# MINUTES A&B - PUBLIC

**Special Shetland Islands Council**
**Council Chamber, Town Hall, Lerwick**
**Wednesday 14 February 2018 at 10.00am**

**Present:**

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

Apologies:

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| M Burgess | A Duncan |
| A Priest | I Scott |

**In Attendance (Officers):**
S Bokor- Ingram, Director of Community Health and Social Care Services
H Budge, Director of Children's Services
N Grant, Director of Development Services
J Belford, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
M Sandison, Executive Manager – Infrastructure Services
R Sinclair, Executive Manager – Capital Programmes
C Anderson, Senior Communications Officer
L Geddes, Committee Officer

**Chairperson**
Mr Bell, Convener of the Council, presided.

**Circular:**
The circular calling the meeting was held as read.

The Convener ruled that in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Duncan Simpson during the proceedings would be permitted by telephone link.

The Convener advised that he intended to move Agenda Item 1 "SIC Budget Book 2018/19" so that it would be the final item on today's agenda.

**Declarations of Interest**
None

3/18 **2018/19 Housing Revenue Account Budget and Charging Proposals**

The Council considered a report by the Executive Manager – Finance (F-013-F) presenting the controllable budget proposals for the Housing Revenue Account (HRA) for 2018/19.

The Executive Manager – Finance summarised the main terms of the report, advising that the budget covered the costs associated with running and managing the Council's housing stock and the capital investment in the housing stock. The recommendations in the report were based on the five-year business plan which the Council had approved last year, and that was underpinned by a 30-year financial model. The budget had been updated to reflect the higher than anticipated pay award and included the housing stock modernisation programme. The planned investment in housing stock was supported by a £1million draw from HRA balances. The HRA also proposed to increase rents by an inflation rate of 2%, plus an additional £1 per week for one and two bedroom properties, and tenants had been consulted on the proposed changes.

Responding to questions, the Director of Development Services and Executive Manager – Finance advised that void turnover times were monitored and benchmarked against national figures, and local statistics would be circulated to Members. Collection rates for rents and Council Tax sat at below the benchmark of 98.5%, but this information would also be circulated to Members.

On the motion of Mr Cooper, seconded by Mr C Smith, the Committee approved the recommendation in the report.

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**Decision:**
The Council APPROVED the budget proposals for 2018/19 for the Housing Revenue Account included in the report and the proposed charges detailed at Appendix 1 of the report.

4/18 **Five Year Asset Investment Plan 2018-23**

The Council considered a report by the Executive Manager – Finance (F-016-F) setting out the proposed sustainable capital budget for the Council over a five-year period from 2018-23, in line with the Capital Investment Planning policy set out in the 2017-22 Medium Term Financial Plan.

The Executive Manager – Finance summarised the main terms of the report, advising that the focus remained on maintaining existing assets and ensuring that they remained fit for purpose. A number of key projects were currently going through the gateway process and would require decisions by the Council. There was substantial provision for the ferry and terminal replacement programme, based on the assumption that external funding would be received to support this work, and it was important that the Council continued to press the Scottish Government on this matter. The Fair Isle ferry remained the first priority in the ferry and terminal replacement programme. The Scottish Government had not specified the level of core capital grant over the next five years, but it was likely that there would be a reduction of the level of grant. There was an initial increase in 2019/20 which related to a lump sum of funding which had been delayed from previous years. Year one of the Plan would require a draw from reserves but over a five-year period, income and expenditure should balance.

The Executive Manager – Finance, Executive Manager – Infrastructure Services, Director of Development Services, and Executive Manager – Capital Programmes then responded to questions, and the Council noted the following:

- The Scottish Government had not intimated any specific reason for withholding capital funding in 2016/17, but it was understood that it was related to other capital commitments the Scottish Government had at the time. It should now be received in 2019/20.

- The sum in relation to the Anderson High Halls of Residence related to the retention period.

- The Scottish Government had committed to fully funding the expansion of early learning and childcare. The profiling was based on the plan which the Council had submitted to the Scottish Government in September 2017, and the profiling may have to be amended. The Scottish Government would not provide confirmation of what its financial contribution would be until the new financial year, and local authorities had recently been asked to submit further financial information.

- Now that the Anderson High School had moved, Infrastructure Services was carrying out work to look at the walking routes to the school and to consider changes to the traffic flow which had resulted from the move. Pedestrian crossings were also being reviewed, and some may change from pelican crossings to zebra crossings. A report would be presented to the Environment and Transport Committee for decision on any changes proposed.

- The business cases for the inter-island ferry routes were now being prepared, and discussions were taking place with the MSP and the Scottish Government regarding financial commitments for each of the business cases. The inter-island ferry routes would have to be prioritised, but it was likely that Fair Isle and Whalsay would be amongst the first. Work on the business cases would be carried out over the next year, and there would be a significant amount of consultation before reports were presented for decision.

