	Assets sold or scrapped	1,057
(91,109)	Balance at 31 March	(89,850)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are: revalued downwards or impaired and the gains are lost; or disposed of and the gains are realised.

2015/16 £000		2016/17 £000
(45,429)	Balance at 1 April	(38,677)
(8,689)	Revaluation of assets	(61,891)
15,441	Removal of previously unrealised gains in relation to assets sold	1,868
(38,677)	Balance at 31 March	(98,700)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2015/16 £000		2016/17 £000
(1,519)	Balance at 1 April	(2,001)
(482)	Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	72
(2,001)	Balance at 31 March	(1,929)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits, and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions, and investment returns on any resources set aside to

meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
183,396	Balance at 1 April	143,129
(49,419)	Actuarial (gains) and losses on pensions assets and liabilities	79,290
21,821	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	19,146
(12,669)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,890)
143,129	Balance at 31 March	229,675

Employee Statutory Adjustment Account

This Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		2016/17 £000
2,777	Balance at 1 April	2,299
(2,777)	Settlement or cancellation of accrual made at the end of the preceding year	(2,299)
2,299	Amounts accrued at the end of the current year	3,181
2,299	Balance at 31 March	3,181

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties, gains recognised on donated assets that have yet to be consumed by the Council, and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2015/16 £000		2016/17 £000
(290,643)	Balance at 1 April	(279,503)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
17,615	Charges for depreciation and impairment of non-current assets	18,100
7,812	Revaluation losses on property, plant and equipment	514
1,128	Amortisation of intangible assets	1,067
(89)	Repayment of capital on finance leases	(94)
12,626	Amounts of Non-Current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,175
(5,023)	Adjustment amounts written out of the Revaluation Reserve	(5,787)
	Capital financing applied in the year:	
(1,556)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,134)
(7,996)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(4,780)
(635)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1)
(12,742)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,330)
-	Capital expenditure charged against the General Fund and HRA balances	(1,557)
-	Capital Fund Reserve	(1,541)
(279,503)	Balance at 31 March	(276,871)

Note 10: Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
Opening Balance at 1 April 2016	65,770	148,948	47,040	163,813	6,920	251	8,901	441,643
Additions	2,507	3,615	3,518	2,478	-	-	9,372	21,490
Donated assets	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,494)	(4,949)	(707)	-	-	(62)	-	(10,212)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(302)	(5,751)	(140)	-	-	(39)	-	(6,232)
Derecognition – disposals	(787)	(469)	(274)	(67)	(1)	-	-	(1,598)
Derecognition – other	-	-	-	-	-	-	-	-
Assets reclassified (to)/ from Assets held for sale	(399)	(538)	(300)	-	-	(19)	-	(1,256)
Other movements in cost or valuation	(136)	3,406	(1,434)	1,214	-	124	(3,174)	-
Closing Balance at 31 March 2017	62,159	144,262	47,703	167,438	6,919	255	15,099	443,835
Accumulated Depreciation and Impairment								
Opening Balance at 1 April 2016	-	(6,326)	(14,804)	(46,179)	(8)	(30)	-	(67,347)
Depreciation charge	(2,040)	(7,362)	(4,715)	(3,967)	8	(9)	-	(18,085)
Depreciation written out to the Revaluation Reserve	1,962	3,892	770	-	-	6	-	6,630
Depreciation written out to the Surplus/Deficit on the Provision of Services	49	5,533	118	-	-	19	-	5,719
Derecognition – disposals	24	25	241	22	-	-	-	312
Derecognition – other	-	-	-	-	-	-	-	-
Assets reclassified (to)/ from Assets held for sale	-	-	-	-	-	-	-	-
Other movements in depreciation or impairment	5	(561)	(747)	1,299	-	(8)	-	(12)
Closing Balance at 31 March 2017	-	(4,799)	(19,137)	(48,825)	-	(22)	-	(72,783)
Net Book Value								
As at 31 March 2017	62,159	139,463	28,566	118,613	6,919	233	15,099	371,052
As at 31 March 2016	65,770	142,622	32,236	117,634	6,912	221	8,901	374,296

Movement in 2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
Opening Balance at 1 April 2015	68,391	158,335	49,838	161,719	6,921	1,689	8,596	455,489
Additions	1,540	1,118	1,014	254	-	-	3,396	7,322
Donated assets	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,278)	(5,732)	(4,913)	-	-	(94)	-	(14,017)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(95)	(8,072)	(1,298)	-	-	(84)	-	(9,549)
Derecognition – disposals	(587)	(137)	(2,436)	(560)	(1)	-	-	(3,721)
Derecognition – other	-	(592)	-	-	-	-	-	(592)
Assets reclassified (to)/ from Assets held for sale	(201)	(156)	-	-	-	-	-	(357)
Other movements in cost or valuation	-	4,184	4,835	2,400	-	(1,260)	(3,091)	7,068
Closing Balance at 31 March 2016	65,770	148,948	47,040	163,813	6,920	251	8,901	441,643
Accumulated Depreciation and Impairment								
Opening Balance at 1 April 2015	(9)	(2,923)	(19,402)	(42,647)	(8)	(32)	-	(65,021)
Depreciation charge	(2,054)	(7,858)	(3,582)	(4,038)	-	(70)	-	(17,602)
Depreciation written out to the Revaluation Reserve	1,996	3,659	4,805	-	-	28	-	10,488
Depreciation written out to the Surplus/Deficit on the Provision of Services	51	724	957	-	-	5	-	1,737
Derecognition – disposals	16	8	2,418	506	-	-	-	2,948
Derecognition – other	-	103	-	-	-	-	-	103
Assets reclassified (to)/ from Assets held for sale	-	-	-	-	-	-	-	-
Other movements in depreciation or impairment	-	(39)	-	-	-	39	-	-
Closing Balance at 31 March 2016	-	(6,326)	(14,804)	(46,179)	(8)	(30)	-	(67,347)
Net Book Value								
As at 31 March 2016	65,770	142,622	32,236	117,634	6,912	221	8,901	374,296
As at 31 March 2015	71,601	152,193	30,436	119,072	6,913	1,657	8,596	390,468

Depreciation

The following useful lives have been used in the calculation of depreciation:

Type of Asset	Useful Life
Council Dwellings	30 years
Other Land and Buildings	1-120 years
Vehicles, Plant, Furniture & Equipment	1-50 years
Infrastructure	5-60 years

Capital Commitments

At 31 March 2017 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £10.998m. Similar commitments at 31 March 2016 were £15.457m. The major commitments are:

- New AHS Halls of Residence £4.331m
- Eric Gray Replacement £4.012m
- Town Hall Conservation £0.658m
- Housing Quality Standard £0.445m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations in the year were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Surplus Assets were valued using fair value in accordance with the CIPFA Code of Practice. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- the properties are all freehold with the exception of the Waste to Energy Plant which is held on a ground lease;
- that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material was used in the

construction of the properties, and that none has been subsequently incorporated;

- that the properties are not subject to any unusual or especially onerous restrictions, encumbrances, or outgoing and that good title can be shown;
- that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful;
- that the inspection of those parts which have not been inspected would not cause the valuation to be altered;
- that the land and properties are not contaminated;
- that no statutory or other grants are available to carry out any improvements or repairs; and
- that there are no outstanding statutory notices affecting any of the properties.

Revaluation Rolling Programme

This statement shows the annual asset valuations within the rolling programme. The Asset and Properties Unit carries out valuations for operational and non-operational land and building assets. Officers of the Council with relevant expertise carry out valuations for all other assets. The basis of valuation is set out in the statement of accounting policies.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000
Carried at historic cost	-	-	-	163,813	6,920	-	8,901
Valued at fair value at:							
2016/17	-	54,125	399	-	-	-	-
2015/16	68,939	18,155	47,040	-	-	104	-
2014/15	-	75,092	-	-	-	965	-
2013/14	-	25,050	-	-	-	524	-
2012/13	-	14,486	-	-	-	70	-

Note 11: Heritage Assets

Net Value	Historic Buildings £000	Museum Collection £000	War Memorial £000	Total Assets £000
Opening Balance at 1 April 2016	1,599	3,269	57	4,925
Depreciation	(14)	-	(1)	(15)
Other movements	-	-	(56)	(56)
Closing Balance at 31 March 2017	1,585	3,269	-	4,854

2015/16	Historic Buildings £000	Museum Collection £000	War Memorial £000	Total Assets £000
Opening Balance at 1 April 2015	1,404	3,269	57	4,730
Revaluations	207	-	-	207
Depreciation	(12)	-	-	(12)
Closing Balance at 31 March 2016	1,599	3,269	57	4,925

There were no purchases of heritage assets during the current or prior financial years. There were no donations, disposals, revaluations or impairments in the same period. The War Memorial asset has been written off in the current year, as it is not a Council asset.

The Bod of Gremista is a two storey rectangular house built around 1790 to provide family accommodation and a store for fishing and fish curing activities. The property is open for public viewing during the months of May to September.

Historic Buildings

The two historic buildings classified as heritage assets are the Dunrossness Crofthouse Museum and the Bod of Gremista. The Dunrossness Crofthouse Museum is a restored 19th century crofthouse with thatched roof, outbuildings and a watermill. The property is open for public viewing during the months of May to September.

Museum Collection

The Council's museum collections are on display at the Shetland Museum and Archives, open to the public all year.

Note 12: Intangible Assets

The intangible assets included on the Balance Sheet are in respect of fishing quota, fishing licences and software.

A fishing quota is the right to fish species over a defined period, usually one year. Quotas are held by Government and distributed to the fishing industry through Producer Organisations. The Fishing Quota was originally purchased by the Shetland Development Trust to enable long-term access to a strategically important resource. The quota was transferred to the Council on 31 December 2014 as part of the wind up of the Shetland Development Trust. The market value at 31 March 2017 is £24.150m. This is amortised on a straight-line basis over a 20-year period.

