

MINUTES

B - PUBLIC

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

Present:

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

Apologies:

M Bell	D Sandison
D Simpson	

In Attendance (Officers):

M Sandison, Chief Executive
N Grant, Director - Development Services
J Belford, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
T Coutts, Project Manager, Business Development
J Thomason, Management Accountant
C Bain, Treasury Manager
B Kerr, Communications Officer
L Malcolmson, Committee Officer

Chairperson

Ms Wishart, Depute Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

The Depute Convener ruled, in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillor Burgess and Councillor Westlake during the proceedings be permitted by telephone link.

Declarations of Interest

Mr G Smith, Mr T Smith, Ms Macdonald, Mr Priest and Ms Wishart declared a non-pecuniary interest in item 4 “Effective and Sustainable Tertiary Education, Research and Training Project - Strategic Outline Case” as Members of the Shetland College Board, but that they would take part in debate.

The Council considered a report by the Executive Manager – Finance (F-039-F) that informed Members on the position and performance of the Council's external investments with fund managers for the financial year 2017/18.

The Executive Manager – Finance outlined the main terms of the report and introduced each of the Fund Manager's performance and outperformance as indicated in the report. The Executive Manager – Finance advised that the investment had risen since the report was written, to £352m as at 30 April 2018.

In responding to questions the Executive Manager – Finance explained that the Passive Fund used electronic systems and algorithms which is why the fees are as low as they are.

Reference was made to the Pension Fund being split between 5 Fund Managers and the Executive Manager – Finance was asked if the Council's fund was overexposed by having fewer Fund Managers. The Executive Manager – Finance said that diversification was important to spread the risk, however the Council sought a positive "bullish" return requirement of 7.3% which cannot be achieved by investing in certain asset classes. He said that the Council's investments was being reviewed by KPMG and discussion on what modifications the Council might need to make will come back to the Council at the end of the summer for further consideration.

The Executive Manager – Finance responded to a question on Investor presentations to the Council and he explained that traditionally Fund Managers were invited to present each year in May. However this had been rearranged for the autumn which would allow Members to meet with the Fund Manager in late October and report on Quarter 2 of the financial year.

Mr Coutts moved that the Council approve the recommendations contained in the report, seconded by Mr Thomson.

Decision:

The Council:

- APPROVED 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;
- NOTED the outperformance of the benchmark and target by Baillie Gifford in 2017/18;
- NOTED the performance of BlackRock which was close to the benchmark in 2017/18;
- NOTED the outperformance of the benchmark but underperformance of the target by Insight in 2017/18.

28/18 **Management Accounts for Community Health and Social Care 2017-18 - Draft Outturn**

The Council considered a report by the Executive Manager – Finance (F-034-F) presenting the draft outturn position for 2017/18 against the revenue budgets distributed by the IJB as at the end of the financial year.

The Executive Manager – Finance outlined the main terms of the report and commented on the underspend position but highlighted the carry forwards required. He advised that the IJB would consider the overall expenditure for the Community Health and Social Care Services.

In responding to questions, the Executive Manager – Finance referred to section 2 of Appendix 1 where detail was given on the underspends within training budgets and the staffing challenges in Adult Services. During further questions on whether the Council can deliver the level of service identified given the difficulties in recruiting staff and whether this report affected that further, the Chief Executive advised that these were important questions for the IJB to be asked but the Council is working on assessment criteria for providing services. She said that the Council was focused on delivering care at home, while the Council's strategy had been about care homes but this had been changed. The Chief Executive said that there is also a strategy on enablement which would support people who had a fall to get quickly back to doing care for themselves safely. The Chief Executive offered to meet with the Member to discuss the Council's position on care in more detail outwith the meeting.

Reference was made to paragraph 4.3 of the report and to the word "anticipated" underspend. The Executive Manager – Finance explained that money had been set aside for anticipated costs such as the pay award that was applied after the start of 2017/18 as well as other adjustments that are mostly pay related. He added that it was an exercise for the IJB to reflect actual costs, and keep it in line with other Council services in 2017/18.

