

# MINUTES

# B - PUBLIC

## Shetland Islands Council

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

Wednesday 16 June 2021 at 10.00am

### **Present:**

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

### **Present via Remote Link:**

P Campbell	A Cooper
S Flaws	C Hughson
A Manson	A Priest
R Thomson	

### **Apologies:**

D Anderson

### **In Attendance (Officers) (Main Hall):**

M Sandison, Chief Executive

### **In Attendance (Officers) (by remote link):**

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 – Asset, Commissioning and Procurement  
A Cogle, Team Leader – Administration  
N Hutcheson, Team Leader – Asset and Network  
C Jones, Solicitor  
B Kerr, Communications Officer  
L Geddes, Committee Officer

### **Chairperson**

Mr Bell, Convener of the Council, presided.

The Chair advised that whilst the public were excluded from attendance at this 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 following the meeting.

### **Circular**

The circular calling the meeting was held as read.

### **Declarations of Interest**

None

## **Minutes**

The minutes of the meeting held on 16 December 2020 were confirmed on the motion of Mr Leask, seconded by Ms Macdonald.

### **32/21 Fair Isle Ferry Outline Business Case (OBC) and Application to Levelling Up Fund**

The Council considered a report by the Executive Manager – Transport Planning (DV-26-21-F) presenting the OBC for adoption, and seeking approval for its use as the basis of a funding application to the UK Government’s “Levelling Up Fund”.

The Executive Manager – Transport Planning advised that the OBC had concluded that the preferred option was to replace the “MV Good Shepherd IV” with a bespoke roro vessel, with supporting harbour works at Grutness and North Haven. This would provide a more reliable and resilient service, and reduce journey times. The project should take four years to delivery from approval. It was in line with the programme for UK Government funding, and aligned with the “Levelling Up Fund” Prospectus.

The Executive Manager – Transport Planning then responded to questions, and the Council noted the following:

- The total project cost was £24.88million. If the funding bid was successful, the Council’s funding contribution would be £20,000 wind up costs in Year 5.
- The project costs had been prepared to reflect the recent impact on construction costs and materials, and included a contingency to take account of the current uncertainties.
- Property works would be carried out over the summer in preparation for the bid confirmation in autumn. There was every confidence that it would be possible to deliver the project within the timeframe required.
- As it had been a Council priority for a number of years, the Council would ensure that the project could be successfully delivered alongside other work it was carrying out over the same period.
- Should the funding bid be unsuccessful, the Council would continue to engage with the Scottish Government in respect of capital funding, as it had been doing over the last few years. These discussions would continue in parallel, regardless of the bid being submitted, which the Scottish Government was fully aware of.
- The new vessel was a modern vessel designed to respond to the importance of tourism to Fair Isle. Implications for the road system there had been acknowledged, and there were ongoing discussions with the Roads Service and the Fair Isle community regarding traffic management which would be developed in future. The main advantage of having a roro vessel was in respect of freight and agriculture, and getting plant and equipment into the island at a lower cost.

In moving that the Council approve the recommendations in the report, Mr Coutts commented that this long-awaited project was a Council priority and had political support from the MP. The work that had gone into preparing the OBC was a credit to

those involved, and he confirmed that discussion would continue with both governments to ensure they helped deliver on local infrastructure priorities.

In seconding, Mr Duncan highlighted the importance of the project to the Fair Isle economy and community. The community had waited a long time for it to reach this stage, and had been badly let down by the Scottish Government in the past when a decision had been made to instead fund West Coast ferries.

During the discussion that followed, Members commended officers for the comprehensive and detailed report. Some commented on the need to set politics aside as it was largely irrelevant to the community of Fair Isle where the funding came from, but others felt it was important that people were aware how it would be funded. The importance of the Council prioritising the delivery of the project within the timescales required, and continuing its dialogue with the Scottish Government in relation to transport matters, was reiterated.

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**Decision:**

The Council:

- ADOPTED the Outline Business Case (OBC) for the Fair Isle Ferry undertaken by ZetTrans contained in Appendix 1, and presented for approval by ZetTrans on 31 May 2021
- APPROVED the use of the OBC as the basis for a funding application to the UK Government's 'Levelling Up Fund' for up to £25 million to meet the costs of the Fair Isle Ferry project
- NOTED that if successful that work on the project commences as soon as practicable after the approval of the bid to meet the funding condition that project spend must commence by March 2022.