Fishing licences provide authority for a registered fishing vessel to fish for sea fish, subject to limitations stated in the licence. The licences were transferred to the Council on 31 December 2014 as part of the wind-up of the Shetland Development Trust. There was a part disposal in 2016/17 valued at £0.148m. The market value as at 31 March 2017 is £0.076m. This is amortised on a straight-line basis over a 10-year period.

Software is accounted for to the extent that it is not an integral part of a particular IT system, rather part of the hardware item of property, plant and equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £1.067m was charged directly to the Net Cost of Services in the CIES for 2016/17.

There are no items of capitalised software that are individually material to the financial

statements and there are no outstanding contractual commitments for the acquisition of intangible assets.

Useful lives assigned to the major software suites used by the Council are:

Purchased Licences	Years
Webroster GIS Innogistic System Encryption/ Web Filter Software	3
Payroll/ HR/ Pension Systems Libraries Systems Building/ DLO Stores System Council Tax/ Housing Benefits/ Rents	5
Financial Management Systems Risk Assessment Software	10
Capita Open Housing Management	12
Occupational Therapy Stock Control Facility Management System Planning Systems Client Records System Microsoft Licenses	20

The movement on Intangible Asset balances during the year is as follows:

As at 31 March 2016 £000		As at 31 March 2017 £000
	Balance at 1 April:	
22,103	Gross carrying amounts	22,101
(1,930)	Accumulated amortisation	(3,058)
20,173	Net carrying amount at start	19,043
-	Purchases	295
(2)	Other disposals	(103)
(1,128)	Amortisation for the period	(1,067)
-	Other changes	6,946
19,043	Net carrying amount at end	25,114
	Comprising:	
22,101	Gross carrying amounts	29,239
(3,058)	Accumulated amortisation	(4,125)
19,043	Balance at 31 March	25,114

Note 13: Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

As at 31 March 2016			As at 31 March 2017	
Long-Term £000	Current £000		Long-Term £000	Current £000
		Financial Assets		
		Investments:		
286,632	-	Available for sale financial assets	333,784	-
286,632	-	Total Investments	333,784	-
		Debtors:		
5,680	779	Loans and receivables	4,316	581
5,680	779	Total Debtors	4,316	581
		Financial Liabilities		
		Borrowing:		
(31,093)	(18)	Financial liabilities at amortised cost	(31,075)	(18)
(31,093)	(18)	Total Borrowing	(31,075)	(18)
		Creditors:		
(5,906)	(94)	Financial liabilities at amortised cost	(5,831)	(99)
-	(402)	Accrued interest liability	-	(397)
(5,906)	(496)	Total Creditors	(5,831)	(496)
		Provisions:		
-	(139)	Financial guarantees	-	(116)
-	(139)	Total Provisions	-	(116)

Soft Loans

An interest-free loan of £0.060m was provided to support Community and Drugs and Alcohol Services Shetland in 2015/16 in support of the Council's corporate priorities relating to community strength, vulnerable and young people

The Community and Drugs and Alcohol Services Shetland went into liquidation and was wound up during 2016/17. The Council, as a secured debtor, received repayment of £0.059m. The balance of the loan, along with notional interest due for 2016/17 were written off in the year. The write-off amounted to £1,529.

As at 31 March 2016 £000		As at 31 March 2017 £000
-	Balance at start of year:	57
60	Nominal value of new loans granted in the year	-
(3)	Fair value adjustment in year	1
-	Loans repaid	(59)
-	Other adjustments	1
57	Total Investments	-

Income, Expense, Gains and Losses

As at 31 March 2016					As at 31 March 2017			
Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Financial Liabilities: Amortised Cost £000	Total £000		Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Financial Liabilities: Amortised Cost £000	Total £000
-	-	1,228	1,228	Interest expense	-	-	1,228	1,228
-	-	-	-	Impairment losses	-	-	-	-
-	965	15	980	Fee expenses	-	915	-	915
-	965	1,243	2,208	Total expense in (Surplus)/Deficit on the Provision of Services	-	915	1,228	2,143
(248)	(3,259)	-	(3,507)	Interest & dividend income	(310)	(3,393)	-	(3,703)
-	(2,329)	-	(2,329)	Gains on de-recognition	-	(3,739)	-	(3,739)
(248)	(5,588)	-	(5,836)	Total income in (Surplus)/Deficit on the Provision of Services	(310)	(7,132)	-	(7,442)
-	(8,689)	-	(8,689)	Gains on revaluation	-	(61,891)	-	(61,891)
-	15,441	-	15,441	Amounts recycled	-	1,868	-	1,868
-	6,752	-	6,752	(Surplus)/Deficit arising on revaluation of financial assets in CIES	-	(60,023)	-	(60,023)
(248)	2,129	1,243	3,124	Net (Gain)/Loss for the year	(310)	(66,240)	1,228	(65,322)

There were gains for available for sale financial assets on revaluation of £61.9m as at 31 March 2017 (£8.7m at 31 March 2016) and therefore no impairment has been identified and the Council did not carry out an impairment review.

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans, receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

In terms of the fair value measurement hierarchy financial instruments measured at fair value are considered to be Level 1 – quoted prices (unadjusted) in active markets for identical assets

or liabilities that can be accessed at the measurement date.

The Fair Value calculations have been made using the following assumptions and are shown in the table below:

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

As at 31 March 2016			As at 31 March 2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
6,459	6,459	Loans and receivables	4,897	4,616
(37,110)	(41,260)	Financial liabilities at amortised cost	(37,023)	43,549

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are considered to be Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 14: Nature and Extent of Risks arising from Financial Instruments

The Council's investments and financial activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Section, under policies approved by the Council

in the Annual Investment and Treasury Strategy Statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet one of the following categories:

- a bank or building society with at least an A-long-term Fitch IBCA rating;
- Bank of Scotland – Council's own bank;
- any bank which is a wholly owned subsidiary of the above; or
- any local authority.

The 'A-' long-term rating is defined by Fitch IBCA (International Bank Credit Association) as: "High credit quality with a low expectation of default risk. The capacity for payment of financial commitments is considered strong".

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution. This states that the Council cannot lend more than £3.0m of its surplus balances to any single organisation at any one time, apart from the Council's own bank. No deposits were placed with any financial institutions outwith the

Council's own bank during the financial year 2016/17.

The Council has a policy of lending to local businesses to maximise the benefit to the economy and enhance future prosperity in Shetland. Lending assists in sustainable economic growth with good employment opportunities, making Shetland a good place to live and work. In pursuing this policy, the Shetland Investment Fund was established on 18 April 2016 to provide a sustainable lending service of up to £15m.

As at 31 March 2017, £4.6m of this balance was loaned to local businesses, leaving £10.4m available for future lending. The majority of Shetland Investment Fund lending is secured against assets, minimising the risk of default.

The following analysis summarises the Council's potential maximum exposure to credit risk at 31 March 2017, based on experience of default and uncollectability, adjusted to reflect current market conditions:

	Amount at 31 March 2017 (a) £000	Historical experience of default expressed as % of (a) 31 March 2017 (b) %	Historical experience adjusted for market conditions at 31 March 2017 (c) %	Estimated maximum exposure to default and uncollectability at 31 March 2017 (a) x (c) £000	Estimated maximum exposure at 31 March 2016 £000
Deposits with Banks	3,941	0%	0%	-	3,568
Shetland Investment Fund	4,559	1%	1%	32	6,459
Customers	256	25%	25%	64	144

No credit limits were exceeded during the reporting period, and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and local authorities.

The Council does not generally allow credit for customers, such that £2.0m of the £5.4m balance of sums owing at 31 March is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

As at 31 March 2016 £000	Customers	As at 31 March 2017 £000
610	Less than three months	419
543	Three to six months	55
188	Six months to one year	35
739	More than one year	1,515
2,080	Total	2,024

As at 31 March 2016 £000	Shetland Investment Fund	As at 31 March 2017 £000
6,459	Less than three months	4,559
6,459	Total	4,559

Liquidity Risk

The Council has external investments with fund managers amounting to £333.8m at 31 March 2017. The Council has ready access to these funds to ensure that cash is available as needed, so there is no significant risk that it will be unable to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to sell external investments at a time of unfavourable market conditions.

The Council has ready access to borrowings from the money markets and the Public Works Loan Board. At 31 March 2017 the Council had fixed rate borrowings amounting to £31.0m from the Public Works Loan Board.

The maturity analysis of the sums borrowed is as follows:

As at 31 March 2016 £000		As at 31 March 2017 £000
23,110	10-20 years	23,093
7,000	20-30 years	7,000
1,000	Over 40 years	1,000
31,110	Total borrowing	31,093

Market Risk

a) Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

The Council's investment strategy aims to manage interest rate risk within the Council's investments by having various investment portfolios managed by external fund managers.

The investment portfolios are also separated into different asset classes to minimise the overall exposure to interest rate movements. The entire investment portfolio is held in unitised funds which increases diversification. As at 31 March 2017 the composition of these funds was diversified between the following asset classes:

- UK Equities
- Overseas Equities
- Diversified Growth Fund
- Emerging Market Equities
- UK Index Linked Gilts
- UK Corporate Bonds
- Other Bonds
- Cash

A risk has been identified that not all of the General Fund reserves are held in a way that can be quickly converted to cash. There is no short-term risk associated with how the money is held but if the Council has a need to make a significant and unplanned draw on reserves, it may need to borrow to secure the cash required. This issue will be addressed in detail in the financial planning process.

The largest investment exposure is to the Global Equity Fund and a risk assessment of a general shift of +/-1% in the Fund would have resulted in a gain or loss in the region of £1.2m for 2016/17.

The Council at 31 March 2017 had external fixed rate borrowing amounting to £31.1m and no variable rate borrowing. Borrowings are not valued at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Treasury Section actively assesses interest rate exposure to determine the impact on the Council's financial reserves strategy and medium to longer-term financial strategy, which in turn informs the annual budget setting process. The Council uses the services of Capita Asset Services to advise on any borrowing requirements, including associated interest rate risks.

b) Price Risk

The Council had £333.8m of investments as at 31 March 2017 in the form of equity, bonds, diversified growth fund, and cash held within unitised products. The Council is consequently exposed to losses arising from movement in the price of these investment categories.