- The figures used for the ferry replacement programme had not been prepared on a like-for-like basis as current design requirements for new ferries were different, but they were based on equivalents. Because the new ferries would be larger, works would be required to ferry terminals as well.

- An outline business case had been developed in respect of Toft Pier which had identified that rebuilding was the best option. It had been presented to the Harbour Board and the Policy and Resources Committee. A full business case was now being prepared which would look at the feasibility and funding options. A decision from the Policy and Resources Committee regarding the rebuilding of the pier was required prior to being able to tender the project. A bid for EMFF funding had already been submitted, which indicated that the project was eligible for the scheme. However it would not be considered fully until August, when the project had been fully designed and tendered.

- The LED replacement programme for streetlights had been presented to the Policy and Resources Committee. It was intended to replace all of the heads and a substantial number of columns. The programme would be subject to a tendering exercise, so the contractor appointed would be responsible for delivering the work on time.

- The reference to the Shetland Public Sector Network in Appendix 1 of the report related to the infrastructure to support the Council's IT network. It was a rolling budget as it required changes and upgrades each year.

It was commented that it was vital that the Council continued its efforts to secure funding for the inter-island ferries.

Mr C Smith advised that a commitment had been given to keeping the door open for discussions, and the Council would continue to follow this up. He went on to move that the recommendations in the report be approved, and Mr Cooper seconded.

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**Decision:**
The Council RESOLVED to:

- approve the capital budget proposals for 2018/19 included in the report, and set out in detail in Appendix 1 of the report

- adopt Appendix 1 as the Council's 5 Year Asset Investment Plan 2018-23, subject to any requirements of the Council's Gateway Process for the Management of Capital Projects

5/18 **SIC Budget Book 2018/19**

The Council considered a report by the Executive Manager – Finance (F-014-F) setting 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 the Council (copy of slides attached as Appendix 3a), which outlined the core assumptions on which the budget had been based; the budget proposals; the contribution to the Integration Joint Board; and went on to consider the financial context for the future and action required for medium-term planning. During his presentation, he highlighted the proposed increases to Council Tax and his reasons for making these recommendations. He went on to speak about Council resources, advising that a total of £17.9million top up would be required on top of the Scottish Government grant and Council Tax. This should be an affordable draw on reserves based on the investment returns. He pointed out that the Scottish Government's settlement was a one-year settlement, and it was better than had initially been anticipated. However the Scottish Government grant was on a downward trend, and there was no indication that additional funding would be received in future. Alongside this, the Council was facing increasing costs - particularly in relation to pay settlements - so it must start addressing the underlying challenges and redesign its services to address the continuous improvement and financial challenges that lie ahead.

The Executive Manager – Finance and the Director of Children's Services then responded to questions, and the Council noted the following:

- The one-off grant for the inter-island ferries was not separately visible in the General Fund budget. However it was included in the table at Section 4.01, where the total for Infrastructure would have read £24.864million if the grant had not been received.

- The Environment and Transport Committee had agreed to recommend to the Policy and Resources Committee that the review of the Gritting Service should be undertaken with no financial target set, and the Council today was considering the recommendations from the Policy and Resources Committee.

- An agreement had been reached with Shetland Recreational Trust regarding school use of its facilities. As well as substantial access to the Clickimin Leisure Complex, the agreement also related to school use of SRT's other facilities across Shetland.

- Interest rates and decisions around appropriate times to borrow money was something that was regularly considered and discussed with financial advisers. The Council's investments focused on growth rather than income-generation. There was an expectation that the value of investments would rise and fall, and the budget had been based on the value of current investments. There was a mechanism in place for selling recurring returns assumed on the investments, but the Council did not instruct brokers which specific stocks to sell. There were three fund managers with different portfolios, and the decision on which to use depended on a number of factors such as the funds required, the value of the holding, and how close to benchmark it was.

- Funding from the Pupil Equity Fund had been delivered directly from the Scottish Government to the schools that qualified, and the Education and Families Committee had no jurisdiction over how it was spent. Children's Services had encouraged clusters to come together to look at how the funding could be best used to support young people and close the attainment gap. Some schools had spent the funding on additional resources or staffing in developing programmes. While there would be some short-term benefits, it was likely that any outcomes would only be apparent in the longer-term. How the funding was used did have to be reported back to the Scottish Government, and it would also be reported to the Education and Families Committee.

During the discussion that followed, some Members expressed concern at the proposal to remove £200,000 from the Mental Health social care budget, and it was questioned what effect this would have on front-line services and the vulnerable in the community.

