

Shetland Islands Council



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Date: 16 May 2018

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 23 May 2018 at 2pm**

Apologies for absence should be notified to Leisel Malcolmson at the above number.

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.

1	Fund Management Annual Investment Report 2017/18 <i>F-039</i>
2	Management Accounts for Community Health and Social Care 2017-18 – Draft Outturn <i>F-034</i>
3	Overall SIC Management Accounts for 2017/18 – Projected Outturn at Quarter 4 <i>F-038</i>
4	Effective and Sustainable Tertiary Education, Research and Training Project – Strategic Outline Case <i>DV-21-18 (Report to follow)</i>
5	Service Redesign Programme Update <i>CRP-09-18</i>
6	Corporate Risk Register Report <i>IA-13-18</i>
<i>The following item contains Exempt information</i>	
7	Confidential Corporate Risk Register Update <i>IA-14-18</i>



Shetland Islands Council

Agenda
Item

1

Meeting(s):	Shetland Islands Council	23 May 2018
Report Title:	Fund Management Annual Investment Report 2017/18	
Reference Number:	F-039-F	
Author / Job Title:	Executive Manager - Finance	

1.0 Decisions / Action required:

That the Council:

- 1.1 approve the Annual Investment Report for 2017/18 for the purposes of the consent issued by the Scottish Ministers by virtue of section 40 of the Local Government in Scotland Act 2003;
- 1.2 note the outperformance of the benchmark and target by Baillie Gifford in 2017/18;
- 1.3 note the performance of BlackRock which was close to the benchmark in 2017/18;
- 1.4 note the outperformance of the benchmark but underperformance of the target by Insight in 2017/18.

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 2017/18.
- 2.2 The Council has three fund managers, with total investments under management at the end of March 2018 of £345 million.
- 2.3 During 2017/18 the value of the Council's investments increased by £11 million, which was made up from £21 million of investment returns less £10 million of cash withdrawals from the investments. The overall Council investment return in 2017/18 was 6.6%. See additional information in Appendix 1.
- 2.4 Over the 2017/18 financial year BlackRock were close to their aim of equalling the benchmark return, while the two active fund managers Baillie Gifford and Insight both outperformed their respective 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:	
6.1 Service Users, Patients and Communities:	The performance of the Council investments has a direct impact on the level and volume of services that it can afford to provide to the people and communities of Shetland. Therefore monitoring of performance provides assurance that the additional funding that is created through the investments is sustainable.
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
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 investment objectives.</p> <p>It is not likely that the Council can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy, 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 sustainable 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>
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 2018/19, which was approved by the Council on the 7th March 2018 (min ref 16/18).</p>

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 2017/18

Background Documents:

None

Fund Management Annual Investment Report 2017/18

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 2017/18 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 2017/18. 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 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.
- 1.5 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 includes 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. This investment strategy review is ongoing at present, and it is envisaged that the review will be concluded during 2018.

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 2018 of £345 million. The fund managers investment funds and current percentage allocations at the end of March 2018 are as follows:

Fund Manager	Fund	% of Assets
Baillie Gifford	Active Equities	31%
	Diversified Growth	21%

BlackRock	Passive Equities	36%
Insight	Bonds	12%

2.2 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 that 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 2017/18 and none are planned in 2018/19 as KPMG are currently conducting an investment strategy review.

2.3 Investment values are constantly changing but the market value at 31 March 2018, and for comparison March 2017, for the mandates are as shown below:

Manager	Market Value £ million	
	2018	2017
Baillie Gifford	181	165
BlackRock	123	128
Insight	41	41
Total	345	334

2.4 In previous years Members have had presentations in May from the fund managers reviewing their investment performance. This year the fund managers will be invited up in Autumn to present to the Council. This change was necessary as the annual six monthly monitoring visit to the fund managers in November was proving very difficult to fit around other workloads due to the time of year, and so was moved this year to April.

2.5 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.

2.6 At section 3 this report presents a review of each fund manager in turn and a comparison of their performance in 2017/18 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.

2.7 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 2017/18 but also at their performance over a five year period, or from inception of the mandate if that is shorter.

2.8 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.

2.9 The following table shows the effect on the Council investments due to withdrawals/additions and the investment return over the financial year to March 2018 and as a comparison the previous financial year.

	Council Investments £ million	
	2017/18	2016/17
Opening Value	334	287
Additions/(Withdrawals)	(10)	(20)
Investment Return	21	67
Closing Value	345	334

2.10 During 2017/18 the overall value of the Council's investments increased by £11 million.

2.11 There was a positive investment return over the 2017/18 financial year of £21 million. The main contributing asset class to this investment return was equities, and more specifically the active equity fund managed by Baillie Gifford.

2.12 During the financial year to March 2018 £10 million was withdrawn from the Council's investments; this was withdrawn in two equal amounts from BlackRock's passive funds. The withdrawals were required to support the Council's cash flow needs, which cover both revenue expenditure and the capital programme.

2.13 The 2017/18 market performance by asset class is set out below:

		%
Equities:	UK	1.2
	North America	0.6
	Europe (Ex UK)	3.0
	Japan	6.7
	Pacific	-3.3
	Emerging Market	11.4
Bonds:	UK Index Linked Gilts	0.7
	UK Corporate	1.2
Property		10.0

- 2.14 The best performing sector in 2017/18 was Emerging Market equities with a return of 11.4% followed closely by property with 10.0%. Other equity markets produced mixed returns with the Pacific Region negative and the UK and North America just positive. Bonds also had a very quiet year in 2017/18 only just managing to achieve positive figures. These returns are in contrast to 2016/17 where all of the equity markets and bond markets produced good returns. Cash returns are still low as UK interest rates remain low.
- 2.15 While this report reviews performance in 2017/18; a brief update for the start of the 2018/19 financial year sees equity markets recovering from a poor end to 2017/18, following trade war concerns between America and China and concern about interest rate rises in America. Recent oil price rises have caused America to speak with OPEC but they have stated that they will not alter oil production levels in the near future. Interest rate rise concerns remain in America and the UK with the possibility of two or three rate rises in 2018 being considered.

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 2017/18, 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 (%)
2017/18	9.8	6.9	4.4	9.8
Five years 13/14 to 17/18	62.3	14.8	1.9	10.2
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).				
The performance v target figure gives the percentage that the fund has out or underperformed the set target.				

- 3.10 Baillie Gifford returned 9.8% in 2017/18, which was 6.9% above the benchmark return and 4.4% above 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 13.2% against a benchmark of 3.1%. UK equities also had a good year returning 12.0% against a benchmark of 1.2%, and the Diversified Growth Fund returned 5.4% as against a benchmark of 3.9%. Baillie Gifford had another good year with equities performing well; the Diversified Growth Fund which

aims at a positive steady return against a cash benchmark also produced a good investment return.

- 3.12 On a cumulative basis over the five-year rolling monitoring period Baillie Gifford are above the overall benchmark and target. The fund has over the five-year period increased in value by 62.3%, which equates to a return of 10.2% per annum.
- 3.13 Baillie Gifford has over the long term outperformed the benchmark and target adding 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 2017/18, also on a cumulative basis since inception plus annualised performance figures.

Fund Performance versus Benchmark

	Fund Return (%)	Performance v Benchmark (%)	Annualised Fund Return (%)
2017/18	3.9	0.2	3.9
Four and a half years Oct 2013 to Mar 2018	58.4	-0.2	10.8
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark.			

- 3.18 BlackRock returned 3.9% in 2017/18, 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 BlackRock's mandate is split 75%:25% between Global and Emerging Market equities. It was the Emerging Market equities which produced the best return at 11.4% with Global equities returning 1.5%. This is a passive investment that tracks the market return, and the specific allocation to Emerging Market equities has not only outperformed Global equities in 2017/18 but was the best returning asset sector in 2017/18.
- 3.20 On a cumulative basis over the four and a half year monitoring period the fund is close to the benchmark return. Over this period the fund has increased in value by 58.4% which equates to a return of 10.8% 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'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%.
- 3.25 The following table sets out in summary the performance of Insight versus the benchmark and the performance target in 2017/18, 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 (%)
2017/18	1.2	0.4	-0.8	1.2
Five years 13/14 to 17/18	30.2	3.8	-1.2	5.4
The performance v benchmark figure gives the percentage that the fund has out or underperformed the benchmark return (market indices).				
The performance v target figure gives the percentage that the fund has out or				

underperformed the set target.

- 3.26 Insight returned 1.2% for 2017/18, which was 0.4% above the benchmark return and 0.8% below the target return. After a good year for bonds in 2016/17 this financial year has seen bonds have a low returning year.
- 3.27 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. UK Corporate Bonds and Index Linked Bonds outperformed their respective benchmarks with returns of 1.9% and 1.4% but the Bonds Plus Fund underperformed returning just 0.2%.
- 3.28 On a cumulative basis over the five-year rolling monitoring period Insight are above the overall benchmark return, but just below target. The fund has over the five-year period increased in value by 30.2%, which equates to 5.4% per annum.
- 3.29 Insight has over the long term outperformed the benchmark, and has added value to the fund.

4.0 Investment Governance

- 4.1 During 2017/18 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 In the Autumn of 2018 all of the Council's fund managers will come to Shetland and give presentations to the Council on their respective mandates. A six monthly review visit to the fund managers is also conducted by a smaller Council group that includes both Councillor and officer representation.

5.0 Conclusions

- 5.1 Baillie Gifford had a very good year and outperformed the benchmark and target during 2017/18. Over the five year period Baillie Gifford are above the benchmark and target.
- 5.2 BlackRock remained close to their aim of equalling the equity benchmark during 2017/18. Over the four and a half year period of their mandate BlackRock are close to the equity benchmark return.

- 5.3 Insight outperformed the bond benchmark but was below target during 2017/18. Over the five year period Insight are above the bond benchmark but just below the target.
- 5.4 Investment asset classes produced mixed returns with Emerging Market equities and property being the highest returning investments for the Council during 2017/18. This along with the fund manager's management of the funds helped to contribute £21 million in investment income to the Council's investments over the 2017/18 financial year. The Council's investments returned 6.6% over 2017/18 and ended the financial year with a valuation of £345 million.



Meeting(s):	Policy and Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Management Accounts for Community Health and Social Care 2017/18 – Draft Outturn	
Reference Number:	F-034	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Policy and Resources Committee NOTES the Management Accounts for the Community Health and Social Care Directorate showing the draft outturn position for 2017/18;
- 1.2 NOTE the proposed budget carry-forwards, which will be included in the overall Draft Outturn report to be presented for approval at Policy & Resources Committee on 18 June 2018; and
- 1.3 The Policy and Resources Committee RECOMMENDS to the Council that they approve an increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.140m, recognising the transfer of Cost Pressure and Contingency budget held by the Council in respect of Apprentice Levy costs and other minor budget changes, as detailed at 4.2 below. This will increase the payment for 2017/18 to £20.924m.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Policy and Resources Committee to note the financial performance of services within the Community Health and Social Care Directorate. This report shows the financial consequences of the service performance detailed in the Community Health and Social Care Directorate performance report (reported to the Integration Joint Board (IJB)) and will be subject to final accounting and audit adjustments as part of the year-end accounts process.
- 2.2 This report forms part of the financial governance and stewardship framework which ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively.
- 2.3 Since the approval of the 2017/18 budget, revisions to the budget have been incorporated. Therefore, this report refers to the revised budget.
- 2.4 The Council delegated the functions of the Community Health and Social Care

Directorate to the IJB. The Council and NHS Shetland approve a contribution to the IJB, and then receive a distribution of those resources from the IJB to carry out services as directed by it. Management accounts showing the financial position for all delegated functions of the IJB are prepared and presented by the Chief Financial Officer (CFO) to the IJB on a quarterly basis to ensure adequate financial monitoring can be performed by the IJB.

3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.
- 3.2 The IJB's vision, aims and strategic objectives are set out in the Integration Scheme and the Strategic Plan 2017-20. The IJB is provided with quarterly Financial Monitoring Reports to enable the IJB to manage in year financial performance of the integrated budget and to monitor performance against the Strategic Commissioning Plan.

4.0 Key Issues:

- 4.1 This report presents the draft outturn position for 2017/18 against the revenue budgets distributed by the IJB as at the end of the financial year. The report also presents the draft capital outturn position for the Community Health and Social Care Directorate as at the end of the financial year. The capital budgets are not delegated to the IJB.
- 4.2 The Council has approved a contribution to the IJB of £19.216m in February 2017, forecasting that it would receive £20.494m in order to deliver the range of services, as defined by the IJB's Strategic Plan. In June 2017, a further contribution of £620k was agreed in respect of revenue budget carry-forwards. In March 2018, it was agreed to further increase the contribution by £932k based on the application of cost pressure and contingency budget and various other minor budget changes. A final increase of £140k is proposed to the contribution based on the application of cost pressure and contingency budget and various other minor budget changes, which will increase the budget delegated to the IJB to £20.924m.
- 4.3 The draft revenue outturn position against the revised budgets delegated to the IJB is an underspend of £509k, after anticipated cost pressure and contingency budget is applied. The draft outturn includes specific grant funding which was not spent in full during the year and will required to be carried to 2018/19 totalling £154k.
- 4.4 The projected capital outturn position for the Community Health and Social Care Directorate is an overspend of £342k against the revised budget.
- 4.5 See appendices 1 and 2 attached for detailed information on the revenue and capital outturn positions.
- 4.6 In line with the Council's budget carry forward scheme, services have requested specific revenue budget carry-forwards of £154k.