The Council's investment strategy reduces its exposure to price movements by diversifying its investment portfolio through the use of external fund managers, asset classes, investment guidelines and benchmarks.

The Council's external investments are all classified as 'available for sale' meaning that all movements in price will impact on gains and losses recognised in the CIES. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a £11.5m gain or loss being recognised in the CIES for 2016/17.

c) Foreign Exchange Risk

The Council has £184.3m invested in overseas equities held within unitised products which are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates is greatly reduced through the use of currency hedging strategies to specifically negate any currency movement impact.

Note 15: Debtors

As at 31 March 2016 £000		As at 31 March 2017 £000
1,702	Central Government Bodies	2,767
10,075	Other Local Authorities	23,347
152	NHS Bodies	378
1,198	Public Corporations and Trading Funds	1,227
8,706	Other Entities and Individuals	10,889
21,833	Total short-term debtors	38,608

29	Total long-term debtors	77
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Long-term Debtors

In 2016/17 £77k of debtors has been classified as long-term debtors (£29k in 2015/16).

Movements in impairment allowance

The Council has made allowance for the risk of incurring bad debts on its General Fund and Housing Revenue Account. The debtor figures in the Balance Sheet are shown net of this allowance and the movement between years is shown in the table below:

2015/16 £000		2016/17 £000
(223)	General Fund Balance at 1 April	(208)
96	Miscellaneous Invoices written off	119
32	Council Tax written off	36
(11)	Transfer provision from HRA to cover General Fund rents	(14)
(102)	Change in General Fund Provision	(72)
(208)	Balance at 31 March	(139)
(49)	Housing Revenue Account Balance at 1 April	(39)
31	Rents written off	20
11	Transfer provision from HRA to cover General Fund rents	14
(32)	Change in HRA Provision	(48)
(39)	Balance at 31 March	(53)

Note 16: Assets Held for Sale

2015/16 £000		2016/17 £000
12,577	Balance at 1 April 2016	654
624	Assets newly classified as held for sale: Property, plant and equipment	1,256
(267)	Assets declassified as held for sale: Property, plant and equipment	-
(12,280)	Assets sold	(555)
654	Balance at 31 March 2017	1,355

Note 17: Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2015/16 £000		2016/17 £000
34	Cash held by the Council	29
2,486	Bank current accounts	3,880
2,520	Total	3,909

Note 18: Short-Term Creditors

As at 31 March 2016 £000		As at 31 March 2017 £000
(3,607)	Central Government Bodies	(3,740)
(10,001)	Other Local Authorities	(20,516)
(99)	NHS Bodies	(108)
(679)	Public Corporations and Trading Funds	(872)
(10,072)	Other Entities and Individuals	(14,956)
(24,458)	Total	(40,192)

Note 19: Inventories

	Ports & Harbours		Infrastructure		ICT Equipment		Total	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Balance at 1 April	2,804	3,447	1,441	1,557	319	175	4,564	5,179
Purchases	594	407	2,251	2,677	255	232	3,100	3,316
Recognised as an expense in the year	(528)	(1,050)	(2,293)	(2,784)	(332)	(88)	(3,153)	(3,922)
Balances written off	-	-		(9)		-	-	(9)
Balance at 31 March	2,870	2,804	1,399	1,441	242	319	4,511	4,564

Inventories include consumable stores, maintenance materials, building services (work-in-progress, property acquired or constructed for sale) and items of ICT equipment.

Note 20: Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

A provision for £1.2m is recognised for decommissioning costs that are expected to be incurred between 2017 and 2026. The provision is split between long and short-term provisions to

recognise the estimated payment due in 2017/18. The provision is calculated at today's prices based on the estimated remaining useful life of the landfill site and its current usage. Total estimated costs will be adjusted in the year when events indicating a change become known.

A provision of £0.075m was recognised in 2014/15 in relation to a grant payment for works at Symbister Peerie Dock. The grant will only be paid out if certain conditions are met. The deadline for the drawdown of the grant is March 2018.

Long Term Provisions	2016/17		
	Decommissioning £000	Symbister Peerie Dock £000	Total £000
Balance at 1 April	(1,282)	(75)	(1,357)
Additional provisions made	(67)	-	(67)
Amounts used in 2016/17	35	-	35
Transfer to Short-term Provisions	280	-	280
Transfer from Short-term Provisions	(222)	-	(222)
Unused amounts reversed	26	-	26
Unwinding of discounting	-	-	-
Balance at 31 March	(1,230)	(75)	(1,305)

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme where it is required to purchase and surrender allowances, currently retrospectively, on the basis of carbon emissions. As carbon dioxide is emitted (i.e. as energy is used), a liability is recognised and then discharged by surrendering allowances. A provision of £0.1m is recognised, calculated on the basis of the current market price of the allowances required to meet the liability at 31 March 2017.

Shetland Islands Council requires to respond to legal claims raised against it. The potential liabilities that arise from this consist of an estimate of legal fees and an estimate of the settlement of any actions. The provision is based on the information available at 31 March 2017.

A number of financial guarantees transferred to the Council as part of the wind-up of the Shetland Development Trust. The likelihood of these guarantees being called has been assessed and a provision of £0.1m has been recognised as at 31 March 2017.

A provision of £0.3m was recognised in 2015/16 in relation to holiday pay on non-contractual overtime, backdated to 1 January 2015.

This was paid out during 2016/17 and systems are now in place to compensate employees for paid leave at a rate that includes non-contractual overtime.

Short Term Provisions	2016/17					
	Carbon Reduction Commitment £000	Outstanding Legal Actions £000	Decommissioning £000	Financial Guarantees £000	Backdated Holiday Pay £000	Total £000
Balance at 1 April	(127)	(5,348)	(188)	(139)	(300)	(6,102)
Amounts used in 2016/17	127	5,021	246	24	300	5,718
Unused amounts reversed	-	10	-	-	-	10
Additional provisions made	(127)	-	-	-	-	(127)
Transfer to Long-term Provisions	-	-	222	-	-	222
Transfer from Long-term Provisions	-	-	(280)	-	-	(280)
Balance at 31 March	(127)	(317)	-	(115)	-	(559)

Note 20: Leases

The Council as a Lessee

Finance Leases

The Council acquired its office headquarters and a music, cinema and creative industries centre under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

As at 31 March 2016 £000		As at 31 March 2017 £000
6,713	Property, plant and equipment	6,507
6,713		6,507

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

As at 31 March 2016 £000	Finance lease liabilities (net present value of minimum lease payments):	As at 31 March 2017 £000
(75)	Current	(75)
(1,667)	Non-current	(1,592)
(2,825)	Finance costs payable in future years	(2,508)
(4,567)	Minimum Lease Payments	(4,175)

The minimum lease payments are payable over the following periods:

	Minimum Lease		Finance Lease Liabilities	
	As at 31	As at 31	As at 31	As at 31
	March 2017	March 2016	March 2017	March 2016
	£000	£000	£000	£000
Not later than one year	(364)	(393)	(75)	(75)
Later than one year and not later than five years	(1,204)	(1,300)	(300)	(300)
Later than five years	(2,607)	(2,874)	(1,292)	(1,367)
	(4,175)	(4,567)	(1,667)	(1,742)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were contingent rents of £10k payable in 2016/17 (£57k in 2015/16).

Operating Leases

The Council leases a number of buildings and areas of land in Shetland. The largest is at Sullom Voe oil terminal where the Council leases land from Shetland Charitable Trust for £0.9m per year and sub-leases it to BP for the same amount. This lease arrangement is due to run until 2025.

The minimum lease payments due under non-cancellable leases in future years are:

As at 31 March 2016 £000		As at 31 March 2017 £000
1,907	Not later than one year	2,209
6,614	Later than one year and not later than five years	7,482
8,725	Later than five years	6,780
17,246	Total	16,471

The expenditure charged to the CIES during the year in relation to these leases was:

As at 31 March 2016 £000		As at 31 March 2017 £000
2,426	Minimum lease payments	2,512
(1,039)	Sub-lease payments receivable	(1,011)
1,387	Total	1,501

The Council as a Lessor

Finance Leases

During 2015/16 and 2016/17 the Council did not have any finance leases as lessor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as culture and arts, sports facilities, tourism services and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses

The minimum sub-lease payments expected to be received in future years are:

As at 31 March 2016 £000		As at 31 March 2017 £000
(972)	Not later than one year	(980)
(3,824)	Later than one year and not later than five years	(4,750)
(4,277)	Later than five years	(2,404)
(9,073)	Total	(8,134)

The total value of rental income, excluding sub-leases, recognised during the period was £1.7m (£0.8m in 2015/16).

The future minimum lease payments receivable under non-cancellable leases in future years are:

As at 31 March 2016 £000		As at 31 March 2017 £000
(338)	Not later than one year	(1,085)
(1,231)	Later than one year and not later than five years	(4,273)
(4,293)	Later than five years	(12,723)
(5,862)	Total	(18,081)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 and 2016/17 no contingent rents were receivable by the Council.

Note 22: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and that needs to be disclosed at the time that employees earn their future entitlement. The Council participates in two post-employment schemes:

1. The Local Government Pension Scheme, administered locally by Shetland Islands Council, is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. From April 2015 the pensions accrual rate guarantees a pension based on 1/49th of pensionable pay. (Prior to April 2015 the pension accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

There is no automatic entitlement to a lump sum in respect of post-2009 service. Members may however opt to give up (commute) pension for lump sum up to the limit set by the

Finance Act 2004. The Scheme's Normal Retirement Age is now linked to the members State Pension Age (the minimum age being 65). Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

2. Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made but there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Shetland Islands Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pension Fund Committee and The Pension Board. The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund.