During discussion Officers were asked if there was a recruitment strategy in place or whether recruitment was an area used to make savings. The Chief Executive explained that there is an active strategy and where budget is set there is an intention to recruit, whilst she acknowledged there are difficulties in recruiting to certain areas. The Chief Executive went on to advise that there is a workforce planning event scheduled to look at a drive to change how recruitment is done for example career grades and modern apprenticeships, so that staff can be trained on the job particularly in the hard to recruit areas. The Executive Manager – Finance advised that he had discussion with Human Resources who advised that a recent recruitment exercise had been successful so there were encouraging signs that progress was being made.

Concern was expressed that Brexit was having an impact on Eastern European workers applying for work in Britain. The Chief Executive said that it was important to keep a close eye on the consequences in this sector as it was very supported by a transient workforce in the EU. She said that the UK was not the most attractive place for EU workers at the moment due, to the uncertainty.

Mr Duncan moved that the Council approve the recommendation contained in the report. Mr Coutts seconded.

Decision:

The Council:

- APPROVED 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.

29/18 **Overall SIC Management Accounts for 2017/18 - Projected Outturn at Quarter 4**
The Council considered a report by the Executive Manager – Finance (F-038-F) presenting the overall draft outturn position for Shetland Islands Council for 2017/18.

The Executive Manager – Finance outlined the main terms of the report and highlighted the main variances detailed in the Appendices. He commented on the underspends and carry forwards required for some projects to proceed.

Comment was made on the hard work and leadership of the Executive Manager – Finance and that Shetland's loss was Aberdeen's gain as Mr Belford moves to a new post in the coming months.

Reference was made to the projects that had been put on hold and the Executive Manager – Finance was asked whether this was a project management or process issue and whether the projects would be reassessed or superceded. The Executive Manager – Finance said that the reason was not a Project Management issue but a resources one. He explained that the project delays were as a result of the decant from the North Ness Office and other properties had been used for office space, such as the Old Library. In terms of the Old Library the Executive Manager – Finance said that the expectation would be that a report would be presented to reaffirm the way forward. He reassured Members that projects on hold were not a failure of Project Management but of capacity in responding to the circumstance the Council found itself in, and that projects are reviewed on an annual basis. .

In response to a question regarding delays on projects, the Chief Executive advised that the Asset Investment Plan sits in Infrastructure Services and she explained that the procurement process can take longer in some cases. There has also been much focus recently on the Anderson High School (AHS) including changes in the road maintenance plan to give priority to getting the roads infrastructure in place for the AHS. Other reasons could be around contract writing for more complicated projects and also procurement legislation changes. The Chief Executive added that there are project structures in place for each project and Managers provide updates quarterly.

Reference was made to the £200k proposed additional funding to the Development budget and Officers were asked if this was sufficient to stimulate the economy. He advised that there had been an impact on the economy as a result of the Gas Plant but there had been more interest recently in the Business Gateway process. The Director of Development Services added that the Economic Development Policy report would be presented in June 2018. The Chief Executive reported on the work on the Islands Deal with the Western Isles and Orkney colleagues seeking funding around infrastructure to help prepare the community for the future and put Shetland in the best position to support its diverse community.

During discussion, it was highlighted how successful the income from fishing quota had surpassed expectation this year as well as the return on Shetland Telecom and the opportunities for more income from both. The Leader commented that the Council had set a challenging budget for 2017/18 and delivered on budget whilst maintaining a high level of services to Shetland. In that regard he paid tribute to all staff across the Council.

Mr Coutts moved that the Council approve the recommendations contained in the report. Mr Leask seconded.

Decision:

The Council RESOLVED 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".

30/18 **Effective and Sustainable Tertiary Education, Research and Training Project - Strategic Outline Case**

The Council considered a report by the Director of Development Services (DV-21-18-F) that presented a Strategic Outline Case identifying the preferred way forward as being a merger of the services involved in delivering tertiary education, research and training in Shetland.

The Director of Development Services introduced the Project Manager, Business Development and the Management Accountant and outlined the main terms of the report. The Project Manager provided more detail on the analysis undertaken in considering the options. The Council were advised that staff had been working closely with the Scottish Funding Council (SFC) and the University of Highlands and Islands (UHI) who are in full support of bringing this project forward. It was noted that it would be a challenge but the intention is to prepare the full business case for mid September for reporting in October 2018.