- 4.7 It is proposed that Cost Pressure and Contingency budget of £94k be applied to Community Health and Social Care Directorate's overall budgets, to recognise the costs of the apprenticeship levy. Minor budget changes within the Community Health and Social Care Directorate which amount to a total increase in the budget of £46k are also proposed.
- 4.8 The strategic planning and distribution of funding for the services of the Community Health and Social Care Directorate for 2017/18 has been delegated to the IJB. The focus of this report is to allow Members to understand the Council's performance in managing the financial aspects of service delivery. This is different from the overall financial position of the IJB. The overall position of the IJB is relevant however in terms of the impact that the financial position might have on the Council. An example of this is where overspending has occurred by one, or both of the partners, then with reference to the Integration Scheme there is a process that requires to be followed. This is of relevance to the Council, as a partner and a funder.
- 4.12 The draft outturn report for the IJB overall is attached at Appendix 3 for reference.
- 4.13 Members will note there is a projected overspend in the NHS Shetland (NHSS) arm of the IJB budget (£2.329m) and a projected underspend in the Council arm of the IJB budgets. £0.509m.
- 4.14 The Integration Scheme sets out how over/under spends affecting the budgets allocated for the delegated functions will be addressed.
- 4.15 The IJB has a Recovery Plan in place (see Appendix 4) to address the efficiency savings required within NHSS delegated budget in 2017/18. It should be noted that, despite the overspend forecast in the NHSS arm of the IJB budget at the end of the year, NHSS have a small draft underspend overall and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.
- 4.16 The Council draft underspend is fortuitous, and as such, a one-off repayment will be made by the IJB to balance our arm of the budget.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	There are no implications.
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6.2 Human Resources and Organisational Development:	There are no implications.
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6.3 Equality, Diversity	There are no implications.
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and Human Rights:	
6.4 Legal:	<p>There are legal implications with regard to the delegation of statutory functions of the Council and NHSS to the IJB by each Party in order to deliver the delegated functions for that Party. These are set out in the Public Bodies (Joint Working) (Scotland) Act 2014, the associated Regulations and Guidance. The Council, NHSS and the IJB must adhere to the terms of the Integration Scheme approved by the Scottish Government under the terms of the Public Bodies Act. This includes a section on Finance with details regarding the treatment of under/overspends.</p>
6.5 Finance:	<p>The overall draft outturn for the Council does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the Council is living within its means.</p> <p>The Directorate of Community Health and Social Care is spending less than its revised budget.</p>
6.6 Assets and Property:	There are no implications.
6.7 ICT and new technologies:	There are no implications.
6.8 Environmental:	There are no implications.
6.9 Risk Management:	<p>The recovery plan, put in place due to the overspends that are inherent in NHSS delegated functions, poses a risk to the Council as a partner, because the level of savings required has not been achieved in successive years, with reliance required on non-recurring savings in-year in order for NHSS to breakeven. This risk was mitigated in 2016/17 as NHSS have agreed to make an additional contribution to cover this overspend, however NHSS have indicated that they may not be able to do so in future years.</p> <p>There is also a risk to the Council that the redistribution of resources from service redesign projects, transferring care from acute hospital services within NHSS to community care, will not happen.</p> <p>The Community Health and Social Care Directorate maintains its own Risk Register and includes consideration of the actions which may be used to mitigate the risk not achieving full use of the Integrated Care Fund.</p> <p>The Integration Scheme includes a dispute resolution mechanism which should be followed where either of the Parties fails to agree with the other on any issue related to the</p>

	Integration Scheme, including financial issues.	
6.10 Policy and Delegated Authority:	<p>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 2017/18 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.</p> <p>The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Sheila Duncan, Management Accountant, sheila.duncan@shetland.gov.uk, 22 May 2018

Appendices:

Appendix 1 - Community Health and Social Care Directorate Draft Revenue Outturn Position for 2017/18

Appendix 2 - Community Health and Social Care Directorate Draft Capital Outturn Position for 2017/18

Appendix 3 - Overall Draft Outturn Position for the Integration Joint Board for 2017/18

Appendix 4 - Draft Outturn Position for the IJB Recovery Plan

Background Documents:

SIC Budget Book 2017/18, SIC 15 February 2017

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520>

Community Health and Social Care

1. Projected Revenue Outturn Position 2017/18

Revised 2017/18 Approved Delegated Budget Q3 £000	Cost Pressure & Contingency Budget Applied Qtr 4 £000	Misc Budget Changes Qtr 4 £000	IJB Service Heading	2017/18 Revised Delegated Budget £000	Draft Outturn (inc central costs) 2017/18 £000	Draft Outturn Variance 2017/18 £000
516	2	143	Mental Health	661	616	45
223	-	-	Substance Misuse	223	196	27
1,066	1	(516)	Directorate	551	233	318
79	0	-	Pensioners	79	76	3
5,078	22	86	Adult Services	5,186	5,099	87
2,472	5	43	Adult Social Work	2,520	2,394	126
			Community Care			
10,714	60	211	Resources	10,985	11,255	(270)
26	1	-	Criminal Justice	27	16	11
1,446	3	49	Occupational Therapy	1,498	1,472	26
			Scottish Government			
426	0	30	Additionality Funding	456	320	136
22,046	94	46	Total Controllable Costs - including specific grant to be carried forward	22,186	21,677	509
			Specific Grant to be carried forward:			
			Scottish Government Additionality Funding*			(136)
			Carers Support Funding			(10)
			Self-Directed Support Funding			(8)
			Total Controllable Costs			355

*This funding carry-forward will be recognised as an underspend for the IJB for 2017/18 and transferred to their Reserve.

The above table shows the draft outturn variance for 2017/18, after the application of Cost Pressure and Contingency Budgets to the Community Health and Social Care Directorate and reflecting the impact of other minor budget changes increasing the overall budget by £94k and £46k, respectively in quarter 4. The Cost Pressure and Contingency Budget is proposed to be applied in respect of apprenticeship levy costs and address other minor budget changes. The details of proposed specific budget carry-forwards are also included above for reference.

1.1 Directorate – draft outturn underspend of £318k (58%)

The draft underspend mainly relates to:

- the inability to use the full 2016/17 carry-forward funding due to delays in getting projects and recruitment underway, £129k;
- training budgets for the year have been held centrally within Directorate but costs have been applied to service areas. Although projected underspend of £128k is shown in the Directorate, actual expenditure across the services means this is fully spent.

All savings are deemed one-off.

1.2 Adult Services – draft outturn underspend of £87k (2%)

There are no significant individual draft underspends in this service. The overall underspend relates to minor underspending in employee cost, payments to third sector organisations and some overachievement in charging income.

All savings are deemed one-off.

1.3 Adult Social Work – draft outturn underspend of £126k (5%)

The draft underspend mainly relates to:

Projected underspend on employee costs due to maternity leave not back-filled, a vacant post within the Admin Team and the impact of staff who are new to posts starting on a lower grade than budgeted, £96k.

1.4 Community Care Resources – draft outturn overspend of (£270k) (2%)

The draft overspend is mainly due to:

- projected overspend in employee costs in many of the care homes (£187k), notably Edward Thomason House (£92k) and Wastview (93k) due to long-term staff sickness. This has been off-set by smaller projected underspending in employee costs at Overtonlea, Isleshavn

and Nordalea, totalling £66k, due to less demand for care at home services at times allowing these staff to be used to back-fill residential shifts, avoiding the use of relief staff. Difficulty in recruiting staff has led to temporary bed closures during the year at both Wastview and Isleshavn, also impacting on staffing costs;

- projected underspend in employee costs in Care At Home Central, £151k, due to vacant posts which have proved difficult to recruit to. Demand for care at home services have been less than budgeted during the year, but the vacancies have led to some unmet need, particularly in home help services;
- projected cost of agency staff employed in areas where we are having difficulty recruiting and have experienced significant sickness levels, (£198k);
- projected underachievement of Board and Accommodation income which can vary significantly from budget as it is dependent on the financial circumstances of those receiving care. Charging income has also been reduced due to legislation which requires charges to be waived where the care is for the benefit of the carer, rather than the person receiving care, (£69k).

1.5 Scottish Government Additionality Funding – draft outturn underspend £136k (30%)

The IJB was allocated £1.474m 'Additionality Funding' from the Scottish Government (SG) for 2017/18. As per SG guidance, £852k of the overall funding will be used to help meet a range of continuing cost pressures faced by local authorities in the delivery of effective and high quality health and social care services. This allocation is distributed by the NHS Shetland to the IJB rather than from the Council. The remaining £622k is provided to support additional spend on expanding social care to support the objective of integration. In 2017/18 £456k of the remaining funding has been allocated to the Council.

It was agreed that £348k of this funding would be used to support the increased demand for Self-Directed Support packages. This is however difficult to predict as packages can vary greatly in value, so the addition of further packages or changes to existing packages can have a significant financial impact. A draft underspend of £136k is expected for the year.

A further £78k allocation of this funding has been allocated to cover the cost of one full-time social worker and one full-time administration worker who specifically focus on expediting timely hospital discharges. It is anticipated that this funding will be fully spent.

Finally, £30k of one-off funding in respect of Carers Implementation was allocated to the Council. It is anticipated that this funding will be spent in full.

Community Health and Social Care

2. Draft Capital Outturn Position 2017/18

Overall Projected Outturn Variance £000	Service	2017/18 Revised Budget £000	2017/18 Draft Outturn £000	2017/18 Draft Variance £000	Slippage Required in 2018/19 £000	2017/18 Overall Draft Outturn Variance £000
0	Director of Community Care	8	8	0	0	0
0	Adult Services	2,757	3,079	(322)	0	(322)
(35)	Community Care Resources	0	20	(20)	0	(20)
(35)	Total Controllable Costs	2,765	3,107	(342)	0	(342)

An explanation for the main draft outturn variances by service are set out below.

2.1 Adult Services – draft outturn overspend (£322k) (12%)

The replacement Eric Gray Resource Centre project is running ahead of schedule and is still on track to be delivered within overall budget. The draft overspend therefore relates to payments being due to the contractors sooner than expected. This will result in lower capital expenditure in 2018/19.

2.2 Community Care Resources – draft outturn overspend of (£20k) (100%)

The projected overspend relates to Capital Projects time allocated to the Edward Thomason and Taing House Extension project for snagging and preparation of the final account. The overspend is to be funded as part of the spend to save project.

Community Health and Social Care

3. Draft Overall Outturn Position for the Integration Joint Board

Service Headings	2017/18 Approved Delegated Annual Budget £000	2017/18 Revised Delegated Annual Budget £000	Draft Outturn for 2017/18 £000	Budget v Draft Outturn Variance (Adv)/ Pos £000
Mental Health	1,972	2,090	2,260	(170)
Substance Misuse	676	625	568	57
Oral Health	3,123	3,317	3,248	69
Pharmacy & Prescribing	6,698	6,349	6,346	3
Primary Care	4,571	4,497	5,318	(821)
Community Nursing	2,330	2,669	2,710	(41)
Directorate	535	645	223	422
Pensioners	78	79	76	3
Sexual Health	38	44	46	(2)
Adult Services	5,010	5,240	5,146	94
Adult Social Work	2,386	2,520	2,394	126
Community Care Resources	10,032	10,985	11,255	(270)
Criminal Justice	18	27	16	11
Speech & Language Therapy	83	71	72	(1)
Dietetics	112	104	97	7
Podiatry	225	223	218	5
Orthotics	143	140	120	20
Physiotherapy	603	551	544	7
Occupational Therapy	1,555	1,668	1,641	27
Health Improvement	310	232	203	29
Unscheduled Care	3,190	2,976	3,534	(558)
Renal	145	188	214	(26)
Scottish Government Additionality 16/17	512	512	331	181
Scottish Government Additionality 17/18	110	110	53	57
Integrated Care Funding	410	447	400	47
Recovery Plan	(2,529)	(2,055)	(450)	(1,605)
Total Controllable Costs	42,336	44,254	46,583	(2,329)

3.1 Draft outturn overspend at 31 March 2018 (£2.329m) (5%)

The current projected outturn to the end of March 2018 for the IJB is an overall adverse variance of £2.329m which represents a projected underspend of £509k in the Council arm of the budget, and a projected overspend in NHS Shetland arm of (£2.838m).

Community Health and Social Care

4. Draft Outturn Position for the IJB Recovery Plan for 2017/18

	Directly Managed Services £000	Set-Aside Services £000	TOTAL £000
Full savings required by Recovery Plan	2,079	450	2,529
Savings achieved	(474)	(450)	(924)
Unachieved savings	1,605	0	1,605

- 4.1 Of the £924k savings identified above, £745k represents recurring savings and £179k are non-recurrent.
- 4.2 The IJB has a Recovery Plan in place to address the efficiency savings required within NHSS delegated budgets in 2017/18. Despite the draft overspend forecast in the NHSS arm of the IJB budget at the end of the year, NHSS has a small draft underspend overall for 2017/18 and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.



Meeting(s):	Policy & Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Shetland Islands Council 2017/18 Draft Outturn	
Reference Number:	F-038-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 2017/18 draft outturn position; and
 - APPROVE the 2017/18 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 "2017/18 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 2017/18. This is attached as Appendix 1 of the report.
- 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 2017/18 is a continuing crucial element of aligning expenditure with available resources, which is a corporate objective.
- 2.3 With reference to page 4 of Appendix 1 the Council's use of reserves to fund expenditure can be summarised for financial year 2017/18 as follows:
- The total net draw from reserves is £8.500m. This is £8.665m less than the revised net budgeted draw from reserves of £17.165m.
 - The General Fund requires a draw of £19.248m;
 - The Asset Investment Plan requires a draw of £1.332m; and
 - Spend to Save projects a draw of £0.292m.
 - The Harbour Account contributes £11.324m; and
 - The Housing Revenue Account contributes £1.048m to the Council reserves at the year end.
- 2.4 All the different Council accounts more than achieved their budgets either through lower service costs or increased income.
- 2.5 Most significantly the main underspend is on the General Fund which is £3.605m less than the revised budget. This has been achieved through a combination of reduced service spending, underspend of the cost pressure and contingency budget and increased income, in particular from economic development investments.