The Pension Fund Committee is made up of the councillors who currently sit on the Policy & Resources Committee.

The Pension Board comprises elected members of Shetland Islands Council along with employee and employer representatives and a pension / deferred member representative.

Policy is determined in accordance with the Pension Fund Regulations. Management of the Fund's investments is carried out by the Council which receives recommendations from the Pension Fund Committee and Pension Board. The Council selects and appoints a number of external investment managers/partners and monitors their investment performance.

Under the Regulations employers fall into three categories: scheme employers (also known as scheduled bodies), community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the Scheme (i.e. large-scale withdrawals from the Scheme, including employers ceasing to participate in the Scheme), changes to inflation, bond yields, and the performance of the equity investments held by the Scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge required to be made in the CIES, however, is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

2015/16 £000	Local Government Pension Scheme	2016/17 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
15,678	Current service cost	13,882
223	Past service cost (including curtailments)	220
	Financing and Investment Income and Expenditure:	
5,920	Net interest expense	5,044
21,821	Total Post-Employment Benefit charged to the Surplus or Deficit on the Provision of Services	19,146
	Other Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	
6,054	Return on plan assets (excluding the amount included in the net interest expense)	(55,844)
(49,254)	Actuarial (gains) and losses arising on changes in financial assumptions	133,459
(6,219)	Actuarial (gains) and losses arising from other experience	1,675
(27,598)	Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	98,436
	Movement in Reserves Statement	
(21,821)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(19,146)
12,669	Employer's contributions and direct payments to pensioners payable in the year	11,890

The amount included in the Balance Sheet arising from the Council's obligation in respect of the Pension Fund is as follows:

2015/16 £000		2016/17 £000
(479,250)	Present value of the defined benefit obligation	(635,789)
336,121	Fair value of assets in the Local Government Pension Scheme	406,114
(143,129)	Net liability arising from Defined Benefit Obligation	(229,675)
(113,671)	Local Government Pension Scheme	(196,052)
(13,633)	Unfunded liabilities for Pension Fund	(15,936)
(15,825)	Unfunded liabilities for Teachers	(17,687)
(143,129)	Total	(229,675)

Assets and Liabilities in relation to Post-Employment Benefits

Reconciliation of fair value of the Scheme assets:

2015/16 £000		2016/17 £000
328,421	Opening balance at 1 April	336,121
10,560	Interest income	11,797
	Re-measurement gains and (losses):	
(6,054)	Return on assets excluding amounts included in net interest	55,844
12,669	Employer contributions	11,890
3,083	Contributions by scheme participants	3,239
(12,558)	Benefits paid	(12,777)
336,121	Closing balance at 31 March	406,114

Reconciliation of present value of the Scheme liabilities (defined benefit obligation):

2015/16 £000		2016/17 £000
511,817	Opening balance at 1 April	479,250
15,678	Current service cost	13,882
16,480	Interest cost	16,841
3,083	Contributions by scheme participants	3,239
	Remeasurement (gains) and losses:	
(49,254)	Actuarial (gains) and losses from changes in financial assumptions	133,459
(6,219)	Actuarial (gains) and losses from other experience	1,675
(12,558)	Benefits paid	(12,777)
223	Past service costs including curtailments	220
479,250	Closing balance at 31 March	635,789

Analysis of Pension Fund's Assets

Shetland Islands Council's share of the Pension Fund's assets at 31 March 2017 comprised:

2015/16 £000	Quoted Prices not in Active Markets	2016/17 £000
54	Cash and cash equivalents	1,643
	Property:	
32,578	UK property	42,306
2,208	Overseas property	1,321
34,786	Sub-total Property	43,627
	Investment Funds and Unit Trusts:	
203,512	Equities	256,211
32,478	Bonds	35,237
65,291	Other	69,396
301,281	Sub-total Investment Funds and Unit Trusts	360,844
336,121	Total Assets	406,114

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed both the Local Government Pension Scheme and Discretionary Benefits liabilities. Estimates for the Shetland Islands Council's Pension Fund are based on the latest full valuation of the Scheme as at 31 March 2014, projected forward to 31 March 2017.

The principal assumptions used by the actuary have been:

2015/16		2016/17
	Long-term expected rate of return on assets in the Scheme:	
3.2%	Investment Funds and Unit Trusts	3.5%
	Mortality Assumptions:	
	<i>Longevity at 65 for current pensioners (in years):</i>	
22.8	Men	22.8
23.8	Women	23.8
	<i>Longevity at 65 for future pensioners (in years):</i>	
24.9	Men	24.9
26.7	Women	26.7
3.2%	Rate of inflation	3.4%
4.2%	Rate of increase in salaries	4.4%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%
70.0%	Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	70.0%
85.0%	Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	85.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice,

this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, i.e. on an actuarial basis using the projected unit credit method.

Shetland Islands Council does not have an asset and liability matching strategy.

Impact of changes in assumptions	2016/17	
	%	£000
0.5% decrease in real discount rate	12%	73,545
0.5% increase in the salary increase rate	4%	25,488
0.5% increase in the pension increase rate	7%	45,813

Impact on the Council's Cash Flows

The objectives of the Scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the Scheme's actuary to achieve a funding level of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employers' common contribution rate was set at 19.8% for 2016/17. The three years set out in the latest triennial valuation as at 31 March 2014 are as follows:

Year	Employer contributions
2015/16	18.70%
2016/17	19.80%
2017/18	20.80%

The total contributions expected to be made by the Council to the Pension Fund in the year to 31 March 2018 is £10.855m.

The weighted average duration of the defined benefit obligation for Scheme members is 19.6 years for 2016/17.

Note 23: Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency (SPPA). The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making

contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the SPPA uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The Scheme has in excess of 160 participating employers and consequently, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme, the Council's own contributions equated to approximately 0.7% (0.7% for 2015/16).

In 2016/17, the Council paid £2.6m to the SPPA in respect of teachers' pension costs, representing 17.2% of pensionable pay (£2.4m and 14.9% for 2015/16). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Pension Scheme. In 2016/17 these amounted to £0.9m, representing 5.2% of teachers' pensionable pay (£0.9m and 6.0% for 2015/16). These costs are accounted for on a defined benefit basis. The Council is not liable to the Scheme for any other entities' obligations.

Note 24: Usable Reserves

The movements in the Council's usable and unusable reserves are detailed in the Movement in Reserves Statement.

Note 25: Cash Flow Statement – Operating Activities

Cash flows for operating activities include the following:

2015/16 £000		2016/17 £000
(966)	Interest received	(1,718)
2,687	Interest paid	2,266
-	Dividends received	(605)
1,721	Total	(57)

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:

2015/16 £000		2016/17 £000
(25,427)	Depreciation, impairment and revaluations	(18,614)
(1,128)	Amortisation	(1,067)
22	(Increase)/decrease in impairment for bad debts	55
(6,330)	(Increase)/decrease in creditors	(15,643)
1,767	Increase/(decrease) in debtors	15,356
(615)	Increase/(decrease) in inventories	(53)
(9,152)	Movement in pension liability	(7,256)
(13,544)	Carrying amount of non-current assets sold or de-recognised	(1,999)
5,379	Other non-cash items charged to the net surplus or deficit on the provision of services	(7,057)
(49,028)	Total	(36,278)

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2015/16 £000		2016/17 £000
9,166	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,134
7,907	Any other items for which the cash effects are investing or financing cash flows	4,825
17,073	Total	8,959

Note 26: Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
13,837	Purchase of property, plant and equipment, investment property and intangible assets	21,785
13,035	Purchase of short-term and long-term investments	700
(9,159)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,134)
(1,513)	Proceeds from short-term and long-term investments	(2,142)
(7,996)	Other receipts from investing activities	(4,825)
8,204	Total	11,384

Note 27: Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(48)	Cash receipts of short and long-term borrowing	-
89	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	94
14	Repayments of short and long term borrowing	18
55	Total	112

Note 28: Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice.

Decisions about resource allocation are taken by the Council on the basis of budget reports analysed across service committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations, are charged to services in the CIES);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is held centrally.

The Council's income and expenditure as recorded in the budget reports to service committees and boards for the year are as follows:

Income and Expenditure Analysis 2016/17	Education & Families £000	Integrated Joint Board £000	Development £000	Environment & Transport £000	Policy & Resources £000	Boards (Harbour & College) £000	Total £000
Employee expenses	34,426	20,635	6,434	15,234	8,039	8,853	93,621
Operating costs	10,949	4,679	11,522	22,019	7,457	10,885	67,511
Transfer payments	1,435	1,097	4,294	294	3,820	100	11,040
Total expenditure	46,810	26,411	22,250	37,547	19,316	19,838	172,172
Total income	(4,231)	(7,090)	(11,154)	(16,118)	(99,012)	(31,918)	(169,523)
Net expenditure	42,579	19,321	11,096	21,429	(79,696)	(12,080)	2,649

Comparative Figures 2015/16	Education & Families £000	Integrated Joint Board £000	Development £000	Environment & Transport £000	Policy & Resources £000	Boards (Harbour & College) £000	Total £000
Employee expenses	32,714	21,394	4,908	15,206	7,327	9,931	91,480
Operating costs	9,077	13,302	8,303	28,251	7,260	10,930	77,123
Transfer payments	1,321	2,185	1,838	353	3,242	195	9,134
Total expenditure	43,112	36,881	15,049	43,810	17,829	21,056	177,737
Total income	(2,750)	(15,578)	(9,718)	(18,587)	(6,283)	(24,649)	(77,565)
Net expenditure	40,362	21,303	5,331	25,223	11,546	(3,593)	100,172