### **33/21 Asset Investment Plan - Strategic Outline Case (SOC): A970 Lerwick to Sumburgh Road at Levenwick - Road Safety Improvements**

The Council considered a report by the Director of Corporate Services and the Executive Manager – Assets, Commissioning and Procurement (ACP-04-21-F) presenting the SOC for the A970 Lerwick to Sumburgh Road at Levenwick Road Improvements.

The Executive Manager – Assets, Commissioning and Procurement advised that following approval of the Strategic Outline Programme in November 2019, the project had been a priority for the Council. While there would be a number of social and economic benefits, the overwhelming justification for the project related to road safety. While it was expected that external funding would be available for part of the cost, there was currently no clarity on this point. So it was proposed that work was done alongside development of the OBC to establish a level of borrowing.

The Executive Manager – Assets, Commissioning and Procurement and the Team Leader – Asset and Network then responded to questions, and Members noted the following:

- Consideration had been given as to whether upgrading the road may result in accident blackspots being displaced further north as a result of people driving faster, and this would be taken account of in designing and assessing the scheme.

The road to the north had been improved and was not an area of great concern. The road to the south had not been improved, but there was no particular accident history on that stretch. There were one or two spots that did not comply with the design manual, but the bulk of it was reasonable. The road width may be an issue for larger vehicles, but it was not an area of great concern.

- All transport developments had to take active travel and the provision of footpaths and cycle paths into account as part of the Active Travel Strategy. The effect on the carbon footprint was also considered with all business cases.
- Studies carried out on the stretch of road indicated that the 85<sup>th</sup> percentile speed was 66mph, which was quite high compared to other roads. 15% of traffic exceeded that speed at certain points on the road.

In moving that the Council approve the recommendations in the report, Mr Duncan thanked everyone involved in its preparation. It was a long-awaited and welcome report in the interests of road safety, and one which councillors past and present had raised concerns about.

In seconding, Mr G Smith commented on the challenges facing the Council in delivering capital projects, and the need for officers to use their imagination in maximising the use of resources so that the Council could deliver much-needed capital improvements to ensure sustainability in the future.

It was commented that while it was the Council's ambition to ensure that the road network continued to support the economy and communities, there was frustration that the Cova to Walls road had not progressed further, and that there had been no road improvements on the west side for a number of years. The Council was urged to bring forward schemes for consideration that had been on the list for many years. While there was a compelling case – backed up by an accident record – for this project to proceed, the Cova to Walls road was also a particularly bad stretch of road that should be given another review. The importance of investing in, and maintaining, the roads network was also highlighted.

The Leader commented that now a Strategic Outline Programme was in place, he was confident that the Council's approach would be a holistic and strategic one that took into account the wider picture in relation to the roads network.

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**Decision:**

The Council RESOLVED to approve the proposals described in Section 4.0 and included as Appendix A to the report.

*(The Council adjourned at 11.00am and reconvened at 11.10am)*

#### 34/21 **Shetland Islands Council 2020/21 Our Draft Revenue and Capital Outturn**

The Council considered a report by the Executive Manager - Finance (F-025-F) presenting the draft outturn position for 2020/21.

The Executive Manager – Finance summarised the main terms of the report, advising that total expenditure was £119.465million against an approved budget of £127.556million. This had resulted in an underspend of £8.091million on the General Fund. The reasons for the variances were set out in Appendix 2 to the report, and these included COVID-19 related variances. The Housing Revenue Account

underspend of £850,000 was largely driven by delayed capital expenditure. The Harbour Account had generated a surplus of £14.664million - against a budget of £11.2million - due to a combination of additional income and reduced expenditure. The capital budget had been reprofiled during the year and reduced from original expectations. Expenditure had been £15.694million against a revised budget of £16.869million, and slippage totalling £2.525million would be carried forward into 2021/22. Taking everything into account, the total net draw from reserves was £1.837million - £23.5million less than anticipated. This was, for the first time, within the parameters of the Medium Term Financial Plan, but it was expected that there would be a significant draw from reserves during 2021/22 to support planned expenditure.