- 2.6 The Harbour Account and the Housing Revenue Account both exceeded their budgeted contributions by £1.948m and £1.532m 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.
- 2.7 In relation to using funding from reserves in the future – as a consequence of underspending in 2017/18 - Services have requested carry forwards in line with the Carry Forward Scheme of £6.808m, of which £2.209m is for revenue services, £4.599m for capital projects (including Spend to Save projects).
- 2.8 In addition there are capital project carry forwards from Services that will be funded from borrowing and these requests amount to £2.655m. This means a total of £9.643m in carry forward commitments will be funded in 2018/19.
- 2.9 The financial review of the 2017/18 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.
- 2.10 In terms of whether this has been a good year in financial terms then the answer has to be a measured yes.
- 2.11 It is absolutely clear that the financial limitations defined by the budgets have not been exceeded and there is a positive impact on the financial reserves position of the Council at the year end.
- 2.12 Investment returns have been positive too at 6.6%, but fall short of the required long-term return rate of 7.3% per annum in order to sustain their use into the future, taking account of inflation. Compensating for this in 2017/18 has been the positive budget outturns and reduced draw from reserves that means the Council is not adversely affected by investment returns of this value in a single year.
- 2.13 Dig into the detail in the General Fund and additional costs of accommodating children on and off island, and the cost of staffing schools must be seen as a concern for future resource requirements. Similarly the cost of energy, fuel and supplies such as bitumen all appear to be rising with little means of control other than using less of them. Offsetting rising costs are annual savings on staff in some areas due to a shortage of staff wanting to work in those areas or simply because there aren't experienced or qualified people available. Also it is notable that there has for a number of years been an underspend on the economic development grants schemes due to a buoyant economy in Shetland however recent reports indicate a change, which will need to be monitored, as this has been a reliable source of savings which may start to be less certain.
- 2.14 There were a number of grants that were not utilised during the financial year, either carried forward from previous years or received in 2017/18, for example monies for road repairs and pupil equity funding, which are being carried into 2018/19. A combination of factors contributes to this happening and the Council needs to find ways of delivering on commitments that require to be fulfilled by this funding. It is important for the Council to do so as it would appear that more and more funding is being distributed that is ring-fenced for specific purposes.
- 2.15 Finally the Asset Investment Plan has again seen slippage in achieving all that was set out to be achieved, with delays [for very real and legitimate reasons] means

<p>that millions of pounds of capital investment has not been achieved during the year, in the General Fund and Harbour Account capital programmes especially. This is offset by very positive progress on the Eric Gray Centre and savings achieved in awarding contracts, for example in roads projects.</p>	
2.16	It has been a good year financially and the Council starts into 2018/19 with a budget that is achievable, a lower cost base than it expected in setting the budget, but with challenges ahead to manage demand and the areas of the budget that have proved to be consistently overspending. At the same time the uncertainty of pay award costs in 2018/19 is another aspect will add to the complexity of another financial year.
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 6.6% which is much lower than last year where there was growth of 22.9%. Overall the investment returns withdrawal policy included in the MTFP remains robust due to its long-term nature, which means that the Council can maintain annual contributions to the revenue budget in the medium to long term despite not achieving the targeted 7.3% return in a single year.
4.3	The carry forwards proposed can be met from the 2017/18 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 2017/18 is contained within the “2017/18 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 and Organisational Development:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
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 2017/18 of £8.500m (unaudited figure) which is £8.665m less than the revised net budget of £17.165m.</p> <p>Services have requested £9.463m of carry forwards for both revenue and capital projects. This will require funding from Council reserves of £6.808m and borrowing of £2.655m.</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 2017/18 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, 4 May 2018

Appendices:

Appendix 1 – 2017/18 Financial Review: The Council's Draft Outturn Position

Background Documents:

Report: F-034-F Management Accounts for Community Health and Social Care: 2017/18 – Draft Outturn

Report: F-036-F Management Accounts for Development Committee: 2017/18 – Draft Outturn

Report: F-037-F Management Accounts for College Board: 2017/18 – Draft Outturn

Report: F-041-F Management Accounts for Environment & Transport Committee: 2017/18 – Draft Outturn

Report: F-042-F Management Accounts for Harbour Board: 2017/18 – Draft Outturn

Report: F-045-F Management Accounts for Policy & Resources Committee: 2017/18 – Draft Outturn

Report: F-047-F Management Accounts for Education & Families Committee: 2017/18 – Draft Outturn

END

Shetland Islands Council



2017/18 Financial Review

The Council's Draft Outturn Position

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1.0 Executive Summary

- 1.01 The 2017/18 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 2017/18 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 2017/18, 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 2017/18 into 2018/19. The total value of this is £9.463m, of which £2.655m 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 (£6.808m).
- 1.05 The total net draw on reserves to balance the budget in 2017/18 of £8.5m, (unaudited figure) is due mainly to underspends across revenue and capital. With the exception of 2015/16 when there was a net contribution to reserves of £5.8m, in the previous 5 years, the draw on reserves were as follows; £5.8m in 2016/17, £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 a financial strategy of prioritising 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.

2017/18 Draft Movement (to)/from Reserves Summary

- 1.07 The table below shows a draft draw from reserves of £8.5m against a targeted draw of £17.165m giving a reduction in the use of reserves against the revised budget of £8.665m. Also shown is a summary of the carry-forwards that relate to the use of reserves, a sum requested of £6.808m, which will result in an additional draw from reserves in 2018/19, over and above the approved budgets. This is affordable because of the underspend that was achieved in 2017/18.

Spending Area - Reserves	2017-18 Revised Budget £m	2017-18 Actual £m	2017-18 Variance £m	2017-18 Proposed Carry Forwards £m	2017-18 Revised Variance £m
General Fund	22.853	19.248	3.605	1.832	1.773
Harbour Account	(9.376)	(11.324)	1.948	1.440	0.508
Housing Revenue Account	0.484	(1.048)	1.532	0.157	1.375
Asset Investment Plan (Capital Programme)	2.334	1.332	1.002	2.734	(1.732)
Spend to Save (Capital and Revenue)	0.870	0.292	0.578	0.645	(0.067)
TOTAL DRAW ON RESERVES	17.165	8.500	8.665	6.808	1.857

Investments Health Check

- 1.08 The value of the externally invested funds stood at £345.4m on 31 March 2018 (£333.8m 31 March 2017). The valuation of funds invested as at the 31 March 2018 has increased by £11.6m since 31 March 2017; this includes £10m 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 6.6%.
- 1.09 The cash flow requirement during the year from investments of £10m 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 and 2017/18 financial years, 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 That said, the investment return of 6.6% for 2017/18 is below the 7.3% rate needed to grow the investment values sufficiently to contribute to the budget annually and allow that sum to be protected against inflation. It serves as a reminder of the uncertain nature of investment returns and that they never move forward following a smooth path, the Council needs to be prudent in ensuring investment returns will be recurring over the long term.
- 1.12 The latest values will be reflected in the updated Medium Term Financial Plan in June 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 2017/18 General Fund

2.01 The 2017/18 General Fund budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
1	Chief Executive & Cost of Democracy	1,805	1,706	99	36	63
2	Children's Services	40,007	40,417	(410)	165	(575)
3	Community Health & Social Care	20,784	20,386	398	18	380
4	Corporate Services	8,126	7,797	329	200	129
5	Development Services	14,723	13,997	726	200	526
6	Infrastructure Services	19,193	18,737	456	621	(165)
	<i>Centrally Managed Budgets:</i>					
7	Energy	2,463	2,632	(169)	0	(169)
8	Water	322	347	(25)	0	(25)
9	Building Maintenance	2,217	1,878	339	0	339
10	Grass Cutting	146	148	(2)	0	(2)
11	FMU	725	723	2	0	2
12	Insurance	946	782	164	0	164
13	Training	571	586	(15)	0	(15)
14	Office Buildings	1,843	1,882	(39)	0	(39)
15	Fund Manager Fees	895	818	77	0	77
16	GENERAL FUND SERVICES NET EXPENDITURE (lines 1-15)	114,766	112,836	1,930	1,240	690
17	Allocation to the Integrated Joint Board (IJB)*	22,186	21,677	509	136	373
18	Contribution from the Intergrated Joint Board	(23,449)	(22,970)	(479)	0	(479)
19	NET CONTRIBUTION FROM THE IJB	(1,263)	(1,293)	30	136	(106)
20	Contingencies & Budget Pressures	2,153	1,079	1,074	538	536
21	Interest on Revenue Balances	(27)	(14)	(13)	0	(13)
22	Economic Development Investment Income	(900)	(1,527)	627	45	582
23	Spend to Save Unallocated	123	0	123	250	(127)
24	Support Recharges to Other Council Accounts, e.g. Harbour, HRA, Pension Fund	(1,991)	(2,091)	100	0	100
25	TOTAL NET GENERAL FUND EXPENDITURE (line 16 plus lines 19-24)	112,861	108,990	3,871	2,209	1,662
	Funded by:					
26	GRG/NNDR (Scottish Government Allocation)	(80,755)	(80,700)	(55)	0	(55)
27	Council Tax	(9,003)	(9,042)	39	0	39
28	TOTAL CORE FUNDING (lines 26-27)	(89,758)	(89,742)	(16)	0	(16)
	Deficit to be funded from Reserves:					
29	Draw on Reserves - General Fund	(12,927)	(7,924)	(5,003)	(1,832)	(3,171)
30	Draw on Reserves - Harbour Account Surplus	(9,376)	(10,339)	963	0	963
31	Draw on Reserves - Shetland Gas Plant	(550)	(985)	435	0	435
32	Draw on Reserves - Spend to Save	(250)	0	(250)	(377)	127
33	TOTAL FUNDING FROM RESERVES (lines 29-32)	(23,103)	(19,248)	(3,855)	(2,209)	(1,646)
34	TOTAL FUNDING (line 28 plus line 33)	(112,861)	(108,990)	(3,871)	(2,209)	(1,662)
35	Balanced budget (lines 25 plus 34)	0	0	0	0	0

* Includes IJB centrally managed costs as well as direct Health & Social Care costs.

Net Expenditure

2.02 The General Fund Services Net Expenditure was budgeted to be £114.766m in 2017/18 as shown at Line 16 in the table above, actual expenditure of £112.836m has been incurred resulting in an underspend for the year of £1.930m. 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 (**£0.09m or 5% underspend**)

- There are no significant variances.

2.04 Children's Services (**-£0.41m or -0.1% overspend**)

- Overspend on Directorate due to moving to the new AHS (£123k) offset by the annual service payment for the AHS reduction of £68k due to performance failure deductions.
- Overspend on Children's Residential and off-island service due to increased need (£444k);
- Overspend on Quality Improvement/Schools service (£439k) due to an increase in staffing in primary and secondary settings as a result of increasing rolls, sickness and maternity cover, an increase in pay entitlement for supply teachers (under a national agreement) and their holiday pay entitlement. This was offset by a reduction in property rates £231k and efficiencies within the school catering service £73k.

2.05 Community Care Services (**£0.4m or 2% underspend**)

- Underspend on the 16/17 budget carry forward £129k due to delays in getting projects and recruitment underway;
- Staffing underspends across the service £122k;
- Underspend on Self Directed Support packages £136k which was allocated by the IJB from the Scottish Government "Additional Funding".

2.06 Corporate Services (**£0.33m or 4% underspend**)

- Grant income from DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments, amounted to awards £142k of which £71k will be carried forward to be used in 2018/19;

2.07 Development Services (**£0.73m or 5% underspend**)

- An amendment to the date when FE Credit payments were introduced has resulted in increased grant payments to NAFC and this is offset by savings in payments to Shetland College, finalising the position for financial year 2015/16. There is also the provision for stability funding to NAFC which was not budgeted for in 2017/18– (£197k).
- Underspend on Community Planning due to additional European funding received for projects dating back to 2015 £189k;

- Underspend on Economic Development due to a low update in grants £195k;
- Underspend on staffing across the department £310k;

2.08 Infrastructure Services (**£0.45m or 2% 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 2017/18 £339k;
- Underspends on Spend to Save building distribution system and storage heating projects approved in 2017/18 with the majority of work to be done in 2018/19 £221k;
- Overspend as a result of increased bitumen costs (£200k);
- Underspend on building maintenance with reduced requirement at AHS and Halls of Residence £145k;
- Overspend on Energy due to unit price increases in electricity (£176k).

2.08 Fund Managers Fees (**£0.08m or 8% underspend**)

- Black Rock introduced a new fee structure which reduced the level of fees paid. 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.

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 £80.7m, a decrease from last year of £1.7m.
- 2.11 The increase in Council Tax collected of £39k 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 resources and the mechanism for this is to use its reserves. This was £19.248m in 2017/18 (Line 33 in the table at 2.01) against a budgeted draw of £23.103m, and is reflective of the overall reductions in expenditure as explained in the previous section.

Summary

- 2.13 The underspend on the General Fund of £3.871m will be added to the General Fund Reserve at the year end and a sum of £2.209m will be added to the 2018/19 budget to fund grant funded projects and outstanding work in accordance with the Council carry-forward scheme. All sums carried forward are non-recurring.

3.0 The 2017/18 Harbour Account

3.01 The 2017/18 Harbour Account budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
1	Sullom Voe	12,647	10,844	1,803	716	1,087
2	Scalloway	1,452	878	574		574
3	Other Piers	674	606	68	5	63
4	Jetties & Spur Booms	2,070	3,902	(1,832)		(1,832)
5	Terminals	1,648	1,219	429	719	(290)
6	HARBOUR OPERATIONS SERVICES EXPENDITURE (lines 1-5)	18,491	17,449	1,042	1,440	(398)
	<i>Income:</i>					
7	Harbour Fees and Charges	(22,202)	(20,688)	(1,514)		(1,514)
8	Terminal Berthing Charges	(3,045)	(3,198)	153		153
9	Jetties & Spur Booms	(2,070)	(3,902)	1,832		1,832
10	HARBOUR OPERATIONS INCOME (lines 7-9)	(27,317)	(27,788)	471	0	471
11	TOTAL HARBOUR OPERATIONS NET INCOME (line 6 plus line 10)	(8,826)	(10,339)	1,513	1,440	73
12	Shetland Gas Plant	(550)	(985)	435		435
13	TOTAL HARBOUR ACCOUNT NET INCOME (line 11 plus line 12)	(9,376)	(11,324)	1,948	1,440	508
	<i>Contributions (from)/to Reserves:</i>					
14	Contribution to Reserves – Reserve Fund	9,376	11,324	(1,948)	(1,440)	(508)
15	TOTAL FUNDING FROM/(TO) RESERVES (lines 13-14)	9,376	11,324	(1,948)	(1,440)	(508)
16	Balanced budget (line 13 plus line 15)	0	0	0	0	0

3.02 The Harbour Account budgeted for a contribution to the Reserve Fund of £9.376m in 2017/18 and this was over achieved by £1.948m resulting in contribution of £11.324m, comprising:

- Reduction in tanker traffic for several offshore production interruptions in the East Shetland Basin (£653k);
- Additional overtime and training costs for Towage staff to inspect the new MT30 Tug prior to charter and for 4th crew tug cover (£271k);
- Timing of initial MT29 Tug principal borrowing repayment, due in 2018/19 following the year borrowing commences; and charter charges for MT30 Tug not required in 2017/18 as charter period commenced later than anticipated £487k;
- Other changes to capital programme works which has reduced the impact on revenue either through slippage £1.440m, funding changes such as use of capital receipts £459k or savings/overspends on tenders £171k;

- Additional income from fish and salmon landings in line with general increase in fishing industry activity at Scalloway and other piers £483k;
- Additional Shetland Gas Plant income of £435k has been achieved due to an increase in gas prices.

3.03 The Ports and Harbours operations draft outturn position is an increase in surplus of £1.513m, this outturn position includes £1.440m of revenue funding that had been budgeted to fund capital projects. Lower than anticipated capital expenditure, resulting in slippage, means that to complete these capital works £1.440m is required as additional budget for 2018/19. Therefore on removal of this budget the resulting increase in surplus is £73k, which means that the budgeted surplus to reserves has been achieved.