The Council were informed of the commitment from the Chief Executive to ensure that the staff resources were in place over the next few months to progress the project to conclusion, the cost of which would to be fully funded by the SFC.

The Council adjourned at 2.55pm whilst the telephone link was re-established.

The Council reconvened at 3.05pm.

The Project Manager went on to explain that two options had emerged as preferable following a scoping exercise, namely option 5 "Host", NAFC and option 6 New College.

(Mr C Smith left the meeting)

The Chair invited Mr Campbell, Chair of the Shetland College Board and Mr G Smith, Chair of the Education and Families Committee, to address the meeting, during which they both thanked the staff involved for their hard work over the last few weeks in preparing the report and commented on the financial commitment from the SFC and the staffing resources committed by the Chief Executive. Mr Campbell said that it was important to retain young people in Shetland and to increase Shetland's population therefore it was essential that there is an active and sustainable tertiary education sector in place.

Mr Smith endorsed the comments of the Chair of the Shetland College Board and commented on the report presented to the Education and Families Committee and during discussions he said that the importance of this process could not be underestimated. Mr Smith commented on discussions outwith the Council where Tertiary Education was seen as a way of retaining jobs and young people in Shetland

and the Council could not afford to fail the young folk and businesses of Shetland. He added that it was essential that Members come back in October and follow this project through into the future.

During discussion, comment was made that the role of industry leaders to know where gaps are in staff resources and for their involvement in the development of this case. It was also hoped that outsourcing would not take place as the third sector was an easy target for funding cuts and realistically funding is needed. It was also noted that redesign should be the right fit for Shetland and there is huge potential for the future.

Concern was expressed in regard to the research function and to the lack of detail in that area. It was suggested that research generally requires someone to buy the service and it could either be funded as an academic course or serve as a practical application, but that the Council has to decide how much it engages in and what value there would be in the research function. It was noted that there would be opportunities for research grants and that the function would be determined by the quality of the research provided. Comment was made that the Shetland Fisheries Training Centre Trust would ensure that the research function continues to be considered.

In considering the funding of the Strategic Outline Business Case clarity was provided by the Chief Executive in terms of the resources being provided and paid for. She explained that the Council's staff involved in this work would be released from their day to day jobs and their posts would be backfilled using funding from the Scottish Funding Council who had agreed to fully fund the Strategic Outline Business Case process.

Mr Campbell moved that the Council approve the recommendations contained in the report at paragraph 1.1. Mr G Smith seconded.

Decision:

The Council RESOLVED to:

- APPROVE merger of tertiary education, research and training services as the preferred way forward as identified in the Strategic Outline Case (SOC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project (hereafter referred to as 'the Project'), attached as Appendix 1;
- NOTE: that the preferred way forward contains two options; namely Option 5 ('Host NAFC') and Option 6 (New College);
- DELEGATE authority to the Chief Executive (or her nominee) to take any action and decisions required to develop the Full Business Case for the preferred option, which will be reported to Committees, Board and Council for a decision in October 2018;
- DELEGATE authority to the Chief Executive (or her nominee) to procure and engage any specialist legal or other services required to develop and finalise the Full Business Case;
- AGREE that the delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until September 2019; and

- DELEGATE authority to the Director of Development (or his nominee), in consultation with the Chair of Shetland Fisheries Training Centre Trust (SFTCT), to extend the Interim and Joint management arrangements up to the end of the 2018/19 academic term (July 2019).

31/18 **Service Redesign Programme Update**

The Council considered a report by the Director of Corporate Services (CRP-09-18-F) that presented information regarding the Council's Service Redesign Programme (SRP).

The Chief Executive introduced the report and advised that Corporate Management Team (CMT) had been actively developing a programme of service redesign. The Chief Executive said that it was important to analyse options around services and make more effort to work with partners to address rising costs. She said that there was no decision on outcomes just options for change but reports would be set out in the business programmes. The Chief Executive added that this was a small Council that did not have as much resource and capacity so it was important to focus on the biggest return for its effort.

In moving forward the Chief Executive explained that Officers had an away day to discuss the Service Redesign Programme and two more events were planned before meeting with Members. She assured Members on their involvement and that there would be engagement points, updates and decisions to be made going forward.