Detailed Reconciliation between amounts reported internally and the CIES

2016/17	Income and Expenditure Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Employee expenses	93,621	8,139	-	101,760
Other service expenses	76,064	60	(2,887)	73,237
Support service recharges	1,137	-	-	1,137
Depreciation, amortisation and impairment	-	19,680	-	19,680
Interest payments	1,351	-	-	1,351
(Gain) or loss on disposal of non-current assets	-	(572)	-	(572)
Total expenditure	172,173	27,307	(2,887)	196,593
Fees, charges & other service income	(71,364)	(201)	-	(71,565)
Interest and investment income	(1,484)	(7,733)	73	(9,144)
Income from Council Tax	(9,158)	-	-	(9,158)
Government grants and contributions	(87,519)	(4,818)	45	(92,292)
Total Income	(169,525)	(12,752)	118	(182,159)
(Surplus) / deficit on the provision of services	2,648	14,555	(2,769)	14,434

2015/16	Income and Expenditure Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Total £000
Employee expenses	91,481	2,747	-	94,228
Other service expenses	81,350	1,754	(1,406)	81,698
Support service recharges	581	-	(581)	-
Depreciation, amortisation and impairment	-	25,599	-	25,599
Interest payments	4,836	-	(4,784)	52
(Gain) or loss on disposal of non-current assets	-	4,378	-	4,378
Total expenditure	178,248	34,478	(6,771)	205,955
Fees, charges & other service income	(62,527)	(2,719)	-	(65,246)
Interest and investment income	(321)	2,526	-	2,205
Income from Council Tax	-	(8,492)	-	(8,492)
Government grants and contributions	(15,228)	(95,195)	-	(110,423)
Total Income	(78,076)	(103,880)	-	(181,956)
(Surplus) / deficit on the provision of services	100,172	(69,402)	(6,771)	23,999

Note 29: External Audit Costs

The Council has incurred the following costs in respect of external audit services provided in accordance with the Code:

2015/16 £000		2016/17 £000
206	Fees payable to with regard to external audit services carried out by the appointed auditor for the year	218
206	Total	218

Note 30: Agency Services

The Council is required by legislation to provide a collection service for Scottish Water, involving the collection of around £2.9m of Scottish Water charges in 2016/17. The legislation stipulates a minimum amount that Scottish Water must pay in commission for this service.

Comparative figures for 2015/16 have been restated to remove non-material transactions.

2015/16 £000		2016/17 £000
32	Expenditure incurred in collection service for Scottish Water	35
(70)	Commission payable by Scottish Water	(73)
(38)	Net surplus arising on the agency arrangements	(38)

Note 31: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government and Other Public Bodies

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Details of all grants received from Central Government and other public bodies can be found on page 42.

Members

Members of the Council have direct control over the Council's financial and operating policies. The Council holds a Register of Members'

Interests, which is open to public inspection at the Office Headquarters, Montfield, 28 Burgh Road, Lerwick during office hours. This is also available to view on the Council's website. The Register details the bodies where members are represented or for which they have declared an interest. The Council made payments totalling £6.1m in 2016/17 (£4.8m in 2015/16) to these bodies.

Officers

At the end of the financial year all senior managers were required to disclose any involvement with related parties of the Council. No significant items were reported.

Local Government Pension Scheme

The Local Government Pension Scheme is administered locally by Shetland Islands Council for the benefit of employees. The Council has made payments to the Local Government Pension Scheme as detailed in Note 22: Defined Benefit Pension Schemes.

Integrated Joint Board

The Integration Joint Board (IJB) was formally constituted on 27 June 2015 and is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland

Health Board. The IJB represents a Joint Venture between the two bodies.

In 2016/17, the Council contributed £19.6m towards the IJB and has received £20.4m in commissioning income.

The Council also provided support to the IJB in terms of back office functions. No charge was made for these services

Note 32: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2015/16 £000		2016/17 £000
35,135	Opening Capital Financing	26,474
	Capital investment:	
14,390	Property, plant and equipment	20,594
-	Intangible assets	295
55	Revenue Expenditure Funded from Capital	2,026
	Sources of finance:	
(1,556)	Capital receipts	(4,134)
(8,685)	Government grants and other contributions	(6,807)
(34)	Funding from reserves	(1,765)
	Sums set aside from	
-	Direct revenue contributions	(1,557)
(89)	Lease principal	(94)
(12,742)	Loans fund principal	(1,330)
26,474	Closing Capital Financing	33,702

Note 33: Contingent Liabilities

The Council operates in a legal environment that is extremely complex and as such risks action being raised against it. Any claims are contested and consequently, any financial liability cannot be quantified as at 31 March 2017.

Shetland Islands Council has one outstanding claim under the Equal Pay Act 1970 for past pay inequalities with male colleagues. The financial

impact can only be determined when sufficient detail is available. It is therefore not possible to provide any financial quantification at this stage, however, no material loss is anticipated.

There is a developing line of case law around the pay and grading structures that organisations currently have in place. The most significant issues for the Council are the pay grade changes required in response to the implementation of the Living Wage. The Council is unable to fully quantify the financial liability until the position has been fully reviewed.

There are a number of admitted bodies within Shetland Islands Council Pension Fund. If any of these bodies default on their obligations, the shortfall would likely have to be met by the Council over time and through an adjustment to employer contribution rates. The financial risk cannot be quantified until such circumstances arise.

Note 34: Trust Funds administered by the Council

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

2015/16 £000		2016/17 £000
(268)	Bare Trust (SDT)	(30)
(666)	Zetland Educational Trust	(667)
(3)	Others (3 Trusts)	(3)
(937)	Total	(700)

The Bare Trust was set up following the cessation of the Shetland Development Trust on 28 February 2015. It holds a number of loans and equity investments which were not considered to be cost effective to transfer to the council on the winding up of the Development Trust. All assets and income arising from the Trust Fund will be paid or delivered to SIC. The Council, as Trustee, has full management powers as if they were absolute owners and not trustees.

The Zetland Educational Trust, with an income of £4k and expenditure of £2k, pays bursaries to university students, aids apprentices and supports educational trips.

The other trusts are essentially dormant due to their low annual income.

Note 35: Events after the Balance Sheet Date

The annual accounts were authorised for issue on 28 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 36: Notes to the Group Accounts

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires the Council to prepare group accounts where the Council has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality.

Statement of Group Accounting Policies

The accounting policies of the group accounts are the same as those for the Council's single entity accounts.

All group entities prepared their financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

No Subsidiaries have been identified for inclusion in the 2016/17 group accounts, therefore no Group remuneration report has been prepared

Group Boundary

Shetland Islands Council considers all entities in which it has an interest for consolidation into the group accounts. To determine whether an entity should be included in the Council's group accounts, the factors of control, significant influence and materiality are considered.

Control

The Code defines joint venture as a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangements. The Shetland Health

and Social Care Partnership (IJB) meets the definition of a joint venture.

Significant Influence

The Code defines an associate as an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity. The Council has identified two entities that meet the definition of an associate. These are:

- Orkney and Shetland Valuation Joint Board
- Zetland Transport Partnership (ZetTrans)

Materiality

Where the financial impact of omitting an entity from the group accounts would not cause a user of the accounts to form a different view on the accounts, the Council has opted not to include these entities within the group boundary.

The Council's share of the year-end net liability of the Orkney and Shetland Valuation Joint Board is £0.9m as at 31 March 2017 (£0.7m in 2015/16), which is considered not material for consolidation in the group accounts.

The Council's share of the net assets and net Surplus / (Deficit) of both ZetTrans and the IJB amount to zero and are therefore considered not material. This is illustrated as follows:

Zetland Transport Partnership (ZetTrans)

ZetTrans was formed in 2006/07 by the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005, made under the Transport (Scotland) Act 2005. Due to its statutory nature, ZetTrans has been included in the group accounts as an associate.

The Council contributed 93.5% of the Partnership's operating costs in 2016/17 (93.9% in 2015/16).

The Council's share of the year-end net liability is nil at 31 March 2017 (nil in 2015/16). The table below details Shetland Islands Council's share of ZetTrans' financial results for the year:

2015/16 £000	Zetland Transport Partnership	2016/17 £000
(2,022)	Gross Income	(2,031)
2,022	Gross Expenditure	2,031
-	Net (Surplus) / Deficit	-
2,022	Current Assets	2,031
(2,022)	Current Liabilities	(2,031)
-	Net Assets	-

Integration Joint Board (IJB)

The Integration Joint Board (IJB) was formally constituted on 27 June 2015 and is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland Health Board. It represents a Joint Venture between these two bodies.

The Council contributed 42.8% of the Board's operating costs in 2016/17 (47.5% in 2015/16).

2015/16 £000	Integration Joint Board	2016/17 £000
(7,756)	Gross Income	(45,675)
7,756	Gross Expenditure	45,550
-	Net (Surplus) / Deficit	(125)
7,756	Current Assets	46
(7,756)	Current Liabilities	(46)
-	Net Assets	-

Financial Impact

The inclusion of the associate and joint venture has no effect on the surplus or deficit, or net worth of the Group from the figures shown in the Council's own accounts, therefore no Group CIES or Balance Sheet has been prepared.

Interests in non-consolidated Organisations

Orkney and Shetland Valuation Joint Board (O&SVJB)

The O&SVJB provides the valuation service for Orkney and Shetland and is funded by both Councils. The Council provides five members of the Board out of ten and contributed 49% of the Board's operating costs (48.7% in 2015/16).

The Council's share of the year-end net liability is £0.9m as at 31 March 2017 (£0.7m in 2015/16), which is considered not material for consolidation in the group accounts.

Shetland Charitable Trust (SCT)

The SCT is both a charity and a trust. The governing trust deed requires that the trustees act in the best interest of the inhabitants of Shetland. SCT carries out some charitable activities itself, but mostly achieves its objects by funding other charities in Shetland. Shetland Islands Council does not contribute any funding to SCT, therefore it has been excluded from the group accounts as it does not meet the accounting definition of a group entity.