4.0 The 2017/18 Housing Revenue Account Budget

4.01 The 2017/18 Housing Revenue Account budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget	2017-18 Actual	2017-18 Variance	2017-18 Proposed Carry Forwards	2017-18 Revised Variance
		£000	£000	£000	£000	£000
	Expenditure					
1	Supervision & Management	817	721	96		96
2	Repairs & Maintenance	1,884	2,306	(422)		(422)
3	Void Rents & Charges	165	149	16		16
4	Garages	30	27	3		3
5	Capital Funded from Current Revenue	2,692	1,261	1,431	157	1,274
6	Capital Charges - Dwellings	1,711	1,324	387		387
7	TOTAL EXPENDITURE (lines 1-6)	7,299	5,788	1,511	157	1,354
	Income					
8	Interest on Revenue Balances	(1)	(1)	0		0
9	Rents - Dwellings	(6,623)	(6,577)	(46)		(46)
10	Rents - Other i.e. garages/sites etc	(191)	(258)	67		67
11	TOTAL INCOME (lines 8-10)	(6,815)	(6,836)	21	0	21
11	Contribution to/(from) Housing Repairs Account Working Balance	(484)	1,048	(1,532)	(157)	(1,375)
12	TOTAL FUNDING (line 11 plus line 12)	(7,299)	(5,788)	(1,511)	(157)	(1,354)
13	Balanced budget (line 7 plus line 12)	0	0	0	0	0

4.02 The Housing Revenue Account (HRA) delivered against its 2017/18 budget. There was a contribution to the Housing Revenue Account working balance of £1.048m. Detailed information is contained in the Development Committee report. The main variances was:

- Underspend due to less funding from current revenue (rental income) being required for capital expenditure £1.431m. 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;
- There has also been a reduction in the cost of borrowing against budget due to a reduced interest rate £387k;
- Underachievement of internal income as a result of vacant posts and increased spending on materials and stores has resulted in an overspend on the repairs and maintenance costs (£386k).

4.03 There has been slippage on three capital projects namely heating replacement programme, the housing quality standards and the vehicle replacement programme funded from revenue in the Asset Investment plan which require a combined carry forward of £157k.

5.0 The Asset Investment Plan (Capital Programme) Budget

5.01 The 2017/18 Asset Investment Plan budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
	Expenditure:					
1	New Developments Projects	20,149	17,682	2,467	3,064	(597)
2	Maintenance of Existing Assets	11,418	7,041	4,377	3,765	612
3	Spend to Save Projects	491	0	491	268	223
4	Housing Revenue Account Projects	2,913	3,035	(122)	157	(279)
5	TOTAL EXPENDITURE (lines 1-4)	34,971	27,758	7,213	7,254	(41)
	Income:					
6	Capital Grant/External Funding	(8,946)	(7,638)	(1,308)	0	(1,308)
7	Capital Funded from Current Revenue (GF/Harbour/HRA)	(6,213)	(1,528)	(4,685)	0	(4,685)
8	Capital Receipts (GF/Harbour/HRA)	(600)	(2,079)	1,479	0	1,479
9	TOTAL INCOME (lines 6-8)	(15,759)	(11,245)	(4,514)	0	(4,514)
	Funded by:					
10	Spend to Save – Draw on Reserves	(491)	0	(491)	(268)	(223)
11	General Fund - Draw on Reserves	(2,334)	(1,332)	(1,002)	(2,734)	1,732
12	HRA - Draw on Reserves	0	0	0	(157)	157
13	Reserve Fund - Draw on Reserves	0	0	0	(1,440)	1,440
14	Borrowing – GF and Harbour Account	(16,387)	(15,181)	(1,206)	(2,655)	1,449
15	TOTAL DEFICIT FUNDING REQUIRED (lines 10-14)	(19,212)	(16,513)	(2,699)	(7,254)	4,555
16	TOTAL FINANCING (lines 9 plus 13)	(34,971)	(27,758)	(7,213)	(7,254)	41
17	Balanced Asset Investment Plan	0	0	0	0	0

5.02 The Asset Investment Plan underspent against its revised expenditure budget for 2017/18 by £7.213m. This underspend is across 76 projects, the largest underspends are set out below:

- Underspends on the Halls of Residence and Clickimin works due to payments not being drawn down as fast as originally anticipated £1.154m;
- Scalloway Fish Market Replacement £1.86m, Recycling Sorting Shed and Equipment £739k, Lerwick Library £539k due to work commencing on site later than planned;
- Delays in ferry replacements/life extension works £754k and Tug Jetty Cathodic Protection £467k.

5.03 There is a requirement to request a carry forward of £7.254m.

6.0 Spend to Save Budget

- 6.01 The 2017/18 Spend to Save budget and actual comparison are included in the General Fund and Asset Investment Plan above.
- 6.02 The 2017/18 revenue spend to save budget was underspent due to fewer 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 2018/19. A revenue budget carry forward of £377k has been requested to prepare the Council to meet the cost those projects being brought forward and approved under the terms of the Spend to Save scheme.
- 6.03 A capital carry forward of £268k has been requested to meet a committed project included in the Asset Investment Plan.

7.0 2017/18 Carry Forwards into 2018/19

7.01 The 2018/19 revenue budget, approved in February 2018, 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	2017/18 Carry Forward Request £000	2018/19 Proposed Addition to Directorate Budget £000
Executive & Corporate	Committed Expenditure	71	
	50% Underspend	166	237
Children's Services	External Funding	165	165
Community Care	External Funding	154	154
Development	Committed Expenditure	115	
	External Funding	50	
	50% Underspend	35	200
Infrastructure	External Funding	494	494
Contingency & Cost Pressure	50% Underspend	537	537
Economic Development Investment Income	Committed Expenditure	45	45
Spend to Save	General	250	
	Committed (Infrastructure)	127	377
TOTAL EXPENDITURE			2,209
Funded by:			
Draw on General Fund Reserve in 2018/19			(1,832)
Draw on Spend to Save Reserve in 2018/19			(377)
TOTAL FUNDING			(2,209)
Balanced Carry Forwards			0

7.02 The 2017/18 outturn figures have been adjusted so that the revised variances in this report take account of the items above.

7.03 Similarly the 2018/19 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	2018/19 Proposed Addition to Directorate Budget £000
Children's' Services	Committed Projects	943
Executive and Corporate Services	Committed Projects	804
Development (HRA)	Committed Projects	157
Infrastructure	Committed Projects	2,050
Ports & Harbours	Committed Projects	3,300
TOTAL EXPENDITURE		7,254
Funded by:		
Draw on General Fund Capital Reserves in 2018/19		(2,734)
Draw on HRA Reserves in 2018/19		(157)
Draw on Reserve Fund Reserves in 2018/19		(1,440)
Draw on Spend to Save Capital Reserves in 2018/19		(268)
Borrowing		(2,655)
TOTAL FUNDING		(7,254)
Balanced Carry Forwards		0

- 7.04 The 2017/18 outturn figures have been adjusted so that the revised variances in this report take account of the items above.



Meeting(s):	Policy & Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Service Redesign Programme Update	
Reference Number:	CRP-09-18-F	
Author / Job Title:	Christine Ferguson, Director Corporate Services	

1.0 Decisions / Action required:

- 1.1 That the Policy & Resources Committee NOTE the information presented in this report and its appendices and RECOMMEND that the Council AGREES that the:
1. Service Redesign Programme (SRP) projects are linked / integrated as appropriate with other strategic change programmes across community planning partners to ensure congruence with the Shetland Partnership Plan and best use of shared resources to achieve agreed Council and Shetland Partnership strategic outcomes;
 2. SRP projects are linked to the Business Transformation Programme (BTP) so that SRP projects are early adopters of the new ways of working being developed through the BTP;
 3. Key decision points for SRP projects are built into the Council's Business Programmes with monitoring of progress against SRP projects a standing item on the agenda for Policy and Resources Committee; and
 4. APPROVES the membership of the SRP Sounding Board set out in the SRP Programme Initiation Document (PID) at Appendix 1.

2.0 High Level Summary:

- 2.1 This report presents information regarding the Council's Service Redesign Programme (SRP). The Programme Initiation Document (PID) is attached at Appendix 1.
- 2.2 The need for the SRP has been discussed with the Council on a number of occasions including at the 2018/19 budget setting meeting on 14 February 2018 (Min Ref F-014-F).
At that meeting, the Council approved a recommendation to:
"Instruct the Corporate Management Team to develop proposals and options for Service Redesign/change in the form of Strategic Outline Cases (SOCs) to address the continuous improvement and financial challenges that lie ahead"; and 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 3 months (mid-May 2018)".

Work on the Strategic Outline Cases (SOCs) is in hand and a summary of progress is attached at Appendix 2.

3.0 Corporate Priorities and Joint Working:

- 3.1 Shetland Islands Council's "Our Plan 2016 – 2020" aspires for services to work together in a smarter way to achieve the highest possible standards. The SRP and BTP will contribute towards the following objectives in the Plan:
- "Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively."
 - "We will be working in a more effective way, allowing us to cope with reduced resources. Processes that add no obvious value will have been replaced with more proportionate approaches based on effectively managing risks."
 - "People who use our services will experience excellent standards of customer care."
- 3.2 The DRAFT Shetland Partnership Plan has at its heart the key aspirations of prevention, early intervention and tackling inequalities through partnership working.
- 3.3 A separate Transformation Programme is being managed by NHS Shetland and it is essential that we maintain strong links across all our transformation activities to make the best use of all our resources.

4.0 Key Issues:

- 4.1 The Council's Medium Term Financial Plan (MTFP) sets out the financial challenges that lie ahead for the Council. In simple terms, based on the information currently available, we need to achieve a reduction of £20M / year on revenue spending by 2021/22. This equates to a reduction of 4.5% year on year. This means that the SRP must deliver significant changes in what we do and the BTP in how we do it.
- Shetland NHS Board and Shetland's Integration Joint Board (IJB) face greater financial pressures with an underlying budget deficit in NHS budgets. Therefore we must work collaboratively with NHS Shetland on our joint commitments through the IJB.
- 4.2 The Council's priorities for service delivery continue to be children's services, social care and infrastructure/transport. However, in the current financial climate, the aim is to deliver the required outcomes for the community with less resources through service redesign focussing on prevention and early intervention; and the maintenance and rationalisation of existing assets.
- 4.3 The BTP of itself cannot deliver change on the scale required i.e. continuing to do all the same things but using digital solutions and restructuring the workforce through the implementation of the Workforce Strategy. Nor can the BTP make savings without services adopting new ways of working.
- 4.4 Currently the SRP has identified redesign projects with an estimated £14.4M savings over 5 years leaving a further £5.6M unidentified. Saving targets are in addition to absorbing increasing costs from salary increases, inflation, energy costs etc. Therefore there is more to do to identify areas where savings can be made. It is also important to note that a large proportion of the £14.4M identified to date depends on decisions out with the Council's control e.g. increased funding year on

year for internal ferry services from Scottish Government.	
4.5	<p>No reduction in budget in the Council's priority service areas is not an option. The entire budget for the remaining three departments, Corporate, Executive and Development, is approximately £19M, therefore, there simply is not enough money in those areas to deliver savings on the scale required.</p> <p>Also, these departments provide a range of essential support functions for the activities and services provided by all Council departments. They also fulfil the requirements of a number of core statutory duties. This is evident in the performance reports presented to the Council's Committees in this cycle.</p>
4.6	<p>There is limited capacity within the organisation to develop and manage the change programmes whilst continuing to deliver services therefore we must focus our programme/project management capacity on things that will make a significant contribution to the change programmes.</p> <p>We must also encourage everyone to challenge things that do not add value, both large and small and to say, "No", more often or at least explain what other things will not get done if a lower priority task is undertaken.</p>
5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications :	
6.1 Service Users, Patients and Communities:	<p>Service users and their communities have an expectation that the Council will make best use of resources. A streamlined approach to service delivery will be enabled by the progression of the BTP.</p> <p>Service redesign will be done in consultation with service users, stakeholder representatives and communities as proposals are being developed recognising that co-production will ensure innovative community-led solutions are at the heart of service redesign.</p>
6.2 Human Resources and Organisational Development:	<p>Reduced revenue spending on the scale required will inevitably mean fewer jobs in the Council. Service redesign will mean jobs will be different.</p> <p>Staff engagement will be key to the success of the SRP and BTP and these programmes will be discussed regularly at departmental forums and with union representatives at the Council's Human Resources Partnership Group (HRPG).</p> <p>The Workforce Strategy will support service redesign projects looking at workforce requirements in terms of, "Right Shape, Right Skills, Right Culture". A key priority will be the retention of existing staff, retraining staff as job requirements change and using the natural turnover of staff numbers to prevent compulsory redundancies.</p> <p>The Council's Organisational Restructure Policy is currently being revised in consultation with trades unions.</p>
6.3 Equality, Diversity and Human Rights:	<p>There are no equality, diversity or human rights implications arising directly from this report. These issues will be considered for each service redesign proposal.</p>

6.4 Legal:	There are no legal implications arising directly from this report.	
6.5 Finance:	<p>There are no direct financial implications arising from this report. In order to create a sustainable budget, the Council must make savings of £20m over the next five years.</p> <p>As part of the budget setting process for 2018/19, service redesign savings of £1.9M were identified. These savings have either already been approved or will be taken forward for final decision making by the Council in due course. The SRP must escalate the rate of change if we are to achieve our longer term financial targets.</p>	
6.6 Assets and Property:	There are no assets and property implications arising directly from this report, however, it is anticipated that there will be fewer buildings/infrastructure used for service delivery as service redesign projects are implemented and the number of buildings required by the Council for office accommodation in Lerwick will reduce as staff return to 8 North Ness.	
6.7 ICT and new technologies:	There are no ICT implications arising directly from this report however, the changing use of ICT as the work on “Digital First” goes forward will make a significant contribution to the SRP.	
6.8 Environmental:	There are no environmental implications arising directly from this report.	
6.9 Risk Management:	<p>The Business Transformation Programme Risk Register is regularly updated and considered on a quarterly basis by the Business Transformation Board and the Business Transformation Programme Sounding Board.</p> <p>A separate Risk Register will be developed for the SRP.</p>	
6.10 Policy and Delegated Authority:	<p>In accordance with Section 2.2.1(7) of the Council’s Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the coordination, control and proper management of the financial affairs of the Council.</p> <p>The SRP is required to deliver significant reductions in Council spend over the next 5 years and therefore this report is being presented to Policy and Resources Committee for their consideration and recommendation to the Council.</p>	
Previously considered by:	N/A	

Contact Details:

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4 May 2018

Appendices

Appendix A: Service Redesign Programme – Programme Initiation Document (PID)

Appendix B Service Redesign Programme Strategic Outline Cases Progress Summary



Shetland Islands Council

Programme Initiation Document (PID)

Service Redesign Programme

2017/2020

PROGRAMME INITIATION DOCUMENT	SIC Service Redesign Programme
Author: Christine Ferguson, Director Corporate Services	Stage:
Date: 13 March 2018	Version Number: 1.4 Page 2 of 15

1. Programme Initiation Document Authorisation

This document requires approval from the Chief Executive of the Council.

