

MINUTES

A & B

**Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Wednesday 25 September 2019 at 2 p.m.**

Present:

M Bell	P Campbell
S Coutts	A Duncan
J Fraser [by phone]	A Hawick
C Hughson	S Leask
E Macdonald	R McGregor
A Priest	D Sandison
I Scott	D Simpson
C Smith	G Smith
T Smith	R Thomson

Apologies:

A Cooper
A Manson

In Attendance (Officers):

M Sandison, Chief Executive
C Ferguson, Director of Corporate Services
M Craigie, Executive Manager – Transport Planning
J Manson, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
R Sinclair, Executive Manager – Assets, Commissioning and Improvement
C Anderson, Senior Communications Officer
K Collins, Financial Accountant
L Adamson, Committee Officer

Also:

P Kenny, External Auditor, Deloitte LLP

Chairperson

Mr M Bell, Convener of the Council, presided.

Circular:

The circular calling the meeting was held as read.

Ruling to Permit Participation by Telephone

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

Declarations of Interest

Mr Duncan declared a family interest on any discussion on the Pension Scheme, and he would leave the meeting.

Annual Audit Report on the 2018/19 Audit – Shetland Islands Council and Zetland Educational Trust

The Council considered a report by the Executive Manager – Finance (F-053-F) which presented the Annual Audit Report on the 2018/19 Audit for Shetland Islands Council and the Zetland Educational Trust.

In introducing the report, the Executive Manager - Finance advised that a number of minor late changes had been made to the documents. He referred to the Background Section at Page 1 of the Annual Accounts of the Council, and to the list of Trustees on Page 1 of the Zetland Educational Trust Annual Report and Accounts, advising on the amendments as a consequence of the recent resignation of Councillor Mark Burgess. He also advised on a change that had been made to the “Internal Recharges” section on Page 53 of the Annual Accounts, following clarity received.

In referring to the Zetland Educational Trust, the Executive Manager – Finance advised that no material changes had been made to the accounts, and a clear audit opinion was given, confirming the accounts were presented in line with the relevant charities accounting standards and regulations.

In terms of the Council, the Executive Manager – Finance advised that since reporting of the draft accounts in June 2019, a number of changes were made to the accounts following the audit of the financial statements. A further three recommendations for improvement had been identified as part of the financial statements audit. These had been included in the Action Plan together with recommendations made in the Interim External Audit report, also presented in June 2019. He advised that for the Council, SLAP and group accounts, all received an unmodified audit opinion, meaning those accounts present a true and fair picture of the Council's financial position as at 31 March 2019.

The Executive Manager – Finance then introduced Mr P Kenny, External Auditor, Deloitte LLP. Mr Kenny provided a summary of the Audit report, advising that the main risk areas identified were the management override of control, valuation of property assets and the recognition of grant income. He confirmed however that the audit process identified no key issues in those risk areas. Mr Kenny advised that the SLAP transaction had been the main development since reporting in June. In that regard, he acknowledged that while some lessons will be learned from due diligence through the process, he confirmed his opinion relating to the strong and robust business case which underpinned the acquisition of SLAP, and that the acquisition will result in significant benefits for the Council going forward in the medium and longer-term. Mr Kenny also confirmed the recommendations from the 2017/18 audit had been addressed.

There were no questions from Members.

During debate, the Leader commented on the positive audit report, and in noting the unmodified opinion, he said it was important as a Council not to take that outcome for granted. He said however that it was very encouraging that no material misstatements had been identified, and he confirmed that the recommendations would be taken forward. The Leader thanked the Council officers and the representatives from Deloitte LLP, who had been involved during the audit process.

In referring to the findings that the price paid for SLAP had been overstated, comment was made that valuation of properties was however an opinion, and furthermore there was no guarantee that a lower bid to purchase SLAP would have been successful. Mr McGregor referred to the information provided by the Executive Manager – Assets, Commissioning and Procurement at the earlier Audit Committee, in terms of the valuation process followed, and said he was satisfied due diligence had been undertaken. Reference was also made to the External Auditor's earlier comments on the robust business case undertaken, where Mr McGregor advised that the purchase of SLAP would bring about significant benefit to the Council and to Shetland for years to come.

Reference was made to the conclusions around the financial sustainability of the Council as set out on page 5 of the audit report, where it was acknowledged that the situation would not be as serious providing the Scottish Government honour their agreement of funding to the Council. In referring to the commitment for full and fair funding for ferries, comment was made that Shetland should not be treated differently from the other island groups. Mr Duncan advised on the importance to continue to fight to get the funding Shetland is entitled to with the ferries providing a lifeline service for the residents of Shetland.