Comment was made that the redesign programme had not included as an appendix, the budget seminar points and review of choices made and it was expected that these would have been referred to somewhere in the report. Clarity was sought if that would come in the future. The Chief Executive advised that part of the process was that every service needs to review what it does. She said that the lists in the report were from CMT and were presented as a start and described a focused process. She said that this did not mean that other points would not be looked at.

Reference was made to paragraph 4.1 and the financial pressures on the Council and IJB, and in responding to a question the Chief Executive said that there were a number of services that would involve working with the NHS and IJB that she had met with the NHS Management Team and discussed how to take matters forward.

Clarity was sought on the first sentence of 4.5 in regard to there being no reduction in budget in the Council's priority areas, and the Executive Manager – Finance explained that the Medium Term Financial Plan tried to describe the situation whereby if certain budgets are protected within the General Fund then costs reduction will have to be taken from everywhere else. He said that this approach would destroy all aspects of Development and Corporate Services and therefore options for across the Council are needed. The Executive Manager – Finance advised on the need to review all options in other area using models of service delivery. He advised on the aim of the programme to try to resolve a gap that will vary over time. There will be options to bring forward including the list of budget seminar points previously raised by Councillors. The Executive Manager – Finance added that savings cannot just come from Development and Corporate Services as there is insufficient money within those services.

The suggestion was made that the Medium Term Financial Plan be changed to solve the problem in terms of drawing from reserves. The Executive Manager – Finance

provided advice on the approach to bring ideas and different options forward and cautioned against using reserves as a means of solving all funding issues, their use needs to be sustainable. In responding to further questions the Executive Manager – Finance concluded by saying that the Council had a good return on its investments this year but 2015/16 had not been so good and it was important to protect what the Council has in the long term.

Following further comments in regard to what this new Council may decide to do in regard to the Medium Term Financial Plan and the Council Reserves, the Chief Executive advised that it was the duty of Officers to look after Shetland and its future generations in a sustainable way. She said that if reserves are spent now they won't be there in the future and it was important that services provided now continue to be available for the benefit of future generations. The Chief Executive added that political decisions are the Council's to make with advice provided by Officers.

The Leader said that a commitment had been given for the refresh of the Medium Term Financial Plan which would be done based on evidence and facts. He said that the current MTFP had been created by the last Council but it had been a massive success and it was possible to flex the plan and that was why the Council has a Service Redesign Plan in place to have the evidence and views of officers available to Members. The Leader said that Scottish Government funding had fallen in a period of stagnant wages but there will be increases. He said it was important to work collectively to lobby for fair funding to cover the service delivery required, and while there would be challenges ahead the Council has to ensure that it works from a good basis.

Following further comment in support of the Service Redesign Plan the Depute Leader referred to the comments by the Chief Executive on the need for early intervention and prevention, and added that the money that this Council will spend may not see benefit in the term of this Council, or the next, but that a much longer term view must be taken.

Mr Coutts moved that the Council approve the recommendations contained in the report. Mr Fraser seconded.

Decision:

The Council AGREED that the:

- 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;
- 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;
- 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
- APPROVED the membership of the SRP Sounding Board set out in the SRP Programme Initiation Document (PID) at Appendix 1.

32/18 **Corporate Risk Register Report**

The Committee considered a report by the Director of Corporate Services (IA-13-18-F) which provided information on high level risks that could impact upon the organisation's aims and stated plans.

In introducing the report, the Executive Manager - Finance advised that there were 16 risks updated since the Risk Board in April, and CMT are aware of the risks and review them regularly.

Ms Wishart moved that the Council approve the recommendation contained in the report, seconded by Mr Coutts.

Decision:

The Council NOTED the content of the report.

In order to avoid the disclosure of exempt information, Ms Wishart moved, Mr Cooper seconded, and the Council RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following item of business.

33/18 **Confidential Corporate Risk Register Update**

The Committee considered a report by the Director of Corporate Services that presented information regarding Council-wide risks where the content is confidential, commercially sensitive or otherwise exempt from publication.

The Executive Manager – Finance introduced the report and the Council noted its content.

Decision:

The Council NOTED the content of the report.

The meeting concluded at 4.05pm.