	Signature	Date
Chief Executive Shetland Islands Council	Maggie Sandison,	13 March 2018

PROGRAMME INITIATION DOCUMENT	SIC Service Redesign Programme
Author: Christine Ferguson, Director Corporate Services	Stage:
Date: 13 March 2018	Version Number: 1.4 Page 3 of 15

The Vision

The Vision for the Council is set out in the Corporate Plan, "Our Plan 2016-2020".

"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".

"Over the next few years we expect further substantial reductions in government funding. With rising costs each year, we will always face pressure to live within our means. The challenge we set as a community planning partnership is to 'achieve the same or more with fewer resources' and to 'maintain Shetland's high level of performance relative to many national comparisons and indicators'.

"We need to work together in a smarter way to achieve that.

*"Through this plan we aim to make sure the resources we **do** have are spent in the most effective way possible."*

Programme Aim:

To implement an ambitious programme of service redesign that will mean the Council can achieve the outcomes required in order to support and protect the most vulnerable people in our community and deliver excellent universal services as required by statute in a way that is financially sustainable in the long term.

Programme Objectives:

1. To identify areas of Council business that will be prioritised for a strategic review and build these into a work programme for the next 4 years i.e. from 2017 to 2021.
2. To focus on areas where significant change is required/ anticipated/ possible with a view to reducing the revenue cost while continuing to achieve the outcomes required.
3. To draw on the work of the Business Transformation Programme in all redesign projects.
4. To follow the Commissioning and Procurement Framework approved in June 2016 for each project initiated through the Programme.
5. To work in collaboration with community planning partners looking at options for joint commissioning; maximising opportunities for developing solutions focussed on prevention, early intervention and tackling inequalities.
6. To identify early implementer projects that will show the way so that continually challenging what we are doing and how we do it becomes the norm throughout the organisation.
7. Together with the Business Transformation Programme, deliver at least £20M recurring financial savings by April 2021.

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2. Programme Brief

Background:

The Council approved its corporate plan “Our Plan 2016-2020” on 22 September 2015
The Plan sets out the Council’s priorities over 5 years and includes commitments as to the Council’s development priorities and how the Council will work in the community to deliver those priorities¹.

The Council’s vision is explicit regarding the need for sustainable services into the future.
The “20 by ‘20” commitments in Our Plan 2016-2020 will underpin our Business Transformation Programme (BTP), which will support and facilitate service redesign projects prioritised through the Service Redesign Programme (SRP). The SRP will bring together a number of service redesign projects in order to ensure there are links between the projects and that the work required to support the projects is planned and properly resourced.

At a CMT away day on 28 March 2017, a number of areas of Council business were proposed for strategic review through the SRP.

These are listed below in the section on Method of Delivery and set out with indicative timescales in the Outline Programme Plan at Appendix 1.

On 14 February 2018, the Council set the budget for 2018/19 and approved a recommendation to:

- ***“Instruct the Corporate Management Team to develop proposals and options for Service Redesign/change in the form of Strategic Outline Cases (SOCs) to address the continuous improvement and financial challenges that lie ahead”; and 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 3 months (mid-May 2018)”.***

This instruction gives renewed impetus to the Service Redesign Programme and this Programme Initiation Document (PID) has been updated to include this decision and bring other aspects of the PID up to date for the start

¹ Shetland Islands Council “Our Plan 2016-2020”

<http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf>

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	of the incoming financial year 2018/19.
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Principles for Change	<p>Any change proposals will be assessed to see if they deliver against the following principles:</p> <ul style="list-style-type: none"> • A focus on outcomes • Impact assessment involving customers • Evolution, building on what has been achieved so far • Improved efficiency and value for money • Reduction in bureaucracy; eliminating duplication and improving the speed of decision making • Adoption of one system and using national systems where they provide Best Value <p>These principles are also included in the BTP.</p>
Scope	<p><u>Within Scope</u></p> <ul style="list-style-type: none"> • Major service redesign projects underpinned by strategic planning for frontline service delivery covering all areas of Council business including the Council's contribution to and support for community planning activities and other partnerships e.g. Shetland's Health and Social Care Partnership Integration Joint Board, Shetland Community Safety and Resilience Board <p><u>Linked Programmes/Projects</u></p> <ul style="list-style-type: none"> • Business Transformation Projects which will be linked by a separate, complementary Business Transformation Programme (BTP). • NHS/IJB transformation projects will link with the Council's SRP primarily through the IJB Strategic (Commissioning) Plan and the NHS Transformation Programme. <p><u>Outwith Scope</u></p> <ul style="list-style-type: none"> • OIOF and the Islands Deal
Business Case	<p>Benefits include:</p> <ul style="list-style-type: none"> • Improved outcomes for customers through improved Value for Money; achieving the required outcomes in a sustainable way within diminishing resources • Improved access to services for customers through digital systems (see BTP) • Recurring financial savings amounting to a reduction in revenue spend of at least £20M by April 2021 are required if the Council is to achieve financial sustainability in the longer term • The ability to become more flexible and responsive to

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	change imposed upon us and to be more proactive and drive change locally
Constraints:	<ul style="list-style-type: none"> • Budget constraints and increasing pressure on financial resources anticipated over the lifetime of the Programme • Limited project resources, in particular project management and project team resources • Demographic profile of Shetland population and remote islands localities and the increasing demands/pressure on current systems and services • National systems and legislation
Customers:	<ul style="list-style-type: none"> • The Shetland Community • People using public services in Shetland • Shetland Islands Council Members and staff • NHS Shetland • The Third and Independent Sectors locally and nationally • Shetland Charitable Trust • Other Community Planning Partners
Deliverables:	<p>Each work stream will identify its own deliverables and the timescales for activities.</p> <p>The Programme will deliver</p> <ul style="list-style-type: none"> • A Programme Delivery Plan • A Communications and Reporting Framework for the Programme as a whole <p>The expectation is that the Programme will run continuously and that work streams will change over time to reflect the priorities of the Council and the Council's partners as set out in the Council's Corporate Plan and the Local Outcomes Improvement Plan.</p> <p>The SRP is a critical part of the work required to achieve the Council's statutory duty to deliver Best Value.</p>
Method of delivery	<p>The Programme will be delivered through a number of projects. The projects listed below were identified in July 2017 and an initial programme outline was prepared. This is attached at Appendix 1. The projects were identified in approved Directorate Plans for 2017-2020.</p> <p>The list of projects was reviewed by Corporate Management Team (CMT) at a meeting on 13 March 2018 and it was agreed that a brief outline should be prepared for each by 17 April 2018 in readiness for a CMT away day on 24 April 2018. The outline will be based on the format of a SOC.</p> <p>The officer responsible for preparing the briefing is identified below. The aim will be to refine the list and timescales for all</p>

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	<p>redesign/service development projects in the SRP at CMT away days. With this understanding CMT agreed the list.</p> <ul style="list-style-type: none"> • Transport reviews: 1) internal ferries, 2) internal flights and 3) bus contracts (Director Development) • Gritting Review (Director Infrastructure) • Paperless Council meetings (Director Corporate Services) • Shared services (Director Corporate Services) • Facilities Management Review (Director Infrastructure) • Northern Alliance (Education) (Director Children's Services) • Closing the Attainment Gap (Education) (Director Children's Services) • Digital/ e-Schools (Director Children's Services) • Emotional Well-being (Education) (Director Children's Services) • Early Learning and Childcare (Director Children's Services) • Children's Resources (Director Children's Services) • Schools' Estate (Director Children's Services) • Receptions – Single Service Point (Director Corporate Services) • "Outliers" (Director Development) • Learning Disability services (Director Community Health & Social Care) • Mental Health services (Director Community Health & Social Care) • Community Care Resources (Director Community Health & Social Care) • Community Area Structures (Director Community Health & Social Care) • Colleges Review (Director Development) <p>In approving the Budget for 2018/19 on 14 February 2018, the Council noted the redesign projects that must deliver savings in 2018/19 of £1.89M as part of the work to achieve a balanced budget.</p> <p>These projects are:</p> <table> <tr> <td>1. Insurance Redesign</td><td>£500k</td></tr> <tr> <td>2. Accommodation Rationalisation</td><td>£750k</td></tr> <tr> <td>3. Mental Health</td><td>£200k</td></tr> <tr> <td>4. Tertiary Sector Redesign</td><td>£250k</td></tr> <tr> <td>5. Promote Shetland Redesign</td><td>£40k</td></tr> <tr> <td>6. Waste Recycling Redesign</td><td>£150k</td></tr> <tr> <td>7. Gritting Review.....</td><td>TBA</td></tr> </table>	1. Insurance Redesign	£500k	2. Accommodation Rationalisation	£750k	3. Mental Health	£200k	4. Tertiary Sector Redesign	£250k	5. Promote Shetland Redesign	£40k	6. Waste Recycling Redesign	£150k	7. Gritting Review.....	TBA
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	<p>These projects are reflected in the Directorate Plans 2018-2021 approved by the Council in March 2018.</p> <p>The SRP timeline needs to be reviewed in light of these decisions and the decision to develop SOC's for redesign projects by mid-May 2018.</p> <p>The SRP will be linked to and supported by the 8 work streams of the BTP (see Appendix 2). Full details on the BTP are available separately.</p> <p>The 8 work streams of the BTP are:</p> <ol style="list-style-type: none"> 1. Customer First 2. Commissioning and Procurement Framework 3. Workforce Strategy 4. Asset Strategy 5. Broadband and Connectivity 6. Information Management and Improvement 7. Digital First 8. Paperless Council
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Risks:	<ul style="list-style-type: none"> • Timescales; the financial pressures are such that the Programme needs to deliver quantifiable, recurring financial savings with the first savings achieved in 2017/18 • Failure to reach agreement on service redesign proposals e.g. colleges review • Lack of support for the Programme within the Council - e.g. from departments and services too busy with the day job • Lack of support from the Council following the May 2017 local government elections e.g. a shift in priorities when the new LOIP is developed and the Council's corporate plan is refreshed during 2017/18. • Lack of co-operation from partner agencies; the most significant in this regard will be NHS Shetland and the IJB with regard to health and social care redesign projects • Changes in financial resources available e.g. from external organisations or through a change in priorities for expenditure within the Council. • Technical infrastructure inadequate – e.g. high speed connectivity; the national broadband project R100, aims to have high speed Broadband connections available to all households by 2021. However, Scottish Government has stated that there will be an “outside in” approach, which should mean earliest implementation will be in Shetland. <p>Each work stream will record and manage the risks to that work stream and highlight any risks to other elements of the</p>
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	Programme.
Assumptions	<ul style="list-style-type: none"> • Staff will ensure “business as usual” as the programme goes forward so that there will be no adverse impact on services • Staff, including senior managers, will be able to dedicate time and energy to the Programme as a priority. • There will be additional resources available to support the Programme; e.g. ICT technical support/systems, HR, financial and legal support for projects.
Resources:	<ul style="list-style-type: none"> • Chief Executive as Programme Executive • Dedicated programme manager plus project manager and project officer resources for the Programme work streams. • Implementation teams drawn from the Council and partner agencies as appropriate • Staff time in Corporate and Executive Services including Communications, HR, Finance, Capital Programme, ICT, Governance and Law, Risk Management, Performance and Improvement to support service redesign projects, • Input from elected members of the Council, representatives and staff of Shetland NHS Board and the IJB and representatives of third sector organisations, service users and the wider public. • Input from external specialists as required
Budget:	<ul style="list-style-type: none"> • Dedicated project resources and any external support may be funded from the Funding for Change and /or Spend to Save Budgets. This will be subject to the normal application process through the Executive Manager Finance. • All other costs will be met from within existing resources across the Council and partner agencies where this is appropriate and agreed as part of the work going forward.