During further debate, some concern was expressed regarding the audit opinion that the medium term funding gap identified by the Council for 2023/34 was optimistic, being an underestimate of approximately 40%. While it was stressed that the Scottish Government have to meet their obligation in terms of fair funding for ferries, reference was also made to the overspends on Council budgets, however it was noted that reassurance was given in the report in terms of the improvements to be made in all areas.

Mr Duncan advised from the discussion earlier at Audit Committee, where in terms of recommendation 1.1(b) a request had been made for progress on the Action Plan to be reported back within two cycles. It was clarified however that the amendment was directed at Audit Committee, and did not alter the recommendation for the Council at Section 1.2.

Mr Coutts moved that the Council approve the recommendations at Section 1.2 of the report. Mr Duncan seconded.

Decision:

The Council RESOLVED to:

- NOTE the findings of the 2018/19 audit as contained in the external auditor's Annual Report at Appendix 1;
- APPROVE the Action Plan and management responses as outlined in the auditor's Annual Report;
- APPROVE the audited Annual Accounts for 2018/19 (Appendix 2) for Shetland Islands Council for signature; and
- APPROVE the audited Annual Accounts for 2018/19 (Appendix 3) for Zetland Educational Trust for signature.

Inter-Island Air Service Outline Business Case

The Council considered a report by the Executive Manager - Transport Planning (DV-27-19-F) that presented the conclusions of the Air Services Outline Business Case and sought the Council's approval to proceed to the Full Business Case (FBC), which includes the tendering of the inter-island air services.

In introducing the report, the Executive Manager – Transport Planning referred to Sections 4.11, where he outlined the four service level scenarios for Foula and Fair Isle that will be taken forward in the FBC, and the additional scenarios that will be explored as part of the FBC, as set out at Section 4.12. He also advised on the proposal to move from a 3 year to a 4 year contract, which he said should realise stabilisation of costs and accommodate any uncertainty in moving forward.

In response to a question, the Executive Manager – Transport Planning undertook to provide Members with a breakdown of the “further 249 landings by other aircraft at Tingwall”, as referred to on page 6 of the Outline Business Case, at Appendix 1.

In responding to a question, the Executive Manager – Transport Planning advised on the arrangements in place for air travel for the school children resident in Foula and Fair Isle. Reference was however made to concern in the islands on how much time the children have to be out of school as flights do not fit with the school day. While it was acknowledged that flights rotations are restricted in line with daylight hours, reassurance was sought for the timetable going forward to be coordinated to enable the children to attend for the full day at school.

During the discussion, the Executive Manager – Transport Planning provided further detail on the proposal to develop a “Friends and Family” fare for both Fair Isle and Foula. Comment was made that the scheme would be welcomed to support the fragile communities.

In response to a question, the Executive Manager – Transport Planning advised that he would provide Members with the ratio of income/ expenditure from the provision of the inter-island air services, as detailed in the annual audits.

In referring to the recommendation in the report, a procedural question was posed as to the circumstances should the Council and ZetTrans have different visions going forward. The Executive Manager – Transport Planning advised on the positive dialogue and debate between ZetTrans and the Council on matters of transport. He said that with four Council Members on ZetTrans the views of the Council were very much represented on ZetTrans. He went on to advise that since the inception of ZetTrans there has never been a difference of position between ZetTrans and the Council, which he believed was due in part to the work of the Shetland Partnership. Mr Thomson, Chair of ZetTrans, advised on the mutual understanding, willingness and common interest between ZetTrans and the Council to work together, which he was sure would continue for the foreseeable future.

During debate, Mr Thomson advised on the need to progress to the Full Business Case, to come forward for consideration at the Special Council meeting on 18 December 2019. He also advised on his support for the proposed “Friends and Family” fare, which he said would be of significant benefit to the fragile communities.

On the motion of Mr Thomson, seconded by Mr Priest, the Council approved the recommendations in the report.

Decision:

The Council **NOTED** the socio-economic case of the Inter-Island Air Services Business Case attached as Appendix 1 to this report; and

- Subject to the approval of ZetTrans in the same terms as sought by the report, the Council **RESOLVED** to **APPROVE** the Inter-Island Air Services Business Case progressing to Full Business Case (FBC), and that the options described in sections 4.11 and 4.12 of the report provide the service scenarios to be tendered, which in turn will inform the FBC which will be presented to the Council and ZetTrans for final decision on 18 December 2019.

The meeting concluded at 2.40 p.m.

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Convener