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

- Further information could be supplied regarding the total number of vacant posts in the Council, as this information was not contained within the report. Some of the carry forward figures in the report related to ring-fenced funding which would be spent in order to deliver on commitments. It had not been possible to open or deliver some services during the pandemic. Now that restrictions were being lifted there was more flexibility, and it should be possible to catch up on the delivery planned for last year. The budget had been set three months ago on the basis of what was required to operate services, and approval of the budget would allow outstanding recruitment to progress.
- The £10.5million draw on reserves set in the 2020/21 budget was unsustainable, and the 2021/22 draw of £8.5million was also unsustainable. The additional reserves received last year had mitigated the need for the Council to use the unsustainable reserve, so it was available for future use if required. The latest budget-setting exercise had reduced the unsustainable use on reserves, and it was expected that trend would continue. The financial sustainability of the Council was an issue that still existed, but the impact on reserves was potentially delayed by expenditure being pushed to a later date.

In moving that the Council approve the recommendations in the report, Mr Coutts commented that the outturn position demonstrated the Council was on the road to strong financial management. It was understandable that there were issues as a result of being unable to provide some services, and it was also appropriate to recognise the additional funding for COVID-19 impacts from the Scottish Government. Some of the figures demonstrated the real cost of delivering services in Shetland – such as increased energy and materials costs.

Ms Macdonald seconded.

During the discussion that followed, concern was expressed regarding the underspend relating to staffing vacancies – which should not be regarded as a saving - and the resulting potential impact on services in the future. Services would also have to be reinstated as soon as possible. It was also commented that the fact reserves had not been required should not be regarded as a windfall, and there was a need to invest in order to continue to generate returns to deliver services and priorities. It was also suggested that the positive financial report could largely be put down to the pandemic, as the Council had not done things differently.

The Leader pointed out that it was important to note adult day care services had been reinstated locally before the rest of the country, and to reflect on how staff had

responded to the pandemic in order to maintain services. However it was recognised that there would be a backlog. It was added that the partnership working that had taken place during the pandemic should also be applauded.

It was commented that there was a need to invest in training in order to deal with staffing vacancies, and that there was a strategic opportunity for doing so when looking to build back services. It was noted that the Council had a Workforce Strategy that recognised the importance of this, and of promoting opportunities to work in Shetland.

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**Decision:**

The Council:

- NOTED the 2020/21 draft outturn position
- APPROVED the 2020/21 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 “2020/21 Financial Review”
- APPROVE a decrease in payment to the IJB of £4k, reducing its budgeted contribution to the IJB to £24.286m.

*(Mr Cooper left the meeting)*

**35/21 Fund Manager Annual Investment Report 2020/21**

The Council considered a report by the Executive Manager - Finance (F-031-F) outlining the position and performance of the Council’s external investments with fund managers.

The Executive Manager – Finance advised that funds were invested on a long-term basis, but that there was a requirement to report on them annually. Last year the value had dropped in the run up to the year end to the relatively low value of £314million. Since then market conditions had rebounded and the value had recovered to £423million. He cautioned that the Council did not receive this money, and it should not be regarded as a windfall. Over the last 20 years the long-term average for returns had been 7.1%. The return over the last year would skew the long-term average figure, but it was expected that returns would return to the average figure. The long-term strategy sought a return of 7.3%. The individual performance of fund managers was outlined in the appendix, and two out of the three had exceeded the target set. The value of the investments in May was £427million.

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

- The increase in value of £109million included an aspect of recovery from the low point at the end of the previous year but - since then - returns had been over and above the average. Because the Council’s committee cycle had been condensed as a result of the pandemic, it had not been possible to accommodate presentations from the fund managers. Consideration would be given to arranging this where the opportunity and agenda allowed.
- Consideration could be given to presenting some of the information in the report in a revised format to aid understanding - such as the inclusion of an illustration of trends over the last five to ten years.

- During the last quarter of 2020, the value of investments had reduced from £368million in January to £314million in March. The start of the COVID-19 pandemic had impacted on market conditions, but the recovery had started in March/April and had continued through 2021.

The Leader commented that the Council had approved an Investment Strategy which took a long-term view, and performance had been similar to what had been predicted over the longer-term. The income generated was built into the budget and markets were fickle, so the longer-term view should always be considered.

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**Decision:**

The Council:

- APPROVED the Annual Investment Report for 2020/21 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 the target by Baillie Gifford in 2020/21
- NOTED the performance of BlackRock which was close to their objective of matching the benchmark in 2020/21
- NOTED the outperformance of the fixed benchmark by Partners in 2020/21.

*(Mr Fraser declared an interest in the following item as a member of Lerwick Community Council, and left the meeting during the discussion)*

### 36/21 **Community Council Constitution and Local Election Rules**

The Council considered a report by the Executive Manager – Governance and Law (GL-12-21-F) outlining amendments to the Community Council Constitution and Local Election Rules.