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Communications	<p><i>“A Communications and Reporting Framework for the Programme as a whole”</i> is one of the Deliverables identified in this PID.</p> <p>The SRP Communications and Reporting Framework will include the formal reporting requirements to the Council and other agencies as well as a commitment to providing regular information about the Programme to staff and other stakeholders.</p> <p>At Programme level, information about the Programme will be provided to all stakeholders as determined by the Programme Board.</p> <p>Project Managers will be responsible for maintaining separate communications plans for their work streams.</p>
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3. Organisation and Reporting Structure

ROLES	
Shetland Islands Council	<ul style="list-style-type: none"> To lead the Programme making sure that it is consistent with and supports the outcomes of the Council and the Shetland Partnership To implement the decisions of the Council with regard to the Programme
Service Committees and the IJB	<ul style="list-style-type: none"> To direct the elements of the Programme that fall within the remit of the Committee or the IJB To monitor progress and make recommendations to Policy and Resources Committee and the Council as required
Policy and Resources Committee	<ul style="list-style-type: none"> To consider any policy and resources issues arising from the Programme. To receive reports on the progress made against the objectives of the Programme To ensure any recommendations for change have been properly consulted upon with relevant stakeholders including staff To receive proposals from the Council's service committees and/or the IJB and make decisions on recommendations for change that lie within the delegated authority of P&R e.g. with regard to staffing and financial implications of change proposals To advise the Council regarding the work of the Programme with regard to changes in policy and resource allocations across the Council and make recommendations for approval by the Council where these are outwith the authority of P&R

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Programme Structure

Programme Sounding Board	<ul style="list-style-type: none"> To maintain an overview of the Programme To support and advise the Programme Executive.
Steven Coutts deputising	Council Leader and Chair Policy and Resources
Alastair Cooper	Chair Development Committee
George Smith	Chair Education & Families Committee
Ryan Thomson	Chair Environment & Transport Committee
Allison Duncan	SIC Policy Lead Health and Social Care, Vice-chair IJB
Maggie Sandison	Chief Executive and SRP Programme Executive
Jonathan Belford	Executive Manager Finance and SIC S95 Officer
Jan Riise	Executive Manager Governance and Law and SIC Monitoring Officer
Programme Board	<p>Responsible for:</p> <ul style="list-style-type: none"> The co-ordination of the work streams Delivery of the Programme objectives on time Reporting to Policy and Resources Committee and the Council Effective participation of all stakeholders as the Programme develops
Programme Board Chair	<p>The Programme Board will be chaired by the Programme Executive</p> <p>The Chair may nominate a deputy to cover any absence.</p>
Maggie Sandison	Chief Executive
Programme Board Membership	CMT
In attendance at the Programme Board	SROs for the Programme Work Streams as required

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Programme Team	<p>Membership and attendance at Programme Team meetings will comprise the Programme Manager as Chair and the SROs and Project Managers of each work stream as required by the Chair to support the agenda.</p> <p>In the absence of the Programme Manager, the Programme Executive or their nominee will chair the Programme Team.</p>
Project Teams	<p>There will be a number of Project Teams / Groups / Sub-groups within each work stream as required by the relevant Project Manager in order to carry out the work plans under each work stream in the most efficient manner</p> <p>.</p>

4. Project Authority



Schedule	Planned (Y/N)	Comments
Service Redesign Programme PID	Y	Drafted July 2017 Revised March 2018
Service Redesign Programme plan	Y	<p>First draft attached at Appendix 1, incorporating work streams from across corporate, departmental and service plans approved by the Council.</p> <p>Revised SRP plan required by mid-May 2018 supported by SOCs</p> <p>Detailed programme plans that set out the work schedule for the Programme will be developed and maintained by the Programme Manager.</p>
<p>Update reports to:</p> <ol style="list-style-type: none"> 1. Programme Sounding Board, 2. SIC service committees and IJB 3. Policy and Resources Committee and 4. The Council 	Y	As determined by the Council and IJB Business Programmes to deliver against the Council's Corporate Plan and the IJB Strategic Plan


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Ends





Service Redesign Programme


Generated on: 10 May 2018


Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SP219 FM Review - Phase 1	Phase 1 will analyse current Facilities Management operations and option appraise choices for the future. The primary aim is to avoid duplication of both effort and resources (management & supervision) while identifying both financial and operational efficiency savings. Phase 2 would see the implementation of the recommended option.	Revised Facilities Management arrangements that meet Best Value objectives and the needs of both customers and employees.	Planned Start	03-Apr-2017		Budget now in place following successful BJC bid and Council report. Moving to implementation in January 2018. Scope as appended to this action item. Update Feb 2018: APSE were appointed to deliver the project with the first series of meetings held late January to gauge scope, scale and membership. Workshops are due to be held mid Feb with an output report on track for delivery in March. Feedback from Consultants to Project Board will take place on 16 May 2018 and a Members Seminar will be held to discuss the next steps.
			Actual Start	12-Jan-2018	<div><div>50%</div></div>	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2021		
Carl Symons			Completed Date		Likely to meet target	


Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP Service Redesign Programme	To implement an ambitious programme of service redesign that will mean the Council can achieve the outcomes required in order to support and protect the most vulnerable people in our community and deliver excellent universal services as required by statute in a way that is financially sustainable in the long term.		Planned Start	16-Aug-2016		
			Actual Start	16-Aug-2016	<div><div>5%</div></div>	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Maggie Sandison			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.1 Internal Ferries	The proposed development would be to establish a means of ensuring revenue and capital funding is available to support the continued provision of inter-island ferry services and, where proven to be a viable alternative, the provision of fixed links.		Planned Start	14-Feb-2018		Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	<div><div>0%</div></div>	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Neil Grant (Director)			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.2 Internal Flights	The proposed development would be to establish what is required in terms of a sustainable network of inter-island air services and supporting infrastructure in the longer term.		Planned Start	14-Feb-2018		Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Neil Grant (Director)						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.3 Bus contracts	The proposed development would be to explore the opportunities for reducing the costs of providing public bus services in Shetland.		Planned Start	14-Feb-2018		Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Neil Grant (Director)						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP2 Gritting Review	Approval is sought for the potential investment of up to an estimated 800,000 to provide salt barns to store the road salt used for the gritting of Shetland's roads during the winter months.	<ul style="list-style-type: none"> • Better value procurement options. • Able to ensure accountability • Less waste from leaching 	Planned Start	14-Feb-2018		Strategic Outline Case being developed
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Maggie Sandison						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP3 Paperless Council meetings	The proposed development would be to "go paperless" for all Council/Committee meetings as a high profile statement and commitment on aspiring to be a paperless Council.	<ul style="list-style-type: none"> • Best value • Savings target tbc • Increase awareness of digital and confidence in digital solutions 	Planned Start	14-Feb-2018		First draft Strategic Outline Case prepared
			Actual Start	14-Feb-2018	<input type="text" value="5%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Christine Ferguson						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP4 Shared services	The proposed development would be to explore the opportunities for shared service solutions for a range of Council services.	<ul style="list-style-type: none"> • Best value • Reduce reliance on in-house service provision • Increased resilience • Shared risks 	Planned Start	14-Feb-2018		First draft Strategic Outline Case prepared and discussed at CMT. Project being included in refresh of the Business Transformation Programme.
			Actual Start	14-Feb-2018	<input type="text" value="5%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Christine Ferguson						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP5 Facilities Management Review	Review of "hard" and "soft" Facilities Management, Energy, Procurement and Fleet services	<ul style="list-style-type: none"> • Reduced cost. • Removal of duplication 	Planned Start	14-Feb-2018		Review in progress with external facilitation from APSE (Association of Public Sector Excellence)
			Actual Start	14-Feb-2018	<input type="text" value="15%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Maggie Sandison						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP6 Northern Alliance (Education)	The Northern Alliance is a collaboration between eight local authorities, across the North and West of Scotland: Aberdeen City, Aberdeenshire, Argyll and Bute, Eilean Siar [Western Isles], Highland, Moray, Orkney Islands and Shetland Islands. Our shared vision is to improve the educational and life chances of our children and young people. To remove the barriers to learning and improve children's outcomes, the collaborative seeks to build on the strengths of shared service development, create professional networks and deliver continuous professional development. The Northern Alliance exists to make a difference to the lives of children and young people by ensuring that the professionals who work with them collaborate for improvement and impact.		Planned Start	16-Aug-2016		
			Actual Start	16-Aug-2016	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Helen Budge						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP7 Closing the Attainment Gap (Education)	Response to national priorities and targets	Closing the attainment gap for Shetland's young people	Planned Start	14-Feb-2018		
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Helen Budge						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP8 Digital/ e-Schools	Remote Teaching and Online Learning forms Work Stream 4 of the Children's Services Quality Improvement Framework (QIF). The QIF was set up in 2016 to raise attainment further in Shetland, and to establish a more efficient model of education.	<ul style="list-style-type: none"> • Efficiency savings • Improved attainment levels 	Planned Start	14-Feb-2018		Project in progress
			Actual Start	14-Feb-2018	<input type="text" value="10%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Helen Budge						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP9 Emotional Well-being (Education)	This project aims to tackle the impact of adverse childhood experiences on the children, and consequently, the adults in the Shetland Community. The project will take a whole systems approach to emotional wellbeing and resilience and will link closely with other projects taking place regarding family support and community development in this area.	Prevention and early intervention reducing poor outcomes for children and young people and families.	Planned Start	14-Feb-2018		Project in progress. SOC discussed at CMT.
			Actual Start	14-Feb-2018	<input type="text" value="15%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Helen Budge						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP10 Early Learning and Childcare	The Scottish Government has committed to fund the expansion of ELC, securing an increase in entitlement for each eligible child, from 600 hours to 1140 hours by 2020.	Meet Scottish Government policy initiative/targets.	Planned Start	14-Feb-2018		Project in progress. Funding requirements and capital projects under consideration
			Actual Start	14-Feb-2018	<input type="text" value="15%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			
Lead						
Helen Budge						


Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP11 Children's Resources	The proposed development seeks to increase capacity in Shetland to provide placements for children and young people who are looked after and accommodated by the local authority.	Reduced numbers of looked after children accommodated outwith Shetland. Improved performance for looked after children.	Planned Start	14-Feb-2018		Strategic Outline Case developed for discussion.
			Actual Start	14-Feb-2018	<div><div>15%</div></div>	Business Case well advanced.
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Helen Budge						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP12 Schools' Estate	Strategic plan for Schools Estate to ensure population predictions are catered for.	Reduction of inequalities in access to educational opportunities. Maintain high levels of performance.	Planned Start	14-Feb-2018		Strategic Outline Case to be developed, linked to Strategic Plans including Community Plan.
			Actual Start	14-Feb-2018	<div><div>0%</div></div>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Helen Budge						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP13 Receptions – Single Service Point	The proposed development would be to establish a single reception point in Lerwick for all Council services.	<ul style="list-style-type: none"> Reduction in cost. Simplified access to Council Services for the public. 	Planned Start	14-Feb-2018		First draft of Strategic Outline Case prepared.
			Actual Start	14-Feb-2018	<div><div>10%</div></div>	Work subsumed into Asset Investment Plan and development of activities at 8NN.
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Christine Ferguson						
Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP14 "Outliers"	Examine outliers from national benchmarking to identify areas to explore for savings/improvement.	<ul style="list-style-type: none"> Reduced costs. Best Value/Best Practice. 	Planned Start	14-Feb-2018		
			Actual Start	14-Feb-2018	<div><div>0%</div></div>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Neil Grant (Director)						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP15 Learning Disability services	-- enter action details here --		Planned Start	14-Feb-2018		
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Simon Bokor-Ingram						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP16 Mental Health services	The purpose of the Project is to review and redesign the Council funded community mental health support services, provided from Annsbrae.	<ul style="list-style-type: none"> • Reduced cost • More appropriate service provision leading to better outcomes for individuals and less reliance on services. 	Planned Start	14-Feb-2018		Strategic Outline Case discussed by CMT. Detailed review work started.
			Actual Start	14-Feb-2018	<input type="text" value="5%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Simon Bokor-Ingram						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP17 Community Care Resources	This Business Case seeks approval to invest an estimated £500-600,000 of revenue funding in support of early intervention and preventative services, to further develop the objective of enabling people to live independently in their own home for as long as it is safe to do so.	Sustainable services across Shetland supporting people to be independent and able to live at home in the community.	Planned Start	14-Feb-2018		Strategic Outline Case discussed at CMT. Business Case being prepared for investment in earlier implementation projects.
			Actual Start	14-Feb-2018	<input type="text" value="10%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Simon Bokor-Ingram						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP18 Community Area Structures	-- enter action details here --		Planned Start	14-Feb-2018		
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Simon Bokor-Ingram						

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP19 Colleges Review	This concerns the future option for the Shetland Tertiary Education, Research and Training sector.	<ul style="list-style-type: none"> • Reduced costs. • Maintain local tertiary education, research and training programme supporting Community Planning outcomes. 	Planned Start	14-Feb-2018		Strategic Outline Case prepared.
			Actual Start	14-Feb-2018	<input type="text" value="0%"/>	Project work has produced an initial scope/draft Business Case for a merger of the colleges.
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
Lead			Completed Date			
Neil Grant (Director)						



Meeting(s):	Policy and Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Corporate Risk Register report	
Reference Number:	IA-13-18-F	
Author / Job Title:	Director of Corporate Services	

1.0 Decisions / Action required:

1.1 That the Policy & Resources Committee and Council RESOLVE to:

- 1.1.1 NOTE the changes to the Corporate Risk Register;
- 1.1.2 NOTE key risks facing the Council at this time and the action taken to mitigate those risks; and
- 1.1.3 COMMENT and ADVISE the Chief Executive and senior managers of their views and any changes required.

2.0 High Level Summary:

2.1 The Corporate Risk Register lists the high level risks that could impact upon the organisation's aims and stated plans. Risks are routinely reviewed by risk owners and relevant management teams. The appended document therefore presents a snapshot of the current, regularly-changing risk environment.

3.0 Corporate Priorities and Joint Working:

3.1 The Council's Corporate Plan 2016-2020 states as one of its key corporate priorities that

- 'Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high-risk activities'.

The ongoing identification and monitoring of risk is a key component of that approach.

4.0 Key Issues:

4.1 There are sixteen risks on the Corporate Risk Register, appended, with the current and planned control measures described in the second column of narrative in that document. Some risks can be viewed as standing items in that they are unlikely to be removed from the Corporate Risk Register, despite agreement that all reasonable control measures have been identified and implemented. These include:

- Page 1 – ORG025 – risk of harm to a child because of a failure to manage unanticipated crisis. The control measures for this risk have been recently revised
- Page 2 - ORG024 – risk of harm to a vulnerable adult

<ul style="list-style-type: none"> • Page 6 – ORG029 – Malicious cyber-attack • Page 7 – ORG030 – Uncontrolled release of data/ loss of paperwork or data-storing technology 	
<p>4.2 There are a number of risks that are currently significant but are likely to be removed once the risk has been managed down or no longer exists:</p> <ul style="list-style-type: none"> • Page 2 – ORG022 – STERT/ College merger – date for the business case has been pushed back from January 2018 to October • Page 5 – ORG035 – Old AHS campus plans and works – master planning due May 2018 • Page 9 – ORG037 - Brexit and its impact 	
<p>4.3 A number of risks relate to finances and financial planning, some of which are anticipated to remain on the Corporate Risk Register for the foreseeable future. The control measures identified for these risks feature key themes of strong financial governance, prudent stewardship and the drive towards sustainability through service redesign supported by the Business Transformation Programme. The identified risks are:</p> <ul style="list-style-type: none"> • Page 4 – ORG039 – Medium term financial planning, continued reductions to Government grant of an unanticipated or unknown magnitude • Page 7 – ORG021 – The need for investment in Shetland's infrastructure • Page 8 – ORG034 – Liabilities arising from the pension fund • Page 9 – ORG042 – Failure of long term financial planning 	
<p>4.4 The remaining risks can be viewed as inherent to the business of the Council at this time. A number of these risks are also reflected in the Corporate Services Risk Register, indicating that their significance and potential impacts are recognised from different perspectives, and that their control measures are actively considered by relevant forums:</p> <ul style="list-style-type: none"> • Page 3 – ORG032 – Increased workload, impact on planned work, conflicting demands • Page 4 – ORG040 – Risks relating to partnerships • Page 5 – ORG018 – Challenges around workforce change and demographics • Page 6 – ORG031 – Missed opportunities from Viewpoint surveys • Page 8 – ORG044 – Implications of the Equal Pay Audit 	
5.0 Exempt and/or confidential information:	
5.1 None	
6.0 Implications :	
6.1 Service Users, Patients and Communities:	The effective identification and management of risk helps ensure that services and staff are protected from unanticipated impacts.
6.2 Human Resources and Organisational Development:	The Corporate Risk register takes account of issues that impact upon the workforce including the reported gender pay gap, recruitment challenges, and responses to the viewpoint survey.