Note 37: Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 38, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the annual accounts are:

- There are a number of legal claims currently outstanding against the Council. Where a reliable estimate can be made, these have been included as provisions within the Council's Balance Sheet. Where it has not been possible to establish a reliable estimate, the claims have been accounted for as contingent liabilities.
- There is a high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that its assets may be impaired as a result of (for example) reduced maintenance.
- The Council had seven members out of 15 on the board of the Shetland Charitable Trust in 2016/17. In June 2016, the Council agreed that its elected members would no longer be put forward to serve as trustees of the Shetland Charitable Trust. The Council is not an investor in the Shetland Charitable Trust, therefore it is not consolidated in the Group Accounts.
- The Council has made an accrual for holiday pay owed to employees at 31 March 2017. The estimate is based on a sample of 6% of non-schools staff and 100% of school-based staff.

Note 38: Accounting Policies

General principles

The Code specifies the applicable accounting policies for:

- selecting measurement bases for recognising assets, liabilities, gains and losses in the annual accounts;
- making changes to reserves; and
- the minimum disclosure requirements.

A valid estimation technique can be used to derive the monetary amount (i.e. the one that best reflects the economic reality of a transaction or event) to be recognised in the accounts in the circumstances when the basis of measurement for the monetary amount cannot be applied with certainty (and the range of options is considered to be material).

Changes in accounting policies and estimates, errors and prior period adjustments

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. A change in accounting policy requires a prior period adjustment.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Accounting conventions and concepts

The accounting convention adopted in the accounts is historical cost modified by the revaluation of certain categories of non-current assets, pension liability and financial instruments.

The concept of the Council operating as a going concern is based on the premise that sufficient funding is available so that its functions and services will continue in existence for the foreseeable future.

The concept of materiality derives from the premise that financial statements need not be precisely accurate in order to represent a true and fair view. It is a matter of professional judgement as to whether users of the accounts could come to different conclusions about the Council's standards of stewardship or make different economic decisions as a result of deviations from the provisions set out in the Code.

The accounting policies which have a significant effect on the amounts recognised in the financial statements of Shetland Islands Council are summarised below.

A Accruals of Income and Expenditure

Recognition of income and expenditure in the CIES

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed, but where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; and
- interest receivable on investments and payable on internal borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Recognition of debtors and creditors on the Balance Sheet

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to the CIES for the income that might not be collected.

B Cash and Cash Equivalents

In the Cash Flow Statement, cash (represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours) and cash equivalents (investments that mature in no more than three months or less from the Balance Sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value) are shown net of bank overdrafts that are repayable on demand.

C Charges to Revenue for Non-current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, amortisation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue equal to loans fund principal charges. The General Fund is balanced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

D Contingent Assets

Where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the

control of the Council. A contingent asset is disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential not recognised in the Balance Sheet.

E Contingent Liabilities

Contingent liabilities are disclosed in the accounts but not recognised in the Balance Sheet, in circumstances where:

- an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council; or
- a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

F Employee Benefits

Accumulated absences

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences (holidays) earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Benefits payable during employment

Short-term employee benefits (i.e. those due to be settled within 12 months of the year-end) such as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the

financial year in which the holiday entitlement arises.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits; and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the CIES, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Government; or
- The Local Government Pension Scheme, administered by Shetland Islands Council.

Both Schemes provide defined benefits to members (retirement lump sums and pensions) which are earned as employees work for the Council. The arrangements for the teachers' Scheme, however, mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The Scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the CIES is charged with the employer's contributions payable in respect of teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of Shetland Islands Council's pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projections of earnings for current employees, etc.

Liabilities are discounted to their value at current prices using a discount rate derived from a corporate bond yield curve constructed from yields on high quality bonds and recognising the weighted average duration of the benefit obligation determined at the most recent actuarial valuation.

The pension fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate; and
- unitised securities – current bid price.

The change in the net pension liability is analysed into seven components:

- **current service cost** – the increase in liabilities as a result of years of service earned this year which is allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

- **remeasurements comprising:**
 - **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
 - **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.
- **In relation to retirement benefits**, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

G Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that

occur between the end of the reporting period and the date when the annual accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period whereby the annual accounts are not adjusted to reflect such events, but where a category of events would have a material effect and disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

H Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial guarantees are measured at fair value and are estimated by considering the probability of the guarantee being called.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

a) Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Cost of Services in the CIES for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For this Council it means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

On an annual basis loans and receivables are assessed for impairment. Events that provide objective evidence of impairment include significant financial difficulties of the counterparty, or a breach of contract. Impairment losses and gains or losses on derecognition are taken to the Cost of Services.

However, the Council has made a loan to a local organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrowing organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year, the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, which initially is measured and carried at fair value.

Available-for-sale financial assets are shown in the Balance Sheet at fair value, which is based on the unit price provided by the Council's external fund providers.

The fund providers use the following principles when determining the unit price:

- instruments with quoted market prices – the market price; and
- investments with no quoted market prices – probable realisation value based on recent market transactions, reference to transactions that are substantially the same, and discounted cash flows.

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instrument Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets in the Other Comprehensive Income and Expenditure section of the CIES.

On derecognition, any balance on the Available-for-Sale Financial Instruments Reserve in relation to the assets sold are recycled through the Surplus or Deficit on the Provision of Services. To ensure there is no mismatch between Other Comprehensive Income and Expenditure and the Movement in Reserves Statement, recycled amounts are also deducted as an additional item from the Other Comprehensive Income and Expenditure to avoid overstating gains for the year.

Where assets are identified as impaired because there is a significant or prolonged decline in the fair value below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

The Council invests through three Fund Managers, Baillie Gifford, Blackrock and Insight. These Fund Managers all invest on behalf of the Council into unitised products. They record income and account for transactions relating to these units as follows:

- Both Insight and Baillie Gifford receive and record income during the year. The income is re-invested into their units.
- No income is generated by Blackrock outwith their units.

The Council pays all Fund Manager fees on receipt of their invoices.

I Loans Fund

The Council operates a loans fund which covers the following areas:

- interest – includes all interest paid on external loans;
- expenses – includes all expenses incurred in the running of the Loans Fund, including a central support charge for staff costs and use of Council systems;
- principal – includes all capital advances to services; and
- borrowing – loans raised from external bodies, currently the Public Works Loan Board.

Each year the loans fund will identify the amount of capital interest it has to distribute and calculate the loans pool rate. This is then used to calculate the annual loan charges to Council services. The capital interest rate charged by the Council's loans fund in 2016/17 was 4.41%.

J Financing Costs

Financing costs comprise principal and interest. Repayment of debt to the loans fund is based on an equal instalment basis. Interest is allocated on the basis of the debt outstanding at the start of the financial year, with a proportionate adjustment in respect of borrowings or repayments during the financial year.

Interest is debited to the Financing and Investment Income and Expenditure section of the CIES, while the principal is debited to the General Fund through the Movement in Reserves Statement.

K Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at the Balance Sheet date. Resulting gains or losses are recognised in

the Financing and Investment Income and Expenditure line in the CIES.

L Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council and credited to the CIES when there is reasonable assurance that the Council will comply with any conditions attached to payment of the grants and that the grants and contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

M Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Council as a result of past events (e.g. software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available), and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised, nor expenditure on the development of websites if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are revalued annually where the fair value of the assets held by the Council can be determined by reference to an active market. Fishing quota and fishing licenses meets this criterion. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis to the relevant service lines in the CIES. The useful life and amortisation rate used in the calculation of amortisation is 3 to 20 years.

An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service lines in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

N Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost (based on average prices) and net realisable value. The cost of inventories is assigned using the weighted average costing formula, except for fuel which is calculated on a first in first out (FIFO) basis.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

O Landfill Allowances Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA), are recognised as current assets and are initially measured at fair value. The Scheme has been placed under review in Scotland since 2008/09 as a result of the absence of an active market for the allowances and hence assets and liabilities have been measured at nil since 2010/11. Due to the inactive market, penalties have been suspended but not cancelled.

P Leases

a) Operating leases

The Council as lessee

Rentals paid under operating leases are charged to the CIES as an expense to the services benefitting from use of the leased property, plant or equipment.

The Council as lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

b) Finance leases

The Council recognises a finance lease when the risks and rewards of the asset substantially lie with the Council. The accounting treatment of finance leases is to recognise the asset on the Council's Balance Sheet as well as a liability to represent future principal repayments. A depreciation charge is recognised in the CIES as well as an interest charge.

The Council as lessee

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as an expense in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property which is applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is

posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Q Overheads and Support Services

The CIES no longer needs to be presented in line with the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). This means that for services within the General Fund, the total cost principle, whereby all 'back office' functions are allocated to front-line services, no longer applies.

Where such services are provided to the Housing Revenue Account or Ports and Harbours, a charge has been made in the year, reported as income in the providing service and expenditure in the receiving services in the CIES.

R Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to, an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure assets are held at depreciated historical cost;
- community assets and assets under construction are held at historical cost;
- council dwellings are held at current value, determined using the basis of existing use value for social housing; and
- all other assets are held at current value, determined as the amount that would be paid for the asset in its existing use value.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before this date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any

possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES; and
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community and heritage assets) and assets that are not yet available for use (i.e. assets under construction).

The following useful lives and depreciation rates have been used in the calculation of depreciation (straight-line method):

- council dwellings: 30 years
- other land and buildings: 7 - 120 years
- vehicles, plant, furniture and equipment: 1 - 30 years
- infrastructure: 5 - 60 years

Depreciation is applied in the year from 1 April based on asset valuations as at 31 March of the previous financial year, supported by exceptional calculations based on weighted averages for major acquisitions or disposals taking place towards the start or end of the year.

Surplus assets are depreciated on a straight-line basis over their useful economic life. The relevant economic life for surplus assets is in line with those stated above for each category of asset.

Where an item of property, plant and equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale, it is reclassified back to a non-current asset. It is valued at the lower of its carrying amount before the asset was classified as held for sale, adjusted for depreciation, amortisations or revaluations that would have taken place if the asset had not been put into assets held for sale, and its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to

the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

S Surplus Assets

Surplus assets are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset between market participants at the measurement date. The fair value measurement assumes that the transition to sell the asset takes place either in the principal market for the asset or in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of the asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring fair value, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

T Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings and the museum collection.