The Executive Manager – Governance and Law summarised the main terms of the report, advising that the holding of public meetings remotely had been introduced as a temporary measure in response to the COVID-19 outbreak. As this had worked quite well, community councils were now seeking a permanent change in the rules to allow meetings to be held in this way if required. It was also proposed to reduce the voting and membership age to 16. One of the barriers to this in the past had been that the electoral register did not hold this information, but this was no longer an issue as reducing the voting age was in line with the rules for Local Government and Scottish Parliament elections. It was also proposed to change the name of “Additional Co-opted Member” to “Associate Member”, though the role would remain the same. The final amendment related to the requirement for community councils to have their accounts independently checked and certified. Although accounts would still need to be checked by a qualified person, this change would remove the need for professionally audited accounts and could help community councils reduce their costs.

*(Mr Campbell left the meeting during the following discussion)*

It was pointed out that many community councils had their accounts independently checked and certified by Voluntary Action Shetland, and the Executive Manager – Governance and Law advised that this practice could continue. It was also commented that the lowering of the membership and voting age to 16 was to be welcomed, especially given the number of vacancies on Community Councils, and that some thought should be given as to how to promote this to young people.

Mr Coutts moved that the Council approve the recommendations in the report, and Mr C Smith seconded.

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**Decision:**

The Council APPROVED amendments to the Community Council Constitution and Local Election Rules, as set out in Section 4 of the report.

*(Mr Fraser returned to the meeting)*

**37/21 Risk Management Policy Update**

The Council considered a report by the Director – Corporate Services (CRP-16-21-F) presenting the updated Risk Management Policy.

The Director of Corporate Services summarised the main terms of the report, advising that the Policy now included the policy objectives and Risk Appetite in a new format. It would be published on the Council's website in an accessible format, and approval was also sought for the revised publication format and procedural documentation.

In moving that the recommendations in the report be approved, Mr Coutts commented that he welcomed the recognition that the Council was risk aware rather than risk averse.

Ms Macdonald seconded.

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**Decision:**

The Council:

- APPROVED the updated Risk Management Policy objectives and Risk Appetite Statement set out in paragraphs 4.3 and 4.5 respectively
- APPROVED the revised format for the publication of the Risk Management Policy and procedural documentation on the Council's website as described in the report and its appendices.

**38/21 Corporate Risk Register**

The Council considered a report by the Director – Corporate Services (CRP-17-21-F) presenting the updated Corporate Risk Register.

The Director of Corporate Services summarised the main terms of the report, highlighting in particular that although the discussion earlier demonstrated that the Council had responded well to the COVID-19 pandemic, it was still a risk, though the rating had been adjusted to reflect progress and the situation in Shetland. A number of other risks were highlighted, including the need to ensure that there was appropriate planning and resourcing of projects to deliver the Council's "Ambition".



It was noted that the Policy and Resources Committee had requested more information to be included regarding the risk of being unable to invest in infrastructure projects, and the Director of Corporate Services advised that this was something that would be looked at in terms of the risk to outcomes and would be reflected in future updates. She also confirmed that discussion had taken place regarding the change programme delivery plan. Some difficulties had been experienced in pulling this together because of pressure of work, but it was intended to put a briefing to Members, and follow this up with a more formal report in the first cycle after the recess.

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**Decision:**

The Council CONSIDERED the content of the report and the Corporate Risk Register attached at Appendix 1 and ADVISED the Chief Executive and Corporate Management Team of its views.

**39/21 Notice of Motion: National Care Service - Councillor S Coutts**

The Council considered a Notice of Motion (Appendix 8) presented by the Leader and Depute Leader in relation to the National Care Service.

Mr Coutts moved that the Council adopt the Notice of Motion, and Ms Macdonald seconded.

In outlining the terms of the Notice of Motion, Mr Coutts highlighted the significant investment the Council and its partners had made in care provision in Shetland. It was not saying that there was no need for change or to seek improvement, and there were a lot of recommendations in the report that were valid. However there was a recognition that the purposes did not really fit individual circumstances in Shetland, for example in relation to private care provision. It was understood why the Scottish Government was looking to legislate at a national level and while there was not a lot of detail available yet, there was enough there to set alarm bells ringing about what it may mean for Shetland. It was also slightly at odds with the previous motion to enhance community empowerment, and it should not start from a premise that one size fits all. Decision-making should be at the most local level it could be.

