

MINUTES

A&B - PUBLIC

Shetland Islands Council

Main Hall, Town Hall, Lerwick, and remotely via Teams

Wednesday 18 August 2021 at 10.00am

Present:

M Bell	A Cooper
S Coutts	A Duncan
J Fraser	A Hawick
C Hughson	S Leask
M Lyall	R McGregor
D Sandison	I Scott
G Smith	

Present via remote link:

P Campbell	S Flaws
A Manson	A Priest
T Smith	

Apologies:

D Anderson	E Macdonald
C Smith	R Thomson

In Attendance (Officers) (Main Hall):

M Sandison, Chief Executive
L Geddes, Committee Officer

In Attendance (Officers) (by remote link):

C Ferguson, Director of Corporate Services
J Manson, Executive Manager – Finance
J Riise, Executive Manager – Governance and Law
A Cogle, Team Leader – Administration
J Belford, Trainee Solicitor
B Kerr, Communications Officer

Chairperson

Mr Bell, Convener of the Council, presided.

The Chair advised that whilst the public were excluded from attendance at the meeting under the terms of the Coronavirus (Scotland) Act 2020, members of the local media were in attendance via remote link. He also advised that the meeting was being recorded, and would be published online for public access after the meeting.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

The Council considered a report by the Executive Manager - Finance (F-030-F) presenting the Council's Unaudited Accounts for 2020/21.

The Executive Manager – Finance explained that the unaudited accounts usually required to be considered by the Council before submission to the external auditor by 30 June. This had not been possible this year as there had been a number of delays and staffing issues encountered which had prevented this deadline being met, but there was still a requirement for the Council to consider them by 30 August. There was a requirement to follow accounting standards, so there was limited flexibility in the way they could be presented. The Annual Governance Statement – which had concluded that the Council's governance arrangements and internal control environment were fit for purpose – had been approved by the Audit Committee in June. The Income and Expenditure Statement illustrated the economic cost of services provided, and it aligned with the management accounts presented through the year. The Balance Sheet illustrated the value of the Council's assets and liabilities and a summary of the Council's net worth. This had increased by £37million to £602million due to the strong performance of investments and increase in pension liability. The cash balance was also relatively high compared to last year, increasing by £11.5million. The Housing Revenue Account, Non-Domestic Rates Income Account, and Notes to the Accounts also required to be reported on, and a brief description of these were outlined in Sections 4.8-4.11 in the covering report. The Unaudited Accounts had been submitted for auditing, and it was hoped to be in a position to present the audited Accounts to the Council before 30 September.

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

- Funding had been received from the Scottish Government, as part of the settlement for the current financial year, to mitigate the costs in relation to COVID-19. The Council had previously received some funding last year to meet these costs, and further support schemes may be announced during the year. The Council was engaged in an exercise with CoSLA to clarify and collate costs in respect of COVID-19, and there may be a case to present to the Scottish Government if funding was not deemed to be sufficient. However there were no undue concerns about unmet financial pressure at the moment.
- The Council's Fire Safety Management Policy had been revised in June, and it would be appropriate to allow the Policy to bed in before updates were provided. There had been resourcing issues in the health and safety team, but there were now new members of staff and work could now proceed. Updates would be reported regularly, though there was not yet an agreed timescale for doing so.
- The primary reason for the increase in rent arrears was the circumstances over the last 18 months, which had prevented some individuals from making timely payments. This had not been unexpected, and there were processes in place and support schemes to assist people experiencing difficulties. The recovery process had also been paused last year so there was a backlog of arrears, and this would hopefully reduce over the next 12-18 months.
- In 2020 the Council had acquired Shetland Leasing and Property Limited and its property portfolio. It was not uncommon to acquire buildings that there was no current use for, but this had to be accounted for in the accounts. If there was no current use, property could be held for investment purposes and for generating

income. There was no plans to divest of the interests referred to in Note 14 at this stage, and the property would be managed by the Council's Assets, Commissioning and Properties team. Further information on the interests held could be supplied.

- The long-term debtors referred to in Note 22 generally referred to loans to local companies, primarily though through the Economic Development Service. Those listed were over 12 months old, which was an accounting standard. There were plans to recoup the money, but they were listed as long-term as they would still be there next year, though the balances would reduce over time.
- The Council was the only local authority to hold fishing quota, and this was valued each year by a local firm. The consideration referred to in Note 5 referred to the fact it was held for local prosperity purposes and the Council did not see a profit from it. This was an area of concern for auditors and it would be subject to change as it went through the audit.
- The McCloud Judgement was a complicated area, and there was still work to be done to rectify areas coming out of that judgement. It would take some time to understand the long-term impact on the Local Government Pension Scheme. However actuaries allowance was adequate, but it would be monitored until the legislation changed.

During the discussion that followed, it was noted that the Council had approved a Notice of Motion in June regarding the Independent Review of Social Care seeking confirmation that an Islands Impact Assessment would be carried out before legislation was passed, and it was questioned if any response had been received from the Scottish Government. Concern was expressed that the remit had been expanded to include children's services, social work, prisons and criminal justice. It was noted that CoSLA had expressed concern that it cut through the heart of democracy and at the implications for local government and local decision-making at a local level, therefore it was vital to respond effectively to this review. So although the Council was spending more than the auditors wanted it to spend, it needed to be able to do so, and investing in early intervention work to change long-term service demands and improve outcomes was the right thing to do. It was also commented that centralisation had held the Council back from being able to achieve its ambitions.

The Leader advised that a response had been received outlining a preference for the Council to meet with the Minister responsible for social care. This had not been possible to date due to the parliamentary recess, but it would be picked up. He noted that the Scottish Government was required to carry out an Islands Impact Assessment, as per legislation.

He went on to say that the holding of fishing quota was an example of the complex nature of the Council, in terms of the things it had responsibility for that most other local authorities did not. He thanked staff involved for getting the accounts to this stage during the pandemic. He went on to highlight key areas where the Council had been successful in achieving funding and key projects that had been completed, and noted the Council was performing very well in relation to other authorities, and commended the accounts to Members.

During the discussion that followed, concern was expressed that the Council had not been able to resolve the situation regarding the unsustainable draw on reserves. It was suggested that there should be more work done on the Medium Term Financial Plan as

it was not appropriate to leave the deficit for the next Council to resolve. If the Council did not do resolve the situation soon, there may be no reserves left by 2025-26.

The situation regarding rent arrears and bad debt was also referred to. With one-third of tenants in debt, it may take years to get any of the money back. Bad debts had doubled over the last two years and the pandemic had exacerbated the situation. It was suggested that consideration of this needed to go beyond the financial costs to the Council. There was a need to understand why tenants were not paying rent, and the Council had worked closely with the third sector and the Citizens Advice Bureau (CAB) to help address this. It was noted that the CAB should be congratulated for the funding it had helped to bring into Shetland.

It was also commented that the purpose of the Council was to deliver services to those most in need, and the report illustrated how the Council had managed to achieve this. There had been an increased demand for services, and the Council was required to support those required it.

Decision:

The Council:

- CONSIDERED the Unaudited Accounts for 2020/21
- NOTED the submission of the Unaudited Accounts for 2020/21 to the external auditor by the statutory deadline
- NOTED the intention to present the Council's Audited Accounts for 2020/21 for approval by 30 September 2021.

The meeting concluded at 10.50am.

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Chair