As a general policy, heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items will be accounted for in accordance with Council's general provisions relating to the disposal of property, plant and equipment.

Historical buildings

These are held on the Balance Sheet at fair value, determined as the amount that would be paid for the asset in its existing use value but, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. They are depreciated on a straight-line basis over their remaining useful life.

Museum collection

The Council's museum collection is reported in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are carried out by the Council's external insurers and are updated annually.

U Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This Scheme is currently in its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation,

normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

V Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service lines in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

W Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement, with the exception of the Reserve Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

In addition, Shetland Islands Council operates a Reserve Fund, as permitted under statute by the Zetland County Council Act 1974. Only surpluses from the Harbour Account can be credited to this reserve. This reserve is to fund Ports and

Harbours' expenditure and may be applied to any expenditure that benefits the inhabitants of Shetland.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council; these reserves are explained in the relevant policies.

X Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of Council Tax.

Y Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.



Shetland Islands Council

Agenda
Item

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Meeting(s):	Shetland Islands Council	28 June 2017
Report Title:	Fund Management Annual Investment Report 2016/17	
Reference Number:	F-060-F	
Author / Job Title:	Executive Manager - Finance	

1.0 Decisions / Action required:

1.1 It is recommended that the Council:

- approve the Annual Investment Report for 2016/17 for the purposes of the consent issued by the Scottish Ministers by virtue of section 40 of the Local Government in Scotland Act 2003;
- note the outperformance of the benchmark but underperformance of the target by Baillie Gifford in 2016/17
- note the performance of BlackRock which was close to the benchmark in 2016/17
- note the outperformance of the benchmark and the target by Insight in 2016/17

2.0 High Level Summary:

- 2.1 The purpose of this report is to inform Members on the position and performance of the Council's external investments with fund managers for the financial year 2015/16.
- 2.2 The Council has three fund managers, with total investments under management at the end of March 2017 of £334 million.
- 2.3 During 2016/17 the value of the Council's investments increased by £47 million, which was £67 million from investment returns less £20 million of cash withdrawn from the investments. See additional information in Appendix 1.
- 2.4 Over the 2016/17 financial year BlackRock were close the benchmark aim, Baillie Gifford and Insight both outperformed their benchmarks.

3.0 Corporate Priorities and Joint Working:

- 3.1 The Council's overall investment strategy is important to the Council's long term financial resilience, and investment performance plays a key role in helping the Council deliver its corporate objectives, as described in the Community Plan, the Corporate Plan and other strategic documents.

4.0 Key Issues:	
4.1	This report is an annual review of how the markets and fund managers have performed. All of the Council's investments are invested for the long term as per the investment strategy but review of the investments and the fund manager's management of those investments are essential to ensure that investments are managed for the long term benefit of the Council.
5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications : Identify any issues or aspects of the report that have implications under the following headings	
6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None No Equalities Impact Assessment is required.
6.4 Legal:	This report complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, to give an Annual Investment Report after the year end on the investment position to the Council.
6.5 Finance:	<p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Council is working towards meeting its long term objectives.</p> <p>It is not likely that the Council can expect a positive investment return from its investments every year but having diversification in the investment mandates, as well as robust governance and monitoring in place mitigates the financial risks and enables the Council to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework, and compliments the reporting requirements of the CIPFA Code of Treasury Management that requires a Mid Year Review report and an Annual Year End Performance Review Report.</p>

6.6 Assets and Property:	<p>Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for long term benefit. The Council relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Council money is invested. The value of long term investments under these mandates can go down as well as up.</p>
6.7 ICT and new technologies:	<p>None</p>
6.8 Environmental:	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Council will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>All of the Council fund managers have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p> <p>A Strategic Environmental Impact Assessment is not required.</p>
6.9 Risk Management:	<p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks. This risk framework is laid out in the Annual Investment and Treasury Strategy report for 2017/18, which was approved by the Council</p>

	on the 8th March 2017 (min ref 18/17).	
6.10 Policy and Delegated Authority:	<p>In accordance with section 2.2 of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council.</p> <p>However, in accordance with section 2.1.3 of the Council's Scheme of Administration and Delegations, the approval of any annual investment strategy or annual investment report required by any consent issued by Scottish Ministers by virtue of Section 40 of the Local Government in Scotland Act 2003, is reserved to the Council.</p>	
6.11 Previously considered by:	None	

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Appendices:

Appendix 1 - Fund Management Annual Investment Report 2016/17

Background Documents:

None

Fund Management Annual Investment Report 2016/17

1.0 Background

- 1.1 This report forms part of the Council's governance arrangements where the Council will receive an annual investment report for 2016/17 on the external investments.
- 1.2 This report also complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, and with the requirements of the CIPFA Code of Practice for Treasury Management in Public Services, in respect of the requirement to report to the Council an annual investment report, which evaluates the Council's investment performance for the previous financial year.
- 1.3 This report concentrates on the financial year 2016/17. The report looks at the performance of the Council's fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.
- 1.4 From this report there are recommendations to note fund manager performance during 2016/17. To note performance as either satisfactory where a manager's performance is above benchmark and target, or to just note performance where the manager's performance was above benchmark but below target, or to note performance as unsatisfactory where the manager's performance was below benchmark.
- 1.5 The current investment strategy was approved by the Council on 26 June 2013 (SIC Min. Ref. 58/13) with performance monitoring of the new strategy commencing at the start of October 2013. The investment strategy saw a new Passive Equity mandate being awarded to BlackRock, and a new Diversified Growth Fund mandate being awarded to Baillie Gifford.
- 1.6 Investment consultants, KPMG LLP, were appointed as the Council's advisers during 2016/17 and they have been asked to conduct a new investment strategy review. This will include a review of the current strategy and proposals for any changes required to ensure the investment strategy remains fit for purpose over the next few years. It is envisaged that the investment review and any required changes will be concluded during 2017/18.

2.0 Investment Position and Market Performance

- 2.1 The Council has three fund managers with total investments under management at the end of March 2017 of £334 million. The fund managers

investment funds and current percentage allocations at the end of March 2017 are as follows:

Fund Manager	Fund	% of Assets
Baillie Gifford	Active Equities	31%
	Diversified Growth	19%
BlackRock	Passive Equities	38%
Insight	Bonds	12%

- 2.2 It should be noted that the Council had a cash/liquid bond allocation with Insight which was used for withdrawals when cash was needed to meet Council expenditure. This was because the cash/liquid bond fund was guaranteed not to lose its capital value, thus eradicating the risk of incurring losses when selling investments to meet current expenditure needs. Due to cash withdrawals this asset allocation had reduced in value over the past few years, and during 2016/17 the cash/liquid bond fund came to an end.
- 2.3 The initial investment allocations were set when the investment strategy was put in place at the end of September 2013. The percentage allocations at 2.1 are a reflection of the market movements, investment management by fund managers and funds have been recalled and injected since September 2013. These movements have altered the initial investment percentages. No movement of funds between fund managers occurred during 2016/17 and none are planned in 2017/18 as KPMG are currently conducting an investment strategy review.
- 2.4 Investment values are constantly changing but the market value at 31 March 2017, and for comparison March 2016, for the mandates are as shown below:

Manager	Market Value £ million	
	2017	2016
Baillie Gifford	165	135
BlackRock	128	101
Insight	41	51
Total	334	287

- 2.5 In non-election years Members formally review fund manager performance at special meetings, which normally take place in May. All of the Council's fund managers attend the meeting and give presentations concerning their investment performance over the last financial year. This is accompanied by

the officer review report and a representative from a performance analyst company that gives an analysis of each fund manager's performance relative to the markets, before the fund manager presents to the Members and answers any Member's questions.

- 2.6 This year, being an election year, it was not possible to follow the normal review process along with the officer review report.
- 2.7 The external investments of the Council (i.e. other than those invested in the local economy) are co-ordinated by the Council's Treasury function. The Pension Fund and Charitable Trust's reserves (as per a Service Level Agreement) are also co-ordinated by the Council's Treasury function. This approach provides the opportunity to share experience and benefit from knowledge in a specialist subject area built up over a number of years.
- 2.8 At section 3 this report presents a review of each fund manager in turn and a comparison of their performance in 2016/17 against the relevant market's performance where they were asked to invest, and also against any additional out performance target they were asked to achieve.
- 2.9 Due to the nature of the investments the fund managers are investing into, a long term investment view is appropriate, generally a five year period. The report therefore looks not only at each manager's performance over 2016/17 but also at their performance over a five year period, or from inception of the mandate if that is shorter.
- 2.10 This report concentrates on the fund manager's performance relative to the markets but there is a need to consider the effect of any cash withdrawals or injections to the funds, and the performance of the markets themselves. These influences can easily alter the absolute fund value.
- 2.11 The following table shows the effect on the Council investments due to withdrawals/additions and the investment return over the financial year to March 2017 and as a comparison the previous financial year.

	Council Investments	
	£ million	
	2016/17	2015/16
Opening Value	287	278
Additions/(Withdrawals)	(20)	10
Investment Return	67	(1)
Closing Value	334	287

- 2.12 During 2016/17 the overall value of the Council's investments increased by £47 million.
- 2.13 The investment return increased the value of the Reserves by £67 million during the financial year 2016/17. This equates to an overall investment

return of 23%. The main contribution to the investment return was the equity investments, as all of the major equity markets produced positive returns.

- 2.14 During the financial year to March 2017 £20 million was withdrawn from the Council's investments, of this £15.2 million was from Insight's cash/liquid bond fund and £4.8 million from BlackRock's passive funds. These withdrawals were required to support the Council's cash flow needs, which cover both revenue expenditure and the capital programme.