The Director of Community Health and Social Care Services explained that a project had been set up to look at how mental health services could be made more efficient. Over the course of the last few years, money had been taken out of social care budgets, but not for mental health. This was due to the fact that the service did not have management capacity to integrate social care mental health elements with health care elements, but a number of people had now been appointed to posts who would be able to take the redesign project forward. It would be challenging, but there was a good track record of being innovative, outcome-focused and efficient when carrying out service redesign. The project looking at redesign of services would initially report to the Integration Joint Board, as it was an area that was delegated to the Board. But the social care element of the service was provided by the Council, so the Policy and Resources Committee would also have the opportunity to look at it.

The Director of Development Services and Executive Manager - Finance added that the business cases for the redesign projects referred to in Section 4 of the report would come back for further decision before implementation. The sums set out were targets, and the business cases would have to illustrate any impacts of the proposals.

It was questioned where the business case for mental health services would be benchmarked from, given that there had been difficulty in improving mental health facilities in the past and people had been waiting a long time for services.

The Director of Community Health and Social Care Services advised that there had been significant improvement in mental health services recently, and waiting times had reduced. A benchmarking approach using key performance indicators would be used to illustrate how the service was operating in the future.

It was pointed out that the information presented to the Policy and Resources Committee had indicated that the budget would be reducing from £1.4million to £600,000, which was substantially more than the amount referred to in this report.

The Director of Community Health and Social Care Services advised that this figure related to shifting where the budget sat with the current management arrangements in place, and the crossover between services. Savings had already been made in terms of where staff were positioned, but staff were still in place. It was one of the things that would be picked up in the redesign project.

In response to a question, he explained that it was the case that some mental health services were delivered through the Council's social care service, and others were delivered via the NHS mental health services. This had an impact on efficiencies that could be achieved, and the redesign project would look at making improvements by integrating health and social care elements of mental health, and it would take cognisance of risks, benefits and unintended consequences from any changes to the provision of services. He was of the view that the indicative target set was around the right amount. If it was not possible to achieve all of it, it was not intended that the service would be denigrated.

He went on to say that the approach taken in mental health services was very holistic, whether it related to adults or children. Staff were very aware of the safeguarding agenda, and there was good evidence of this with the number of referrals that came through from different groups of professionals.

It was pointed out that whilst the local Council Tax would be the fourth-lowest in Scotland, this figure took no account of the higher cost of living in the islands. Work already carried out had indicated that there were a large number of families experiencing poverty locally, and the increase in Council Tax would have a detrimental effect on these families. However it was also commented that while it was accepted that it may make things difficult for some families, the risks in not implementing the proposed increases was greater if services were to be maintained. The Council would have to carefully monitor the position when Universal Credit was introduced, as there may be an interim period between applications being submitted and benefits being received that would cause difficulties for some families.

The Executive Manager – Finance advised that he could not comment about the impact the rise may have on individual families, but that during his presentation he had set out the reasons for recommending an increase in Council Tax. One of these was the need for the Council to try and support and sustain a budget which provided millions to support the most vulnerable in the community, and to maintain the level of these services in the future. In response to a query, he also advised that he was not aware of any proposals to revalue all properties for Council Tax purposes in the near future.

Some Members commented that the budget illustrated the work that the Council had carried out during the budget-setting seminars to review the choices available to it, and to avoid any hasty decisions which may have an effect in the future. It was important to continue to work with partners when considering service redesign and the longer-term picture in order to ensure that services could be maintained, and that there were no detrimental impacts on the community.

It was pointed out that the Council would continue to lobby and negotiate with the Scottish Government and work with the MSP to get a fairer deal for the islands, and there had already been some successful negotiations that had taken place.

In moving that the recommendations in the report be approved, Mr C Smith thanked all staff involved for their work in producing the budget.

Mr Coutts seconded.

The Convener recorded the Council's thanks to all those involved for their hard work in producing the budget. It had taken a long time to get to this stage, and had required a lot of input from Members and officers. Work now had to begin on delivery, and there would be some difficult times ahead.

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**Decision:**
The Council CONSIDERED the information provided by the Chair of Policy and Resources Committee in relation to the 2018/19 Budget recommendations made by the Committee and contained in the Budget Book.

The Council RESOLVED to approve the 2018/19 Budget by:

- Approving the Council Budget Book (Appendix 1 of the report, and including the recommendation from the Environment and Transport Committee that a review of the Gritting Service be undertaken with no financial target set)

- Adopting the Formal Resolutions (Appendix 2)

- Agreeing to increase the Council Tax by 3%

The Council RESOLVED to instruct the Corporate Management Team to develop proposals and options for Service redesign/change in the form of Strategic Outline Cases to address the continuous improvement and financial challenges that lie ahead. That this should be done in the context of Council priorities and its contribution to local outcome aspirations, national policy and statutory duties, in a timescale of no more than three months (mid-May).

The meeting concluded at 11.45pm.

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Convener