6.3 Equality, Diversity and Human Rights:	An Equalities Impact Assessment is not required in relation to this report.
6.4 Legal:	While there are no direct legal implications from this report, some of the identified risks necessarily take account of relevant legal frameworks.
6.5 Finance:	There are no direct financial implications from the recommendations in this report. However, all of the risks in the Corporate Risk Register have the potential to have a financial impact.
6.6 Assets and Property:	Risks around the future of the AHS Knab site are highlighted in the Corporate Risk Register and are owned by the Executive Manager of Capital Programme, who is responsible for Assets and Property Service.
6.7 ICT and new technologies:	Cyber-attacks are a very real risk for any organisation and member of the public as we continue to increase our reliance on digital solutions for service delivery. This risk applies to every area of Council activity and it is incumbent on every member of staff to be vigilant to prevent any negative impacts. The Council's ICT service maintains security measures to meet national standards.
6.8 Environmental:	There are no direct environmental implications from this report. However, some of the risks such as those relating to the maintenance of ageing infrastructure, may well have an environmental aspect and this is given due consideration by virtue of the risk being on the organisation's highest level risk register.
6.9 Risk Management:	The Council's risks are measured using the organisation's agreed risk matrix.
6.10 Policy and Delegated Authority:	<p>Policy & Resources Committee requires the Corporate Risk Register to be reported periodically [<i>Min. ref. 43/17</i>]. Risk Management Board reviews its Corporate Risk Register on a quarterly basis, as required by its Terms of Reference. The Risk Management Strategy forms part of the Policy Framework contained in Section A of the Constitution – Governance, which states that the management body for the Risk Management Strategy lies within the remit of the Policy and Resources Committee. Ensuring proper management of the Corporate Risk Register is therefore a delegated matter for the Policy and Resources Committee.</p> <p>However, the Council instructed that the Corporate Risk Register be reported to the Council quarterly as part of the Planning and Performance Management Framework (PPMF) cycle [<i>Min.Ref. SIC 20/16</i>] so that all Members are informed and involved in discussing the high level and strategic risks facing the Council alongside other performance information.</p>

6.11 Previously considered by:	None	
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Contact Details:

Joanne Jamieson
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Senior Risk Management Officer

14 May 2018

Appendices:

Appendix 1 – Corporate Risk Register

Shetland Islands Council

Date: 30 April 2018

Risk Register - Shetland Islands Council

Risk & Details	Likelihood	Impact	Current	Risk Profile	Current and Planned Control Measures	Probability	Target Impact	Risk Profile	Lead Officer
Category	Corporate								
Corporate Plan	A2. Young People - Vulnerable Children and young people's opportunities								
Child Protection - Children's Services deliver a range of services across a wide geographic area and all service users need to be safe. Children's Social Work manage high risk, complex situations in their work with families. Often it requires significant resource provision to mitigate risks and ensure the safety of a child or young person. The most significant current example of this risk relates to the failure to appropriately accommodate looked-after children, off-island placement. There are circumstances when the Children & Families Team is required to accommodate children and young people away from home. Currently, there is a shortage of foster placements and residential placements in Shetland. On occasion this results in placements being sought away from Shetland, which is undesirable and which comes at a high cost to the Local Authority. Trigger : Crisis or escalation of complex situation, usually unanticipated and which puts child at increased risk of harm. Shortage of foster placements and residential placements in Shetland. There are situations whereby the assessed needs of a child or young person are such that they require a specialist service that is not available in Shetland, such as secure accommodation or a parenting assessment unit. Consequences : Failure to act quickly or to the extent that is required because of restricted resources can result in child being exposed to potentially more harm or to harm for a longer period of time, harm to child, impact on services, financial impact. Placements have to be sought away from Shetland, which come at a high cost to the Local Authority. Risk type : Physical - People / Property - Other Reference - ORG0025	Possible	Major	High	<ul style="list-style-type: none">• Robust systems and procedures in place. Preventative measures, effective communications and information sharing to ensure that any changes or increased risk are identified quickly. <p>The Child Protection Committee's Training Strategy, and the training sub-committee, ensure that a range of Child protection training is delivered to frontline staff. This Inter-agency training is led by Shetland Islands Council and training activity is reported quarterly to the Child Protection Committee.</p> <p>Children's Services is working to increase capacity in Shetland to provide accommodation for looked after children, where required. This includes growth in the Family Placement and Residential Childcare services, to reduce demand for more expensive out of area/off island placements.</p>	Unlikely	Major	Medium	Helen Budge Shetland Islands Council	

Corporate Plan**B2. Older People - Independent Living**

Risk of harm to a vulnerable adult - Shetland has an increasing older population and an increase in people with a learning disability reaching older age. Statutory services will need to have oversight of an increasing number of vulnerable adults to prevent harm occurring.

Trigger : Statutory services fail to identify and take account of all vulnerable adults within their remit, systems failure means that information is not fully collated and/or shared

Consequences : Vulnerable adult is not given access to full range of services that they need, delay in access to services leads to harm to vulnerable adult, reputational risk to organisation, potential for HSE action, Care Commission/ external advisors' negative report, civil action.

Risk type : Communications failure

Reference - ORG0024

Possible

Major

High

• There are well established mechanisms in place to support the detection of risk with an active Adult Protection Committee overseeing the work. There is good multi-agency working within formal arenas to discuss individual cases causing concern. Transitions group in place for Learning Disability Services to manage childhood support to adult support. Ongoing work to review services to make effective use of limited and reducing budgets.

Unlikely

Major

Medium

Simon
Bokor-
Ingram
Shetland
Islands
Council

Corporate Plan**F1. Our "20 by '20" - Leadership & Management**

Failure to deliver the College merger would result in an unsustainable tertiary sector. The time frame and responsibilities for the project have been revised with the UHI tasked with leading the business case development of a merged, single governance organisation for Tertiary Education, research and training. Business case was to be complete by 29 January 2018 with targeted implementation was initially August 2018. However, discussions with the UHI and SFC are ongoing with respect to a Business Case for Colleges Merger with the updated business case due date of 31 October 2018.

Trigger : Project management failure, partner failure, project resources

Consequences : Failure to deliver a sustainable and affordable model for Tertiary Education, training and Research.

Risk type : Professional - Other

Reference - ORG0022

Unlikely

Significant

Medium

• University of Highlands & Islands(UHI) has been funded by Scottish Funding Council (SFC) to lead the business case development of a merged, single governance organisation for Tertiary Education, research and training. Discussions with the UHI and SFC are ongoing with respect to a Business Case for Colleges Merger with a revised due date of 31 October 2018.

Unlikely

Minor

Low

Neil Grant
Shetland
Islands
Council

<p>Recent Council activities plus local / national issues have led to an increased workload for Services across the Council and within Corporate Services - and particularly for Finance, Governance and Law, Capital Programme and Human Resources. There is a limit to how much additional work staff can absorb - staff and services are considered to be at capacity. The implemented move from 8 North Ness was disruptive and there is an ongoing increase in workload caused by the work arounds required so that the Council can continue to operate from other locations.</p> <p>Trigger : Main triggers include: revised budget post Scottish Govt settlement, budget setting challenges - the requirement to make savings now and in the future, implementing various pay and conditions requirements plus 3rd edition of JE scheme, specific problems associated with CHRIS 8 transition (Payroll, HR, ICT), the tertiary review is a significant on-going piece of work, as are the various tasks and activities around the establishment and operation of the IJB. Governance and law workload includes governance reviews and organisation-wide project work. Service redesign work also requires significant staff time.</p> <p>Consequences : Impact on planned work including in particular important corporate/ strategic reviews and strategy development: there is a risk that work will not be scheduled or will not be completed on time, leading to missed opportunities and/or increased costs. Teams at capacity, stress on staff, potential sickness absence, any reduction in resources, e.g. from absences, or resources diverted, can lead to missed opportunities or deadlines/ impact on quality of work as well as difficulty in meeting timescales. Significant work/ strategic planning/ long-term vision is affected or displaced by urgent tasks, short deadlines, reactive work and external demands. Impact on quality of work, missed information, failure to take adequate account of all relevant information, poor quality input / information can lead to poor decision-making.</p> <p>Risk type : Corporate/Community plan - failure to meet</p> <p>Reference - ORG0032</p>	Possible	Significant	Medium	<ul style="list-style-type: none"> • The effects of the move from 8 North Nessare being monitored and adjustments made where possible to ensure minimal disruption to services. ▣Our Plan 2016-20 has been agreed. This explains the outcomes that the SIC wants to achieve by April 2020. Our financial planning process is more robust and in line with other planning processes. The risks to Directorate and Service plans are articulated and considered in reports. <p>The Risks for new initiatives including the allocation of resources are considered at Project start up and kept under review.</p>	Unlikely	Minor	Low	Christine Ferguson Shetland Islands Council
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<p>The Medium Term Financial Plan covers the period from 2016 to 2022 and as an instrument to direct the organisation's budget setting and expenditure is prudent and in line with available resources. Over 70% of the Council budget is funded by the Scottish Govt. The local authority's annual grant from the Scottish Govt has reduced by a greater percentage than anticipated for the last two years. It is expected to continue to reduce in the short and medium term but is currently un-quantified, and has been estimated at between 6% and 16% over the next 5 years. The MTFP scenario assumes grant reduction at 7.4% over 5 years.</p> <p>Trigger : Organisation's failure to plan or put in place sustainable services for future years, continued reductions to govt grant of an unanticipated or unknown magnitude.</p> <p>Consequences : If there is no adequate planning to take account of grant reduction then the Council will be unable to respond to the uncertainty presented by austerity which could result in knee-jerk decisions being made to balance budgets and/ or an unsustainable draw from Council reserves.</p> <p>Risk type : Economic climate</p> <p>Reference - ORG0039</p>	Possible	Extreme	High	<ul style="list-style-type: none"> • Impact of 2018/19 financial settlement. The settlement is better than had been expected and this provides the Council with a period of time to address the underlying challenges of falling government grant and rising costs. ▣Service redesign across all areas to identify and implement sustainable levels of service going forward. Implementation of business transformation programme to support service redesign. 	Unlikely	Major	Medium	Jonathan Belford Shetland Islands Council
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Shetland Islands Council and specific Directorates, Services and sections are in a number of partnerships. Some have a legislative element and have a strategic directing role (the Community Planning Partnership, SADP, etc), some are entered into for the purpose of delivering services (Community Health and Social Care/ IJB, SIC Housing Service and Hjaltland Housing Association). Many are contractual but for some, the partnership may exist only through an informal agreement. There is no formal list of the council's partnership arrangements or agreements.

Trigger : Partner fails (legally, financially, is wound up, becomes insolvent or goes into administration) or is no longer able to provide their part of the partnership. Grant or funding is cut to partner. Board resignation, difficulty in recruiting board members, failure to achieve buy-in from essential partners, volunteer fatigue.

Consequences : If a partner fails, the responsibility to deliver service or function for which the partnership was formed, may fall to Shetland Islands Council. Contractual obligations such as leases may become the (moral or financial) responsibility of Shetland Islands Council. Financial responsibilities such as for pensions, may fall to Shetland Islands Council. Civil liabilities such as through claims, may fall to Shetland Islands Council in the event that joint liability exists.

Risk type : Partnership working failure

Reference - ORG0040

Possible

Extreme

High

• Various controls in place.All new admitted bodies comply with current requirements,
all contracts are scrutinised by Legal Services / Governance and Law/ Finance staff.
Assurance required that managers engage with Corporate Services BEFORE commencing service redesign programmes. Managers must adhere to Commissioning and Procurement framework.

Unlikely

Major

Medium

Maggie Sandison
Shetland Islands Council

Corporate Plan

F13. Our "20 By '20" - Workforce Planning

The Council is required to manage changes and challenges in its workforce and in some services across the organisation there are considerable challenges in recruitment, such as social work, teaching and other technical and professional posts. These difficulties are not limited to Shetland. Services must review the demands on services, consider strategies to attract and retain employees and they need accurate and timely data and analysis from the council's HR system to inform their decision making. Human Resources must ensure that effective use is made of information management and reporting to support services to enable effective workforce and succession planning. HR and Council services must work together to develop and review policies, procedures and the employment offer from the Council to minimise the risks of having insufficient staff to deliver council services.

Trigger : Increase in staff turnover and inability to recruit staff to vacant posts .

Consequences : Posts remaining unfilled due to failure to recruit which places strain on services to deliver and increases pressure on existing workforce. The relocation and interview expenses budget increases with the increasing need to recruit from outwith Shetland. We are also having to advertise more frequently with teaching posts in particular being difficult to fill. Services must engage proactively with HR in order to analyse the reasons why staff leave to minimise staff turnover. Working patterns, and terms and conditions of service should also be reviewed by services to remove any unnecessary barriers to employment.

Risk type : Employment issues

Reference - ORG0018

Likely

Minor

Medium

• HR continually reviews the council's HR policies and processes to ensure policies and procedures support the organisation to become more responsive and flexible in the deployment of existing staff. The Council's Workforce Strategy provides a framework to focus attention and prioritise work streams that identify and develop talent as well as increase the number of ways young people can join the organisation. The Council's Market Forces Policy can be applied in appropriate circumstances.

Unlikely

Minor

Low

Denise
Bell
Shetland
Islands
Council

Corporate Plan

F15. Our "20 By '20" - Assets

The current Anderson High School campus is a large open site with a number of buildings on it. There are various access points to the campus and it is surrounded by residential properties. The school was vacated in Sept/ Oct 2017 when the service/ staff/ pupils, etc moved to the new build at the Clickimin.

Trigger : Failure to properly plan for the future of the site

Consequences : A failure to plan for the future of the site could lead to missed opportunities to capitalise on this asset, . There will be on-going costs associated with the site, rates, maintenance etc. and a risk of vandalism or other damage. There is also a risk of reputational damage if the site is not developed.

Risk type : Missed opportunities

Reference - ORG0035

Unlikely

Extreme

High

• The Council is undertaking a master-planning exercise for this site. It is hoped this will be complete by May 2018.