- 2.15 The 2016/17 market performance by asset class is set out below:

		%
Equities:	UK	22.0
	North America	34.0
	Europe (Ex UK)	27.2
	Japan	31.6
	Pacific	36.1
	Emerging	34.7
Bonds:	UK Index Linked Gilts	22.0
	UK Corporate	9.2
Property		3.7
Cash		0.2

- 2.16 The best performing sector in 2016/17 was equities with impressive returns ranging from the UK at 22.0% to the Pacific region achieving a return of 36.1%. This is in contrast to 2015/16 where all of the equity markets had negative returns apart from North America. The bond sectors in 2016/17 were also positive with UK Index Linked Gilts achieving 22.0% and corporate bonds at 9.2%. Property was the best performing asset class in 2015/16 but had a quieter year in 2016/17 with a 3.7% return. Cash returns are still low as UK interest rates remain low.

- 2.17 While this report reviews performance in 2016/17; a brief update for the start of the 2017/18 financial year sees equity markets continue to rise and OPEC looking to curb oil production to allow the oil price to strengthen. Current issues that will most likely affect current markets this year are the Brexit negotiations between the UK and Europe, uncertainty over the future direction and actions of the US President and possible future interest rate movements in the UK, Europe and North America.

3.0 Fund Manager Review

- 3.1 This section of the report takes each mandate in turn and discusses manager performance.

- 3.2 A Fund Manager's performance is measured against a specific fund benchmark, which is made up of market indices of the countries where they invest.
- 3.3 Some Fund Managers are passive managers (in general they match their investment profile to the indices (benchmark) they are compared to, with the objective being to achieve investment returns that are the same as the index, and is a common equity mandate); while other Fund Managers are active managers (they make choices and investment decisions that move their investment profile away from a particular index and look to exceed the index by taking account of various investment decision making factors, for example future dividend or growth prospects. Active management will often involve research activities and involve a higher level of risk – it incorporates Manager risk).
- 3.4 Where the Council decides, a Fund Manager's target is a level of outperformance above the benchmark that is seen as achievable with a low level of measured risk on a given mandate. The manager will seek to produce investment returns in order to achieve the stated target. Performance at or above target is desirable but any returns above the benchmark will add value to the fund above the market return that was achieved for the period.

Baillie Gifford

- 3.5 Baillie Gifford has managed this fund since 2001.
- 3.6 Baillie Gifford's fund was reorganised as per the new investment strategy at the end of September 2013. Baillie Gifford's mandate before October 2013 was invested against a benchmark comprising two of their funds, the UK Alpha Fund 39% (UK equities), and the Global Alpha Fund 61% (overseas equities).
- 3.7 In line with the new investment strategy Baillie Gifford's mandate was reorganised with a new benchmark from October 2013. This benchmark comprises 30% UK Alpha Fund, 30% Global Alpha Fund and 40% in a Diversified Growth Fund.
- 3.8 The performance target for this fund is to beat its benchmark by 2.5% per annum. Prior to October 2013 the benchmark was 1.5%.
- 3.9 The following table sets out in summary the performance of Baillie Gifford versus the benchmark and the performance target in 2016/17, also on a cumulative basis over a five-year investment period plus annualised return figures.

Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)	Annualised Fund Return (%)
2016/17	22.0	2.3	-0.2	22.0
Five years 12/13 to 16/17	74.8	8.9	-2.3	11.8
<p>The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).</p> <p>The performance v target figure gives the percentage that the fund has out or underperformed the set target.</p>				

- 3.10 Baillie Gifford returned 22.0% in 2016/17, which was 2.3% above the benchmark return and 0.2% below the target return. This return is a combination of Baillie Gifford's investments in UK equities, Global equities and their Diversified Growth Fund.
- 3.11 All investment sectors of this fund outperformed their benchmark returns. The investment with the highest return was Global equities which returned 35.8% against a benchmark of 33.6%. The Diversified Growth Fund outperformed the benchmark by the greatest margin with a return of 11.1% as against a benchmark of 3.8%.
- 3.12 On a cumulative basis over the five-year rolling monitoring period Baillie Gifford are 8.9% above the overall benchmark return, and 2.3% below the target. The fund has over the five-year period increased in value by 74.8%, which equates to a return of 11.8% per annum.
- 3.13 Baillie Gifford has over the long term outperformed the benchmark and added value to the fund during mainly a rising market environment.

BlackRock

- 3.14 BlackRock has managed this fund since October 2013, when it was transferred from GMO. This fund transfer was part of the changes required as per the investment strategy.
- 3.15 BlackRock was initially a large US fund management business but over the past few years they have acquired Merrill Lynch and BGI, to become one of the largest global fund managers.
- 3.16 BlackRock's benchmark for this fund is based on 75% Global Equities and 25% Emerging Market Equities. The fund is passively invested, removing the manager risk, therefore the benchmark and the target are the same, i.e. one

aim the index return. For performance comparison purposes the fund return is only compared against the index return.

- 3.17 The following table sets out in summary the performance of BlackRock versus the benchmark in 2016/17, also on a cumulative basis since inception plus annualised performance figures.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Annualised Fund Return (%)
2016/17	33.0	0.2	33.0
Three and a half years Oct 2013 to Mar 2017	52.5	-0.3	12.8
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark.			

- 3.18 BlackRock returned 33.0% in 2016/17, which was close to the benchmark return. This shows that the fund has mirrored the returns of the markets the fund invests into.
- 3.19 Both investment sectors of the mandate performed well, 75% of the mandate is invested in global equities and this returned 32.2%, and the remaining 25% is invested in emerging market equities which returned 35.0%. This is a passive investment that tracks the market return, and with rising equity markets over the past financial year the fund has benefitted with an overall investment return of 33.0%.
- 3.20 On a cumulative basis over the three and a half year monitoring period the fund is 0.3% below the benchmark return. Over this period the fund has increased in value by 52.5% which equates to a return of 12.8% per annum.

Insight

- 3.21 Insight has managed this fund since 2001. Insight is owned by Bank of New York Mellon (BONYM). BONYM have various investment businesses throughout the world but generally leave the companies alone to continue with their specialist services.
- 3.22 Insight's fund was reorganised as part of a new investment strategy in September 2013. Insight's mandate before October 2013 was invested against a benchmark comprising 40% in UK Government Gilts, 40% in Corporate Bonds and 20% in a bond fund benchmarked against a 3-month cash index.

- 3.23 In line with the new investment strategy Insight's mandate was reorganised with a new benchmark from October 2013. This benchmark comprises a bond portfolio with 33.3% in UK Corporate Bonds, 33.3% in Index Linked Gilts and 33.4% in a bond fund benchmarked against a 3 month cash index.
- 3.24 Insight also had another portfolio, which was invested in cash and short dated bonds. This fund was benchmarked against a cash benchmark. This fund was used for cash recalls from the investments, so as to leave the long term investments alone. This fund due to withdrawals in 2016/17 came to an end.
- 3.25 Insight's performance target for this fund is to beat its benchmark by 1.2% per annum. Prior to October 2013 the benchmark was 1.5%.
- 3.26 The following table sets out in summary the performance of Insight versus the benchmark and the performance target in 2016/17, also on a cumulative basis over a five-year investment period plus annualised performance figures.

Fund Performance versus Benchmark and Target

	Fund Return (%)	Performance v Benchmark (%)	Performance v Target (%)	Annualised Fund Return (%)
2016/17	12.9	2.5	1.3	12.9
Five years 12/13 to 16/17	42.0	6.5	0.9	7.3
<p>The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).</p> <p>The performance v target figure gives the percentage that the fund has out or underperformed the set target.</p>				

- 3.27 Insight returned 12.9% for 2016/17, which was 2.5% above the benchmark return and 1.3% above the target return. After a poor year for bonds in 2015/16 this financial year has seen bonds perform strongly, which is reflected in Insight's double digit return.
- 3.28 Insight's mandate is split equally between three investment sectors; Index Linked Bonds, UK Corporate Bonds and a Bonds Plus product which incorporates slightly more diversified bond investments. All of the three bond funds outperformed their benchmarks during 2016/17, with Index Linked Gilts returning 23% and corporate bonds returning 10.2%.
- 3.29 On a cumulative basis over the five-year rolling monitoring period Insight are 6.5% above the overall benchmark return, and 0.9% above the target. The fund has over the five-year period increased in value by 42.0%, which equates to 7.3% per annum.

- 3.30 Insight has over the long term outperformed the benchmark and target, and has added value to the fund.

4.0 Investment Governance

- 4.1 During the 2016/17 financial year the Policy and Resources Committee received quarterly investment performance reports covering all of the Council's fund managers. This reporting framework incorporates the statutory Annual Review and Mid Year review.
- 4.2 The Policy and Resources Committee on reviewing the quarterly report can if they believe it would be beneficial request a presentation from a fund manager, to find out more about a specific mandate or question that manager about their performance.
- 4.3 State Street GS Performance Services ceased their performance measurement service during 2016/17. The Council has used State Street (previously WM Company) to provide independent performance measurement on its external investments for as long as the Council has been investing.
- 4.4 The final performance figures received from State Street was for the quarter to end June 2016. Performance figures from July 2016 are from the fund managers. Options are being considered to ensure that a new independent performance measurement service is put in place for future reporting.

5.0 Conclusions

- 5.1 Baillie Gifford outperformed the benchmark during 2016/17 but was just below the target. Over the five year period Baillie Gifford are above the benchmark but below the target.
- 5.2 BlackRock was close to their aim of equalling the equity benchmark during 2016/17. Over the three and a half year period of their mandate BlackRock are close to the equity benchmark return.
- 5.3 Insight outperformed the bond benchmark and target during 2016/17. Over the five year period Insight are above the bond benchmark and target.
- 5.4 All investment asset classes produced positive returns during 2016/17 with strong equity returns being the main driver of the Council's performance. This along with the fund manager's management of the funds helped to contribute £67 million in value to the Council's investments over the 2016/17 financial year. The Council's investments ended the financial year with a valuation of £334 million.