He went on to say there was reference in the recommendations to the important role of councils and holistic thinking. However a national care service would be reporting to national boards, and budgets would be set nationally. Everyone was aware of the investment that had been made in care provision locally, and the role of Shetland Charitable Trust in investing and building up care provision had to be recognised. Because of the lack of detail, and reflecting on the situation that had arisen with Highlands and Islands Airports Limited (HIAL), confirmation that a full Island Communities Impact Assessment would be undertaken before any legislation was drafted was sought. Engagement would take place with the Health Secretary regarding retaining the good services locally. The standards in Shetland were high, and he did not wish to see any reduction, so he urged Members to support the Notice of Motion.

Ms Macdonald added that there were many areas of the Independent Review to be welcomed - such as the approaches in relation to human resources and quality. She said that the Council recognised and valued its dedicated and skilled staff working across all settings, and the role that unpaid carers played in the community. The health and care partnership had a history of working together very well, and there were some fantastic examples of partnership working. It was not a vital change that was required, but further investment, and the Council prioritised health and social care in setting its

budgets. Because decisions were taken locally, a national care service could result in barriers to change. Local services should not have to be downgraded to care levels in other areas, so it was vital that an impact assessment was done before any legislation was drafted.

Responding to questions, Mr Coutts advised that there were concerns across the board about what this would mean for island local authorities, and for local authorities more generally. It was important to reflect that it was not felt that there would be one solution for island authorities either, but that it should be built from a local level with local accountable decision makers. The concerns also formed part of the regular engagement with the local MP and MSP. There were lots of variations across Scotland as to how care was provided, with local investment above the Scottish Government application so there was a need to understand the implications for that. There would be positive engagement and Shetland could bring positive messages about partnership working and improving standards, with the aim of protecting and enhancing what Shetland had, which was based on local accountability and provision.

It was suggested that that the decision to create a national care service had already been taken, and the Scottish Government was just looking to build a case for doing so. While the need for a review was acknowledged, there appeared to be no consideration of any alternative methods and it was feared there could be a diminution of care in the community rather than an improvement. For example, it was recommended that all staff received the national living wage, but the Council paid well above this. Rather than improve the provision of staff, it could lead to a reduction, and the Council might be faced with putting the elderly and disabled off-island for specialist provision. The notion that that a national care service was the best outcome should be challenged.

It was questioned if there was evidence that the level of care provision in Shetland would be downgraded should there be a national care service. Currently there was a national procurement service providing for all 32 local authorities, and this may possibly provide a better service.

Mr Coutts referred back to the previous item where risks facing the Council had been considered which highlighted the risk relating to significant changes to the way in which care was delivered. The Council sought to be risk aware and get involved in conversations before matters progressed and assumptions were made regarding how they would fit an island context. It was important these conversations happened before a similar situation to HIAL arose, where systems had been predicted before assessments had been carried out. Scotland could learn from how care provision was carried out locally.

*(Mr Campbell returned to the meeting)*

It was suggested that all Members should make themselves aware of the content of the consultation and respond to it. There were opportunities as well as threats, and there may well be exemplars included in the national standards that Shetland could learn from. There was a need to engage in constructive dialogue with the Scottish Government, and an Island Communities Impact Assessment must be done at the outset, otherwise there could be a diminution of service locally. This was a Scottish Government commitment, but it had not been the case with the HIAL consultation.

In response to a question, Ms Macdonald advised that she had presented the Notice of Motion in her position as Depute Leader rather than as Chair of the Integration Joint

Board. While the report gave more powers to Integration Joint Boards, but there would be more layers of bureaucracy. She reassured Members that the Council intended to be positive in its engagement with the Scottish Government.

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**Decision:**

The Council RESOLVED to adopt the motion that as a matter of priority, and in keeping with the Islands (Scotland) Act 2018, the Council writes to the Cabinet Secretary for Health and Social Care seeking confirmation that a full Island Communities Impact Assessment will be undertaken before any legislation for a National Care Service is drafted.

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

Ms Macdonald and Mr Sandison declared an interest in the following item.

*(Ms Macdonald, Mr C Smith, and Ms Manson left the meeting)*

40/21 **Confidential Corporate Risk Register**

The Council considered a report by the Director – Corporate Services presenting the current Confidential Corporate Risk Register.

The Director of Corporate Services summarised the main terms of the report.

The Director of Corporate Services and the Executive Manager – Governance and Law responded to a question from a Member.

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**Decision:**

The Council APPROVED the recommendation in the report.

The meeting concluded at 12.55pm.

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Chair