Unlikely

Significant

Medium

Robert
Sinclair
Shetland
Islands
Council

Corporate Plan		F2. Our "20 By '20" - Staff Value & Motivation										
An organisation-wide Staff Viewpoint Survey was carried out in January 2015 and again in late 2017 for the purpose of gauging staff opinions. The returns were analysed with the issues prioritised, and that information was reported to Directors, Managers and staff. Managers and Directors were then tasked with putting in place a range of measures to address the specific issues raised. The comments made reflect concerns about the Council, recent changes, and the impact of those changes. In general you suggested things such as: •better communication, •listening more, •being clear about Council strategy and sticking to it, •having better training for Managers, •Senior Leaders spending more time on the “shop floor”. Trigger : Perception (real or imagined) that organisation, senior management or specific manager(s) will not/ have not acted upon the findings of the survey. No change evidenced, status quo despite assurances or promises to the contrary. Failure to communicate change to front-line staff, failure to embed change, so situation reverts to that which led to dis-satisfaction. Consequences : Disillusioned/ unhappy / disengaged staff, increased disillusionment following the expectation that the survey would make a difference, no confidence in manager or organisation, demotivated staff, poor commitment to Service, impact on Service and/or productivity. Staff retention issues - Increased turnover of staff with resulting recruitment costs and service impacts. Reputational damage, staff more likely to raise grievances. Stress, increase in sickness absence, perception that the whole exercise was a waste of public money. Risk type : Missed opportunities Reference - ORG0031		Possible	Significant	Medium	• Check and ensure good communication between staff and management. Managers must ensure effective communication methods are in place between managers and staff. The Council's Workforce Strategy, Staff Development Policy and Personal Development Plan Policy set out clear direction and framework to ensure the tools are in place to make sure this happens. Directorate Consultation Forums have been put in place to bring together senior managers and staff representatives at least 4 times a year to exchange information and maintain communication throughout the organisation. The 2015 Viewpoint Action Plan has led to the launch of a new set of Council Values & Behaviours which have been launched and promoted council-wide. The second Viewpoint Survey was completed in January 2018 that shows improvement in all factors. Action planning is now underway to inform the next Council-wide Viewpoint Plan. •Check and ensure good communication between staff and management. ERD's and training needs are implemented All managers must ensure effective communication methods are in place between managers and staff. The Council's Workforce Strategy, Staff Development Policy and Personal Development Plan Policy set out clear direction and framework to ensure the tools are in place to make sure this happens. The 2015 Viewpoint Action Plan has led to the launch of a new set of Council Values & Behaviours which have been launched and promoted council-wide. An on-going publicity campaign is in place to make sure there is continuing awareness. New Directorate Consultation Forums have been put in place to bring together senior managers and staff representatives at least 4 times a year to exchange information and maintain communication throughout the organisation.			Rare	Significant	Low	Denise Bell Shetland Islands Council	
Corporate Plan		F4. Our "20 By '20" - It Equipment & Systems										
Malicious cyber attack could happen at any time. ICT and SIC have a host of security systems and approaches in place. However, an attack, successful or otherwise, can always happen. It may be impossible to tell whether there has been an attack, or what any attack has looked at/ taken/ copied. Any attack could result in compromise /damage to systems or reputation, data leak, loss of data or system downtime. Trigger : Attack on the Council's network resulting in compromise/damage to systems or reputation, data leak, etc Consequences : Loss of data, system downtime Risk type : Malicious damage/ vandalism/sabotage Reference - ORG0029		Unlikely	Major	Medium	• Anti-virus and firewall defences, ICT security policy, boundary appliance scan all incoming e-mail; Corporate anti-virus installed on all servers and workstations; Corporate firewalls, Systems support team ensure software and hardware are patched to the latest secure versions; Annual penetration testing; Unsupported hardware and software removed from the network; Fortnightly Security Review meetings discuss and evaluate threats			Rare	Significant	Low	Susan Msalila Shetland Islands Council	

Corporate Plan

F5. Our "20 by '20" - Standards of Governance

The Council invested heavily in infrastructure at the time when the oil industry was taking off. This infrastructure was funded from income generated from the oil industry. That infrastructure is now ageing and will need to be replaced, however, the financial situation is now tighter which will mean that it will be challenging to finance this.

Trigger : Need for Investment in Shetland's infrastructure

Consequences : Challenge to finance the maintenance and/or replacement of existing infrastructure

Risk type : Physical - People / Property - Other

Reference - ORG0021

Likely Extreme

High

• The current Asset Investment Plan focuses on the maintenance of existing assets in order to prolong their useful economic lives. This should mitigate against the risk of immediate failure. In order to address the longer term replacement of assets, a Borrowing Policy was approved by Council on 11 December 2013.

Other measures in place include: MTFP, budget monitoring and scrutiny, clear and robust roles and responsibilities for managers and financial procedures & regs. A report on Long Term Asset Investment planning has been prepared and presented to the Council. It identifies the extent of future programmes, which will inform funding options. LTAI planning highlights the significant challenges - for example fair funding for ferries is a challenge that is larger than is manageable by the SIC and requires national input and support. Lobbying of Scottish Govt to be undertaken.

Likely

Major

High

Christine Ferguson
Shetland Islands Council

The Council handles significant quantities of data including confidential and personal data on a daily basis. It is expected to be an exemplar of good practice and to maintain high standards of security and confidentiality at all times. Information management is managed within the legislative framework as set out by the Information Commissioner.

Trigger : Data is released in an uncontrolled manner, accidentally or deliberately, and potentially without the knowledge of the organisation, because of a lack of training/ understanding, poor security, loss of paperwork or data-storing technology.

Consequences : Release results in reputational damage or action against the organisation by the Information Commissioner. Financial loss/ fine. Negative media coverage and reputational damage. Possible disciplinary action, stress for staff. Loss of confidence in Services.

Risk type : Breach of Legislation - Data Protection, Human Rights, Employment Practice, Health and Safety etc

Reference - ORG0030

Unlikely Major

Medium

• Current and planned controls -Current: There are already robust systems and procedures in place to prevent the loss of data and information. To date, over 600 staff have accessed training in basic Data Protection and Freedom of Information principles, including attendance at a conference provided by the Assistant Information Commissioner in 2015, and by the Office of the Scottish Information Commissioner in 2016, and by accessing online training through iLearn/Brightwave.

Planned: Information management and improvement is a strand of the Business Transformation Programme 2016-2020. This is supported by an Information Management Strategy, which provides a framework for improvement and development of information management policies and procedures to ensure our services can work together in a smarter way. The Improvement Programme includes a number of work streams, including information security, business continuity, culture and training, all of which will contribute to further reducing the risks inherent with maintaining and processing large amounts of information, and will aim to keep these considerations at the forefront of business transformation projects. Governance, accountability and strategic direction for the Information Improvement Programme is provided by the Information Governance Board. The Board includes those who have management responsibility, accountability and ownership of information assets and this will be supplemented by the continued raising of awareness amongst, and further training of, managers, administrators and other staff in the proper handling of information.

Rare

Major

Medium

Christine Ferguson
Shetland Islands Council

The Equal Pay Audit carried out on 2015/16 pay resulted in a published pay gap of 11.21% in favour of men. This is calculated on basic pay, and when other pay elements and allowances, except non-contracted overtime are included the gap increases to 16.23%. when non-contracted overtime is included the gender pay gap increases further to 20.05%. The Equality and Human rights Commission advise that any gender pay gap greater than 5% is of concern and action should be taken to address the gap.

Trigger : Failure to address the identified issues, public / media scrutiny, equal pay claim from a member of staff, scrutiny by EHRC.

Consequences : There is a risk that not addressing the equal pay gap identified in the Equal Pay Audit 2016 could lead to equal pay claims being made where pay inequalities exist. There is a risk that recruitment and retention of staff is detrimentally impacted by a failure to address barriers from gender, disability and race inequalities, and that this will impact on service delivery. A failure to realise the benefits of greater diversity in employment represents a waste of talent and an opportunity to address workforce and skills shortages. Occupational segregation means the clustering of employees with a particular protected characteristic into particular occupations or different levels of work. The published Equal Pay Statement 2017-2021 provides analysis that shows 97% of employees in the Marine occupational category are men, while 89% of employees in the Care occupational category are female. The data also shows an under representation of male employees in lower grades relative to their share of total employees, and an over representation at higher grades, with the reverse that case for female employees.

These will also place a demand on resources and require specialist legal input, there will be financial pressure from legal costs and any damages, reputational damage and negative media coverage should there be equal pay claims, and a detrimental impact on staff confidence and morale. Increased recruitment and retention difficulties are likely.

Risk type : Economic - Other

Reference - ORG0044

Possible

Major

High

• The Equal pay Statement 2017-2021, approved at P&R 7 March 2017 describes the Council's commitment to the principle of equal pay for all employees. It sets out how, regardless of protected characteristic, employees should receive equal pay for the same or broadly similar work, work rated as equivalent and for work of equal value. It also describes how the Council operates a pay and grading system which is transparent, based on objective criteria and is free from bias, by using an analytical Job Evaluation system for SJC staff, and teaching promoted staff are subject to job sizing. It notes Council's commitment to address equal pay gaps and reduce occupational segregation. The Equal Pay Audit 2016 action plan sets out a number of actions to address occupational segregation including a programme of work experience that challenges gender norms and stereotyping; identifying barriers in significantly occupationally segregated roles and carrying out remedial action as necessary; taking positive action to develop and encourage females into management roles; and carrying out an Equality Impact Assessment of wider terms and conditions of employment given the increased gender pay gap when all allowances are included.

The Council's Workforce Strategy 2016-2020 underlines the priority given to Equality and Diversity, and the HR service will work with trades union representatives and stakeholders to identify and address inequalities.

Unlikely

Significant

Medium

Denise Bell Shetland Islands Council

Corporate Plan		F6. Our "20 By '20" - Financial Management							Jonathan Belford Shetland Islands Council
<p>The SIC Pension Fund is currently not 100% funded. At 31 March 2017 triennial evaluation the Fund was 90% funded. The SIC Pension Fund, as well as the Council has a number of Scheduled and Admitted Bodies that have liabilities to fund over the long term. Admitted bodies failing or being unable to meet their contributions places risk from these arrangements on the Council, as the largest contributor to the Pension Fund.</p> <p>Trigger : Any circumstance that triggers a liability to crystallise</p> <p>Consequences : Financial impact, significant long term obligations on pension fund employers</p> <p>Risk type : Customer / Citizen - Other</p> <p>Reference - ORG0034</p>		Almost Certain	Major	High	<p>• The 2017 Triennial valuation has been completed, along with a revised Funding Strategy Statement (FSS). This provides an up-to-date funding position for the SIC Pension Fund along with a revised FSS to ensure the Funds deficit can be met over the long term. Deficits are estimated to be recovered over a period of less than 20 years.</p> <p>For Bodies seeking admission to the Pension Fund they now have to be supported in doing so by the Council (as a Schedule 1 Body) and also provide a guarantee / bond to meet any liabilities should they default in the future. This mitigates the risk to the Fund in relation to new employers.</p>	Rare	Extreme	High	
Corporate Plan		F8. Our "20 by '20" - Efficient							Jonathan Belford Shetland Islands Council
<p>Long term financial planning - fulfilling the Council duty of best value has been defined (in part) by the Accounts Commission as addressing and doing more long term planning. Failure to recognise the longer term factors that impact on Council finance and service delivery obligations and challenges may result in serious criticism from Audit Scotland and the Accounts Commission, while at the same time impacting on customers and the organisation at large.</p> <p>Trigger : Failure to prepare and take account of longer term scenario planning and to make informed assumptions about the impact of those on services and finance. A trend in the one-off use of reserves to balance revenue budgets. Use of invested capital for one-off or recurring expenditure and failing to recognise the cost of that capital and the impact on future budgets.</p> <p>Consequences : If the Council operates unsustainably and without intervention it will have to increasingly rely on its reserve, the compounding effects of this eventually resulting in the depletion of reserves/investments and being no longer able to provide additional funds to support services in the General Fund budget. Reputational damage, the current expectations of customers not met and the Council outcomes not achieved.</p> <p>Risk type : Economic / Financial - Other</p> <p>Reference - ORG0042</p>		Rare	Extreme	High	<p>• Strong financial management arrangements in place, with MTFP refreshed and the LTFP assumptions reviewed and reported to Council in March 2017. A clear and robust financial cycle of annual budget process, regular monitoring and annual accounts in place, with positive feedback from external auditors.</p> <p>Long term financial planning assumptions have been tested and capital expenditure has reduced from historic levels.</p>	Unlikely	Major	Medium	

Corporate Plan

Shetland Islands Council - Our Plan 2016 - 2020

On 23rd June 2016, a country-wide referendum was held to identify whether the UK wished to remain in, or leave, the European Union. Following the immediate political turmoil, there has been ongoing economic and political uncertainty. Various organisations in Shetland receive EU funding and this could be (and in some cases, has been) removed. The Shetland Islands Council receives EU funding for a number of purposes.

Trigger : Referendum result, post referendum political and economic uncertainty or change

Consequences : Short-term - Withdrawal of funding, political and economic uncertainty, potential impact on recruitment, uncertainty for non-UK EU nationals employed by SIC/ in Shetland - the potential impact on the council's workforce planning of the uncertainties that Brexit creates, will add to the already complex arrangements put in place by the UK Borders Agency in relation to preventing illegal working. There is much speculation about the impact on employment in the UK which HR are monitoring to ensure the council responds appropriately. Impact on partner organisations and partner-funded bodies. Does the SIC have a lobbying role?; Medium term: Withdrawal of funding, political and economic uncertainty, legislative change, regulatory uncertainty, impact on pension fund and Council investments, issues round fish quotas/ market/ pelagic fleet, economic impact, uncertainty for non-UK EU nationals employed by SIC/ in Shetland, potential impact on recruitment (of staff/ students),/ on SIC's workforce planning particularly given the already complex arrangements put in place by the UK Borders Agency in relation to preventing illegal working potential for further legislative, political and structural change, opportunity to influence direction and shape of new legislation, impact on partner organisations and partner-funded bodies, requirement to consider risks around capital expenditure. What is the SIC's role and priorities?; Long-term: Uncertainty, impact on longer term planning for organisation, potential for further legislative, political and structural change.

Risk type : Political - Other

Reference - ORG0037

Likely

Major

High

• Development Services are providing regular updates, preparing regular update papers to Committee and Community Planning board. An EU Engagement and Brexit Sounding Board has been agreed by the Development Committee as its 12 June 2016 meeting, and will meet regularly to help inform the Council and Community Partners of opportunities and risks.

Possible

Minor

Medium

Maggie Sandison
Shetland Islands Council